

Stock Code: 8996



KAORI HEAT TREATMENT CO., LTD.

## **2025 Annual General Shareholders' Meeting**

# **Agenda Handbook**

Convening Method: Physical Shareholders' Meeting

M e e t i n g   D a t e :   M a y   2 3 ,   2 0 2 5

Location: No.5-2, Jilin N. Road, Zhongli District, Taoyuan City,

**Taiwan** (Large conference room on 5F of the operational headquarters at the head office)

Note to Readers:

If there is any discrepancy between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese version shall prevail.

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# **KAORI HEAT TREATMENT CO., LTD**

## **Procedure for the 2025 Annual General Shareholders' Meeting**

1. Call the Meeting to Order
2. Chairman's Address
3. Report Items
4. Ratification Items
5. Discussion
6. Extempore Motions
7. Adjournment

# **KAORI HEAT TREATMENT CO., LTD**

## **Agenda for the 2025 Annual General Shareholders' Meeting**

Time: 9:30 a.m., Friday, May 23, 2025

Location: No.5-2, Jilin N. Road, Zhongli District, Taoyuan City, Taiwan (Large conference room on 5F of the operational headquarters at the head office)

### **1. Call the Meeting to Order**

### **2. Chairman's Address**

### **3. Report Items:**

- (1) 2024 Business Report.
- (2) 2024 Audit Committee's Review Reports.
- (3) Report on Remuneration Distribution to Employee and Director for Year 2024.
- (4) Report on Shareholders' Dividend and Bonus Distribution for Year 2024.
- (5) Report on Remuneration to Directors for Year 2024.
- (6) Report on Purchasing and Selling Goods, Providing Labor or Technical Services to Related Parties for Year 2024.

### **4. Ratification Items:**

- (1) Business Report and Financial Statements for Year 2024.

### **5. Discussion:**

- (1) Amendments to the Company's Articles of Incorporation.

### **6. Extempore Motions:**

### **7. Adjournment**

## **Report Item**

Item 1:

Proposal: To report the 2024 Business Reports for review.

Description: Please refer to 7~11 of “Attachment 1” in this Agenda Handbook for the 2024 Business Report of the Company.

Item 2:

Proposal: To report the 2024 Audit Committee’s Review Reports for review.

Description: Please refer to page 12 of “Attachment 2” in this Handbook for the 2024 Audit Committee’s Review Reports.

Item 3:

Proposal: To report the Remuneration Distribution to Employee and Director for Year 2024 for review.

Description: 1. According to the Articles of Incorporation of the Company, if the Company makes profits in the year, it shall set aside not less than 2% as the remuneration for employees and not more than 5% as the remuneration for directors.

2. The Company’s net profit before-tax in 2024 is NT\$ 743,103,787, which is to be distributed in accordance with the Articles of Incorporation. It is suggested to distribute NT\$ 16,530,911 for employees and NT\$ 27,551,518 for directors.

Item 4:

Proposal: To report the Shareholders’ Dividend and Bonus Distribution for Year 2024 for review.

Description: 1. The proposal was passed by the Board resolution on March 5, 2025.

2. In accordance with the provisions of Article 29 of the Articles of Incorporation of the Company, the Board of Directors shall be authorized by special resolution to distribute dividends and bonuses or all or part of the statutory surplus reserve and capital reserve as provided for in Paragraph 1, Article 241 of the Company Act in the form of cash and to report to the Shareholders’ Meeting.

3. We plan to distribute cash dividends of NT\$4.0 per share, totaling NT \$365,858,796. The cash (dividend) is calculated to NT\$1 according to the distribution proportion; those less than NT\$1 will be rounded down. The total amount of fractional parts less than NT\$1 is included in the Company’s other income.

4. In the event that the number of ordinary shares of the Company changes due to the issuance of convertible bonds by the Company for conversion, purchase of shares of the Company or transfer, conversion and cancellation of treasury shares, or the exercise of employee stock options, the shareholders’ dividend ratio changes as a result and needs to be amended or

the schedule related to subsequent issuance operations needs to be changed, it is proposed that the Board of Directors authorize the Chairman to handle the matter with full authority.

5. Please refer to page 13 for “Attachment 3” for Statement of Distribution of Surplus for Year 2024.

Item 5:

Proposal: To report Remuneration to Directors for Year 2024 for review.

Description: The Company’s policy, system, standard and structure of remuneration for directors shall state the correlation with the amount of remuneration according to the responsibilities, risks, time invested and other factors:

1. In accordance with the articles of Association of the Company, the remuneration of directors shall be determined by the Board of Directors according to the degree of their participation in the operation of the Company, contributions, and taking into account the standards of the domestic and foreign industry, and shall also specify that the remuneration of directors shall not exceed 5% if any profit is made.
2. The remunerations to the Company’s directors shall be reviewed by the Remuneration Committee by referring to director’s participation in the Company’s operation and contribution and by associating the reasonableness and fairness of performance risks with the remuneration received and by referring to the salary standards of the markets of the same trade before submitting the recommendations to the directors for resolution.
3. Please refer to the “Attachment 4” in page 14 in this Agenda Handbook for the Statement of Directors’ Individual Remuneration for Year 2024.

Item 6:

Proposal: To report the Purchasing and Selling Goods, Providing Labor or Technical Services to Related Parties for Year 2024 for review.

Description: In accordance with Paragraph 1, Article 9 of the Company’s “Regulations Governing the Financial Transactions between Related Parties”, except for dealers with subsidiary companies, the transaction (transactions with subsidiaries, account balances, income and expenses are fully written off at the time of consolidation) between the Company and other related parties (mainly the remunerations of management) in 2024 was NT \$108,341 thousand, which shall be determined by the Remuneration Commission on the basis of individual performance and market performance.

## **Ratification Items**

Item 1: (Proposed by the Board)

Proposal: To report the Business Report and Financial Statements for Year 2024 for review.

Description: 1. The Company's Statement of Distribution of Surplus for Year 2024, Financial Statements and Consolidated Financial Statements have been audited and reviewed by CPAs Su, Yu-Hsiu and Chen, Wen-Hsiang.

2. This proposal was approved by the Board resolution of March 5, 2025, and sent to the Audit Committee for review and completion.

3. Please refer to pages 7 to 11 for "Attachment 1", pages 15 to 37 for "Attachment 6" for Business Report, CPA's Audit Report, Financial Statements and page 13 for "Attachment 3" Surplus Distribution Statement, respectively in this Agenda Handbook.

4. To your ratification.

Resolution:

## **Discussion**

Item 1: (Proposed by the Board):

Proposal: Amendments to the Company's "Articles of Incorporation" for your discussion.

Description: 1. In accordance with official letter of Jin Guan Zheng Fa Tzu No. 1130385442 released on November 8, 2024, part of the Company's "Articles of Incorporation" is accordingly amended.  
2. Please refer to page 38 of "Attachment 6" in this Agenda Handbook for the Comparison Table for Revision of the Company's Articles of Incorporation.  
3. For your discussion and resolution.

Resolution:

## **Extempore Motions**

## **Adjournment**



# KAORI HEAT TREATMENT CO., LTD

## 2024 Business Report

Recently, artificial intelligence (AI) has become the underlying technology for the next transformation and growth, and the wide application of AI has aroused high anticipation from all walks of life. Super large cloud service enterprises such as Amazon, Google, Meta, Microsoft, Tesla, which has long been deeply involved in the field of autonomous driving, and international leading enterprises such as xAI, which occupy an important position in the field of artificial intelligence models, have ambitiously announced that they will increase investment in AI technology research and development or data center construction in the next few years. This trend has also led to the vigorous development of the upstream and downstream industries, including water cooling and other cooling systems and component products for data center servers. How to meet the new power demand of large-scale AI data centers for model training and inference has also captured great attention from governments and industry, and they are actively looking for power sources meeting the energy required for exponential growth of computing power while managing carbon emission as far as possible.

The year 2024 saw the Company grow by leaps and bounds in the field of water-cooled cooling. In order to enhance flexibility and efficiency, achieve the group's collaboration, and thereby seizing the opportunity for the growth of the AI data center cooling industry, Kaori passed the spin-off resolution at the Extraordinary Shareholders' Meeting held on November 12, 2024 to transfer the thermal business to Kaori Thermal Technology Co., LTD., a newly established subsidiary 100% owned by the Company, in the form of an existing split. Meanwhile, to establish production bases outside Taiwan and China, Kaori established a subsidiary in Thailand in the fourth quarter of 2024 and has already selected a production base. These two major decisions are both aimed at meeting the future market demands of the AI industry.

It has been 55 years since its establishment, and the Company's continuous success in operation is inseparable from the strong support of shareholders and the efforts of all colleagues. We look forward to Kaori being able to grasp opportunities more flexibly and quickly after the organizational adjustment of the group, and once again achieve excellent results. The business situation of the company in the past year is now reported as follows:

### 1. Results of the Implementation of 2024 Annual Business Plan:

#### (1) 2024 Individual Financial Report

Unit: NT\$ thousands

Items	2023	2024	Increase/Decrease in Amounts	Increase/Decrease in Ratio (%)
Operating revenue	4,143,285	3,773,042	-370,243	-8.94%
Net operating profit	664,378	620,642	-43,736	-6.58%
Net profit of the current period	576,526	593,044	16,518	2.87%
Total comprehensive income of the current period	555,824	640,551	84,727	15.24%

Basic EPS (NT\$)	6.45	6.56	0.11	1.71%
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(2) 2024 Consolidated Financial Report

Unit: NT\$ thousands

Items	2023	2024	Increase/Decrease in Amounts	Increase/Decrease in Ratio (%)
Operating revenue	4,325,671	4,003,440	-322,231	-7.45%
Net operating profit	711,438	646,557	-64,881	-9.12%
Net profit of the current period	576,526	593,044	16,518	2.87%
Total comprehensive income of the current period	555,824	640,551	84,727	15.24%
Basic EPS (NT\$)	6.45	6.56	0.11	1.71%

2. Budget Implementation

The Company did not publicize the financial forecast for 2024. In the face of numerous external challenges in the same year, the Company's revenue successfully reached the budget target, with our profit far exceeding the budget expectations credited to the team's hard work in winning orders, and the internal continuous promotion of process optimization. Overall, the Company's performance in 2024 was solid with some breakthroughs.

3. Financial Expenditure and Profitability:

Unit: NT\$ thousands

Items		2024 Individual Financial Reports	2024 Consolidated Financial Reports
Cash Flow	Net cash inflow from operating activities	962,593	1,041,283
	Net cash outflow from investing activities	(806,462)	(194,638)
	Net cash inflow from financing activities	426,128	426,128
Financial Structure (%)	Ratio of liabilities to assets (%)	41.92	43.68
	Ratio of long-term funds to real property, plants and equipment (%)	226.49	214.95
Solvency (%)	Current Ratio (%)	151.18	205.41
	Quick Ratio (%)	102.02	146.10
Profitability (%)	Return on Assets (%)	11.40	11.18
	Return on Equity (%)	19.32	19.32
	Ratio of net profit before-tax to paid-in capital (%)	81.24	81.99
	Profit Margin (%)	15.72	14.81
	Basic EPS (NT\$)	6.56	6.56

4. R&D Status

The Company attaches great importance to the development of new products and new technologies, and invests considerable resources in product and technology research and development every year. The Company determines research and development directions, prioritizes execution, and allocates resources reasonably based on market and customer needs.

For successfully developed achievements, we protect our Company's intellectual property rights through patent applications.

Here is the highlight of our main research and development results of the Company in 2024. The Heat Exchanger Business is currently engaged in three important research and development efforts: the development of different channel heat exchangers, the development of iron based brazed heat exchangers, and the development of new-sized heat exchangers. Kaori plays an important role in advancing SOFC (Solid Oxide Fuel Cell) power generation, SOEC (Solid Oxide Electrolysis Cell), and carbon capture systems with our customers. The water-cooled cooling products of the Thermal Energy Division have been certified by customers and have been shipped. In 2024, the Thermal Energy Division not only saw a significant increase in sales, but also a significant increase in profitability. In 2024, the Hydrogen Energy Division has achieved quite good results in cooperation projects with Taipower, the Industrial Technology Research Institute, the Central Weather Administration, Taiwan (R.O.C.) and schools.

