

Stock Code:8996



Kaori Heat Treatment Co., Ltd.

Annual Report

2024

(Disclaimer: This English translation of the Annual Report is the summarized translation to the Company's Annual Report for the Shareholders' Meeting and does not constitute as an official document to the meeting. In the event there is deviation between the original Annual Report in Mandarin Chinese and its English translation, the Mandarin Chinese edition shall prevail)

Inquire this Annual Report on: <https://mops.twse.com.tw>

<https://www.kaori.com.tw/tw/>

Publication Date: April 10, 2025

1. Information of Spokesperson and Acting Spokesperson:

	Spokesperson	Acting Spokesperson
Name	WU CHUN YING	CHUANG RUI QING
Title	Deputy General Manager	Manager
Phone	(03) 452-7005	(03) 452-7005
Email Address	gilbert_wu@kaori.com.tw	ritachuang@kaori.com.tw

2. Addresses and Phones of Headquarters, Branches and Plants:

Headquarters: No. 5-2, Jilin North Road, Zhongli District, Taoyuan City

Phone: (03) 452-7005

Zhongli 1st Plant: No. 2, Jilin North Road, Zhongli District, Taoyuan City

Phone: (03) 452-7005

Zhongli 2nd Plant: No. 11, Songjiang N. Rd., Zhongli Industrial Area, Zhongli District, Taoyuan City

Phone: (03) 452-7005

Ziqiang Plant: No. 8-1, Ziqiang 4th Rd., Zhongli Industrial Area, Zhongli District, Taoyuan City

Phone: (03) 452-0062

Kaohsiung Benjhou Plant: No. 3, Bengong 2nd Rd., Benjhou Industrial Area, Gangshan Dist., Kaohsiung City

Phone: (07) 624-3132

3. Stock Transfer Agency:

Mega Securities Co., Ltd.

Address: 1F, No. 95, Sec. 2, Zhongxiao E., Rd., Taipei City 100

URL: <http://www.emega.com.tw>

Phone: (02) 3393-0898

4. Name, Name of Affiliating Accounting Firm, Address, URL, Contact Number of Attesting CPA Responsible for the Financial Reports of the Most Recent Year:

Name(s) of Attesting CPA(s): SU YU HSIU, CHEN WEN HSIANG

Name of Accounting Firm: Deloitte & Touche Firm

Address: 20F, No. 100, Songren Rd., Xinyi Dist., Taipei City 11073

Phone: (02)2725-9988

Firm Corporate Website URL: <http://www.deloitte.com.tw>

5. Name of Exchange for Offering and Trading of Overseas Securities and Manners for Query of Such Securities: None.

6. Corporate Website URL: <https://kaori.com.tw/tw/>

Contents

	<u>Page</u>
I. Report to the Shareholders.....	1
II. Corporate Governance Report.....	6
III. Capital Overview	86
IV. Operation Highlight.....	93
V. Review of Financial Conditions and Financial Performance, and Risk Management Thereof.....	128
VI. Special Disclosure.....	143

I. Report to the Shareholders

Dear shareholders:

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 AI, 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 control 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 Energy 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 hard work and efforts of all colleagues. We look forward to Kaori being able to grasp external 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:

I. Results of the Implementation of 2024 Annual Business Plan:

(I) 2024 Individual Financial Report

Unit: NT\$ thousand

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%

(II) 2024 Consolidated Financial Report

Unit: NT\$ thousand

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%

II. 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.

III. Financial Expenditure and Profitability:

Unit: NT\$ thousand

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

IV. 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 solder heat exchangers, and the development of brazed 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.

V. Summary of 2025 Business Plans

(I). 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.

(II). 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.

(III). 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.

VI. 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.

VII. 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 HSIE 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

General Manager WANG HSIN WU

Accounting Supervisor CHANG WAN CHING

II. Corporate Governance Report

I. Information of Directors, Supervisors, General Manager, Assistant General Managers, Deputy Assistant General Manager, and the Chiefs of all the Company's Divisions and Branch Units:

1. Directors and Supervisors' Information:

March 25, 2025; Unit: Share;%

Title	Nationality or Place of Registration	Name	Gender and Age	Date the Current Position is Assumed	Term of Contract (Years)	Commence Date of First Term	Shares Held upon Assumption		Current Shares Held		Shares Held by Spouses and Children of Minor Age of Director		Shares Held through Nominees		Principal Work Experience and Academic Qualifications	Position(s) Held Concurrently in the Company and/or in any other company	Other Management Personnel, Directors or Supervisors within Spousal Relationship or 2nd Degree of Kinship			Remarks (Note)
							Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage			Shares	Shareholding Percentage	Shares	
Chairman	ROC	WU CHIH HSYONG	Male 61-70	2023/06/13	3	2020/06/17	210,000	0.23%	227,001	0.25%	0	0.00%	0	0.00%	PhD in Materials Science Engineering, University of Illinois at Urbana-Champaign Senior Vice President of Motech Industries Inc.	Director of TAI-SAW Technology Co., Ltd. Director, Kaori Technology (Thailand) Co., Ltd.	None	None	None	None
Deputy Chairman	ROC	HAN HSIEN FU	Male 81-90	2023/06/13	3	1997/06/22	1,469,000	1.64%	1,461,753	1.60%	2,702	0.00%	0	0.00%	Department of Mechanical Engineering, Tatung University President of Kaori since June 2000	Director, Kaori Technology (Ningbo) Co., Ltd. Director, Kaori Thermal Technology Co., Ltd.	Chairman Assistant Manager	HAN WEN TENG	Father and son	None
Director	ROC	HSIN WU WANG	Male 51-60	2023/06/13	3	2011/06/28	290,356	0.32%	280,778	0.31%	0	0.00%	0	0.00%	Institute of Financial Management of Taiwan Central University Vice President of Kaori since January 2006	President of the Company Director of Kaori Technology (Ningbo) Co., Ltd. Director, Kaori Thermal Technology Co., Ltd.	None	None	None	None
Director	ROC	HUANG HUNG HSING	Male 41-50	2023/06/13	3	2020/06/17	219,165	0.25%	1,406,165	1.54%	0	0.00%	0	0.00%	institute of Technology Management, National Tsing Hua University Investment Manager, International Bills Finance Corporation	CSO of the Company Director, Kaori Thermal Technology Co., Ltd. Director, Kaori Thermal Technology Co., Ltd.	None	None	None	None
Director	ROC	Aladdin Holdings Group	N/A	2023/06/13	3	2023/06/13	301,000	0.34%	495,000	0.54%	N/A		0	0.00%		N/A	N/A			None
		Representative WU CHUN YING	Male 41-50						14,000	0.02%	0	0.00%	0	0.00%	Doctor of Law, Tulane University Advanced Master of Business Administration from Lausanne School of Management, Venture partner, Switzerland MiiCs & Partners	Vice President of the Company Director, Kaori Thermal Technology Co., Ltd. Director, Kaori Technology (Thailand) Co., Ltd. President of Kaori Technology (Ningbo) Co., Ltd.	None	None	None	None

		Representative KU HUNG TAO	Male 41-50						2,207,000	2.41%	9,000	0.01%	0	0.00%	Master of Finance and Economics, University of York, UK Bachelor of Business Administration, National Chengchi University Director, LEDEN SCIENCE&TECHNOLOGY CO., LTD.	Director, Kaori Thermal Technology Co., Ltd. Director, Kaori Technology (Thailand) Co., Ltd. Executive Director of IN HOUSE INDUSTRY CO., LTD Consultant of DYNACARD CO., LTD. Director, Chinese Association Leaders Union	None	None	None	None
Independent Director	ROC	HONG HSIANG WEN	Male 61-70	2023/06/13	3	2014/06/20	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Institution of Business, National Taiwan University Funds Manager, Kwanghua Securities Investment & Trust Co., LTD.	Consultant of Li-Mei-Jia Investment Company	None	None	None	None
Independent Director	ROC	MAO EN KUANG	Male 61-70	2023/06/13	3	2023/06/13	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Passed the Grade B Examination for Ordinary Administrative Personnel in the Examination Yuan for Demobilized Soldiers Transferred to Civil Servants in 1987 (passed the civil service higher education examination with the same degree as a junior college diploma) Deputy Secretary General, Taiwan Electrical and Electronic Manufacturers' Association	Secretary General, Wind Power Industry in Taiwan Independent Director of Century Iron&Steel Industrial Co., Ltd.	None	None	None	None
Independent Director	ROC	TANG CHI YAO	Male 41-50	2023/06/13	3	2023/06/13	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master of Business, School of Management, National Taiwan University Head of Human Resources, TAIWAN STAR TELECOM CORPORATION LIMITED	Vice President of Human Resources, Lion Travel Co., Ltd.	None	None	None	None

Note 1: The corporate shareholder shall list the name of the corporate shareholder and the representative respectively (if it is the representative of the corporate shareholder, the name of the corporate shareholder shall be indicated) and shall fill in the following table.

Note 2: Please list the actual age which should expressed in age interval mode, such as 41~50 years old or 51~60 years old.

Note 3: Specify the time for first served as a director or supervisor of the Company. In case of any interruption, please note it.

Note 4: For experience related to the current position, such as having worked at an auditing and certification accounting firm or affiliated enterprise during the aforementioned period, the title and responsibilities of the position should be stated.

Note 5: Where the Chairman and General Manager of the Company or person of an equivalent post (the highest-level manager) are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed: None.

(1). Principal Shareholders of Corporate Shareholders:

March 25, 2025

Name of Corporate Shareholders	Principal Shareholders of Corporate Shareholders
Aladdin Holding Group	KU YAN TAO (24.75%), KU KE TAO (24.75%), KU CHENGTAO (24.75%), KU HUNG TAO (24.75%), YANG EN HUI (1%)

(2).Principal shareholders when principal shareholders of corporate shareholders are legal persons: omitted

(3).Disclosures of Information for Directors and Supervisors' Professional Qualifications and Independence of Independent Directors:

Qualifications Name	Professional Qualifications and Experience (Note 1)	Independence (Note 2)	Number of TWSE/TPEX Listed Companies the Role Serves as an Independent Director at Several Companies
WU CHIH HSYONG	TAI-SAW TECHNOLOGY CO., LTD. -Director Kaori Thermal Technology Co., Ltd. -Director Kaori Technology (Thailand) Co., Ltd. - Director		None
HAN HSIEN FU	Kaori Technology (Ningbo) Co., Ltd. -Director Kaori Thermal Technology Co., Ltd. -Director		None
HSIN WU WANG	President of the Company Kaori Technology (Ningbo) Co., Ltd. - Director Kaori Thermal Technology Co., Ltd. - Director		None
HUANG HUNG HSING	CSO of the Company Kaori Thermal Technology Co., Ltd. -Director International Bills Finance Corporation-Investment Manager		None
Aladdin Holding Group Representative WU CHUN YING	Vice President of the Company Kaori Thermal Technology Co., Ltd. -Director Director, Kaori Technology (Thailand) Co., Ltd. Kaori Technology (Ningbo) Co., Ltd. - President YUAN TSUN PLASTIC CO., LTD.- Chief Business Officer MiiCs & Partners Co., Ltd.- Partner		None
Aladdin Holding Group Representative KU HUNG TAO	Kaori Thermal Technology Co., Ltd. - Director Director, Kaori Technology (Thailand) Co., Ltd. IN HOUSE INDUSTRY CO., LTD -Executive Director DYNACARD CO., LTD.- Consultant Chinese Association Leaders Union - Director LEDEN SCIENCE&TECHNOLOGY CO., LTD.- Director		None
HUNG HSIANG WEN (Independent Director)	Li-Mei-Jia Investment Company - Consultant	Not involved in affairs as stipulated in Items 5-8, Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies	None
MAO EN KUANG(Independent Director)	Wind Power Industry in Taiwan - General Secretary Taiwan Electrical and Electronic Manufacturers' Association- Vice General Secretary	Not involved in affairs as stipulated in Items 5-8, Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies	1

TANG CHI YAO (Independent Director)	Lion Travel Co., Ltd.- Vice President of Human Resources TAIWAN STAR TELECOM CORPORATION LIMITED - Head of Human Resource	Not involved in affairs as stipulated in Items 5-8, Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies	None
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Note 1: Professional Qualifications and Experience: State the professional qualifications and experience of the individual directors and supervisors and, if they are members of the Audit Committee and have accounting or financial expertise, their accounting or financial background and work experience, and indicate whether they are not covered by the provisions of section 30 of the Company Act.

Note 2: For independent directors, it should be stated whether they meet the requirements of independence, including but not limited to whether himself/herself, his/herspouse, or relatives within second generation have served as directors, supervisors, or employees of the company or its affiliated enterprises; whether himself/herself, his/her spouse, relatives within second generation (or in the name of others) have held the shares of the Company and shareholding ratios; whether he/she has assumed the post of director, supervisor or employee of specific affiliated companies of the Company (refer to Items 5-8, Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); the amount of remuneration obtained for providing business, legal, financial, accounting and other services to the Company or its affiliates in the last 2 years.

(4).Diversity and Independence of Board of Directors:

1).Diversity of the Board of Directors:

To formulate an appropriate diversity approach, it is appropriate for directors to include, but not limited to, the following criteria:

①Basic requirements and values: Gender, age, nationality, and culture.

②Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

All members of the board shall have the knowledge, skills, and experience necessary to perform their duties.

To achieve the ideal goal of corporate governance, the board of directors shall possess:

①The ability to make judgments about operations.

②Accounting and financial analysis ability.