## 5. Summary of 2025 Business Plans

### (1). Business Policies

1. Strengthening process and product design capabilities, actively developing new products or technologies in response to new product capacity requirements, and continuously investing in research and development are the best strategies to implement the sustainable development of the Company.
2. Deeply understand industrial applications and customer needs to develop corresponding products, seize the niche market, and actively strive for cooperation with large-scaled foreign equipment manufacturers and major agent manufacturers to expand distribution bases and sales territory. Through overseas exhibitions and the use of social networks, we will strive to seize the domestic and foreign sales market and increase market share. And we also expand the sales channel through the alliance of dealers, and actively use the network sales to build up and enhance the brand visibility.

### (2). Expected Sales Quantity and its Basis

The expected sales budget of the Company is based on the existing orders according to customer demand, as well as market analysis status and overall operating production and marketing plan report. We hope that the overall operation of the Company in 2025 will remain a stable growth.

### (3). Important Production and Sales Policies

1. Improving product quality, and continuously expanding production bases and production equipment.
2. Actively expanding domestic and export markets, seeking OEM opportunities from major international players, and continuously strengthening production and sales capabilities of the Company's overseas subsidiaries.

## 6. Future Development Strategies of the Company

In order to achieve its operational growth objectives, the Company focuses on improving overall equipment capacity and personnel efficiency to ensure that both are able to support

future shipment growth needs. The Company's capital expenditure plans for vacuum furnaces and automation equipment planned in 2022 have been substantially completed in 2024. It is expected that the Company's four major products - heat exchangers, fuel cells, AI heat dissipation, and hydrogen energy applications - will grow significantly in the next few years. In view of the fact that the existing production bases will gradually reach their capacity limits, in order to meet the needs of customers while taking into account various factors such as politics and production capacity comprehensively, our Company is actively setting up factories in a third-party region outside the Chinese mainland and Taiwan. After evaluation, our Company has selected Thailand as the third production base. At present, the subsidiary in Thailand has been established and the land purchase contract has been signed. In 2025, we will make every effort to promote the construction of the factory, and it is expected that the new factory will be completed and put into operation by 2027.

In addition to developing all-stainless steel welding heat exchangers to reduce costs and developing heat exchangers dedicated to server heat dissipation in order to enter the AI heat dissipation field, the Heat Exchanger Business has also cooperated with the Fuel Cell Business to develop large high-nickel alloy heat exchangers for fuel cells, contributing to expanding the heat exchanger application market. The Fuel Cell Business has been working with Bloom Energy, a major customer, for many years, and optimizing refined production management is an important issue for it. The Fuel Cell Business plans to introduce more automated production processes to increase production, on the one hand, to ensure that products are delivered on time to meet customer needs; on the other hand, continue to promote the optimization of production links, reduce production costs, so as to improve profitability. Based on the project experience accumulated in 2024, the Hydrogen Business will continue to invest in the development of natural gas pyrolysis for hydrogen production and carbon sequestration equipment, waste hydrogen recovery system and hydrocracking system development for metal heat treatment industry, so as to create technology that can be widely used in the industry, and thus generating revenue growth for the Hydrogen Business. The subsidiary, Kaori Thermal Technology Co., Ltd., will focus on the AI data center cooling industry, designing and developing Manifold, CDU, Radiator and other products with higher cooling capacity, and obtaining customer certification to increase the market share of cooling products.

## 7. The Impact of External Competitive Environment, Regulatory Environment, and Overall Business Environment

Since taking office, Donald Trump has issued a series of executive orders, which have triggered a wide debate around climate action and economic activity around the world, and have prompted significant changes in related fields. Regardless of the direction of US policy, there is only one planet, and carbon reduction will always be a major issue. In this context, the Company continues to spare no effort in promoting ESG sustainability. The tariff issue has a quick and direct impact on economic activity. At present, the automotive industry and the steel supply chain are greatly affected, but according to the Company's initial assessment, the impact of this issue on the Company is limited. However, it is necessary to pay close attention to how countries will respond and how the global tariff war will develop, so that the Company can

maintain its competitiveness.

The adjustment of political and economic regulations, changes in policy direction, fluctuations in the external environment, as well as the advantages and disadvantages of the overall business environment and the business cycle are closely related to the development of the Company. At present, these effects have no significant impact on the Company. The Company has retained lawyer Hsieh, Tien-Jen, former Chairman of Consumers' Foundation, as a legal advisor to provide opinions on possible future legal changes and actions to reduce the operational risks in response to such changes.

Since its founding, Kaori has responded to changes in the external competitive environment with the best core technology, rich experience and excellent management. In the future, all colleagues of the Company will continue to adhere to the business philosophy of "innovation, quality, responsibility and honor", and strive to achieve the Company's operating objectives and maintain the stable growth of the Company, so as to live up to the expectations of shareholders.

Wish all shareholders

Good health and happiness.

Chairman	WU CHIH-HSYONG
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General Manager	WANG HSIN-WU
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Accounting Supervisor	CHANG WAN-CHING
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## KAORI HEAT TREATMENT CO., LTD Audit Committee's Review Reports

The Board of Directors is permitted hereby to submit the Company's Business Report, Individual Financial Report, Consolidated Financial Report and Statement of Distribution of Surplus of 2024. The Individual Financial Report, Consolidated Financial Report have been jointly audited by two accountants, Su, Yu-Hsiu and Chen, Wen-Hsiang of Deloitte & Touche Firm, who were entrusted by the Board of Directors and who issued an audit report thereof. The above-mentioned statements and reports prepared and submitted by the Board of Directors have been verified by the Audit Committee and are deemed complete. Therefore, a report is prepared in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please review these reports.

To

KAORI HEAT TREATMENT CO., LTD

2025 Annual General Shareholders' Meeting

Audit Committee

Member: Hung, Hsiang-Wen

Member: Tang, Chi-Yao

Member: Mao, En-Kuang

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KAORI HEAT TREATMENT CO., LTD  
Statement of Distribution of Surplus for Year 2024

Item	Amount
Undistributed surplus at the beginning of the period	357,600,914
Re-measurements of the net defined benefit liability recognized as the retained surplus	5,733,658
Undistributed surplus at the beginning of the adjustment period	363,334,572
Add: Net profit after-tax in 2024	593,043,782
Add: Conversion of special reserve	5,401,304
Less: Set aside legal reserve	(59,877,744)
Distributable surplus in the current period	901,901,914
Less: Cash dividends for shareholder (NT\$4.0 per share in cash) [Note 1, 2]	(365,858,796)
Undistributed surplus at the end of the period	536,043,118
Notes:	
1. The distribution of shareholders' cash dividends is mainly based on the de facto distribution of the number of outstanding shares on the ex-dividend date.	
2. The amounts of this surplus distribution are prioritized mainly based on the annual surplus of 2024.	

Chairman: WU CHIH-HSYONG

Manager: WANG HSIN-WU

Accounting supervisor: CHANG, WAN-CHING

KAORI HEAT TREATMENT CO., LTD.  
Statement of Remuneration for General Directors and Independent Directors

December 31, 2024 Unit: NT\$thousands

Title	Name	Director's Remuneration								Total Amount of Items A, B, C, and D and Their Proportion to Net Profit after Tax		Remunerations Paid to Employees Concurrently Serving Other Posts								Total Amount of Items A, B, C, D, E, F and G and Their Proportion to Net Profit after Tax		Remuneration from enterprises or parent companies outside the subsidiaries
		Remuneration (A)		Retirement Pension(B)		Director's Remuneration (C)		Business Execution Expenses (D)				Salaries, Bonuses and Expenses (E)		Retirement Pension (F)		Employees' Pension (G)						
		The Company	All companies in financial reports	The Company	All companies in financial reports	The Company	All companies in financial reports	The Company	All companies in financial reports	The Company	All companies in financial reports	The Company	All companies in financial reports	The Company	All companies in financial reports	The Company		All companies in financial reports		The Company	All companies in financial reports	
Chairman	WU CHIH HSYONG	8,186	8,186	0	0	7,592	7,592	80	80	15,858 2.67%	15,858 2.67%	0	0	0	0	0	0	0	0	15,858 2.67%	15,858 2.67%	None
Deputy Chairman	HAN, Hsien-Fu	0	0	0	0	3,796	3,796	80	80	3,876 0.65%	3,876 0.65%	6,512	6,512	209	209	0	0	0	0	10,598 1.79%	10,598 1.79%	None
Director	Wang, Hsin-Wu	0	0	0	0	3,796	3,796	80	80	3,876 0.65%	3,876 0.65%	6,290	6,290	311	311	134	0	134	0	10,611 1.79%	10,611 1.79%	None
Director	Huang, Hung-Hsing	0	0	0	0	3,796	3,796	80	80	3,876 0.65%	3,876 0.65%	3,847	3,847	108	108	39	0	39	0	7,870 1.33%	7,870 1.33%	None
Director	Aladdin Holdings Group Co., Ltd.	0	0	0	0	7,592	7,592	0	0	7,592 1.28%	7,592 1.28%	0	0	0	0	0	0	0	0	7,592 1.28%	7,592 1.28%	None
	Representative Wu, Chun-Ying	0	0	0	0	0	0	80	80	80 0.01%	80 0.01%	5,234	5,234	108	108	89	0	89	0	5,511 0.93%	5,511 0.93%	None
	Representative Ku, Hung-Tao	0	0	0	0	0	0	80	80	80 0.01%	80 0.01%	0	0	0	0	0	0	0	0	80 0.21%	80 0.21%	None
Independent Director	Hung, Hsiang-Wen	840	840	0	0	0	0	80	80	920 0.16%	920 0.16%	0	0	0	0	0	0	0	0	920 0.16%	920 0.16%	None
Independent Director	Mao, En-Kuang	660	660	0	0	0	0	80	80	740 0.12%	740 0.12%	0	0	0	0	0	0	0	0	740 0.12%	740 0.12%	None
Independent Director	Tang, Chi-Yao	660	660	0	0	0	0	80	80	740 0.12%	740 0.12%	0	0	0	0	0	0	0	0	740 0.12%	740 0.12%	None

1. Please describe the policy, system, standards, and structure for the payment of remuneration to independent directors, and explain the correlation with the amount of remuneration based on factors such as responsibilities, risks, and investment time:

The remuneration to the Company's independent directors shall be based on relevant provisions in the Company's Articles of Incorporation, reviewed by the Compensation Committee in the aspects of directors' participation in the Company's operation, contribution and performance as well as by referring to the peer standards. The Committee then propose reasonable and fair remuneration recommendations and report them to the Board of Directors for resolution. Except as disclosed in the above table, remuneration received by the directors of the Company in the most recent year for services rendered to all companies in the financial reports (e.g. acting as consultants to non-employees of the parent company/all companies in the financial reports/sub-investment businesses, etc.)



Attachment 5

**Kaori Heat Treatment Co., Ltd.**

**Parent Company Only Financial Statements for the  
Years Ended December 31, 2024 and 2023 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Kaori Heat Treatment Co., Ltd.

### **Opinion**

We have audited the accompanying parent company only financial statements of Kaori Heat Treatment Co., Ltd. (the “Company”), which comprise the parent company only balance sheets as of December 31, 2024 and 2023, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including material accounting policy information (collectively referred to as the “parent company only financial statements”).

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2024 and 2023, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of Matter**

In notes 1, 4, and 11 to the parent company only financial statements, on December 31, 2024, Kaori Heat Treatment Co., Ltd. transferred the business (including assets, liabilities, and operations) of the Thermal Energy Division to Kaori Thermal Technology CO., LTD., a wholly owned subsidiary by Kaori Heat Treatment Co., Ltd, with a carrying value of \$850,000 thousand. In accordance with the IFRS Q&A and related interpretations issued by the Accounting Research and Development Foundation of the Republic of China, the transaction is an organizational reorganization under common control, and according to the regulations, Kaori Heat Treatment Co., Ltd. has chosen not to treat the business related to the thermal energy business as being held by Kaori Thermal Technology CO., LTD. from the beginning, and not to restate the financial statements for the comparison period. The accountant did not amend the audit opinion as a result.