③Business management ability.

④Crisis management ability.

⑤Knowledge of the industry.

⑥An international market perspective.

⑦Leadership ability.

⑧Decision-making ability.

The Company's 21st Board of Directors Board of Directors consists of 9 directors, with concrete management goals and implementations as follows:

Item	Management Goals	Implementation Status
1	A majority of all directors do not have spousal relationship or are not within 2 nd degree of kinship with other directors.	Implemented
2	The Company's roles of Chairman and General Manager is not assumed by the same individual.	Implemented
3	One-third of the Board seats are held by either gender	Not implemented (Note)

Note 1: Reason: The Company has nine directors in accordance with the articles of association. The current directors have been elected at the shareholders' meeting on June 13, 2023. However, due to the nature of the industry, it is difficult to hire suitable talent in a short period of time, and the proportion of female directors has not reached one-third as required.

2. Countermeasures: Before the reelection of the Board of Directors, we will seek recommendations from various sources, such as industry or school to facilitate the corporate governance and implement the diversity policy of directors.

The implementation of director diversification is as follows:

Item	Title	Director Name	Gender	Nationality	Concurrently an Employee of the Company	Age Group					Years of Service as an Independent Director				The ability to make judgments about operations	Accounting and Financial Analysis Ability	Business Management Ability	Crisis Management Ability	Knowledge of the industry perspective	Leadership Ability	An international market perspective	Decision-making ability	Knowledge and Ability for Risk Management
						40 to 49	50 to 59	60 to 69	70 to 79	80+ yo	Under 3 Years	3 to 9 Years	9 to 12 Years	12+ Years									
1	Chairman	WU CHIH HSYONG	Male	ROC				V							V		V	V	V	V	V	V	V
2	Deputy Chairman	HAN HSIEN FU	Male	ROC	V					V					V		V	V	V	V	V	V	V
3	Director	HSIN WU WANG	Male	ROC	V			V							V	V	V	V	V	V	V	V	V
4	Director	HUANG HUNG HSING	Male	ROC	V	V									V	V	V	V	V	V	V	V	V
5	Director	Aladdin Holding Group Representative WU CHUN YING	Male	ROC	V	V									V	V	V	V	V	V	V	V	V

6	Director	Aladdin Holding Group Representative KU HUNG TAO	Male	ROC		V									V	V	V	V	V	V	V	V
7	Independent Director	HUNG HSIANG WEN	Male	ROC			V					V		V	V	V	V	V	V	V	V	V
8	Independent Director	MAO EN KUANG	Male	ROC			V			V				V		V	V	V	V	V	V	V
9	Independent Director	TANG CHI YAO	Male	ROC		V				V				V	V	V	V	V	V	V	V	V

2). Independence of Board of Directors:

- ①Diversification Background of Directors (including Independent Directors): In addition to 4 employees of the Company and 5 directors who are actually involved in the operation of the Company, the remaining directors (including independent directors) are external professionals with corporate management, financial economics and industry-related knowledge.
- ②Age Distribution: Among the existing directors (including independent directors), 1 is aged 80 or above, 4 are between 60 and 70, and 4 are below 50. All of them are male.

2. General Manager, Assistant General Managers, Deputy Assistant General Managers, and the Chiefs of all the Company's Divisions and Branch Units:

March 25, 2025; Unit: Share

Title	Nationality	Name	Gender	Date the Current Position is Assumed	Shares Held		Shares Held by Spouses and Children of Minor Age		Shares Held through Nominees		Principal Work Experience and Academic Qualifications	Concurrent Positions in the Company and Its Subsidiaries	Executive, director or supervisor who is his/her spouse or a second-degree relative of his/her clan			Remarks (Note 1)	Title
					Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage			Title	Name	Relationship		
President	ROC	HSIN WU WANG	Male	2023/06/26	280,778	0.31%	0	0.00%	0	0.00%	Institute of Financial Management, Taiwan Central University Vice President of Kaori since January 2006	Kaori Technology (Ningbo) Co., Ltd.-Director Director, Kaori Thermal Technology Co., Ltd.	None	None	None	None	None
Vice President	ROC	WU CHUN YING	Male	2023/08/09	14,000	0.02%	0	0.00%	0	0.00%	Doctorate in Law from Durham University Advanced Master of Business Administration from Lausanne School of Management, Switzerland Investment Partner of MiiCs&Partners (Stock) Company	Director, Kaori Thermal Technology Co., Ltd. Director, Kaori Technology (Thailand) Co., Ltd. Kaori Technology (Ningbo) Co., Ltd.-President	None	None	None	None	None

Vice President (Note 2)	ROC	CHOU WU HSING	Male	2020/03/02	4,916	0.01%	0	0.00%	0	0.00%	Ph.D., Department of Mechanics, University of Michigan President of Yupei Environmental Protection (Shandong) Co., Ltd. President of Ming Kei Energy Holdings Limited	Kaori Thermal Technology Co., Ltd. - President (Note 2)	None	None	No ne	None	None
Vice President	ROC	CHIU YI HUNG	Male	2020/03/16	25,104	0.03%	0	0.00%	0	0.00%	Department of Human Resources, Taiwan Central University Manager of Department of Management, EXCELLENCE OPTOELECTRONICS INC.	None	None	None	No ne	None	None
Vice President	ROC	HUANG HUNG HSING	Male	2023/09/04	1,406,165	1.57%	0	0.00%	0	0.00%	Institute of Science and Technology Management, National Tsing Hua University Investment Manager, International Bills Finance Corporation	None	None	None	No ne	None	None
Assistant Manager	ROC	TSAI MENG FANG	Male	2007/07/01	25,013	0.03%	0	0.00%	0	0.00%	Department of Refrigeration and air Conditioning, Taipei University of Science and Technology Manager of Industrial Products Department, METTLER TOLEDO, Taiwan	None	None	None	No ne	None	None
Assistant Manager	ROC	CHU CHIU MING	Female	2010/08/01	23,954	0.03%	0	0.00%	0	0.00%	Faculty of Law, University of Myanmar From May 1996 to July 2010, served as the Business Manager of the PHE Business Unit at Kaori	None	None	None	No ne	None	None
Assistant Manager	ROC	HSU YUNG CHENG	Male	2018/10/03	0	0.00%	0	0.00%	0	0.00%	Master of Science, Department of Management, University of Texas at Arlington, USA Mechanical Research Institute, Taiwan University Director, Chicony Power	None	None	None	No ne	None	None
Assistant Manager	ROC	CHIANG CHI HUNG	Male	2019/02/18	4,292	0.00%	0	0.00%	0	0.00%	Department of Computer Science, Tamkang University Motech Industries Inc.-Deputy Director of Information Technology Director of Information Department, Topcell Solar International Co., Ltd.	None	None	None	No ne	None	None
Senior Manager	ROC	LI CHING CHUN	Male	2019/04/01	28,731	0.03%	0	0.00%	0	0.00%	PhD, Institute of Applied Mechanics, Taiwan University Postdoctoral researcher, Institute of Applied Mechanics, Taiwan University	None	None	None	No ne	None	None
Assistant Manager (Note 3)	ROC	LIN YUE HUNG	Male	2019/04/01	47,456	0.05%	15,000	0.02%	0	0.00%	Doctor, Institute of Mechanical Engineering, Taiwan Central University Serving as the R&D Manager of Colliers since April 2014	Kaori Thermal Technology Co., Ltd. - Vice President (Note 3)	None	None	No ne	None	None
Assistant Manager	ROC	HAN WEN TENG	Male	2020/03/15	27,291	0.03%	0	0.00%	0	0.00%	Master, Department of Materials Science, Feng Chia University Serving as the Manager of Kaori since September 2008	None	Deputy Chairman	HAN HSIEN FU	Father and son	None	None
Senior Manager	ROC	HUANG YAO CHUN	Male	2020/03/15	0	0.00%	0	0.00%	0	0.00%	Master of Science, Institute of Mechanical Engineering, Chenggong University Component Manufacturing Manager of Foxsemicon Integrated Technology Inc.	None	None	None	No ne	None	None
Senior Manager	ROC	CHEN YU CHUNG	Male	2021/04/06	0	0.00%	0	0.00%	0	0.00%	PhD, Department of Materials Science and Engineering, National Cheng Kung University Motech Industries Inc. Deputy Director, Electric Utilities Division	None	None	None	No ne	None	None

Assistant Manager	ROC	CHENG CHANG LI	Male	2022/03/16	0	0.00%	0	0.00%	0	0.00%	PhD in Chemical engineering, National Cheng Kung University Hydrogen Energy Project Manager, CHEM R&D Manager, Motech Industries Inc.	None	None	None	No ne	None	None
Financial Executive	ROC	CHUAN G JUI CHIN	Female	2023/06/26	5,092	0.01%	0	0.00%	0	0.00%	Department of Business Administration, Fu Jen Catholic University Manager of Finance Department, SUNNER SOLAR CORP.	None	None	None	No ne	None	None
Accounting Executive	ROC	CHANG WAN CHING	Female	2023/08/09	0	0.00%	0	0.00%	0	0.00%	EMBASchool of Management Senior Management in Vocational Program EMBA, National Cheng Kung University Finance Manager/Accounting Supervisor of NEW BEST WIRE INDUSTRIAL CO., LTD.	None	None	None	No ne	None	None
Corporate Governance Executive	ROC	LI CHIA JUNG	Male	2021/11/05	4,230	0.00%	0	0.00%	0	0.00%	Master's Program in Business Management, Yuan Ze University Audit Manager of BRIGHTKING HOLDINGS LIMITED	None	None	None	No ne	None	None

Note 1: Where the Chairman and General Manager of the Company or person of an equivalent post (the highest-level manager) are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed.

2. Dismissed on December 31, 2024 and assumed as President of Kaori Thermal Technology Co., Ltd. from January 1, 2025.

3. Dismissed on December 31, 2024 and assumed as Vice President of Kaori Thermal Technology Co., Ltd. from January 1, 2025.

II. Remunerations Paid to Directors, Supervisors, General Manager and Vice General Managers in the Most Recent Year

(1) Remunerations of General Directors and Independent Directors: (Disclose name and remuneration method for individual directors)

December 31, 2024 Unit: NT\$ thousand

Title	Name	Directors' Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income		Remunerations Received by Directors Concurrently Serving as Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income		Remuneration from Ventures other than Subsidiaries or from the Parent Company		
		Base Compensation (A)		Severance Pay and Pension (B)		Directors' Compensation (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay and Pension (F)		Employees' Compensation (G)								
		The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company		All Companies in the Financial Statements			The Company	All Companies in the Financial Statements
																		Cash Amount	Stock Amount	Cash Amount	Stock Amount			
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	HSIN WU WANG	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 Holding Group	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 specify payment policy, system, standard and structure of the remunerations received by independent directors, and the relevance of remunerations paid to the directors based on their duties, risks, duration of engagement and other relevant factors: The Company conducted a re-election of all directors on January 24, 2022, and the remunerations are calculated and distributed pro-rate based on years of service by individual directors.

In accordance with the Company's Articles of Incorporation, the Company's remunerations for independent directors are distributed based on review by the Remuneration Committee by individual directors based on their degree of participation in Company operations, value of contributions in conjunction with performance evaluation results, during which the reasonable and fair remunerations level are proposed, and resolution by the Board of Directors.

2. Except as disclosed in the above table, remuneration received by the directors of the Company in the most recent year for providing services to all companies in the financial reports (such as acting as consultants to non-employees of the parent company/all companies in the financial reports/subinvested businesses, etc.) : NT\$0

Remuneration Range Table

Range of Remunerations paid to Directors of the Company	Director Name			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All Companies in the Financial Statements H	The Company	All Companies in the Financial Statements I
Less than NT\$ 1,000,000	HUNG HSIANG WEN, MAO EN KUANG, TANG CHI YAO, Aladdin Holding Group Representative WU CHUN YING, Aladdin Holding Group Representative KU HUNG TAO	HUNG HSIANG WEN, MAO EN KUANG, TANG CHI YAO, Aladdin Holding Group Representative WU CHUN YING, Aladdin Holding Group representative KU HUNG TAO	HUNG HSIANG WEN, MAO EN KUANG, TANG CHI YAO, Aladdin Holding Group representative KU HUNG TAO	HUNG HSIANG WEN, MAO EN KUANG, TANG CHI YAO, Aladdin Holding Group representative KU HUNG TAO
NT\$1,000,000 ~ NT\$2,000,000	-	-	-	-
NT\$2,000,000 ~ NT\$3,500,000	-	-	-	-
NT\$3,500,000 ~ NT\$5,000,000	HAN HSIEN FU, HSIN WU WANG, HUANG HUNG HSING	HAN HSIEN FU, HSIN WU WANG, HUANG HUNG HSING	-	-
NT\$5,000,000 ~ NT\$10,000,000	Aladdin Holding Group	Aladdin Holding Group	HUANG HUNG HSING, Aladdin Holding Group, representative of Aladdin Holding Group WU CHUN YING	HUANG HUNG HSING, Aladdin Holding Group, representative of Aladdin Holding Group WU CHUN YING
NT\$10,000,000 ~ NT\$15,000,000	-	-	HAN HSIEN FU, HSIN WU WANG,	HAN HSIEN FU, HSIN WU WANG,
NT\$15,000,000 ~ NT\$ 30,000,000	WU CHI HSIUNG	WU CHI HSIUNG	WU CHI HSIUNG	WU CHI HSIUNG
NT\$ 30,000,000 ~ NT\$ 50,000,000	-	-	-	-
NT\$ 50,000,000 ~ NT\$100,000,000	-	-	-	-
Greater than or equal to NT\$100,000,000	-	-	-	-
Total	10	10	10	10

(2) Remunerations for Supervisors: N/A.