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Company's financial statements for the year ended December 31, 2024 is stated as follows:

### **Specific Sales Department's Revenue Recognition**

In 2024, Kaori Heat Treatment Co., Ltd.'s experienced a decrease in operating revenue by approximately 9% compared to 2023. However, sales revenue from a particular department significantly increased, deviating from the overall revenue trend and involving a substantial amount. Due to the higher risk associated with the authenticity of this sales revenue, we have identified the validity of the sales revenue from this specific department as a key audit matter. For the accounting policies related to revenue recognition, see Notes 4(12) and 21 of the financial statements.

The key audit procedures that we performed in respect of revenue recognition for these specific department included the following:

1. We obtained an understanding and tested the appropriateness of the design and the implementation of internal control system that is related to revenue recognition.
2. We sampled the sales from these specific department, and verified related sales orders, shipment records and the received payments.

### **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2024 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Yu-Shiou Su and Wen-Hsiang Chen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 5, 2025

#### Notice to Readers

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

*For the convenience of readers, the independent auditors' report and the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and parent company only financial statements shall prevail.*

**KAORI HEAT TREATMENT CO., LTD.****PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2024 AND 2023  
(In Thousands of New Taiwan Dollars)**

ASSETS	2024		2023	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 6 and 27)	\$ 1,088,629	19	\$ 506,370	11
Notes receivable (Notes 9 and 27)	14,559	-	14,479	-
Trade receivables (Notes 9 and 27)	596,697	10	745,233	15
Trade receivables from related parties (Notes 27 and 28)	3,346	-	8,431	-
Other receivables (Notes 9 and 27)	167	-	825	-
Other receivables from related parties (Notes 27 and 28)	23,333	-	-	-
Inventories (Note 10)	773,924	13	1,150,564	24
Other current assets	<u>58,065</u>	<u>1</u>	<u>39,083</u>	<u>1</u>
Total current assets	<u>2,558,720</u>	<u>43</u>	<u>2,464,985</u>	<u>51</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 7 and 27)	1,514	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 27)	106,624	2	68,634	2
Investments accounted for using equity method (Note 11)	1,232,477	21	293,460	6
Property, plant and equipment (Notes 12 and 29)	1,865,320	32	1,783,867	37
Right-of-use assets (Note 13)	9,841	-	6,462	-
Investment properties (Notes 14 and 29)	21,312	-	22,225	1
Insurance swaps	5,799	-	2,592	-
Deferred tax assets (Note 23)	15,554	-	15,326	-
Other non-current assets	77,727	1	129,849	3
Net defined benefit assets - non-current (Notes 4 and 19)	<u>22,449</u>	<u>1</u>	<u>12,205</u>	<u>-</u>
Total non-current assets	<u>3,358,617</u>	<u>57</u>	<u>2,334,620</u>	<u>49</u>
<b>TOTAL</b>	<u>\$ 5,917,337</u>	<u>100</u>	<u>\$ 4,799,605</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term loans (Notes 15 and 27)	\$ 905,000	15	\$ -	-
Contract liabilities - current (Note 21)	30,838	1	31,421	1
Notes payable (Note 27)	1,322	-	1,132	-
Trade payables (Note 27)	251,210	4	194,475	4
Trade payables from related parties (Notes 27 and 28)	5,298	-	4,369	-
Other payables (Notes 17 and 27)	347,945	6	344,912	7
Current tax liabilities (Notes 4 and 23)	81,536	2	117,998	3
Lease liabilities - current (Note 13)	4,418	-	2,864	-
Current portion of long-term borrowings (Notes 15 and 27)	53,459	1	254,650	5
Other current liabilities	<u>11,460</u>	<u>-</u>	<u>14,687</u>	<u>-</u>
Total current liabilities	<u>1,692,486</u>	<u>29</u>	<u>966,508</u>	<u>20</u>
<b>NON-CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss - non-current (Notes 7, 16 and 27)	-	-	7,100	-
Bonds payable (Notes 16 and 27)	467,047	8	907,030	19
Long-term borrowings (Notes 15, 27 and 29)	268,156	4	184,505	4
Provisions - non-current (Note 18)	441	-	-	-
Deferred income tax liabilities (Note 23)	46,343	1	26,936	1
Lease liabilities - non-current (Note 13)	5,493	-	3,631	-
Guarantee deposits received	<u>363</u>	<u>-</u>	<u>213</u>	<u>-</u>
Total non-current liabilities	<u>787,843</u>	<u>13</u>	<u>1,129,415</u>	<u>24</u>
Total liabilities	<u>2,480,329</u>	<u>42</u>	<u>2,095,923</u>	<u>44</u>
<b>EQUITY (Note 20)</b>				
Share capital				
Ordinary shares	<u>914,647</u>	<u>15</u>	<u>893,841</u>	<u>18</u>
Capital surplus	<u>1,245,856</u>	<u>21</u>	<u>816,351</u>	<u>17</u>
Retained earnings				
Legal reserve	278,353	5	220,836	5
Special reserve	5,401	-	-	-
Unappropriated earnings	<u>956,379</u>	<u>16</u>	<u>778,056</u>	<u>16</u>
Total retained earnings	<u>1,240,133</u>	<u>21</u>	<u>998,892</u>	<u>21</u>
Other equity				
Unrealized gain on financial assets at fair value through other comprehensive income	24,781	1	(5,545)	-
Exchange differences on translating the financial statements of foreign operations	<u>11,591</u>	<u>-</u>	<u>143</u>	<u>-</u>
Total other equity	<u>36,372</u>	<u>1</u>	<u>(5,402)</u>	<u>-</u>
Total equity	<u>3,437,008</u>	<u>58</u>	<u>2,703,682</u>	<u>56</u>
<b>TOTAL</b>	<u>\$ 5,917,337</u>	<u>100</u>	<u>\$ 4,799,605</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.

# KAORI HEAT TREATMENT CO., LTD.

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2024		2023	
	Amount	%	Amount	%
REVENUE (Notes 4, 21 and 28)	\$ 3,773,042	100	\$ 4,143,285	100
COST OF GOODS SOLD (Notes 10, 22 and 28)	<u>2,652,506</u>	<u>70</u>	<u>3,016,333</u>	<u>73</u>
GROSS PROFIT	1,120,536	30	1,126,952	27
UNREALIZED GAIN ON ASSOCIATES AND JOINT VENTURES	(5,884)	-	(5,878)	-
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	<u>5,878</u>	<u>-</u>	<u>4,473</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>1,120,530</u>	<u>30</u>	<u>1,125,547</u>	<u>27</u>
OPERATING EXPENSES (Notes 19 and 22)				
Selling and marketing expenses	123,976	3	122,225	3
General and administrative expenses	265,523	7	253,363	6
Research and development expenses	113,099	3	83,813	2
Expected credit (gain) loss	<u>(2,710)</u>	<u>-</u>	<u>1,768</u>	<u>-</u>
Total operating expenses	<u>499,888</u>	<u>13</u>	<u>461,169</u>	<u>11</u>
PROFIT FROM OPERATIONS	<u>620,642</u>	<u>17</u>	<u>664,378</u>	<u>16</u>
NON-OPERATING INCOME AND EXPENSES (Note 22)				
Interest income	8,008	-	7,678	-
Other income	57,861	2	14,722	-
Other gains and losses	59,489	2	25,140	1
Finance costs	(22,471)	(1)	(33,394)	(1)
Share of profit of subsidiaries	<u>19,575</u>	<u>-</u>	<u>38,198</u>	<u>1</u>
Total non-operating income and expenses	<u>122,462</u>	<u>3</u>	<u>52,344</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	743,104	20	716,722	17
INCOME TAX EXPENSE (Notes 4 and 23)	<u>150,060</u>	<u>4</u>	<u>140,196</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>593,044</u>	<u>16</u>	<u>576,526</u>	<u>14</u>

(Continued)

# KAORI HEAT TREATMENT CO., LTD.

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2024		2023	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 7,167	-	\$ (1,690)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	37,990	1	(17,591)	(1)
Income tax related to items that will not be reclassified subsequently to profit or loss	(9,098)	-	4,054	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>11,448</u>	<u>-</u>	<u>(5,475)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>47,507</u>	<u>1</u>	<u>(20,702)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 640,551</u>	<u>17</u>	<u>\$ 555,824</u>	<u>13</u>
EARNINGS PER SHARE (Note 24)				
From continuing operations				
Basic	<u>\$ 6.56</u>		<u>\$ 6.45</u>	
Diluted	<u>\$ 6.35</u>		<u>\$ 6.44</u>	

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)



KAORI HEAT TREATMENT CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023  
(In Thousands of New Taiwan Dollars)

	Shares (In Thousands)	Share Capital	Capital Surplus	Retained Earnings			Other Equity		Total Equity
				Legal Reserve	Special reserve	Unappropriated Earnings	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Exchange Differences on Translating the Financial Statements of Foreign Exchange	
BALANCE AT JANUARY 1, 2023	89,384	\$ 893,841	\$ 593,414	\$ 190,165	\$ -	\$ 367,629	\$ 8,330	\$ 5,618	\$ 2,058,997
Appropriation of 2022 earnings									
Legal reserve	-	-	-	30,671	-	(30,671)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(134,076)	-	-	(134,076)
Other changes in capital surplus									
Equity component recognized on the issuance of convertible corporate bonds - stock options	-	-	222,937	-	-	-	-	-	222,937
Net profit for the year ended December 31, 2023	-	-	-	-	-	576,526	-	-	576,526
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	-	(1,352)	(13,875)	(5,475)	(20,702)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	575,174	(13,875)	(5,475)	555,824
BALANCE AT DECEMBER 31, 2023	89,384	893,841	816,351	220,836	-	778,056	(5,545)	143	2,703,682
Appropriation of 2023 earnings									
Legal reserve	-	-	-	57,517	-	(57,517)	-	-	-
Special reserve	-	-	-	-	5,401	(5,401)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(357,536)	-	-	(357,536)
Other changes in capital surplus									
Execution of disgorgement	-	-	204	-	-	-	-	-	204
Net profit for the year ended December 31, 2024	-	-	-	-	-	593,044	-	-	593,044
Other comprehensive income (loss) for the year ended December 31, 2024, net of income tax	-	-	-	-	-	5,733	30,326	11,448	47,507
Total comprehensive income for the year ended December 31, 2024	-	-	-	-	-	598,777	30,326	11,448	640,551
Convertible bonds converted to ordinary shares	2,081	20,806	429,301	-	-	-	-	-	450,107
BALANCE AT DECEMBER 31, 2024	91,465	\$ 914,647	\$ 1,245,856	\$ 278,353	\$ 5,401	\$ 956,379	\$ 24,781	\$ 11,591	\$ 3,437,008

The accompanying notes are an integral part of the parent company only financial statements.

# KAORI HEAT TREATMENT CO., LTD.

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 743,104	\$ 716,722
Adjustments for:		
Depreciation expense	141,926	115,508
Amortization expense	4,623	3,638
Expected credit loss (reversed) recognized on trade receivables	(2,710)	1,768
Net (gain) loss on fair value change of financial assets and liabilities at fair value through profit or loss	(12,451)	1,844
Finance costs	22,471	33,394
Interest income	(8,008)	(7,678)
Share of gain of subsidiaries	(19,575)	(38,198)
Loss (gain) on disposal of property, plant and equipment	252	(4,323)
Write-down of inventories	13,326	4,882
Unrealized gain on the transactions with subsidiaries	5,884	5,878
Realized gain on the transactions with subsidiaries	(5,878)	(4,473)
Gain on lease modification	-	(5)
Changes in operating assets and liabilities:		
Financial assets mandatorily classified as at fair value through profit or loss	-	43,170
Notes receivable	(94)	6,402
Trade receivables	(17,427)	(229,304)
Trade receivables from related parties	5,085	5,103
Other receivables	658	(726)
Other receivables from related parties	(23,333)	-
Inventories	153,243	(56,901)
Other current assets	(20,978)	131,598
Net defined benefit assets	(3,077)	(3,267)
Contract liabilities	(583)	(21,717)
Notes payable	190	(169)
Trade payables	150,368	(47,221)
Trade payables to related parties	929	3,220
Other payables	15,533	110,272
Provisions	6,852	-
Other current liabilities	(3,227)	(525)
Cash (used in) generated from operations	1,147,103	768,892
Interest paid	(8,069)	(32,382)
Income tax paid	(176,441)	(73,278)
Net cash generated from operating activities	962,593	663,232
		(Continued)

# KAORI HEAT TREATMENT CO., LTD.

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

	2024	2023
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investments accounted for using the equity method	\$ (664,667)	\$ -
Payments for property, plant and equipment (Note 25)	(139,330)	(341,189)
Proceeds from disposal of property, plant and equipment	-	9,700
Payments for intangible assets	(8,080)	(3,150)
Increase in other non-current assets	(2,393)	(7,641)
Interest received	<u>8,008</u>	<u>7,678</u>
Net cash used in investing activities	<u>(806,462)</u>	<u>(334,602)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds (repayment) from short-term borrowings	905,000	(750,000)
Issuance of convertible bonds payable	-	1,132,768
Proceeds from long-term borrowings	137,110	110,890
Repayments of long-term borrowings	(254,650)	(354,450)
Proceeds from guarantee deposits received	150	-
Repayment of the principal portion of lease liabilities	(4,150)	(2,865)
Dividends paid to owners of the Company	(357,536)	(134,076)
Execution of disgorgement	<u>204</u>	<u>-</u>
Net cash generated from financing activities	<u>426,128</u>	<u>2,267</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	582,259	330,897
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>506,370</u>	<u>175,473</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,088,629</u>	<u>\$ 506,370</u>

The accompanying notes are an integral part of the parent company only financial statements.

(Concluded)

**Kaori Heat Treatment Co., Ltd. and  
Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2024 and 2023 and  
Independent Auditors' Report**

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2024 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards No. 10, “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

KAORI HEAT TREATMENT CO., LTD.

By

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CHIH-HSYONG WU  
Chairman

March 5, 2025

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Kaori Heat Treatment Co., Ltd.

### **Opinion**

We have audited the accompanying consolidated financial statements of Kaori Heat Treatment Co., Ltd. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2024 is stated as follows:

#### Specific Sales Department's Revenue Recognition

In 2024, Kaori Heat Treatment Co., Ltd. experienced a decrease in operating revenue by approximately 7% compared to 2023. However, sales revenue from a particular department significantly increased, deviating from the overall revenue trend and involving a substantial amount. Due to the higher risk associated with the authenticity of this sales revenue, we have identified the validity of the sales revenue from this specific department as a key audit matter. For the accounting policies related to revenue recognition, see Notes 4(12) and 22 of the financial statements.

The key audit procedures that we performed in respect of revenue recognition for these specific department included the following:

1. We obtained an understanding and tested the appropriateness of the design and the implementation of internal control system that is related to revenue recognition.
2. We sampled the sales from these specific department, and verified related sales orders, shipment records and the received payments.

#### **Other Matter**

We have also audited the parent company only financial statements of Kaori Heat Treatment Co., Ltd. as of and for the years ended December 31, 2024 and 2023, on which we have issued an unmodified opinion.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2024 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Yu-Shiou Su and Wen-Hsiang Chen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 5, 2025

#### Notice to Readers

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

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

# KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

ASSETS	2024		2023	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 3, 6 and 28)	\$ 1,871,305	31	\$ 590,937	12
Financial assets at amortized cost - current (Notes 9 and 28)	49,258	1	21,635	1
Notes receivable (Notes 10 and 28)	14,573	-	14,479	-
Trade receivables (Notes 10 and 28)	807,125	13	782,838	16
Other receivables (Notes 10 and 28)	257	-	825	-
Inventories (Note 11)	1,052,213	17	1,234,668	26
Other current assets	<u>61,076</u>	<u>1</u>	<u>56,290</u>	<u>1</u>
Total current assets	<u>3,855,807</u>	<u>63</u>	<u>2,701,672</u>	<u>56</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 7 and 28)	1,514	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 28)	106,624	2	68,634	1
Financial assets at amortized cost - non-current (Notes 9 and 28)	-	-	25,962	1
Property, plant and equipment (Notes 13 and 30)	1,965,780	32	1,838,556	38
Right-of-use assets (Note 14)	12,855	-	8,311	-
Investment properties (Notes 15 and 30)	21,312	-	22,225	1
Intangible asset	9,006	-	2,592	-
Deferred tax assets (Notes 4 and 24)	15,554	-	15,326	-
Other non-current assets (Note 31)	91,679	2	133,371	3
Net defined benefit assets - non-current (Notes 4 and 20)	<u>22,449</u>	<u>1</u>	<u>12,205</u>	-
Total non-current assets	<u>2,246,773</u>	<u>37</u>	<u>2,127,182</u>	<u>44</u>
TOTAL	<u>\$ 6,102,580</u>	<u>100</u>	<u>\$ 4,828,854</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Notes 16 and 28)	\$ 905,000	15	\$ -	-
Contract liabilities - current (Note 22)	33,447	1	38,728	1
Notes payable (Note 28)	1,322	-	1,132	-
Trade payables (Note 28)	360,210	6	204,579	4
Other payables (Notes 18 and 28)	417,484	7	358,939	8
Current tax liabilities (Notes 4 and 24)	82,391	1	119,112	3
Provisions - current (Note 19)	6,411	-	-	-
Lease liabilities - current (Note 14)	5,013	-	2,864	-
Current portion of long-term borrowings (Notes 16, 28 and 30)	53,459	1	254,650	5
Other current liabilities	<u>12,391</u>	-	<u>15,753</u>	-
Total current liabilities	<u>1,877,128</u>	<u>31</u>	<u>995,757</u>	<u>21</u>
NON-CURRENT LIABILITIES				
Financial liabilities at amortized cost - non-current (Notes 7 and 28)	-	-	7,100	-
Bonds payable (Notes 17 and 28)	467,047	8	907,030	19
Long-term borrowings (Notes 16, 28 and 30)	268,156	4	184,505	4
Provisions - non-current (Note 19)	441	-	-	-
Deferred income tax liabilities (Notes 4 and 24)	46,343	1	26,936	-
Lease liabilities - non-current (Note 14)	6,094	-	3,631	-
Guarantee deposits received (Note 28)	<u>363</u>	-	<u>213</u>	-
Total non-current liabilities	<u>788,444</u>	<u>13</u>	<u>1,129,415</u>	<u>23</u>
Total liabilities	<u>2,665,572</u>	<u>44</u>	<u>2,125,172</u>	<u>44</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)				
Share capital				
Ordinary shares	<u>914,647</u>	<u>15</u>	<u>893,841</u>	<u>18</u>
Capital surplus	<u>1,245,856</u>	<u>20</u>	<u>816,351</u>	<u>17</u>
Retained earnings				
Legal reserve	278,353	4	220,836	5
Special reserve	5,401	-	-	-
Unappropriated earnings	<u>956,379</u>	<u>16</u>	<u>778,056</u>	<u>16</u>
Total retained earnings	<u>1,240,133</u>	<u>20</u>	<u>998,892</u>	<u>21</u>
Other equity				
Unrealized gain on financial assets at fair value through other comprehensive income	24,781	1	(5,545)	-
Exchange differences on translating the financial statements of foreign operations	<u>11,591</u>	-	<u>143</u>	-
Total other equity	<u>36,372</u>	<u>1</u>	<u>(5,402)</u>	-
Total equity	<u>3,437,008</u>	<u>56</u>	<u>2,703,682</u>	<u>56</u>
Total	<u>\$ 6,102,580</u>	<u>100</u>	<u>\$ 4,828,854</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

# KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2024		2023	
	Amount	%	Amount	%
REVENUE (Notes 4 and 22)	\$ 4,003,440	100	\$ 4,325,671	100
COST OF GOODS SOLD (Notes 11 and 23)	<u>2,808,590</u>	<u>70</u>	<u>3,101,722</u>	<u>71</u>
GROSS PROFIT	<u>1,194,850</u>	<u>30</u>	<u>1,223,949</u>	<u>29</u>
OPERATING EXPENSES (Notes 23 and 28)				
Selling and marketing expenses	139,317	4	139,414	3
General and administrative expenses	297,425	7	287,463	7
Research and development expenses	113,099	3	83,813	2
Expected credit (gain) loss	<u>(1,548)</u>	<u>-</u>	<u>1,821</u>	<u>-</u>
Total operating expenses	<u>548,293</u>	<u>14</u>	<u>512,511</u>	<u>12</u>
PROFIT FROM OPERATIONS	<u>646,557</u>	<u>16</u>	<u>711,438</u>	<u>17</u>
NON-OPERATING INCOME AND EXPENSES (Note 23)				
Interest income	8,562	-	8,274	-
Other income	58,306	2	18,275	-
Other gains and losses	58,955	2	25,053	1
Finance costs	<u>(22,471)</u>	<u>(1)</u>	<u>(33,394)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>103,352</u>	<u>3</u>	<u>18,208</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	749,909	19	729,646	17
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(156,865)</u>	<u>(4)</u>	<u>(153,120)</u>	<u>(4)</u>
NET PROFIT FOR THE YEAR (Note 23)	<u>593,044</u>	<u>15</u>	<u>576,526</u>	<u>13</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	7,167	-	(1,690)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	37,990	1	(17,591)	-

(Continued)

# KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2024		2023	
	Amount	%	Amount	%
Income tax related to items that will not be reclassified subsequently to profit or loss	\$ (9,098)	-	\$ 4,054	-
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>11,448</u>	<u>-</u>	<u>(5,475)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>47,507</u>	<u>1</u>	<u>(20,702)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 640,551</u>	<u>16</u>	<u>\$ 555,824</u>	<u>13</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 593,044	15	\$ 576,526	13
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 593,044</u>	<u>15</u>	<u>\$ 576,526</u>	<u>13</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 640,551	16	\$ 555,824	13
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 640,551</u>	<u>16</u>	<u>\$ 555,824</u>	<u>13</u>
EARNINGS PER SHARE (Note 25)				
From continuing operations				
Basic	<u>\$ 6.56</u>		<u>\$ 6.45</u>	
Diluted	<u>\$ 6.35</u>		<u>\$ 6.44</u>	

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023  
(In Thousands of New Taiwan Dollars)

	Shares (In Thousands)	Share Capital	Capital Surplus	Retained Earnings			Unappropriated Earnings	Other Equity		Total Equity
				Legal Reserve	Special Reserve			Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Exchange Differences on Translating the Financial Statements of Foreign Exchange	
BALANCE AT JANUARY 1, 2023	89,384	\$ 893,841	\$ 593,414	\$ 190,165	\$ -		\$ 367,629	\$ 8,330	\$ 5,618	\$ 2,058,997
Appropriation of 2022 earnings										
Legal reserve	-	-	-	30,671	-		(30,671)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-		(134,076)	-	-	(134,076)
Equity component recognized on the issuance of convertible corporate bonds - stock options	-	-	222,937	-	-		-	-	-	222,937
Net profit for the year ended December 31, 2023	-	-	-	-	-		576,526	-	-	576,526
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	-		(1,352)	(13,875)	(5,475)	(20,702)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-		575,174	(13,875)	(5,475)	555,824
BALANCE AT DECEMBER 31, 2023	89,384	893,841	816,351	220,836	-		778,056	(5,545)	143	2,703,682
Appropriation of 2023 earnings										
Legal reserve	-	-	-	57,517	-		(57,517)	-	-	-
Special reserve	-	-	-	-	5,401		(5,401)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-		(357,536)	-	-	(357,536)
Other changes in capital surplus										
Execution of disgorgement	-	-	204	-	-		-	-	-	204
Net profit for the year ended December 31, 2024	-	-	-	-	-		593,044	-	-	593,044
Other comprehensive income (loss) for the year ended December 31, 2024, net of income tax	-	-	-	-	-		5,733	30,326	11,448	47,507
Total comprehensive income for the year ended December 31, 2024	-	-	-	-	-		598,777	30,326	11,448	640,551
Convertible bonds converted to ordinary shares	2,081	20,806	429,301	-	-		-	-	-	450,107
BALANCE AT DECEMBER 31, 2024	91,465	\$ 914,647	\$ 1,245,856	\$ 278,353	\$ 5,401		\$ 956,379	\$ 24,781	\$ 11,591	\$ 3,437,008

The accompanying notes are an integral part of the consolidated financial statements.

# KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 749,909	\$ 729,646
Adjustments for:		
Depreciation expense	151,038	122,793
Amortization expense	7,905	6,371
Expected credit loss (reversed) recognized on trade receivables	(1,548)	1,821
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(12,451)	1,844
Finance costs	22,471	33,394
Interest income	(8,562)	(8,274)
Loss (gain) on disposal or discard of property, plant and equipment	904	(4,437)
Inventory valuation losses	13,326	4,882
Gain on lease modification	-	(5)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	-	43,170
Notes receivable	(94)	6,402
Trade receivables	(22,801)	(225,855)
Other receivables	568	(726)
Inventories	169,129	(59,738)
Other current assets	(4,786)	115,523
Net defined benefit assets	(3,077)	(3,267)
Contract liabilities	(5,281)	(19,943)
Notes payable	190	(169)
Trade payables	155,631	(49,300)
Other payables	16,896	116,481
Provisions	6,852	-
Other current liabilities	(3,362)	(3,775)
Cash generated from operations	1,232,857	806,838
Interest paid	(8,069)	(32,382)
Income tax paid	(183,505)	(95,414)
Net cash generated from operating activities	<u>1,041,283</u>	<u>679,042</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment (Note 26)	(190,252)	(348,854)
Proceeds from disposal of property, plant and equipment	-	10,140
Increase in refundable deposits	(2,394)	-
Payments for intangible assets	(8,080)	(3,150)
Increase in other non-current assets	(2,474)	(12,520)
Interest received	<u>8,562</u>	<u>8,274</u>
Net cash used in investing activities	<u>(194,638)</u>	<u>(346,110)</u>

(Continued)

# KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (repayment) from short-term borrowings	\$ 905,000	\$ (750,000)
Proceeds from issuance of convertible bonds	-	1,132,768
Proceeds from long-term borrowings	137,110	110,890
Repayments of long-term borrowings	(254,650)	(354,450)
Proceeds from guarantee deposits received	150	-
Repayment of the principal portion of lease liabilities	(4,150)	(2,865)
Dividends paid to owners of the Company	(357,536)	(134,076)
Execution of disgorgement	<u>204</u>	<u>-</u>
Net cash generated from financing activities	<u>426,128</u>	<u>2,267</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>7,595</u>	<u>(3,552)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,280,368	331,647
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>590,937</u>	<u>259,290</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,871,305</u>	<u>\$ 590,937</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

## KAORI HEAT TREATMENT CO., LTD

Comparison Table for Revision of the Company's Articles of Incorporation

Articles after Revision	Articles before Revision	Descriptions
<p>Article 28: If the Company makes profits each year, it shall set aside not less than 2% of profits of the current year distributable as employees' remuneration and not more than 5% of profits of the current year distributable as directors' remuneration. The Company may, by a resolution adopted at a meeting of Board of Directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash. The employees entitled to receiving such shares or cash include the employees of subsidiaries of the company meeting certain specific requirements, <u>and not less than 20% of the remuneration of employees shall be set aside for the junior employees under the conditions of the Board.</u> However, the Company's accumulated losses shall have been covered first by means of certain amounts reserved, and then the remuneration for employees and directors shall be set aside according to the foregoing ratios.</p>	<p>Article 28: If the Company makes profits each year, it shall set aside not less than 2% of profits of the current year distributable as employees' remuneration and not more than 5% of profits of the current year distributable as directors' remuneration. The Company may, by a resolution adopted at a meeting of Board of Directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash. The employees entitled to receiving such shares or cash include the employees of subsidiaries of the company meeting certain specific requirements. However, the Company's accumulated losses shall have been covered first by means of certain amounts reserved, and then the remuneration for employees and directors shall be set aside according to the foregoing ratios.</p>	Amended in accordance with laws
<p>Article 32: The Articles of Incorporation was enacted on October 12, 1970. The first amendment was made on November 15, 1970... the 34<sup>th</sup> amendment was made on June 20, 2019, the 35<sup>th</sup> amendment was made on June 17, 2020, the 36<sup>th</sup> amendment was made on June 16, 2022, the 37<sup>th</sup> amendment was made on June 20, 2024, <u>and the 38<sup>th</sup> amendment will be made on May 23, 2025.</u></p>	<p>Article 32: The Articles of Incorporation was enacted on October 12, 1970. The first amendment was made on November 15, 1970... the 34<sup>th</sup> amendment was made on June 20, 2019, the 35<sup>th</sup> amendment was made on June 17, 2020, the 36<sup>th</sup> amendment was made on June 16, 2022, and the 37<sup>th</sup> amendment was made on June 20, 2024.</p>	Addition of amendment date and number of times



## KAORI HEAT TREATMENT CO., LTD

## Articles of Incorporation

## Chapter I General Principles

Article 1: The Company is incorporated in accordance with the provisions regarding Company Limited by Shares stipulated in the Company Act, and its name is “Kaori Heat Treatment Co., Ltd.”

Article 2: The business scope of the company is listed as follows:

- (1) CA02010 Manufacture of Metal Structure and Architectural Components.
- (2) CA02090 Metal Wire Products Manufacturing.
- (3) CA02990 Other Fabricated Metal Products Manufacturing Not Elsewhere Classified.
- (4) CA03010 Heat Treatment.
- (5) CB01010 Mechanical Equipment Manufacturing.
- (6) CB01990 Other Machinery Manufacturing.
- (7) CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing.
- (8) CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing.
- (9) CD01020 Tramway Cars Manufacturing.
- (10) CD01060 Aircraft and Parts Manufacturing.
- (11) CP01010 Hand Tools Manufacturing.
- (12) F106010 Wholesale of Hardware.
- (13) F113990 Wholesale of Other Machinery and Tools.
- (14) F401010 International Trade.
- (15) E599010 Piping Engineering.
- (16) E601010 Electric Appliance Construction.
- (17) E601020 Electric Appliance Installation.
- (18) E604010 Machinery Installation.
- (19) IG03010 Energy Technical Services.
- (20) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

Article 3: The head office of the company is situated in Taoyuan City. The company may, upon any resolution adopted by its Board of Directors, set up branch offices at home and abroad in accordance with the laws.

Article 4: The public announcements about the company shall appear in a prominent part of any daily newspaper in the city/county or city/province where the company is located, unless otherwise provided by other laws and regulations.

Article 4-1: For business needs, the company may act as guarantor, and its operations shall be handled in accordance with the company's Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees.

## Chapter II Shares

Article 5: The company holds a total capital of NT\$1.5 billion, which is divided into 150 million shares, with NT\$10 per share. The foregoing unissued shares shall be issued in installments upon the issuance conditions stipulated by the Board of Directors according to business needs. Five million shares of the foregoing total capital shall

be reserved for issuing employee stock warrants, which may be issued in installments in accordance with the resolution adopted by the Board of Directors.

Article 5-1: In accordance with Article 56-1 of the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers” and Article 10-1 of the “Regulations Governing Share Repurchase by Exchange-Listed and OTC Listed Companies”, the company shall obtain the consent of at least two-thirds of the voting rights represented at a shareholders’ meeting attended by shareholders representing a majority of the issued shares, so as to issue employee stock warrants at a price less than the closing price of the company’s common shares on the issue date and transfer the shares to employees at a price less than the average actual shares repurchase price.

Article 5-2: As for the treasury shares bought back by the company, the persons/parties entitled to such transfer include the employees of the parent company or its subsidiaries that meet certain specific requirements.

The persons/parties entitled to receiving the company's employee stock warrants include the employees of the parent company or its subsidiaries that meet certain specific requirements.

When the company issues new shares, the employees who subscribe for shares include the employees of the parent company or its subsidiaries that meet certain specific requirements.

The persons/parties entitled to receiving the restricted stocks for employees issued by the company include the employees of the parent company or its subsidiaries that meet certain specific requirements.

The Board of Directors should be authorized to stipulate those certain specific requirements.

Article 6: The shares of the company shall be affixed with the signatures or personal seals of three directors or more, and then issued after being certified by the competent authority or any approved issuance registration agency according to the laws. The company may be exempted from printing any share certificate for the shares issued.

Article 7: The regulations governing the company’s stock affairs shall be all handled in accordance with relevant laws and regulations as well as the provisions enacted by the competent authority.

Article 8: The share transfer registration shall be suspended within 60 days prior to the convening date of a regular meeting of shareholders or within 30 days prior to the convening date of a special meeting of shareholders, or within 5 days prior to the target date fixed by the issuing company for distribution of dividends, bonus, or other benefits.

### Chapter III Shareholders' Meeting

Article 9: Shareholders' meeting shall be of two kinds: Regular Meeting of Shareholders, and Special Meeting of Shareholders. Regular Meeting of Shareholders shall be convened once every year within six months after the close of each fiscal year. Special Meeting of Shareholders shall be convened according to the laws when necessary. A notice to convene a Regular Meeting of Shareholders shall be given to each shareholder no later than 30 days prior to the scheduled meeting date. A notice to convene a Special Meeting of Shareholders shall be given to each shareholder no later than 15 days prior to the scheduled meeting date. The shareholders' meeting can be held by means of video conference or other methods promulgated by the competent authority upon the resolution adopted by the Board of Directors. The

operating procedures and other matters to be followed shall be handled in accordance with the provisions stipulated by the competent authority.

Article 10: In accordance with Article 177 of the Company Act, if a shareholder is unable to attend the shareholders' meeting for any reason, he/she may appoint a proxy to attend the meeting by executing a power of attorney.

Article 11: The Chairman of the Board of Directors shall preside the shareholders' meeting. In case the Chairman of the Board of Directors is on leave or absent, the Chairman of the Board of Directors shall designate one of the directors to act on his/her behalf. In the absence of such a designation, the directors shall elect from among themselves to act on his/her behalf. When the meeting is called by a convener other than the Board of Directors, the convener shall preside. If there are more than two conveners, one shall be elected from among themselves.

Article 12: A shareholder of the company shall have one voting power in respect of each share in his/her/its possession, except for those who have been restricted or those who have no voting right as listed in Paragraph 2, Article 179 of the Company Act.

Article 13: Resolutions at a shareholders' meeting shall, unless otherwise provided by the Company Act, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.

Article 14: Resolutions adopted at the shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the Chairman of the meeting and shall be distributed to all shareholders of the company within twenty (20) days after the close of the meeting. The distribution of the minutes of shareholders' meeting may be effected by means of a public notice. The minutes of shareholders' meeting shall record a summary of the essential points of the proceedings and the results of the meeting. The minutes of the meeting, together with the attendance list bearing the signatures of shareholders present at the meeting as well as the powers of attorney of the proxies, shall be kept by the company.

#### Chapter IV Directors and Audit Committee

Article 15: The Company shall have nine directors. A candidate nomination system is adopted. Shareholders shall elect the directors from among the nominees listed in the roster of director candidates. The term of office shall be three years. The elected directors may be eligible for re-election next time. The company may obtain liability insurance for directors in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", while the Board of Directors is authorized to make any resolution regarding the insurance coverage.

Article 15-1: The directors of the company shall include at least three independent directors, which shall not account for less than one-fifth of the total number of directors. The professional qualifications, shareholding, part-time job limitations, nomination and election modes of independent directors, as well as other matters for compliance, shall be handled in accordance with relevant regulations enacted by the competent authority in charge of securities affairs.