(3) Remunerations for President and Vice President(s):

Remunerations for President and Vice President (Disclose name and remuneration method for individual managers)

December 31, 2024 Unit: NT\$thousand

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonus and Special Disbursement (C)		Employees' Compensation Amount (D)				Ratio of Total Remuneration (A+B+C+D) to Net Income(%)		Remuneration from Ventures other than Subsidiaries or from the Parent Company
		The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company		All Companies in the Financial Statements		The Company	All Companies in the Financial Statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	HSIN WU WANG	3,383	3,383	311	311	2,907	2,907	134	0	134	0	6,735 1.14%	6,735 1.14%	None
Vice President	HUANG HUNG HSING	2,082	2,082	108	108	1,766	1,766	39	0	39	0	3,995 0.67%	3,995 0.67%	None
Vice President	WU CHUN YING	2,996	2,996	108	108	2,238	2,238	89	0	89	0	5,431 0.92%	5,431 0.92%	None
Vice President	CHIU HUNG YI	1,831	1,831	106	106	1,556	1,556	81	0	81	0	3,574 0.60%	3,574 0.60%	None
Vice President	CHOU WU HSING (Note)	3,190	3,190	108	108	2,395	2,395	143	0	143	0	5,836 0.98%	5,836 0.98%	None

Note: Vice President CHOU WU HSING was dismissed on December 31, 2024 and assumed as the President of Kaori Thermal Technology Co., Ltd. from January 1, 2025.

Remuneration Range Table

Range of Remunerations paid to Individual General Manager and Vice General Managers	Names of General Manager and Vice General Managers	
	The Company	All Companies in the Financial Statements
Less than NT\$ 1,000,000	-	-
NT\$1,000,000 ~ NT\$2,000,000	-	-
NT\$2,000,000 ~ NT\$3,500,000	-	-
NT\$3,500,000 ~ NT\$5,000,000	HUANG HUNG HSING, CHIU HUNG YI	HUANG HUNG HSING, CHIU HUNG YI
NT\$5,000,000 ~ NT\$10,000,000	HSIN WU WANG, WU CHUN YING, CHOU WU HSING	HSIN WU WANG, WU CHUN YING, CHOU WU HSING
NT\$10,000,000 ~ NT\$15,000,000	-	-

NT\$15,000,000 ~ NT\$ 30,000,000	-	-
NT\$ 30,000,000 ~ NT\$ 50,000,000	-	-
NT\$ 50,000,000 ~ NT\$100,000,000	-	-
Greater than or equal to NT\$100,000,000	-	-
Total	5	5

(4) Remunerations Received by the Top 5 the Highest Paid Supervisors in the TWSE/TPEX Company:

Title	Name	Salary (A)		Severance Pay and Pension (B)		Title		Name				Salary (A)		Severance Pay and Pension (B)
		The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company		All Companies in the Financial Statements		The Company	All Companies in the Financial Statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	HSIN WU WANG	3,383	3,383	311	310	2,907	2,907	134	0	134	0	6,735 1.14%	6,735 1.14%	None
Vice President	CHOU WU HSING(Note 1)	3,190	3,190	108	108	2,395	2,395	143	0	143	0	5,836 0.98%	5,836 0.98%	None
Vice President	WU CHUN YING	2,996	2,996	108	108	2,238	2,238	89	0	89	0	5,431 0.92%	5,431 0.92%	None
Assistant Manager	LIN YUE HUNG (Note 2)	1,827	1,827	108	108	2,222	2,222	89	0	89	0	4,246 0.67%	4,246 0.67%	None
Vice President	HUANG HUNG HSING	2,082	2,082	108	108	1,766	1,766	39	0	39	0	3,995 0.67%	3,995 0.67%	None

Note: 1. Dismissed on December 31, 2024 and assumed as the President of Kaori Thermal Technology Co., Ltd. on January 1, 2025.

2. Dismissed on December 31, 2024 and assumed as the Vice President of Kaori Thermal Technology Co., Ltd. on January 1, 2025.

(5) Name and Distribution of President Paid to Remunerations to Employees:

December 31, 2024 Unit: NT\$ thousand

	Title	Name	Stock Dividends	Cash Dividends	Total	Proportion of Total Amount to Net Profit after Tax (%)
President	President	HSIN WU WANG	0	1,636	1,636	0.28%
	Vice President	HUANG HUNG HSING				
	Vice President	WU CHUN YING				
	Vice President	CHIU HUNG YI				
	Vice President	CHOU WU HSING				
	Assistant Manager	TSAI MENG FANG				
	Assistant Manager	CHU CHIU MING				
	Assistant Manager	CHEN YU CHUNG				
	Assistant Manager	LIN YUE HUNG				
	Assistant Manager	LI CHING CHUN				
	Assistant Manager	HSU YUNG CHENG				
	Assistant Manager	CHIANG CHI HUNG				
	Assistant Manager	HUANG YAO CHUN				
	Assistant Manager	HAN WEN TENG				
	Assistant Manager	CHENG CHANG LI				
	Finance Chief	CHUANG JUI CHIN				
	Accounting Chief	CHANG WAN CHING				
	Corporate Governance Chief	LI CHIA JUNG				

(6) Compare and analyze the total amount of remuneration paid by the Company to the Company's directors, supervisors, president and vice presidents as a percentage of net profit after tax in individual or individual financial reports for the most recent two years and explain the policy, criteria and mix of remuneration payments, the procedures for determining remuneration, and the correlation with operating performance and future risks.

- 1). The remuneration of the directors, supervisors, president and vice presidents of the Company is paid by the Company only, and the total amount paid in 2024 and 2023 is 10.51% and 8.38% of net profit after tax respectively.

Analysis of the total amount of remuneration paid to directors, supervisors, president and vice presidents of the Company as a percentage of net profit after tax in individual or individual financial reports by the Company and by all companies in the consolidated financial statements for the most recent two years in 2024:

Unit: NT\$ thousand

Item	Total Remuneration			
	2024		2023	
	The Company	All companies in the financial report	All companies in the financial report	All companies in the financial report
Director	36,768	36,768	32,857	32,857
President and vice president	25,569	25,569	15,452	15,452

Unit: %

Item	Proportion of Total Remuneration to Net Profit after Tax			
	2024		2023	
	The Company	The Company	The Company	The Company
Director	6.20%	6.20%	5.70%	5.70%
President and vice president	4.31%	4.31%	2.68%	2.68%

2). Policies, standards, and composition of remunerations paid, the process for determining remuneration, and its relevance with business performance and future risks:

①The remunerations received by directors and supervisors of the Company include travel allowance and directors and supervisors' remunerations under the earnings distribution:

The remunerations received by directors and supervisors of the Company include travel allowance and directors and supervisors' remunerations under the earnings distribution. The travel allowances for the directors and supervisors are paid based at the amounts with reference to amount level of peers and in accordance with their attendance to the Board of Directors meetings; the directors' remunerations under the earnings distribution is handled in accordance with the Company's Articles of Incorporation, which "after closing of accounts, if there are earnings, the Company shall first pay the tax, make up the losses for the preceding years, and set aside a legal reserve of 10% of the net profit. 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 set aside another sum as special reserve or revert such sum in accordance with relevant laws and regulations. The balance following the distribution added with undistributed earnings from the former years are the cumulative distributable earnings, whose distribution shall be made into proposals by the Board of Directors based on the circumstances of the industry the Company is in and at the percentage ranging from 10 to 100 percent for submission to the meeting of shareholders for resolutions. The Company's remunerations received by the president and the vice presidents include salary, bonus, employees' remunerations, etc. are determined based on the role(s) held and the responsibilities assumed, with reference to level of remunerations paid by the peers to their equivalent roles.

②Relevance with business performance and future risks:

As the remunerations structure, including bonuses and earnings distribution items, within the Company, is determined based on the achievement of the Company's annual operating performance, taking into account the overall economic circumstances, relevant industry norms for remunerations, and the future capital requirements for the Company's development, the remuneration for directors, supervisors, president, and vice president at the Company (excluding fixed compensation for independent directors and supervisors) is positively correlated with their performance and future risks.

III. Implementation Status of Corporate Governance:

(I) Implementation Status of the Board:

1. A total of 8 Board meetings (A) in 2024. The attendance of director was as follows:

Title	Name (Note 1)	Attendance in Person B	By Proxy	Attendance Rate (%) [B/A] (Note 2)	Remarks
Chairman	WU CHIH HSYONG	8	0	100	
Director	HAN HSIEN FU	8	0	100	
Director	HSIN WU WANG	8	0	100	
Director	HUANG HUNG HSING	8	0	100	
Director	Aladdin Holding Group Representative WU CHUN YING	8	0	100	
Director	Aladdin Holding Group Representative KU HUNG TAO	7	1	88	
Independent Director	HUNG HSIANG WEN	8	0	100	
Independent Director	MAO EN KUANG	8	0	100	
Independent Director	TANG CHI YAO	8	0	100	

Other information required to be disclosed:

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the Company's response should be specified:

- (1). Matters referred to in Article 14-3 of the Securities and Exchange Act: The Company has set up Audit Committee and Item 1, Paragraph 5 of the Securities Exchange Act, Article 14 and Paragraph 3, Article 14 of Securities Exchange Act doesn't apply.
- (2). Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors: None.

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

1. Motion 2 and Motion 3 of the Board of Directors on January 17, 2024: to approve the year-end and operating bonus distribution plan reviewed by the Compensation Committee of the Company. In this motion, the directors and president of the interested parties did not join the discussion and vote on the year-end and operating bonuses of the president, and the remaining directors present had no objection to the motion passed.
2. Motion 5 of the Board of Directors on January 17, 2024: to approved the change in the Company's spokesman. In this motion, the manager of the interested party did not join the discussion and voting, and the remaining directors present no objection to the motion passed.
3. Motion 4 of the Board of Directors on May 8, 2024: to approve the compensation allocation plan for directors

and employees for the year 2023 reviewed by the Remuneration Committee of the Company. In this motion, the remuneration of directors and managers was discussed, and the directors and managers of interested parties withdrew one by one and did not join the discussion and vote, and the remaining directors present had no objection to the motion passed.

4. Motion 6 of the Board of Directors on May 8, 2024: to approve the establishment of the Company's "Commission on Sustainable Development" and the appointment of the Commission member. In this motion, the appointment of the Commission member was discussed, and the directors and managers of interested parties withdrew one by one and did not join the discussion and vote, and the remaining directors present had no objection to the motion passed.

5. Motion 10 of the Board of Directors on May 8, 2024: to approve the appointment of the President of the subsidiary Kaori Technology (Ningbo) Co., Ltd. In this motion, the appointment of the President was discussed, and the directors and managers of interested parties withdrew one by one and did not join the discussion and vote, and the remaining directors present had no objection to the motion passed.

6. Motion 6 of the Board of Director on August 9, 2024: to approve the appointment of director for the subsidiary Kaori Thermal Technology Co., Ltd. In this motion, the appointment of the director was discussed, and the directors and managers of interested parties withdrew one by one and did not join the discussion and vote, and the remaining directors present had no objection to the motion passed.

7. Motion 5 of the Board of Directors on September 13, 2024: to approve the appointment of the subsidiary Kaori Technology (Thailand) Co., Ltd. In this motion, the appointment of the Board members was discussed, and the directors and managers of interested parties withdrew one by one and did not join the discussion and vote, and the remaining directors present had no objection to the motion passed.

8. Motion of the Board of Directors on December 20, 2024: to approve the appointment of the CEO of the subsidiary Kaori Thermal Technology Co., Ltd. In this motion, the appointment of manager was discussed, and the directors and managers of interested parties withdrew one by one and did not join the discussion and vote, and the remaining directors present had no objection to the motion passed.

9. Motion 7 of the Board of Directors on December 20, 2024: to approve the 2024 year-end and operating bonus distribution plan reviewed by the Compensation Committee of the Company. In this motion, the year-end and operating bonus was discussed, and the directors and managers of interested parties withdrew one by one and did not join the discussion and vote, and the remaining directors present had no objection to the motion passed.

3. A TWSE/TPEX listed company shall disclose the information concerning the cycle and period, scope, methods, and items of the Board of Directors' self-evaluation (or peer evaluation).

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	Evaluation Items
Once each year	January 1, 2024 ~ December 31, 2024	Board of Directors, Board members and functional committees	Self-evaluation	As shown below

The Company's Board of Directors has adopted its "Regulations Governing Performance Evaluation of the Board of Directors". On March 5, 2025, the Board of Directors passed the self-evaluation report on the performance of the 2024 Board of Directors. The evaluation results are as follows:

(1)Board of Directors Performance Evaluation

Five Major Aspects of Self-Evaluation	No. Of Question	Five Major Aspects of Self-Evaluation
A. Degree of Participation in Company Operations	12	5.00
B. Enhancement of Quality concerning Decisions by the Board of Directors	12	4.92

C. Composition and Structure of the Board of Directors	7	5.00
D. Election and Continuing Education of Directors	7	4.43
E. Internal Control	7	5.00
Total/Average Score	45	4.87

(2) Board Members Performance Evaluation

Six Major Aspects of Self-Evaluation	No. of Questions	Average Score
A. Grasps over Company Goals and Tasks	3	4.89
B. Awareness of Directors' Duties	3	5.00
C. Degree of Participation in Company Operations	8	4.81
D. Management and Communications concerning Internal Relationship	3	4.96
E. Professionalism and Continuing Education of Directors	3	4.85
F. Internal Control	3	4.81
Total/Average Score	23	4.89

(3) Functional Committee Performance Evaluation

Five Major Aspects of Self-Evaluation	Audit Committee		Remuneration Committee	
	No. of Questions	Average Score	No. of Questions	Average Score
A. Degree of Participation in Company Operations	4	4.75	4	4.75
B. Awareness of Functional Committees' Duties	5	4.87	5	4.67
C. Enhancement of Quality concerning Decisions by the Functional Committees	7	4.67	7	4.67
D. Composition of Functional Committees and Election of its Members	3	5.00	3	5.00
E. Internal Control	3	4.78	-	-
Total/Average Score	22	4.81	19	4.77

Overall, based on the evaluation results, the performance of the Board of Directors in 2022 has been assessed as “excellent”, which are evidently indicating that the Company has strengthened the functions of the Board of Directors and the overall operations of the Functional Committees is in good condition. The Company will continue to strive for improvement to enhance corporate governance effectiveness.

4. Goals for Strengthening Competency of the Board of Directors (e.g. establishment of Audit Committee, enhancement of information transparency, etc.) in the Current Year and the Most Recent Year and Evaluation on the Implementation Status:

On June 17, 2020, the Company established its Audit Committee consisting of a total of 3 members. The Company plans to engage the practicing director in the actual operations and business meetings of each business unit's management team for review purposes. Additionally, diversification education and training courses will be arranged for directors to enhance their corporate governance capabilities.

(II) Implementation Status of Audit Committee and Board of Directors:

(1) The Company's Audit Committee was established on June 17, 2020, composed of 3 members.

(2) The term of office of the second committee member is from June 13, 2023 to June 12, 2026. In 2023, the Audit Committee held 7 meetings (A), and the attendance of the committee members is as follows:

Title	Name	Attendance in Person (B)	Attendance Rate (%) (B/A)	Remarks
Independent Director	HUNG HSIANG WEN	5	100	
Independent Director	MAO EN KUANG	5	100	
Independent Director	TANG CHI YAO	5	100	

Other information required to be disclosed:

I. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Committee and the Company's response to the Audit Committee's opinion should be specified.

1. Matters referred to in Article 14-3 of the Securities and Exchange Act:

Audit Committee	Contents of the Motion and Subsequent Handling	Resolution Result	Company's Response to the Audit Committee's Opinion
5 th meeting of the second term March 8, 2024	1. 2023 Business Reports and Financial Statements. 2. Proposal for 2023 Surplus Distribution. 3. Proposal for "Statement on Internal Control". 4. Assessment of the independence and suitability of the Company's CPAs.	Approved by all Audit Committee Members	Submitted to the Board of Directors meeting to be approved by all attending directors
6 th meeting of the second term May 8, 2024	1. Proposal of the change in internal position transfer within the accounting firm in cooperation with the Company. 2. Q1 Financial Report of Year 2024. 3. Proposal to authorize the Chairman to handle the evaluation and preparation of the heat dissipation.	Approved by all Audit Committee Members	Submitted to the Board of Directors meeting to be approved by all attending directors
7 th meeting of the second term August 9, 2024	1. Q2 Financial Report of Year 2024. 2. Amendments to the Company's "pre-approved non-assurance services". 3. Proposal to re-invest in the establishment of Kaori Thermal Technology Co., Ltd. 4. Plan to set up a subsidiary in Thailand, and authorize the Chairman to handle the subsidiary establishment.	Approved by all Audit Committee Members	Submitted to the Board of Directors meeting to be approved by all attending directors
8 th meeting of the second term September 13, 2024	1. Proposal to authorize the Chairman to negotiate the purchase of land in the industrial zone of Thailand 2. Proposal of the establishment of subsidiary in Thailand and appointment of directors of subsidiary in Thailand.	Approved by all Audit Committee Members	Submitted to the Board of Directors meeting to be approved by all attending directors
9 th meeting of the second meeting November 8, 2024	1. Q3 Financial Report of Year 2024. 2. Amendments to the Company's "Internal Control System". 3. Supplement to the Company's "SOP of Sustainability Report Preparation and Verification".	Approved by all Audit Committee Members	Submitted to the Board of Directors meeting to be approved by all attending directors

2. Other matters not approved by the Audit Committee and approved by more than two-thirds of all directors, except the items mentioned above: none.

II. For the implementation of the withdrawal of an independent director from a motion with an interest, the name of the independent director, the content of the motion, the reason for the withdrawal of interest and the voting situation should be stated: none.

III. The communication between the independent director and the internal audit supervisor and the accountant (including the important matters, methods and results of the communication on the Company's financial and business conditions, etc.) :

1. Convening method: forum.

2. Important matters and results of communication on the Company's financial and business status:

Date	Attendee	Items	Results
November 8, 2024	Independent Director HUNG HSIANG WEN Independent Director MAO EN KUANG Independent Director TANG CHI YAO Accountant SU YU HSIU Auditor TAI CHIA LING	➤ Report on the professional training of auditors in 2024.	Unanimous approval
		➤ Report to the competent authority for promulgating internal control standards and other relevant decrees.	
		➤ Audit Plan for 2025.	Unanimous approval
		➤ As of August 2024, internal control deficiency improvement has been implemented	
		➤ Explanation of Key Audit Points and Scope of Audit by Accountants ➤ Applicable timeline and disclosure time for corporate governance and sustainable development projects	Unanimous approval
		Suggestions from independent director: ➤ Improve management efficiency by evaluating the Company and managing it digitally across the board. ➤ On the basis of complying with IFRS perpetual disclosure guidelines, please have the Sustainable Development Committee plan a specific agenda for promotion and assign personnel to report.	Submit to the competent chief for discussion

(III) Implementation Status of Corporate Governance and its Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons:

Evaluation Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has adopted relevant regulations and measures in accordance with the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and disclosed the corporate governance practices on the corporate website.	None

Evaluation Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Does the Company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?</p> <p>(4) Does the Company regularly evaluate the independence of attesting CPA?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>implementation status, please refer to “Implementation of Director Diversification”, pages 9~11 of this Annual Report</p> <p>(2) The Company has established the “Remuneration Committee” and the Board meeting held on May 8, 2024 has approved the establishment of “Sustainable Development Committee”.</p> <p>(3) The Board of Directors of the Company has adopted the “Regulations Governing Performance Evaluation of the Board of Directors” specifying that the Board of Directors shall conduct an internal performance evaluation of the board at least once a year, and that the evaluation shall be held at the end of each fiscal year following the evaluation procedures and indicators specified in these Regulations. In the future, the evaluation results can be reported to the Board of Directors and used as a reference for individual director’s remuneration and nomination for re-election.</p> <p>The Company has completed the self-evaluation of the 2024 Board of Directors and its members. The evaluation criteria are as follows: “5 points” (Excellent), “4 points” (Good), “3 points” (Average), “2 points” (Needs Improvement), and “1 point” (Poor). (Best of 5 points for each criterion).</p> <p>Board of Directors Self-Evaluation on Performance includes five major aspects: Degree of Participation in Company Operations, Enhancement of Quality concerning Decisions by the Board of Directors, Composition and Structure of the Board of Directors, Election and Continuing Education of the Board of Directors,</p>	

Evaluation Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>and Internal Control. The result in weighted average score in this evaluation is 4.87.</p> <p>Board Members Self-Evaluation includes five major aspects: Grasps over Company Goals and Tasks, Awareness of Directors’ Duties, Degree of Participation in Company Operations, Management and Communications concerning Internal Relationship, and Internal Control. The result in weighted average score in this evaluation is 4.89.</p> <p>Functional Committees (Audit Committee and Remuneration Committee) Self-Evaluation on Performance includes five major aspects: Degree of Participation in Company Operations, Awareness of Functional Committees’ Duties, Enhancement of Quality concerning Decisions by the Functional Committees, Composition of Functional Committees and Election of its Members, Internal Control. The results in weighted average score in this evaluation are 4.81 and 4.77.</p> <p>Overall, based on the evaluation results, the Company has been assessed as “excellent”, which are evidently indicating that the Company has been strengthening the functions of the Board of Directors and the overall operations of the Functional Committees is in good condition. The Company will continue to strive for improvement to enhance corporate governance effectiveness.</p> <p>(4) On August 7, 2020, the Company’s Board of Directors approved the “Assessment Method for Auditor Independence and Suitableness”. On March 5, 2025, based on the information</p>	

Evaluation Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			provided by the auditors in the “Auditing Quality Indicators Explanation” and the auditors' independence statement, the Board of Directors approved the independence and suitability of the attesting CPAs for the year 2025. The Company’s attesting CPAs are SU, YU HSIU and CHEN, WEN HSIANG of Deloitte & Touche Firm, who are not related parties of the Company and there are no circumstances indicating a lack of independence.	
4. Does the Company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders’ meetings, and producing minutes of board meetings and shareholders’ meetings)?	V		The designated unit responsible for handling the Company’s board meeting affairs is the Finance Department, as appointed by the Company’s Board of Directors. On November 5, 2021, the Board of Directors approved the appointment of a Corporate Governance Supervisor. Therefore, the meeting affairs unit is responsible for handling requests from the Board of Directors and Shareholders’ Meetings, assisting directors and independent directors in complying with laws and handling Company registrations and change registrations, preparing board and shareholders’ meeting minutes, and providing timely and effective assistance to directors in performing their duties as promptly as possible within 3 days.	None
5. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The Company has complied with the regulations by setting up a dedicated section for stakeholders on its corporate website and has appropriately responded to important corporate social responsibility issues raised by stakeholders.	None

Evaluation Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company has entrusted Department of Stock Affairs, Mega Securities Co., Ltd. to handle the affairs of the Shareholders’ Meeting and relevant stock affairs.	None
7. Information Disclosure (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? (3) Does the Company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit	V V V		(1) The Company has disclosed financial and corporate governance information on its corporate website. (2) The Company has made its corporate website available in English and has regularly and irregularly reports various financial and business information on the MOPS in compliance with regulations; a dedicated person responsible for information collection and disclosure within the company has been appointed, and a spokesperson system has been established. (3) On March 5, 2025, the Company’s Board of Directors approved the 2024 Financial Reports, and the Company has timely disclosed and reported quarterly financial reports and monthly operating conditions within the prescribed deadlines set by the competent authority.	None

Evaluation Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
8. Is there any other important information to facilitate a better understanding of the Company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		<p>(1) Employee Rights and Employee Care: In addition to complying with the Labor Standards Act and relevant laws, The Company has established an Employee Welfare Committee and implemented a retirement pension system. It encourages employees to participate in domestic and international training programs and technical seminars, provides employee group insurance and regular health check-ups, emphasizes labor relations, and offers equal employment opportunities.</p> <p>(2) Investor Relations, Supplier Relations, and Stakeholders' Rights: The Company has set up an investor section on its corporate website (please refer to corporate website: https://www.kaori.com.tw/tw/) and provides contact numbers and email addresses for designated personnel to handle shareholder issues, suggestions, inquiries, and disputes. The Company maintains smooth communication channels with investors, suppliers, and customers, maintains good interactive relationships, adheres to the principle of integrity in business dealings, and complies with the Company’s internal control systems and management practices.</p> <p>(3) Continuing Education for Directors: In 2024, the Company’s directors have received education on corporate governance topics, including courses on finance, business, legal matters, and accounting. Independent directors also receive a minimum of six hours of annual education on law, finance, or accounting. The status of the said education has been disclosed in the “Corporate Governance Section” of the MOPS.</p> <p>(4) Implementation of Risk Management Policies and Standards: The</p>	None

Evaluation Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>Company has established various internal management regulations and risk management policies in compliance with the law. Furthermore, the Company’s internal audit units regularly or irregularly implements various risk management, assessment, and auditing activities according to these regulations.</p> <p>(5) Implementation of Customer Policy: The Company has established customer policies and complaint handling procedures and maintains regular contact with customers through its designated personnel. For customer complaints, the Company properly identifies the issues and accountability, proposes rapid and effective measures to address the issues, and proposes preventive improvement measures to prevent recurrence. Meanwhile, the Company ensures maximum benefits for both parties through good negotiation and communication channels.</p> <p>(6) Directors and Supervisors’ Liability Insurance and Social Responsibility: The Company has insured liability insurance for its directors and supervisors, with coverage of USD 1 million, to strengthen the protection of shareholders' equity.</p>	

9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measure:

As of the date of publication of the Annual Report, the Company has not yet disclosed its Corporate Governance Evaluation Results for year 2024, therefore, the Corporate Governance Evaluation Results of TWSE/TPEX Companies of Year 2023 was disclosed in line with the evaluation systems divided into seven levels. The Company’s evaluation result in 2023 falls within the fifth level at 51% to 65%. The Company has completed the corporate governance self-evaluation in accordance with the requirements of the TPEX, which has been carried out in accordance with the statutory requirements as far as possible. For voluntary announcement projects, it is still improving phase by phase. The improvement this year is mainly the formulation of human rights protection policies and specific management plans, and the disclosure of annual greenhouse gas emissions in the past two years.

Evaluation Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
In the future, the Company will also need to cooperate with the competent authorities to promote and improve the corporate governance evaluation.				

Note 1: For each indicator, specify measures and conducts at the Abstract Illustration field, no matter if “Yes” or “No” is ticked at the Implementation Status.