Article 15-2: In accordance with Article 14-4 of the Securities and Exchange Act, the company shall establish an Audit Committee which shall be composed of the entire number of independent directors. The Audit Committee and its members shall exercise their power and matters related thereto, in accordance with the Securities and Exchange Act and other relevant laws and regulations.

- Article 16: When the number of vacancies in the Board of Directors equals to one-third of the total number of directors, the Board of Directors shall call a special meeting of shareholders within 60 days, to elect succeeding directors to fill the vacancies.
- Article 17: In case no election of new directors is effected after expiration of the term of office of existing directors, the term of office of out-going directors shall be extended until the time when new directors have been elected and assumed their office.
- Article 18: The directors organize the Board of Directors and shall elect a Chairman of the board directors from among the directors by a majority vote at a meeting attended by over two-thirds of the directors, and may also elect in the same manner a vice Chairman of the board, to handle all the affairs of the company in accordance with laws and regulations, the Articles of Incorporation, the resolutions adopted by the shareholders' meetings and the meetings of the Board of Directors.
- Article 19: The Company's business policies and other major matters shall be handled according to the resolutions adopted by the Board of Directors. Other than the first meeting of the Board of Directors convened each year in accordance with Article 203 of the Company Act, the rest meetings of the Board of Directors shall be called and presided by the Chairman of the Board of Directors. In case the Chairman of the Board of Directors cannot exercise his/her power and authority for any cause, the vice Chairman shall act on his/her behalf. In case the vice Chairman is also on leave or absent or unable to exercise his power and authority for any cause, the Chairman of the Board of Directors shall designate one of the directors to act on his/her behalf. In the absence of such designation, the directors shall elect from among themselves an acting Chairman of the Board of Directors.
- Article 20: The meeting of the Board of Directors shall be convened once every three months. In calling a meeting of the Board of Directors, a notice shall set forth therein the subject(s) to be discussed at the meeting and then be sent to each director no more than seven days prior to the scheduled meeting. However, in the case of emergency, a meeting of the Board of Directors may be convened at any time. The notice may be effected by means of writing, e-mail or fax.
- Article 20-1: When a director performs his/her power, he/she may get remuneration regardless of the company's profits and losses. The Board of Directors is authorized to determine the payment standards that limit the amount to be within the total amount of NT\$ 1 million per person per month.
- Article 21: Unless otherwise provided for in the Company Act, a meeting of the Board of Directors shall be agreed by more than half of the directors at the meeting attended by more than half of the directors. If a director is unable to attend the meeting for any cause, he/she may appoint another director to attend a meeting of the Board of Directors on his/her behalf and he/she shall issue a written proxy and state therein the scope of authority with reference to the subjects to be discussed at the meeting. A director may accept the appointment to act as the proxy of one other director only.
- Article 22: Resolutions adopted at a Board of Directors' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the Chairman of the meeting and shall be distributed to all directors of the company within 15 days after the close of the meeting. The minutes of the meeting shall record a summary of the essential points of the proceedings and the results of the meeting. The minutes, together with the attendance list bearing the signatures of the directors present at the

meeting as well as the powers of attorney of the of proxies, shall be kept by company.

Article 23: The company authorizes the Board of Directors to make a flexible decision on the amount of reinvestment according to the de facto actual situation, and the total amount of its reinvestment is not subject to the percentage restriction as provided in Article 13 of the Company Act that the total amount of reinvestment shall not exceed 40% of the company's paid-in capital.

#### Chapter V Managers and Staff

Article 24: The Company may have one or more General Managers, whose appointment, dismissal, and remuneration shall be decided by more than half of voting shares of all the Board of Directors.

Article 25: Upon the resolution adopted by the Board of Directors in accordance with Article 21 of the Articles of Incorporation, the company may hire consultants and major staff.

Article 26: General Manager may authorize a department head to appoint or dismiss other employees in the company.

#### Chapter VI Final Accounts

Article 27: The fiscal accounting year of the company starts from January 1 to December 31 of each year. At the close of each fiscal accounting year, the Board of Directors shall prepare the following statements and records, submit them to the Audit Committee for auditing not later than 30 days prior to the meeting date of the regular meeting of shareholders, and then forward them to the regular meeting of shareholders for recognition.

- (1) Business reports.
- (2) Financial statements.
- (3) Proposals concerning surplus earning distribution or loss off-setting

Article 28: If the company makes profits each year, it shall set aside not less than 2% of profits of the current year distributable as employees' remuneration and not more than 5% of profits of the current year distributable as directors' remuneration. The company may, by a resolution adopted at a meeting of Board of Directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash.

The employees entitled to receiving such shares or cash include the employees of subsidiaries of the company meeting certain specific requirements. However, the company's accumulated losses shall have been covered first by means of certain amounts reserved, and then the remuneration for employees and directors shall be set aside according to the foregoing ratios.

Article 29: If there is any surplus in the company's annual final accounts after income tax are paid according to the laws, the cumulative annual losses shall be covered first. Then, the company should set aside ten percent of the surplus of said profits as legal reserve. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply. Aside from the aforesaid legal reserve, the company may, in accordance with relevant laws and regulations or the provisions enacted by the competent authority, set aside or reverse another sums as special reserve. If there is still any surplus profit, plus the undistributed surplus at the beginning of the year, the Board of Directors can formulate a proposal on the distribution of dividends, as well as the bonuses to shareholders, based on the range of 10% to 100% of such surplus, according to the company's industrial development situation. If such a distribution is done by means of issuing new shares, a proposal shall be submitted to the shareholders' meeting for

having a resolution before such a distribution. In accordance with Paragraph 5, Article 240 of the Company Act, the company can authorize the distributable dividends and bonuses to be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; or according to Paragraph 1, Article 241 of the Company Act, the Company can distribute its legal reserve and capital reserve by cash, in whole or in part. Such distribution shall be submitted to the shareholders' meeting. When the company sets aside special reserve according to the laws, as for the insufficient amount in "the cumulative net amount of other deductions from equity in a preceding period(s)", an amount of special reserve should be set aside prior to the distribution of surplus, and such an amount should be equal to the amount allocated to the undistributed surplus for the preceding period. If there is still any insufficiency, set aside it from the amount of the after-tax net profit for that period, plus the items other than after-tax net profit for that period, which are included in the undistributed surplus of the period.

Article 29-1: The Company may distribute cash dividends at no less than 10% of the total dividends paid to shareholders, by considering the company's environment and growth stage, responding to future capital demand and long-term financial planning, and considering both shareholder interests and Balancing Dividends Policy.

#### Chapter VII Supplementary Provisions

Article 30: The organizational rules and bylaws of the company can be stipulated by the Board of Directors otherwise.

Article 31: Regarding the matters not stipulated in the Articles of Incorporation, the Company Act and other laws and regulations shall govern.

Article 32: The Articles of Incorporation was enacted on October 12, 1970. The first amendment was made on November 15, 1970. The second amendment was made on May 23, 1971. The third amendment was made on August 20, 1973. The fourth amendment was on made on August 20, 1981. The fifth amendment was made on May 22, 1983. The sixth amendment was made on August 7, 1984. The seventh amendment was made on November 1, 1986. The eighth amendment was made on November 30, 1987. The ninth amendment was made on July 16, 1988. The tenth amendment was made on February 28, 1989. The eleventh amendment was made on August 20, 1989. The twelfth amendment was made on November 20, 1989. The thirteenth amendment was made on February 12, 1990. The fourteenth amendment was made on March 21, 1990. The fifteenth amendment was made on June 12, 1991. The sixteenth amendment was made on June 6, 1993. The seventeenth amendment was made on July 25, 1994. The eighteenth amendment was made on June 22, 1997. The nineteenth amendment was made on May 3, 1998. The twentieth amendment was made on July 16, 1998. The 21<sup>st</sup> amendment was made on June 13, 1999. The 22<sup>nd</sup> amendment was made on June 29, 2002. The 23<sup>rd</sup> amendment was made on June 25, 2004. The 24<sup>th</sup> amendment was made on June 22, 2005. The 25<sup>th</sup> amendment was made on June 21, 2006. The 26<sup>th</sup> amendment was made on June 21, 2007. The 27<sup>th</sup> amendment was made on June 25, 2009. The 28<sup>th</sup> amendment was made on June 25, 2010. The 29<sup>th</sup> amendment was made on June 28, 2011. The 30<sup>th</sup> amendment was made on June 20, 2012. The 31<sup>st</sup> amendment was made on June 20, 2014. The 32<sup>nd</sup> amendment was made on June 23, 2016. The 33<sup>rd</sup> amendment was made on June 23,

2017. The 34<sup>th</sup> amendment was made on June 20, 2019. The 35<sup>th</sup> amendment was made on June 17, 2020. The 36<sup>th</sup> amendment was made on June 16, 2022. The 37<sup>th</sup> amendment was made on June 20, 2024.

## KAORI HEAT TREATMENT CO., LTD

## Rules of Procedure for Shareholders' Meetings

Article 1: The procedures for shareholders' meetings of the company shall be conducted in accordance with these rules.

Article 2: The shareholders' meeting can be held by means of video conference or other methods promulgated by the competent authority upon the resolution adopted by the Board of Directors. The operating procedures and other matters to be followed shall be handled in accordance with the provisions stipulated by the competent authority.

When the Company holds a shareholders' meeting by video conference, unless otherwise specified in the Regulations Governing the Administration of Shareholder Services of Public Companies, it must be stated in the Company's Articles of Incorporation and passed by a resolution of the Board of Directors, and the video meeting shall be decided by the Board of Directors with the presence of more than two-thirds of the directors and the consent of more than half of the directors present.

Any change to the method of convening the shareholders' meeting of the Company shall be subject to a resolution of the Board of Directors, and such change shall be made no later than the time of sending out the notice of the shareholders' meeting.

The Company shall, 30 days before the ordinary shareholders' meeting or 15 days before the extraordinary shareholders' meeting, make an electronic file of the notice of meeting of shareholders, the proxy paper, the reasons for motions relating to the recognition, discussion, election or removal of directors, etc., and transmit it to MOPS. However, if the actual paid in capital of the Company reaches NT \$10 billion or more as of the end of the most recent fiscal year, or if the total shareholding ratio of foreign and domestic capital recorded in the shareholders' register at the most recent fiscal year's ordinary shareholders' meeting reaches 30% or more, the electronic file transmission shall be completed 30 days before the ordinary shareholders' meeting. 15 days before the meeting of shareholders, the Company shall make available to shareholders at any time an agenda handbook and supplementary information of the meeting, and display it in the Company and any professional stock agent appointed by the Company.

When a shareholders' meeting is convened by video conference, shareholders who want to attend the meeting online shall register their names in the Company two days prior to the meeting date.

When a shareholders' meeting is convened by video conference, the Company shall upload the agenda handbook, annual reports and other relevant materials to the video conference platform at least 30 minutes prior to the commencement of the meeting; such reports and materials will continue to be disclosed until the end of the meeting.

When convening a shareholders' meeting by video conference, the company shall specify the matters in the shareholders' meeting notice as follows:

1. The methods for shareholders to attend the video conference and exercise their rights.
2. When the video conference platform or the participation via video conference is disrupted due to natural disasters, accidents or other force majeure, the handling methods should include at least the following matters:
  - A. The date and time when the meeting is postponed or the date and time when the meeting is scheduled to resume in case that the above-mentioned disruption continues and cannot be removed
  - B. Shareholders who fail to register to attend the original shareholders' meeting by video conference shall not attend the postponed or resumed meeting.
  - C. When a hybrid shareholders' meetings assisted by video conference is called, if the video conference cannot be continued, after the number of shares held



by the shareholders attending the meeting via video conference is deducted, if the remaining total number of shares represented at the meeting meets the minimum quorum for a shareholder meeting, the shareholders' meeting shall go on. The shares represented by the attending shareholders via video conference shall be counted in the total number of shares represented by shareholders present at the meeting, and the attending shareholders via video conference shall be deemed abstaining from voting on all proposals in the shareholders' meeting.

- D. The handling method will be taken if the results of all proposals have been declared and there is no extempore motion.
3. When convening a shareholders' meeting via video conference, appropriate alternative measures should be specified and available to shareholders who have difficulties in attending the video conference. Except as provided in Paragraph 6, Article 44-9 of the Regulations Governing the Administration of Shareholder Services of Public Companies, the Company shall provide at least shareholder networking devices and necessary assistance, and specify the period during which shareholders may apply to the Company and other relevant precautions.

The Company shall specify in the meeting notice the registration time, registration area, and other matters to be noted for the accepting shareholders, solicitor, and entrusted agent (hereinafter referred to as shareholders).

The registration time of shareholders in the preceding paragraph shall be accepted at least 30 minutes before the beginning of the meeting. The registration area shall be clearly marked and appropriate personnel should be dispatched to handle it. As for the shareholders' meeting convened via video conference, shareholders shall report and register their arrivals on the meeting platform 30 minutes prior to the commencement of meeting. Shareholders completing their registration will be deemed as attending the shareholders' meeting in person.

Shareholders shall attend the shareholders' meeting with their attendance certificate, attendance sign-in card or other attendance documents. The Company shall not arbitrarily add other supporting documents to the documents on which the shareholder's attendance is based; as a solicitor of a power of attorney, it is necessary to bring identification documents for verification.

The Company shall provide a sign-in roster for the present shareholders to sign in; or a sign-in card may be submitted by the present shareholder in lieu of a sign-in.

The Company shall deliver to the shareholders present at the meeting the agenda handbook, annual report, attendance card, speech slip, voting votes and other materials of the meeting, and if there is an election of directors, an election vote shall be attached. When the government or legal person is a shareholder, the representative attending the shareholders' meeting is not limited to one. When the legal person is entrusted to attend the shareholders' meeting, only one representative may be appointed to attend.

Article 2-1: Every time when a shareholders' meeting is held, a shareholder may designate a proxy to attend the meeting by providing a copy of power of attorney issued by the company and specify the authorization scope.

A shareholder shall provide only one copy of power of attorney and designate only one proxy. The power of attorney shall be sent to the company within five days prior to the date of the shareholders' meeting. When more than two copies of the same power of attorney are sent, the one that has been sent first shall prevail, unless the previous one is revoked by an application.

After the power of attorney has been sent to the company, if the shareholder wants to attend the meeting in person or exercises voting rights in writing or electronically, a written notice of revocation shall be submitted to the company two days before the date

of the meeting. If the notice fails to be submitted before the deadline, votes cast at the meeting by the proxy shall prevail.

After the power of attorney has been sent to the company, if the shareholder wants to attend the meeting via video conference, a written notice of revocation shall be submitted to the company two days before the date of the meeting. If the notice fails to be submitted before the deadline, votes cast at the meeting by the proxy shall prevail.

Article 2-2: Where the shareholders' meeting is convened by the Board of Directors, the Chairman shall be the President. Where the President asks for leave or is unable to exercise his/her powers for some reason, the Vice President shall act for him/her. Where there is no Vice President or the Vice President also asks for leave or is unable to exercise his/her powers for some reason, the President shall designate an executive director to act for him/her. Where there is no executive director, one director shall be appointed to act for him/her; where the President fails to appoint a person to act for him/her, the executive director or one of the directors shall act for him/her.

The Chairman of the preceding paragraph shall be an executive director or a director's proxy who has held office for more than six months and is familiar with the financial business of the Company. The same applies if the Chairman is the representative of a corporate director. A shareholders' meeting convened by the Board of Directors shall be presided over by the President himself/herself and shall be attended in person by more than half of the directors of the Board and by at least one representative of each functional committee member, and the attendance shall be recorded in the minutes of the shareholders' meeting.

Where the shareholders' meeting is convened by a person with convening authority other than the Board of Directors, the Chairman shall be the person with convening authority. If there are more than two persons with the right to convene, one of them shall be elected to the position.

The Company may appoint such lawyers, accountants or related personnel as it may appoint to attend the shareholders' meeting.

Article 3: On the same day of a shareholders' meeting, the Company shall compile a statistical statement of the number of shares obtained by solicitors through solicitation, the number of shares represented by proxies and the number of shares represented by shareholders attending the meeting in writing or electronically in the stipulated format, and then expressly disclose them at the venue the shareholders' meeting. When a shareholders' meeting is convened via video conference, the Company shall upload the foregoing materials to the video conference platform at least 30 minutes prior to the meeting; such reports and materials will continue to be disclosed until the end of the meeting.

When the Company's shareholders' meeting convened via video conference is called to order, the total number of shares represented at the meeting shall be disclosed on the video conference platform. If the total number of shares represented at the meeting and the voting rights are additionally counted during the meeting, the same manner shall apply.

Where the matters subject to resolution at the shareholders' meeting are information as stipulated by law or TWSE (TPEX), the Company shall upload the content to MOPS within the specified time.

When the Company convenes the shareholders' meeting via video conference, the Chairman and the clerk shall be in the same location within the country, and the Chairman shall announce the address of the location when the meeting is called to order. When convening a shareholders' meeting via video conference, appropriate alternative measures should be specified and available to shareholders who have difficulties in attending the video conference. Except as provided in Paragraph 6, Article 44-9 of the

Regulations Governing the Administration of Shareholder Services of Public Companies, the Company shall provide at least shareholder networking devices and necessary assistance, and specify the period during which shareholders may apply to the Company and other relevant precautions.

Article 4: The agenda of the shareholders' meeting shall be stipulated by the Board of Directors, relevant motions (including extempore motion and amendments to original motions) shall be voted on a case-by-case basis. All the meetings shall be held in accordance with the procedures as scheduled in the agenda. It may not be changed without a resolution adopted by the shareholders' meeting.

When a shareholders' meeting is called by a convener other than the Board of Directors, the preceding paragraph applies *mutatis mutandis*.

Before the conclusion of the agenda arranged in the preceding two paragraphs (including extempore motions), the Chairman shall not declare the adjournment of the meeting without any resolution. After the adjournment of the meeting, the shareholders shall not elect another Chairman of the meeting to resume the meeting at the original or other venue. However, if the Chairman violates these rules of procedures and then declares the meeting adjourned, other members of the Board of Directors shall immediately help the shareholders who attend the meeting elect one person as the new Chairman with the consent of more than half of the voting rights of the shareholders attending the meeting, to continue the meeting according to the statutory procedure.

The company shall provide the agenda handbook and additional materials regarding the shareholders' meeting to shareholders for review, by the following means on the date of the shareholders' meeting:

1. When convening a physical shareholders' meeting, they shall be distributed on-site at the meeting.
2. When convening a hybrid shareholders' meetings assisted by video conference, they shall be distributed on-site at the meeting and be shared on the video conference platform by means of electronic file.
3. When convening a shareholders' meeting, electronic files shall be shared on the video conference platform.

The notice and announcement shall state the cause of the call; the notification may be made electronically with the consent of the other party.

The appointment or removal of directors, amendment to Articles of Incorporation, reduction of capital, application for suspension of public offering, lifting the ban on directors from business competition, conversion of surplus to capital increase, conversion of reserves to capital increase, dissolution, merger, division of the Company or matters under Paragraph 1, Article 185 of the Company Act, Article 26-1 and Article 43-6 of the Securities and Exchange Act, Article 56-1 and Article 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be listed and their main contents shall be explained in the reasons for convening, and shall not be proposed as extempore motions. The reason for convening the shareholders' meeting has been set out in the general election of directors and the date of appointment. After the completion of the shareholder meeting election, the appointment date shall not be changed by extempore motion or other means at the same meeting.

A shareholder holding more than 1% of the total number of issued shares may propose to the Company a motion at the ordinary shareholders' meeting, up to a limit of one, and more than one proposal shall not be included in the motion. If another shareholder's proposal falls under any of the circumstances of Paragraph 4, Article 172 of the Company Act, the Board of Directors may not list it as a motion.

A shareholder may put forward a proposal to urge the Company to promote the public interest or fulfill its social responsibilities, which shall be limited to one in accordance

with the relevant provisions of Article 172 of the Company Act. Any proposal exceeding one shall not be included in the motion.

The Company shall, before the ordinary shareholders' meeting is held, announce the acceptance of shareholders' proposals, the acceptance method in writing or electronic manner, the acceptance place and the acceptance period; the period of acceptance shall not be less than ten days.

The proposal proposed by the shareholders is limited to 300 words, and if it exceeds the limit, the proposal will not be included in the motion; the proposing shareholder shall attend the general shareholders' meeting in person or by proxy and participate in the discussion of the motion.

The Company shall, prior to the date of the notice of the convening of the shareholders' meeting, inform the proposing shareholders of the result of the handling and list the motions subject to this Article in the notice of the meeting. For shareholders' proposals not included in the motion, the Board of Directors shall explain the reasons for not being included in the shareholders' meeting.

Article 4-1: Where the shareholders' meeting is convened via video conference, the meeting place as referred to in the preceding paragraph shall not apply.

The shareholders' meeting shall be held at the place where the Company is located or at such place as is convenient and suitable for the attendance of the shareholders and shall commence no earlier than 9:00 am or later than 3:00 pm.

Article 5: When there are amendments or substitutes to the same motion, the Chairman shall determine the order of voting along with the original motion. If one of the motions has been passed, the other motions shall be deemed to be rejected and no further vote shall be taken.

The supervisors and scrutineers for voting on motions shall be appointed by the Chairman, provided that the supervisors shall have the status of shareholders.

The counting of votes or election motions at the shareholders' meeting shall be made public in the shareholders' meeting, and the voting results, including the counted weights, shall be announced on the spot after the counting is completed and shall be recorded.

The Company shall make continuous and uninterrupted audio and video recordings of the registration process, the conduct of the meeting and the voting and counting process of the shareholders from the time of accepting the registration of shareholders.

The audio and video materials mentioned in the preceding paragraph shall be kept for at least one year. However, if a shareholder brings a lawsuit in accordance with Article 189 of the Company Act, it shall be kept until the end of the lawsuit.

When the shareholders' meeting is convened via video conference, the Company shall keep records of materials such as shareholder's registration, sign-in, check-in, questions, votes and results of votes counted by the Company, and keep audio and video records of the proceedings of the meeting from the beginning to the end. The materials and audio and video recording referred to in the preceding paragraph shall be properly kept by the Company during the period of its existence, and the audio and video recording shall be provided to the person who is entrusted with handling the matters of video conference for safekeeping.

When the shareholders' meeting is convened via video conference, it is advised that the company shall record the audio and video on back-end operation interface of the meeting platform.

When the shareholders' meeting elects directors, it shall comply with the relevant selection and appointment rules formulated by the Company, and announce the election results on the spot. The election results shall include the list of elected directors and their elected weights, and the list of unsuccessful directors and their elected weights.

The ballot for the election mentioned in the preceding paragraph shall be sealed and

signed by the scrutineer and kept securely for at least one year. However, if a shareholder brings a lawsuit in accordance with Article 189 of the Company Act, it shall be kept until the end of the lawsuit.

Article 5-1: The attendance at the shareholders' meeting shall be calculated on the basis of shares.

The number of shares present is calculated based on the number of shares registered in the sign-in roster or the sign-in card submitted and the video conference platform, plus the number of shares exercising their voting rights in writing or electronically. When the meeting time is up, the Chairman shall immediately announce that the meeting is called to order, and at the same time announce the number of shares without voting rights and the number of shares present at the meeting. However, in the absence of members representing more than half of the total number of shares issued, the Chairman may declare the meeting adjourned provided that such adjournment may be limited to two times and the total delay shall not exceed one hour. If, after the second postponement, the total number of issued shares represented by the attending shareholders still does not reach more than one-third, the Chairman of the meeting shall declare the meeting adjourned. If the shareholders' meeting is held by video conference, the Company shall also announce the suspension of the meeting on the video conference platform of the shareholders' meeting.