(IV) Implementation Status: Composition, Responsibilities and Operations of the Remuneration Committee, where the Company has established its Remuneration Committee:

1. Composition of the Remuneration Committee:

Information of Members of the Remuneration Committee

December 31, 2024

Role	Conditions	Professional Qualifications and Experience	Independence	Number of Companies the Member Concurrently Serve as a Remuneration Committee Member
	Name			
Independent Director (Convenor)	HUNG HSIANG WEN	Consultant of Li-Mei-Jia Investment Company	Not involved in affairs as stipulated in Items 5-8, Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies	None
Independent Director	MAO EN KUANG	General Secretary of Wind Power Industry in Taiwan Vice General Secretary of Taiwan Electrical and Electronic Manufacturers' Association	Not involved in affairs as stipulated in Items 5-8, Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies	1
Independent Director	TANG CHI YAO	Vice President of Human Resources of Lion Travel Co., Ltd. Head of Human Resources of TAIWAN STAR TELECOM CORPORATION LIMITED	Not involved in affairs as stipulated in Items 5-8, Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies	None

2. Duties of Remuneration Committee:

The relevant matters regarding the authority of the Company's Remuneration Committee are performed in accordance with the provisions under the "Organizational Charter of the Remuneration Committee" adopted in accordance Article 3 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange". Unless otherwise provided by laws or the Company's Articles of Incorporation, the conducts shall be performed in accordance with the provisions of the said organizational charter. The functions of this committee involve the evaluation of remunerations policies and systems for directors, supervisors, and managers of the Company from a professional and objective perspective as well as making recommendations to the Board of Directors as reference for their decision-making.

3. Information for Implementation Status of Remuneration Committee:

(1) The Company's Remuneration Committee is composed of 3 members.

(2) Term of Contract for the incumbent members:

From June 13, 2023 to June 12, 2026. In 2024, the Remuneration Committee convened 5 meetings (A), with attendance and member qualifications as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A) (Note)	Remarks
Convener	HUNG HSIANG WEN	5	0	100	
Member	MAO EN KUANG	5	0	100	
Member	TANG CHI YAO	5	0	100	
Other information required to be disclosed:					
I. Where the Board of Directors does not adopt or amends suggestions by the Remuneration Committee, Board of Directors meeting date, period, contents of proposal, Board of Directors resolutions and Company response to Remuneration Committee opinions should be specified (e.g. where the remunerations adopted by the Board of Directors if more preferable than the amounts suggested by Remuneration Committee, the deviation and cause for such deviation shall be specified): None.					
II. Where a member expresses objection or reserved opinions to resolution by the Remuneration Committee and a record or written statement is in place, Remuneration Committee meeting date, period, contents of proposal, opinions of all members and response to member opinions should be specified: None.					
Remuneration Committee	Proposal	Resolution		Response by the Company	
The 2 nd meeting of the 5 th term January 17, 2024	1. Year-end Bonus and Operating Bonus of the Company for Year 2023 2. President's Year-end Bonus and Operation Bonus Distribution for Year 2023.	Approved by all Audit Committee Members		Submitted to the Board of Directors meeting to be approved by all attending directors	
The 3 th meeting of the 5 th term March 8, 2024	Surplus Distribution of Employees and Directors for Year 2023.	Approved by all Audit Committee Members		Submitted to the Board of Directors meeting to be approved by all attending directors	
The 4 th meeting of the 5 th term May 8, 2024	Surplus Distribution of Employees and Directors for Year 2023.	Approved by all Audit Committee Members		Submitted to the Board of Directors meeting to be approved by all attending directors	
The 5 th meeting of the 5 th term November 8, 2024	1. Amendments to the Company's "Regulations Governing the Distribution of Year-end Bonus". 2. Amendments to the Company's "Regulations Governing the Operating Bonus".	Approved by all Audit Committee Members		Submitted to the Board of Directors meeting to be approved by all attending directors	
The 6 th meeting of the 5 th term December 20, 2024	1. Year-end Bonus and Operating Bonus of the Company for Year 2024. 2. Distribution of Year-end Bonus and Operating Bonus for Managers for Year 2024.	Approved by all Audit Committee Members		Submitted to the Board of Directors meeting to be approved by all attending directors	

(V) Fulfillment of Sustainable Development: Implementation of Sustainable Development and its Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons

Implementation Items	Implementation Status (Note 1)			Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons								
	Yes	No	Abstract Illustration									
1. Does the Company promote governance structure for sustainable development and establish a dedicated (concurrent) unit for promoting sustainable development, with corresponding handling by senior management under authorization of the Board of Directors? If so, please describe the status of supervision by the Board of Directors.	V		<div>The Company has set up a Commission on Sustainable Development on May 8, 2024, with three independent directors serving as members. It was convened 3 times in 2024, and relevant information is shown as follows:</div> <table><tr><th>Commission on Sustainable Development</th><th>Contents of Motion and Resolution Results</th><th>Where a Member of the Commission on Sustainable Development Has an Objection or Qualified Opinion and a Recorded or Written Statement</th><th>Commission’s Suggestions Not Adopted or Amended by the Board of Directors</th></tr><tr><td>1st meeting of the 1st term September 13, 2024</td><td>Report Items: 1. Preparation and execution of the Company’s Sustainable Report for Year 2023. 2. Promotion and execution of the Company’s sustainability for year 2024 and target for year 2025.</td><td>None</td><td>None</td></tr></table>	Commission on Sustainable Development	Contents of Motion and Resolution Results	Where a Member of the Commission on Sustainable Development Has an Objection or Qualified Opinion and a Recorded or Written Statement	Commission’s Suggestions Not Adopted or Amended by the Board of Directors	1 st meeting of the 1 st term September 13, 2024	Report Items: 1. Preparation and execution of the Company’s Sustainable Report for Year 2023. 2. Promotion and execution of the Company’s sustainability for year 2024 and target for year 2025.	None	None	No material difference
Commission on Sustainable Development	Contents of Motion and Resolution Results	Where a Member of the Commission on Sustainable Development Has an Objection or Qualified Opinion and a Recorded or Written Statement	Commission’s Suggestions Not Adopted or Amended by the Board of Directors									
1 st meeting of the 1 st term September 13, 2024	Report Items: 1. Preparation and execution of the Company’s Sustainable Report for Year 2023. 2. Promotion and execution of the Company’s sustainability for year 2024 and target for year 2025.	None	None									

				Discussion: none				
			2 nd meeting for the 1 st term November 8, 2024	1. Supplement to the Company’s SOP of Sustainability Report Preparation and Verification	None	None		
			3 rd meeting of the 1 st term December 20, 2024	Report Items: 1. Report of the Communications among the Company’s Stakeholders for Year 2023. Discussion: none	None	None		
			<p>Members of the Company’s Commission on Sustainable Development, with their academic and professional backgrounds, have not only accumulated rich experience in sustainability related work, but also have professional knowledge in the fields of business management, corporate governance and finance and economics.</p> <p>The framework for promoting sustainable development within the Company is organized with the Chairman as the chairperson, the Deputy Chairman of the Board as the vice chairperson, the President as the convenor, and the Deputy General Manager of the Administrative Management Division as the deputy convenor. The implementing units are organized based on four dimensions: environmental management, corporate governance, social engagement, and green sustainable products. The Board of Directors supervises and guides the environmental, social, and corporate governance issues related to sustainable development and arranges periodic meetings throughout the year to report on the progress of implementation to management and the Board of Directors. For details on the governance structure of the members involved in such promotion, please refer to the “Implementation Status of the Company’s Sustainable Development” (Pages 50-52) in this Annual Report.</p> <p>Record of promoting sustainable development related affairs of the Board of Directors for the year 2024:</p> <p>(1) Supplement to the Company’s “Articles of Incorporation of the Commission on Sustainable Development” on May 8.</p> <p>(2) Establishment of the “Commission on Sustainable Development”</p>					

			and Appointment of Commission Member on May 8. (3) Supplement to the Company’s “SOP of Sustainability Report Preparation and Verification” on November 8.										
2. Does the Company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies? (Note 2)	V		The Company has adopted its “Sustainable Development Best Practice Principles” to fulfill corporate governance conduct risk assessments related to environmental, social, and corporate governance issues relevant to the Company’s operations, develop a sustainable environments, promote social welfare, meanwhile establishing risk management strategies and measures for materiality issues. Please refer to the “Implementation Status of the Company’s Sustainable Development” (Pages 50-52) in this Annual Report.					No material difference					
3. Environmental Issues (1) Does the Company establish proper environmental management systems based on the characteristics of their industries?	V		The Company has established an appropriate environmental management system in accordance with the requirements of environmental regulations, with industry characteristics taken into consideration. The Company’s Kaohsiung Plant obtained ISO 14001 certification for environmental management systems, demonstrating the Company’s implementation of effective environmental management systems and legal basis of relevant regulations.					No material difference					
(2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		<p>Through process optimization, the Company enhances energy efficiency, promotes paperless electronic signatures, domestic waste reduction, and recycling activities to achieve continuous energy conservation and carbon reduction.</p> <p>Management goals achievement of 2024:</p> <p>(1) Energy saving 1%: The capacity increment plan of vacuum furnace is expected to increase the output of each furnace by at least 50%, which can reduce the number of redundant vacuum furnace operations and time consumption by 50%, cut down the production electricity cost and reduce energy consumption.</p> <p>(2) Lighting energy saving: inductive lighting tubes are installed in the stairwell and locomotive parking shed of the factory; Lights are turned off during lunch break and rest time.</p> <p>(3) 1% reduction in waste: Kaori recycles 100% of protective materials and containers for chevron-strip plates.</p> <p>(4) The Kaohsiung plant has set an environmental target of reducing the total use of gasoline and diesel by 5% over the previous year.</p> <table><tr><td>Energy</td><td>Unit</td><td>2023</td><td>2024</td><td>YOY</td></tr></table>					Energy	Unit	2023	2024	YOY	No material difference
Energy	Unit	2023	2024	YOY									

			<table border="1"> <tr> <td>consumption</td><td></td><td></td><td></td><td></td></tr> <tr> <td>Gasoline, diesel</td><td>KL</td><td>13,867</td><td>11.515</td><td rowspan="2">-16.98%</td></tr> <tr> <td></td><td>GJ</td><td>494.375</td><td>410.826</td></tr> </table> <p>.Power saving rate (%) effect of each plant According to Article 9 of the Energy Management Law issued by the Energy Bureau of the Ministry of Economic Affairs, each factory area shall provide annual feedback on energy performance and energy improvement plans, as well as performance goals, for energy users with a contracted power consumption of 800KW or more: “annual electricity saving rate” or “average annual electricity saving rate” is greater than 1%. The Zhongli No. 2 Plant and the Benjhou Plant in Kaohsiung have appointed dedicated energy managers to implement energy conservation measures and achieve an average annual electricity saving rate of more than 1%.</p> <table border="1"> <tr> <th>Plant/Year</th><th>2022</th><th>2023</th><th>2024</th><th>2015~2024 Average Electricity Saving Rate (%)</th></tr> <tr> <td>Zhongli Plant 1</td><td>0.17</td><td>6.08</td><td>0.76</td><td>2.33</td></tr> <tr> <td>Zhongli Plant 2</td><td>3.03</td><td>1.42</td><td>0.54</td><td>1.68</td></tr> <tr> <td>Benjhou Plant in Kaohsiung</td><td>3.05</td><td>6.19</td><td>8.18</td><td>4.32</td></tr> </table>	consumption					Gasoline, diesel	KL	13,867	11.515	-16.98%		GJ	494.375	410.826	Plant/Year	2022	2023	2024	2015~2024 Average Electricity Saving Rate (%)	Zhongli Plant 1	0.17	6.08	0.76	2.33	Zhongli Plant 2	3.03	1.42	0.54	1.68	Benjhou Plant in Kaohsiung	3.05	6.19	8.18	4.32	
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(3) Does the Company evaluate the potential risks and opportunities in climate change	V		Since 2022, the Company has voluntarily invoked the Task Force on Climate-related Financial Disclosures (TCFD) international	No material difference																																		