If after the meeting has been postponed twice, the total number of shares represented by the shareholders present still does not reach one-third of the total number of shares issued, but the shareholders representing more than one-third of the total number of shares issued are present, a tentative resolution may be made in accordance with the provisions of Paragraph 1, Article 175 of the Company Act. The Company shall notify the shareholders of the false resolution and convene the shareholders' meeting again within one month.

If, before the end of the meeting, the number of shares represented by the shareholders present reaches more than half of the total number of shares issued, the Chairman may submit the resulting tentative resolution to the shareholders' meeting for a new vote in accordance with Article 174 of the Company Act.

Article 6: Unless it is a motion, it will not be discussed or voted on. When a motion is being discussed, the Chairman may at an appropriate time declare the discussion closed and, if necessary, adjourn the discussion.

Article 7: The Chairman shall put to the vote a question on which discussion has been declared closed or discontinued.

Article 8: Except as otherwise provided in the Company Act, the voting of a proposal shall be undertaken upon the consent from more than half of the voting rights represented by the attending shareholders. When voting, for each proposal, the Chairman or the person designated by the Chairman shall announce the total number of voting rights represented by the attending shareholders, and then the shareholders should make decisions by voting on each proposal. On the same day when the meeting is adjourned, the results regarding the numbers of shareholders' consent, objection and abstentions shall be entered into the Market Observation Post System (MOPS) at the same day.

When the Company convenes a shareholders' meeting via video conference, after the Chairman calls the meeting to order, shareholders attending the meeting online shall cast votes on proposals and elections on the video conference platform before the Chairman declares the end of voting; otherwise, it is deemed abstained from voting.

When a shareholders' meeting is convened via video conference, votes shall be counted once after the Chairman declares the end of voting, and the results of votes and elections shall be announced then.

When the Company convenes a hybrid shareholders' meeting assisted by video

conference, if shareholders who have registered to attend the meeting online in accordance with Article 2 want to attend the physical shareholders' meeting in person, their registration shall be revoked two days before the shareholders' meeting in the same way as they registered. If the registration is not revoked before the deadline, they may only attend the shareholders' meeting online. When the shareholders exercise voting rights in writing or electronically, if the expression of intent is not revoked and the shareholders' meeting is attended online, except for extempore motions, they shall not exercise voting rights on the original proposals or any amendments to the original proposals or exercise voting rights on the amendments to the original proposal. When convening a shareholders' meeting via video conference, the Company shall disclose results of votes and election immediately after the end of voting on the video conference platform according to the rules, which shall be kept disclosed at least 15 minutes after the Chairman has announced the meeting adjourned.

Article 9: If a shareholder present at the meeting delivers a speech, he/she should fill in a speech slip to specify the number of his/her attendance card, name and the number of his/her shares held. The Chairman of the meeting shall list the sequence of these shareholders' speeches.

The attending shareholder shall be deemed not to have delivered a speech if he/she only submits a speech slip but not delivers a speech. Where the speech contents are inconsistent with the contents as contained in the speech slip, the speech contents shall prevail.

Article 10: Without the consent of the Chairman, each shareholder shall not speak more than twice on the same motion, with each speech not exceeding five minutes. However, if the shareholder's speech violates the rules or exceeds the scope of the proposal, the Chairman may stop his/her speech.

When a shareholder present makes a speech, other shareholders shall not interfere with the speech except with the consent of the Chairman and the shareholder who has spoken. Violators shall be stopped by the Chairman.

When a legal shareholder appoints two or more representatives to attend the shareholders' meeting, only one person may speak on the same motion.

After a shareholder has spoken, the Chairman may reply in person or by appointing a relevant person.

Where a meeting of shareholders is held by video conference, shareholders who participate by video conference may, after the announcement of the meeting by the Chairman and before the announcement of the adjournment of the meeting, ask questions in text on the video conference platform of the meeting. The number of questions asked on each motion shall not exceed two times and shall not exceed 200 words each time.

For questions in the preceding paragraph that do not violate the provisions and do not exceed the scope of the motion, they should be disclosed to the public at video conference platform.

Article 11: The personnel responsible for the affairs of the shareholders' meeting shall wear identification cards or armbands.

The Chairman may command the security personnel to assist in maintaining order at the venue.

If the venue is equipped with loudspeaker equipment and the shareholder does not use the equipment provided by the company, the Chairman has the right to stop.

If a shareholder violates the rules of procedure, and does not obey the Chairman to correct, obstructing the normal conduct of the meeting, and does not correct after being stopped, the Chairman may command the security personnel to ask him to leave the meeting.

Article 12: During the session period of the meeting, the Chairman may declare that everyone can take a break depending on the meeting hours.

Article 13: During the session period of the meeting, if any force majeure event occurs, the Chairman may decide that the meeting should be suspended, and then announce the time for resuming the meeting depending on the circumstance.

Before all the agendas of the shareholders' meeting (including extempore motions) have been addressed, if the venue of the meeting is no longer available at that time for continued use, the shareholders' meeting may adopt a resolution to resume the meeting at another venue.

The shareholders' meeting may, in accordance with Article 182 of the Company Act, adopt a resolution to defer or resume the meeting within five days.

Article 13-1: Matters relating to the resolutions of a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be signed or sealed by the Chairman of the meeting and then distributed to each shareholder within 20 days after the close of the meeting. The minutes may be recorded and distributed electronically.

The company may distribute the minutes referred to in the preceding paragraph by a public announcement and entered them into the MOPS.

The minutes shall precisely record the year, month, day, and location of the meeting, the Chairman's name, the methods of adopting the resolutions, and a summary of the essential points of the proceeding and their voting results (including the number of voting rights) and disclose the number of voting rights won by each candidate if there is an election of directors or supervisors. The minutes shall be kept permanently for the period of the existence of the company.

When convening a shareholders' meeting via video conference, in addition to those which shall be recorded in the minutes as stipulated in the preceding paragraph, the time when the meeting is called to order and adjourned, how the meeting is convened, the Chairman's and note taker's name, and measures to be taken when the video conference platform or participation in the meeting online is interrupted due to natural disasters, accidents or other majeure force, and handling measures shall also be included in the minutes.

When convening a shareholders' meeting via video conference, in addition to handling according to the preceding paragraph, the company shall specify in the minutes regarding the alternative measures available to shareholders who have difficulties in attending a shareholders' meeting online.

Article 13-2: When convening a shareholders' meeting via video conference, the company may offer a simple connection test to shareholders prior to the meeting, and then provide relevant real-time services before and during the meeting to help resolve communication technical issues.

When convening a shareholders' meeting via video conference, once the meeting to order is called, the Chairman shall also declare the accidents or other majeure force before the Chairman has announced the meeting adjourned, if the video conference platform or participation in the meeting on line is disrupted due to natural disasters, unless under a circumstance where a meeting is not required to be postponed to or resumed at another time under Paragraph 4, Article 44-20 of the Regulations Governing the Administration of Shareholder Services of Public Companies. If the disruption continues for more than 30 minutes, the meeting shall be postponed to or resumed on another date within five days, and Article 182 of the Company Act shall not apply.

When a meeting shall be postponed or resumed as stipulated in the preceding paragraph, shareholders who have not registered to participate in the shareholders' meeting online shall not attend the postponed or resumed meeting.

When a meeting shall be postponed or resumed according to Paragraph 2, the number

of shares represented by and the voting rights and election rights exercised by the shareholders who have registered to participate in the shareholders' meeting and have already signed in the meeting, but do not attend the postpone or resumed one, at the original shareholders' meeting, shall be counted in the total number of shares, number of voting rights and number of election rights represented at the postponed or resumed meeting.

During a postponed or resumed meeting held in accordance with Paragraph 2, proposals for which votes have been cast and counted and results have been announced, or list of elected directors, further discussion and resolution are not necessary.

When the company convenes a hybrid shareholders' meeting assisted by video conference, and the meeting cannot continue as described in Paragraph 2, after those represented by shareholders attending the video conference online are deducted, if the total number of shares represented at the meeting still meets the minimum quorum for a shareholder meeting, then the shareholders' meeting shall continue, and does not need to be postponed or resumed according to Paragraph 2.

When a meeting should continue as stipulated in the preceding paragraph, the shares represented by shareholders attending the meeting online shall be counted in the total number of shares represented by shareholders present at the meeting; however, these shareholders shall be deemed abstaining from voting on all proposals on the meeting agenda of that shareholders' meeting.

When postponing or resuming a meeting according to Paragraph 2, the Company shall handle the pre-processing based on the date of the original shareholders' meeting in accordance with Paragraph 7, Article 44-20 of the Regulations Governing the Administration of Shareholder Services of Public Companies.

For dates or period set forth under Article 12, second half, and Paragraph 3, Article 13 of Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies, and Article 44-5, Paragraph 2, Article 44-15, and Article 44-17, Paragraph 1 of the Regulations Governing the Administration of Shareholder Services of Public Companies, the company shall handle the matter based on the date of the shareholders' meeting that is postponed or resumed under Paragraph 2.

Article 13-3: The voting of the shareholders' meeting shall be based on the shares.

In the resolution of the shareholders' meeting, the number of shares granted to non-voting shareholders shall not be counted as the total number of shares issued.

If a shareholder has an interest in matters relating to the meeting which may prejudice the interests of the Company, such shareholder shall not vote or exercise voting rights on behalf of other shareholders.

The number of shares that cannot exercise voting rights in the preceding paragraph shall not be counted as the voting rights of the shareholders present.

Article 13-4: A shareholder shall have one vote per share, except where there is a limitation of voting rights, or where there is no voting right as listed in Paragraph 2, Article 179 of the Company Act.

When the company holds a shareholders' meeting, its voting rights shall be exercised electronically and may be exercised in writing; If the voting right is exercised in writing or electronically, the way of how to exercise shall be stated in the notice of convening the shareholders' meeting. Shareholders who exercise their voting rights in writing or electronically shall be deemed to have attended the shareholders' meeting in person. However, the extempore motion and amendments to the original motion at the meeting shall be deemed to be a waiver and the Company should therefore refrain from making the provisional motion and amendments to the original motion.



Article 14: Matters not specified in the Rules shall all be handled in accordance with the Company Act, the Articles of Incorporation and the relevant standards and norms stipulated by the competent authority.

Article 15: These Rules shall take effect after being approved by the shareholders' meeting; the same manner should also apply to any amendment.

Article 16: The Rules of Procedure for Shareholders' Meetings was stipulated in October 1997 and subject to two revision. The fourth amendment was made on June 17, 2020. The fifth amendment was made on June 16, 2022. The sixth amendment was made on June 20, 2024.

## KAORI HEAT TREATMENT CO., LTD

## Shareholding of all Directors

1. As of March 25, 2025, namely the book close date of share transfer for this annual general shareholders' meeting, the paid-in capital of the company is NT\$ 914,714,350, and the total number of issued shares is 91,471,435.
2. According to Article 26 of the Securities and Exchange Act, the statutory minimum number of shares to be held by all directors is 7,317,714 shares (since there are two independent directors, the shareholding ratio of all directors other than the independent directors is decreased to be 80%).
3. Shareholding Details of Directors:

Title	Full Name	Shares held by (including trust holdings) as of March 25, 2025	
		Number of Shares	Ratio %
Chairman	WU CHIH-HSYONG	227,001	0.25 %
Director (concurrently serving as Deputy Chairman)	Han, Hsien-Fu	2,661,753 (including treasure stock)	2.91 %
Director (concurrently serving as General Manager)	Wang, Hsin-Wu	280,778	0.31 %
Director (concurrently serving as Vice General Manager)	Huang, Hung-Hsing	1,406,165	1.54%
Director	Aladdin Holdings Group Co., Ltd Representative Wu, Chun-Ying (concurrently serving as Vice President) Representative Ku, Hung-Tao	495,000	0.54 %
Independent director	Hung, Hsiang-Wen	0	-
Independent director	Mao, En-Kuang	0	-
Independent director	Tang, Chi-Yao	0	-
Total		5,070,697	5.54%