with regard to the present and future of its business, and take appropriate action to counter climate change issues?			guidelines to disclose four core elements in accordance with the TCFD recommendations: “Governance”, “Strategy”, “Risk Management” and “Indicators and Objectives” to identify the significant risks and opportunities that climate change may pose to the company and propose relevant strategies to deal with them. Please refer to Kaori’s ESG Corporate Sustainable Private Network Report to download the TCFD report https://esg.kaori.com.tw/tw/download																					
(4) Does the Company take examination of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?	V		<div><div>(1)In terms of greenhouse gas management: Since 2021, Kaori has introduced the ISO 14064-1:2018 greenhouse gas inventory standard, which has been 100% verified by third-party inspection for three consecutive years. In addition, the Ningbo subsidiary completed the inventory and verification operation in 2024, and its operation process was synchronized with that of the parent company. Greenhouse Gas for Years (tons of CO2e)<table><tr><th>Emission Category/Total (tons of CO2e)</th><th>2021</th><th>2022</th><th>2023</th><th>2024</th></tr><tr><td>Scope 1</td><td>326.6783</td><td>292.4936</td><td>250.3325</td><td>302.4268</td></tr><tr><td>Scope 2</td><td>7031.5215</td><td>7,275.9728</td><td>7,515.3455</td><td>6,055.8497</td></tr><tr><td>Total</td><td>7358.1998</td><td>7,568.4664</td><td>7,765.6780</td><td>6,358.2765</td></tr></table></div><div>(2) Water Resources Management: the company builds an environmental management system based on ISO 14001 to carry out water resource management. By means of data, the daily water consumption of each plant is monitored in real time, so as to comprehensively grasp the water use of each major operating base. In the event of abnormal water consumption, it can immediately trigger the check procedure and quickly take contingency measures. In addition, the Company also carries out water-saving publicity and education activities from time to time to strengthen employees’ awareness of water conservation. 100% of the water supply in the Company’s main operating locations comes from municipal water (tap water). Water is mainly used for staff life and plant equipment operation. Domestic sewage is treated by proper sewage treatment</div></div>	Emission Category/Total (tons of CO2e)	2021	2022	2023	2024	Scope 1	326.6783	292.4936	250.3325	302.4268	Scope 2	7031.5215	7,275.9728	7,515.3455	6,055.8497	Total	7358.1998	7,568.4664	7,765.6780	6,358.2765	The data in the 2023 field are internal statistics and will be checked externally in June 2024
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			<p>facilities or discharged into sewage sewers in accordance with regulations, and then subjected to municipal wastewater treatment processes. During this process, there is no significant impact on discharge water bodies. In addition, the Kaohsiung and Benjhou Plant has sewage treatment facilities that legally treat waste water. No illegal pollution occurred in 2023 and 2024, and there was no significant impact on environmental water sources.</p> <p>Total Water Use over the Years (million litres)</p> <table> <tr> <th>Total Usage (in Million Liters)</th><th>2021</th><th>2022</th><th>2023</th><th>2024</th></tr> <tr> <td></td><td>5.85</td><td>6.095</td><td>9.449</td><td>6.57</td></tr> </table> <p>(3) Waste Management: the company has set up a dedicated unit according to the ISO 14001 standard to effectively track the source and output of waste. In the process of implementing the “Regulations Governing the Waste Management”, following the guidelines of maximizing resource use and minimizing waste output, all departments are required to reduce waste generation as much as possible in the production process, extend the life cycle of various raw materials, promote sustainable resource recycling and waste recycling, so as to achieve the goal of waste reduction. In the process of waste treatment, the Company strictly screens qualified processing manufacturers responsible for cleaning work. At the same time, the processing unit is audited in the form of a form to confirm that the environmental protection manufacturer has handled it properly to ensure that the waste generated does not have a significant negative impact on the surrounding environment.</p> <p>Direct waste disposal over the years (metric tons)</p> <table> <tr> <th>Waste Category\Volume (tons)</th><th>2021</th><th>2022</th><th>2023</th><th>2024</th></tr> <tr> <td>Hazardous Wastes</td><td>0</td><td>0</td><td>0</td><td>0</td></tr> <tr> <td>Non-Hazardous Wastes</td><td>72.466</td><td>89.157</td><td>91.369</td><td>82.405</td></tr> </table>	Total Usage (in Million Liters)	2021	2022	2023	2024		5.85	6.095	9.449	6.57	Waste Category\Volume (tons)	2021	2022	2023	2024	Hazardous Wastes	0	0	0	0	Non-Hazardous Wastes	72.466	89.157	91.369	82.405	
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			Total	72.466	89.157	91.369	82.405	
4. Social Issues (1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		<p>Kaori attaches great importance to the implementation of human rights, practices labor policies and their spirit with a fair and respectful attitude, establishes a culture of equality, inclusiveness and open communication, builds a working environment that guarantees human rights, and ensures that the implementation of relevant spirits is internalized in the work of employees and corporate culture. In addition to complying with the provisions of the national law to protect workers, Kaori also respects the human rights of its employees, including gender equality, the prohibition of any form of discrimination, forced labor, the use of child labor, and the avoidance of excessive working hours. We have zero tolerance for any harassment, discrimination or other breach of employment law.</p> <p>.Kaori's human right policies</p> <ol style="list-style-type: none"> 1. Diversity, inclusion and equal opportunities 2. Against discrimination, bullying and harassment 3. Meet the basic wage and reasonable hours 4. No forced labor and no child labor 5. Healthy and safe workplace environment 6. Implement information security 					No material difference

		<p>7. Promote harmony between labor and capital</p> <p>Official website announcement:</p> <p>https://www.kaori.com.tw/tw/modules/about/isopolicy</p> <p>.Human rights measures adopted and implemented in 2024</p> <p>In 2024, the Company did not report any human rights violations and completed third party human rights due diligence for the first time. The Company follows the norms of international human rights conventions to create a diverse, equal and inclusive corporate culture. Interviews with the senior management team identified human rights risks Kaori may face in its operations. A total of 23 human rights risks were identified under the four main categories of human rights issues: working conditions, physical and mental health, diversity and inclusion, and ethical governance. After risk analysis, it is the medium-low risk.</p> <p>Human Rights Risk Assessment and Control Measures</p> <table><tr><th>Items</th><th>No forced labor</th><th>Prohibited child labor</th></tr><tr><td>Risk assessment</td><td>Internal control of work hours</td><td>Verify that the applicant is at least 16 years old according to the ID card</td></tr><tr><td>Practicing principle</td><td>Do not force or coerce unwilling personnel to perform labor service or overtime work</td><td>Do not employ child workers under the age of 16</td></tr><tr><td>Control measures</td><td>Control over work hour Continuous attendance, attendance traceability on holidays Provide opinion feedback channels</td><td>The HR department verifies the identity card during the interview Control over the date of birth when receiving a resume</td></tr><tr><th>Items</th><th>Eliminate illegal discrimination</th><th>Safe and healthy environment</th></tr></table>	Items	No forced labor	Prohibited child labor	Risk assessment	Internal control of work hours	Verify that the applicant is at least 16 years old according to the ID card	Practicing principle	Do not force or coerce unwilling personnel to perform labor service or overtime work	Do not employ child workers under the age of 16	Control measures	Control over work hour Continuous attendance, attendance traceability on holidays Provide opinion feedback channels	The HR department verifies the identity card during the interview Control over the date of birth when receiving a resume	Items	Eliminate illegal discrimination	Safe and healthy environment	
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Items	Eliminate illegal discrimination	Safe and healthy environment																

				Risk assessment	According to Taiwan's labor law, the principle of non-discrimination applies to new-employee interview, on-the-job training, salary and promotion.	Do a good job of hazard identification and risk assessment → high-risk jobs should be listed for control. Implement the prevention of occupational diseases and promote the physical and mental health of employees.
				Practicing principle	During the interview, new employees are not asked for personal information unrelated to work, and verbal discrimination between colleagues and supervisors or between colleagues is prohibited.	Develop a safety culture and a friendly working environment
				Control measures	Regularly review regulations and internal management systems for compliance with legal requirements.	Formulate measures for personnel safety and work environment protection. Provide medical assistance, doctor on-site service. Personnel education, training and advocacy.
				Risk assessment	Balance between work and life	
				Practicing principle	Promote interpersonal interaction with colleagues through participation in leisure activities, and strive to maintain work-life balance and physical and mental	

			<table><tr><td></td><td>health of employees.</td></tr><tr><td>Control measures</td><td>The Welfare Committee handles travel, handwork, sports-related activities.</td></tr><tr><td>Risk assessment</td><td>Strengthen the publicity channels in the factory, encourage employees to participate, and distribute questionnaires to participants after the event, optimize and increase the number of future events.</td></tr></table> <p>Committed to complying with Taiwan's labor laws, Kaori has formulated a code of labor rights protection and management that includes working hour wages, humane treatment, non-discrimination, anti-workplace bullying, and freedom of association: prevention of non-voluntary labor, prevention of sexual harassment, protection of workplace motherhood, and prevention of illegal violations in the performance of duties.</p> <p>· Implementation of human rights targets in 2024</p> <p>(1) No discrimination occurred</p> <p>(2) Freedom of association is not prohibited</p> <p>(3) No child Labor was employed</p> <p>(4) No major forced or compulsory labor incidents occurred</p>		health of employees.	Control measures	The Welfare Committee handles travel, handwork, sports-related activities.	Risk assessment	Strengthen the publicity channels in the factory, encourage employees to participate, and distribute questionnaires to participants after the event, optimize and increase the number of future events.	
	health of employees.									
Control measures	The Welfare Committee handles travel, handwork, sports-related activities.									
Risk assessment	Strengthen the publicity channels in the factory, encourage employees to participate, and distribute questionnaires to participants after the event, optimize and increase the number of future events.									
(2) Does the Company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	V		<p>The Company regularly holds labor-management meetings and weekly meetings to maintains a good two-way communication, and formulates and implements reasonable employee welfare measures including salaries, vacations and other benefits in accordance with the Labor Standards Act and related laws and regulations, with business performance and outcome reflected in the form of employee compensations:</p> <p>(1) The Board of Directors has established its Remuneration Committee responsible for payment policy, system, standard and structure of the remunerations.</p> <p>(2) Bonus Distribution: Liked with Company operation performance, net income of each fiscal year and employee evaluation results.</p> <p>(3) Birth allowance: NT \$50,000 for single births, NT \$100,000 for</p>	No material difference						

			<p>twins, NT \$150,000 for triplets, more than multiple births and so on.</p> <p>(4) Child care allowance: For children under six years old whose registered residence is in the employee's account of the company, NT \$10000 per child per household per year will be granted.</p> <p>(5) Employees propose to improve the outstanding performance, will be commended at the monthly meeting, and paid the achievement bonus, in order to encourage excellent employees.</p>	
(3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		<p>The Company has passed the ISO 45001 TOSHMS' certification. The Company conducts annual employee health check-ups and regularly promotes a safe and healthy working environment during monthly meetings. Regular safety and health education participated by all employees have been organized. Through these events, regular communications and interaction with employees as well as the dissemination of policy plans and educational training are implemented. Employees can gain a comprehensive understanding of the Company's operational updates through these meetings. The Company provides and maintains a safe and healthy working environment in compliance with industrial practices and legal requirements, and conducts regularly the labor safety education and prevention training in accordance with legal regulations.</p> <p>.Implementation of ESH indicators in 2024</p> <p>(1) No major occupational disaster.</p> <p>(2) Passed the certification of ISO 45001 TOSHMS</p> <p>(3) All the occupational safety and health personnel are in compliance with the regulations and effective and completed the training</p> <p>(4) 100% of new employees participate in safety education and training</p> <p>(5) The participation rate of health examination is greater than or equal to 80%</p> <p>(6) The training rate of high-risk operators is 100%</p> <p>(7) Major occupational disaster ≤ 5 cases/year (excluding death)</p> <p>(8) Risk and chance improvement rate is 100%</p> <p>There were no fire incidents in Kaori in 2024.</p> <p>Kaori attaches great importance to the fire safety of the factory. In</p>	No material difference

		<p>addition to the annual declaration of fire equipment maintenance stipulated by the law, Kaori also strengthens the training of the fire self-defense team of the factory. Through situational drills, the simulated fire response of the whole factory area is carried out to ensure that all employees can implement the correct measures in the first time when the fire occurs.</p> <p>In terms of fire prevention, Kaori conducts fire potential analysis of the plant area to identify high-risk areas for relevant improvement and prevention (e.g. infrared photography of circuits, channel maintenance, regular environmental inspection, etc.).</p>	
(4) Does the Company provide its employees with career development and training sessions?	V	<p>In response to rapid technological changes in the industry and to ensure employees' skills and career development, the Company has adopted its "SOP Manual for Education and Training Management" for the objectives to enhance employees' knowledge and skills, thereby improving work efficiency and quality. Furthermore, the Company provides non-periodic on-the-job training or encourages employees to participate in external professional training. Employee learning and development are prioritized in human resources management of the Company to cultivate outstanding professionals and enhance operational performance to achieve the Company's business objectives.</p>	No material difference
(5) Do the Company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	V	<p>In terms of marketing and labeling of products and services, the Company follows relevant regulations and does not engage in deceptive, misleading, or any hidden practices which may impair consumer rights. The Company has adopted its a customer complaint management procedure and established a customer-oriented quality system. Additionally, the Company values customer feedback and has set up a stakeholder section on the Corporate Website https://esg.kaori.com.tw/tw/esg/page/stakeholder_engagement, providing contact information and channels for inquiries, complaints, or suggestions to ensure customer rights.</p>	No material difference
(6) Does the Company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	V	<p>1. Supplier management policy: with stable quality, delivery time, supply stability, long-term cooperation willingness as the priority.</p> <p>2. Following the Responsible Alliance Code of Conduct, suppliers are required to sign the "Supplier Code of Conduct" as the basis. 100% of suppliers signed. The supplier undertakes to conduct any activities in accordance with the relevant legal and ethical guidelines. We explain Kaori's sustainable management policy to our suppliers</p>	No material difference

			and ensure that suppliers continue to meet our expectations through formal sign-off. In 2023, 142 companies signed the pledge.	
5. Does the Company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third-party verification unit?	V		The Company has prepared the 2023 Sustainability Report for a consecutive three years on a voluntary basis and in accordance with GRI Standards of Global Reporting Initiative and UN's SDGs. Please refer to Kaori's ESG Corporate Sustainability Report download page https://esg.kaori.com.tw/tw/download	No material difference
<p>6. Describe the difference, if any, between actual practice and the sustainable development principles, if the Company has implemented such principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies:</p> <p>In order to further strengthen the Company's governance and promotion work in the field of sustainable development and effectively ensure the effective implementation of sustainable development strategies and objectives, the Board of Directors of the Company deliberated and approved the establishment of the "Commission on Sustainable Development" on May 8, 2024. The core mission of the three-member committee is to enhance the effectiveness of the Company's management and supervision in environmental protection, social responsibility and corporate governance, and to ensure that the Company's social and environmental responsibilities are fulfilled while achieving economic growth. The Company regularly assesses its performance based on these principles and makes improvements accordingly. To date, there have been no significant deviations from the implementation of these Principles.</p>				
<p>7. Other useful information for explaining the status of corporate social responsibility practices:</p> <p>The Company is committed to integrating ESG principles into its operational processes and striving for sustainable management with the core principles of "energy conservation, carbon reduction, people-oriented, and sustainable operation" in a more systematic and organized manner. In response to the risks of climate change, Kaori grasps international trends and advocates for actions towards achieving net-zero carbon emissions. As achieving net-zero is crucial for the long-term strategic development of the Company, priority is given to promoting sustainable practices focused on "low carbon X emission reduction" before the net-zero carbon emission is realized:</p> <p>(1) The world's first plate heat exchanger manufacturer to receive both ISO 14064-1 greenhouse gas examination and ISO 14067 carbon footprint certification, ready to meet the challenges of international carbon tariffs.</p> <p>(2) The Taiwan plant has completed greenhouse gas examination for three consecutive years, and that of the subsidiary Ningbo plant was completed in 2024.</p> <p>(3) The layout of renewable energy green electricity, with Kaohsiung plant being set 744.51Kw, and Zhongli plant expected to be set 472.5Kw.</p> <p>(4) In 2024, the Company participated in the Carbon Disclosure Project Rating was graded B.</p> <p>(5) In 2024, the Company won the "Health Promotion Label" with respect to healthy workspace issued by the Health Promotion Administration, MOHW.</p> <p>(6) In 2024, the Company was awarded the Excellent Enterprise in respect of "Enterprise Sustainability Report Disclosures Occupational Health and Safety Performance Activeness Evaluation" by Occupational Safety and Health Administration, MOL.</p> <p>(7) In 2024, for the first time, we conducted third-party human rights due diligence and issue a report to build a diverse, equal and inclusive workplace culture.</p>				

(8) We have passed the TOSHMS ISO 45001 third-party certification. We will implement continuous improvement through systematic occupational safety and health management, and strive towards the goal of zero occupational hazards.

(9) Passed the ISM ISO27001 third-party certification.

In recent years, the Company has been actively collaborating with international major manufacturers to develop and produce various energy-saving, hydrogen energy, and green energy products, actively venturing into the green energy market and moving towards the green energy industry. The Company's commitment to environmental responsibility is reflected in its transformation from using energy to saving energy and now to manufacturing energy, contributing to the planet's well-being and creating a green energy future.

Note 1: If "Yes" is ticked in the "Implementation status" column, please concretely describe the major policies, strategies, and measures adopted and the status of their implementation. If "No" is ticked in the "Implementation status" column, please explain the deviations and the reasons in the "Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons" column and explain the Company's plans for adoption of related policies, strategies, and measures in the future. However, for Items 1 and 2, the TWSE/TPEX listed company shall describe its governance and supervisory framework for sustainable development, including but not limited to management policy, strategy and goal formulation, review measures, etc. It additionally shall describe the Company's risk management policies or strategies for operations-related environmental, social, and corporate governance issues, and their assessment status.

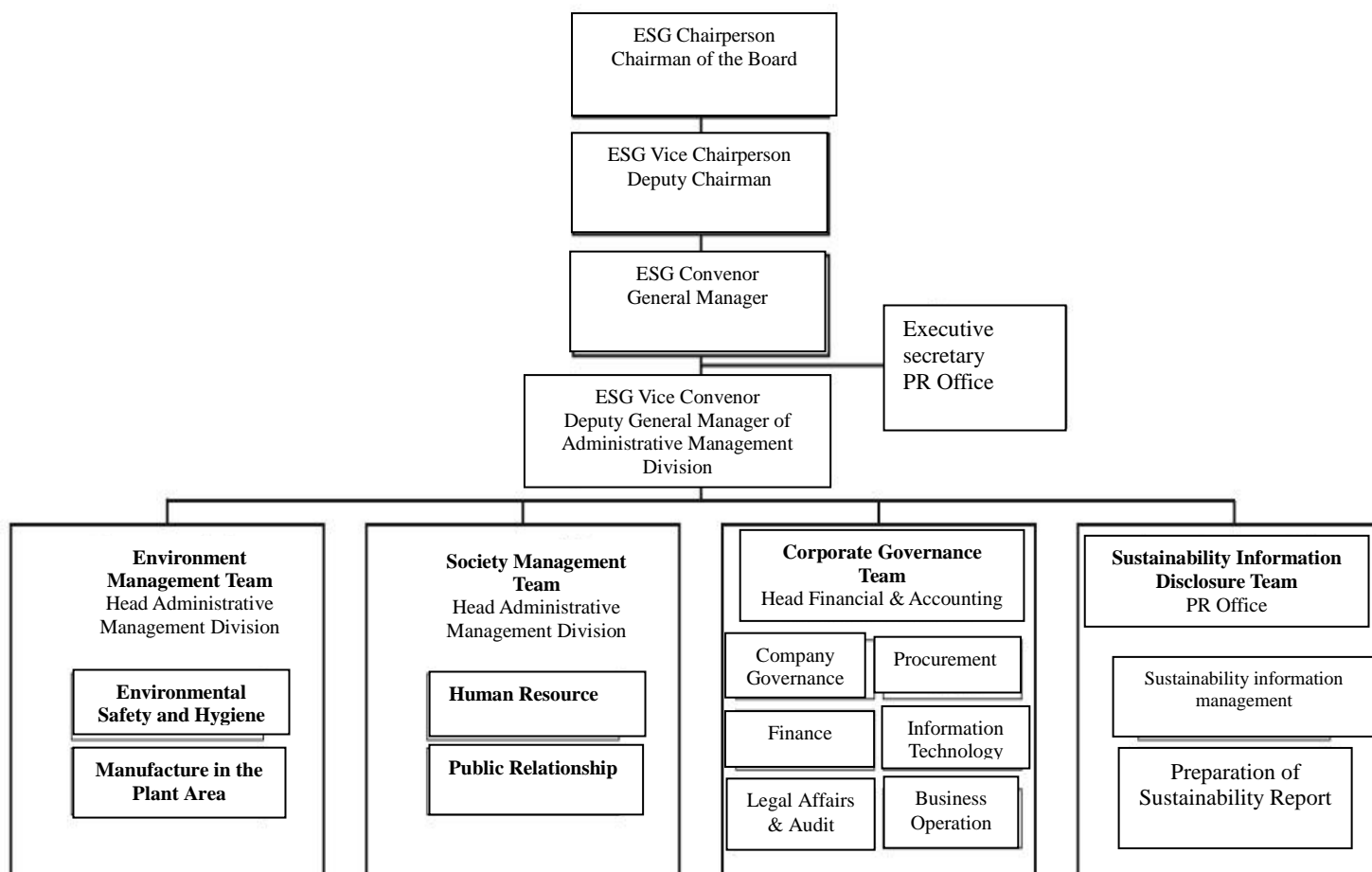
Note 2: The materiality principle refers to focusing on environmental, social and corporate governance issues likely to have a material impact on the Company's investors and other stakeholders.

Note 3: Regarding the method for disclosure, please refer to the "SAMPLE ANNUAL REPORT" page on the website of the Taiwan Stock Exchange Corporate Governance Center.

Implementation status of the Company's promotion of sustainable development:

I. Framework for Sustainable Development Promotions

As the executive unit, the Company's ESG Promotion Committee (hereinafter referred to as the "Promotion Committee") is responsible for assisting the Committee in implementing its programs. In accordance with the provisions of Article 6 of the Organizational Regulations of the Commission on Sustainable Development, the functions and powers of the executive unit shall be performed by the heads of relevant departments respectively. They are members of the Sustainable Environment Group, the Social Welfare Group, the Corporate Governance Group and the Sustainable Disclosure Group, with the General Manager serving as the convenor. The Promotion Committee shall report the implementation status at the monthly executive meeting and supervise the relevant adjustment work when necessary. In 2024, the ESG Promotion Committee held 17 meetings to report on the progress of project implementation, changes in relevant regulatory trends at home and abroad, and carbon border adjustment mechanisms.



II. Governance and Responsibilities for the Promotion

- (I). Corporate Governance Team: responsible for the compliance of corporate governance laws and regulations, the formulation of reasonable compensation policies and employee performance appraisal systems, education and training, and stakeholder communication mechanisms, in order to achieve the Company's sustainable development goals.
- (II). Environment Management Team: responsible for environmental management systems, compliance with environmental regulations and international standards, assessing sustainable transformation, improving resource utilization, climate change response mechanisms, and establishing dedicated environmental management units or personnel to achieve environmental sustainability goals.
- (III). Society Management Team: responsible for human rights management policies and procedures, compliance with human rights related regulations and international standards, establishing internal and external communication among all members of the organization (such as employees, subsidiaries, joint ventures, etc.) and key members of the value chain, assessing related risks and management mechanisms, and promoting community development and cultural development to achieve sustainable business objectives.
- (IV). Sustainability Information Disclosure Team: responsible for sustainable information management policies, compliance with relevant laws and international standards on sustainable information disclosure, and full disclosure of relevant and reliable sustainable information to enhance the transparency of sustainable information.

The inter-departmental team shall carry out the business, integration implementation plan or other sustainability-related matters organized in the preceding paragraph and shall report the implementation results to the specialized (and part-time) unit for Commission on Sustainable Development.

III. Evaluation on the Risks in Sustainable Development Promotion

Materiality Topic	Risk Evaluation Items	Risk Management Strategies and Measures
Environmental	Environmental Protection Climate Change	<ul style="list-style-type: none">1. Reducing the impact of Company operations on the natural environment and human beings:<ul style="list-style-type: none">(1) Reducing the consumption of resources and energy in products and services.(2) Minimizing emissions of pollutants, toxic substances, and waste, and handling waste properly.(3) Enhancing the recyclability and reuse of raw materials or products.(4) Maximizing the sustainable use of renewable resources.(5) Extending the durability of products.(6) Increasing effects of products and services2. Conducting a greenhouse gas examination and disclosure thereof in accordance with the international standard ISO 14064-1. The scope should include:<ul style="list-style-type: none">(1) Direct greenhouse gas emissions: Emissions from sources owned or controlled by the Company.(2) Indirect greenhouse gas emissions: Emissions resulting from the consumption of purchased electricity, heat, or steam.(3) Other indirect emissions: Emissions generated by the Company's activities that are not related to energy consumption but originate from sources owned or controlled by other companies.

Social	Workplace Safety Employee Recruitment and Training	<p>In accordance with the ISO 45001 TOSHMS and the PDCA cycle concept, Kaori continuously improves the safety of the working environment in each plant, reduces and eliminates workplace hazards and related diseases, thereby achieving the purpose of sustainable management and social responsibility.</p> <ol style="list-style-type: none"> 1. Providing a safe and healthy working environment for employees inclusive of necessary health and emergency facilities, and striving to reduce hazards to employee safety and health to prevent occupational accidents. 2. Regular safety and health education and training. 3. Establishing an effective career development and training program. 4. Reflecting the Company's business performance or achievements appropriately in the compensation policy to ensure the recruitment, retention, and motivation of human resources, thereby achieving the goals of sustainable operation.
Corporate Governance	Social-economics and Legal Compliance	By establishing a governance organization and implementing effective governance structures, ethical standards, and internal control mechanisms, the Company ensures that all personnel and operations comply with relevant legal and regulatory requirements, thereby fostering sound corporate governance.

IV. Information on Climate of TWSE/TPEX Companies / Information on the Execution of Climate-related Measures.

Items	Execution			
1. Clarify the Board’s and management’s oversight and governance of climate-related risks and opportunities.	The Company has established an “ESG Promotion Committee”, led by the chairman to formulate the vision and long-term strategy of Kaori’s ESG, regularly review, track and revise the implementation status and effectiveness of sustainable development at monthly business meetings, and submit it to the Board of Directors in accordance with the principle of significance. The ESG Promotion Committee is made up of senior executives from different fields and consists of four special groups on environmental management, social management, corporate governance and sustainable disclosure. The teams interact closely with customers, the government and various sectors of the community to enhance corporate transparency and promote the implementation of corporate sustainability in all aspects. In addition, the Company has followed the requirements of the “Sustainable Development Roadmap for TWSE/TPEX Companies” regarding greenhouse gas inventory and verification, and has carried out ISO 14064-1 greenhouse gas inventory for three consecutive years, successfully passing third-party verification.			
	In 2024, the Commission on Sustainable Development held three meetings, excerpts of which are as follows:			
	Commission on Sustainable Development	Motion Contents and Resolution Results	Where a Member of the Commission on Sustainable Development Has an Objection or Qualified Opinion and a Recorded or Written	Commission’s Suggestions Not Adopted or Amended by the Board of Directors

			Statement		
	1 st meeting of the 1 st term September 13, 2024	Report Items: 1. Preparation and execution of the Company’s Sustainable Report for Year 2023. 2. Promotion and execution of the Company’s sustainability for year 2024 and target for year 2025. Discussion: none		None	None
	2 nd meeting of the 2 nd term November 8, 2024	1. Supplement to the Company’s SOP of Sustainability Report Preparation and Verification		None	None
	3 rd meeting of the 1 st term December 20, 2024	Report Items: 1. Report of the Communications among the Company’s Stakeholders for Year 2023. Discussion: none		None	None
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances (short, medium, and long term).	The Company is actively developing solutions to reduce the operational and financial impacts of climate change and enhance organizational climate resilience. Defined as less than one year in the short term, two to three years in the medium term, and more than three to five years in the long term, the solution assesses the potential operational and financial impact of relevant climate risks and opportunities on the Company and plans actions to address them.				
		Risk type and opportunity	Short-term (1~2 years)	Medium-term (2~3 years)	Long-term (3~5 years)
	Risk	transformation risk Focus on the risks associated with the transformation to a low-carbon economy. transformation risks involve policy, legal, technological, market and reputational risks	Changes in domestic and foreign regulations: total greenhouse gas control and carbon tax, carbon fee	The cost of the transformation to low-carbon technologies	Net zero emission trend
		Entity risk Due to the increasing severity of extreme climate, the heavy weather, such as	The severity of extreme events such as typhoons and floods has increased	Increased drought affects supply chains	Mean temperature rise

		typhoon has intensified, with longer affecting time and causing flooding and power outage, thus affecting the operation of the plant. The company suffered from bad weather, resulting in production interruption, capacity reduction, equipment damage, transportation difficulties, interruption of raw material supply, etc.			
	Opportunity	Climate change has a positive impact on individuals. mitigation and adaptation efforts can create climate-related opportunities for individuals	Enter a new market	Develop and increase low-carbon goods and services	Enhance corporate reputation
To assess the above risks and identify climate-related risks and opportunities that may have significant financial impact, as well as strategies to address and implement them:					
transformation risk/climate-related opportunities					
R Risk/Opportunity		Financial Impacts — / +		Countermeasures/Implementation measures	
R: The cost of the transformation to low-carbon technologies		- Increasing investment in R&D funds - Decreasing operating revenue		◆ Vendor diversification: Build relationships with multiple vendors to reduce the impact of rising costs and uncertain availability of low-carbon raw materials. ◆ Access to green loans/financing: Negotiate green loan projects with banks to obtain preferential interest rates or funds to reduce operating	

			<p>costs.</p> <p>◆ Make up for turnover with stable product income: If the transformation of some of Kaori's low-carbon products fails, departments with more stable revenue, such as the Fuel and Power Department, will try their best to increase product revenue to make up for the short turnover caused by the transformation risk.</p>
	R: Carbon tax and carbon charge at home and abroad	<p>- Paying a carbon fee increases operating costs</p> <p>- Violations of the regulations are subject to fines</p>	<p>◆ Keep abreast of regulations and trends: Set up a task force to regularly track the latest product related regulations and trends, and hold regular staff education and training to discuss trends in order to assess the revision needs of existing products and coping strategies, such as re-certification to meet product standards.</p> <p>◆ Import energy-saving equipment: establish and improve the energy management system, monitor the energy efficiency of equipment, replace high energy consumption equipment; invest in green energy and energy storage equipment in plant and office. In addition, the Company will introduce automated production equipment to improve production efficiency and energy efficiency, reduce the frequency of equipment replacement, and use digital transformation to optimize the process.</p>

			<p>◆ Termination of high-carbon production services: Two energy-intensive brazing processing and production equipment were sold in the fourth quarter of 2022 and removed from the site in the first quarter of 2023.</p>
	R: Net zero emission trend	- Carbon reduction equipment setup and operating costs increased	<p>◆ Continued implementation of greenhouse gas reduction actions</p> <p>◆ Set up solar energy system, obtain green electricity certificate</p> <p>◆ Encourage suppliers to take climate mitigation and adaptation actions</p>
	O: Enter new market	+ Operating revenue increased + Cooperation opportunity available	<p>◆ Develop dedicated products: develop dedicated products for heat pumps to master market trends and increase market share; develop dedicated heat exchangers for air drying models to expand new markets and expand product types and customer bases as well as extensively and frequently contact with customers.</p> <p>◆ Development of hydrogen energy products: Continue to research and develop hydrogen energy products, cooperate with technology partners to innovate, and apply technology to more fields to meet customer and market needs.</p> <p>◆ Continuous development of</p>

			submerged liquid cooling modules/systems: the water-cooled and submerged product lines are continuously modelled and technically validated, while maintaining customized flexibility to meet different market needs and accumulate database to maintain a competitive edge in the market.
	O: Developing and increasing low-carbon goods and services	<ul style="list-style-type: none"> + Cost reduced + Revenue increased + Access to capital 	<p>◆ Develop low-carbon footprint products: by applying green design to improve processes, such as using low-carbon raw materials or reducing raw material usage, developing product recycling mechanisms such as raw material or component reuse, or developing low-carbon transportation and packaging materials to reduce product carbon footprint.</p> <p>◆ Develop emerging low-carbon solutions: integrate hydrogen technologies to provide carbon-neutral solutions, and develop new fuel types to tap into emerging climate adaptation opportunities.</p> <p>◆ Investment in circular</p>

			economy applications: invest in the development of recycling technologies for the treatment of waste organic solvents and the recycling of process waste hydrogen and residual hydrogen, in order to develop circular economy related technologies.
	O: Shift in consumer preferences	+ Revenue increased + The company's visibility improved	<p>◆ Map out marketing plan: plan to have business units regularly conduct in-depth understanding of existing and newly developed customers; ensure that product functions fully meet customer needs and can be adjusted in time, continue to develop new markets and new customer sources, such as expanding the European A-level customers.</p> <p>◆ Stabilize supply in response to market demand: increase stamping plate suppliers and stainless steel suppliers to increase production, and monitor the production process through ERP system to improve delivery quality and delivery rate.</p>

Entity risks/climate opportunities		
R/O	Financial Impacts —/ +	Countermeasures
<p>R: The severity of extreme events such as typhoons and floods has increased</p> <p>R: Supply chain disruption (drought)</p>	<p>- Operation costs increased</p> <p>- Operating revenues decreased</p> <p>- Reputation of the Company (credit loss)</p>	<p>◆ Reduce the risks of supply chain disruption: ensure diverse sources of suppliers to stabilize raw material sources and supply demand; negotiate with suppliers to increase the quantity of raw materials and examination turnover; stock locations are located close to customers to reduce the risk of disruption.</p> <p>◆ Improve production efficiency to make up for capacity: in the event of a shutdown due to a typhoon, Kaori evaluates the progress delayed due to the shutdown due to a typhoon, and asks the supplier to assist and improve production efficiency to make up for the reduced capacity, so as to avoid disruption of the production line for lack of</p>

			materials.				
	R: Rising mean temperature	<ul style="list-style-type: none">- The increase in electricity has caused an increase in operating costs- Price increase for lack of raw materials (R)- Increased costs, or reduced production resulting in reduced revenue	<ul style="list-style-type: none">◆ Switch to renewable sources of energy.◆ Develop alternative raw materials◆ Purchase energy saving equipment◆ Introduce energy management system				
3. Describe the financial impacts of extreme weather events and transformation actions.	<p>Financial impacts of extreme weather events</p> <p>Due to the increasing severity of extreme climate, the heavy weather, such as typhoon has intensified, with longer affecting time and causing flooding and power outage, thus affecting the operation of the plant. The Company suffered from bad weather, resulting in production interruption, capacity reduction, equipment damage, transportation difficulties, interruption of raw material supply, etc., thereby decreasing the operating revenues and increasing costs.</p> <table><tr><td>Risk impact oriented assessment</td><td><p>Delayed delivery of goods: extreme weather affects plant operations, resulting in disruption of production capacity, no access to raw materials, and transportation will also be affected, which may lead to delivery delays of several days or even a week.</p><p>Upstream and downstream are affected: Due to the extreme weather, the quantity of parts delivered to Kaori by suppliers will be reduced, which will also lead to the delay of Kaori’s product delivery and affect the production of customers. In the most serious cases, it may even lead to customer production disconnection.</p></td></tr><tr><td>Financial impact oriented assessment</td><td><p>Operating cost increased, revenue reduced and credit loss</p></td></tr></table> <p>Financial impacts of transformation actions</p> <p>In response to the energy conservation and carbon reduction needs of domestic and foreign customers, the Company has accessed to new markets and contacted different types of customers, such as applications on fuel cell ships, green hydrogen energy storage technology for hydrogen production thermal reactors, and residual hydrogen</p>			Risk impact oriented assessment	<p>Delayed delivery of goods: extreme weather affects plant operations, resulting in disruption of production capacity, no access to raw materials, and transportation will also be affected, which may lead to delivery delays of several days or even a week.</p> <p>Upstream and downstream are affected: Due to the extreme weather, the quantity of parts delivered to Kaori by suppliers will be reduced, which will also lead to the delay of Kaori’s product delivery and affect the production of customers. In the most serious cases, it may even lead to customer production disconnection.</p>	Financial impact oriented assessment	<p>Operating cost increased, revenue reduced and credit loss</p>
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	<p>recovery and power generation technology. Actively invest in new markets, expand product categories and customer base, increase the Company's revenue and enhance its reputation. At the same time, by increasing low-carbon products, the Company is encouraged to enhance market competitiveness, increase market share, and increase revenue.</p> <table border="1" data-bbox="591 295 2065 1074"> <tr> <td data-bbox="591 295 779 922">Opportunity impact oriented assessment</td><td data-bbox="779 295 2065 922"> <p>Explore new business opportunities in the industry: In response to the international trend of carbon reduction, Kaori has reached out to different types of customers and expanded the application of dedicated products for plate heat exchangers, such as heat pumps. In addition, the Company has actively invested in new customers and new markets, which has increased the Company's revenue and enhanced its reputation.</p> <p>Kaori has been researching and developing hydrogen products, assisting customers accessing to new markets to sell hydrogen products; to meet the demand for hydrogen energy products, customers have successively invited the Fuel Cell Business Department to cooperate in developing the production process of SOEC, hydrogen energy, and marine fuel cells, and arrange trial shipments. At present, the overall shipping demand and revenue have increased significantly, embodying a promising prospect.</p> <p>Development of submerged liquid cooling modules/systems: As the power consumption of servers/data centers continues to increase, liquid cooling will be a long-lasting trend. Kaori continues to develop immersive liquid cooling modules/systems, which can improve energy efficiency; Our Company's product technology is gradually maturing and planning to enter the mass production stage, which is expected to expand into new markets and customers.</p> </td></tr> <tr> <td data-bbox="591 922 779 1074">Financial impact oriented assessment</td><td data-bbox="779 922 2065 1074"> <p>Increased income and opportunities for collaboration</p> </td></tr> </table>	Opportunity impact oriented assessment	<p>Explore new business opportunities in the industry: In response to the international trend of carbon reduction, Kaori has reached out to different types of customers and expanded the application of dedicated products for plate heat exchangers, such as heat pumps. In addition, the Company has actively invested in new customers and new markets, which has increased the Company's revenue and enhanced its reputation.</p> <p>Kaori has been researching and developing hydrogen products, assisting customers accessing to new markets to sell hydrogen products; to meet the demand for hydrogen energy products, customers have successively invited the Fuel Cell Business Department to cooperate in developing the production process of SOEC, hydrogen energy, and marine fuel cells, and arrange trial shipments. At present, the overall shipping demand and revenue have increased significantly, embodying a promising prospect.</p> <p>Development of submerged liquid cooling modules/systems: As the power consumption of servers/data centers continues to increase, liquid cooling will be a long-lasting trend. Kaori continues to develop immersive liquid cooling modules/systems, which can improve energy efficiency; Our Company's product technology is gradually maturing and planning to enter the mass production stage, which is expected to expand into new markets and customers.</p>	Financial impact oriented assessment	<p>Increased income and opportunities for collaboration</p>
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Financial impact oriented assessment	<p>Increased income and opportunities for collaboration</p>				
4. Describe how climate risk identification, assessment and management processes are integrated into the overall risk management system.	<p>Kaori's ESG Promotion Committee keeps an eye on domestic and international industrial climate policies and action plans, and takes stock of climate change risk and opportunity factors in extreme weather, regulations, and markets. In addition, the Company also assesses the likelihood of occurrence based on past experience and future occurrence points, and assesses the impact in terms of operational, reputational, personnel and financial impacts. According to the results of the analysis, competent units will propose countermeasures to adjust the relevant internal management mechanisms and establish open and transparent communication channels with all stakeholders.</p>				
5. Where scenario analysis is used to assess	<p>Based on the two climate change scenarios, Kaori conducts climate change research and discussion through the Climate Change Risks and Opportunities Workshop (Workshop), as well as the assessment of risks and</p>				

resilience to climate change risks, the scenario, parameters, assumptions, analytical factors and major financial impacts should be described.

opportunities. The process for identifying climate change-related risks and opportunities is as follows:

A. Set climate change scenarios	B. Assess the environmental impact of operations	C. Identify climate risks and opportunities
Set two climate change scenarios: SSP5-8.5: heat up to 6°C SSP1-2.6: heat up to 26°C	Assess the influence and impacts of climate change on the operating environment and stakeholders	Establish a risk and opportunity matrix to identify climate change risks and opportunities

After identifying climate risks and opportunities, three high-risk factors and three high opportunity factors for Kaori in 2023 were identified based on their likelihood of occurrence and degree of impact.

Risk identification and key financial impacts:

Risk prioritizing	Risk type	Risk factors	Major financial impacts
1	Transformation risk-science and technology	The cost of the transition to low-carbon technologies	Operating cost increased Revenue reduced Credit loss
2	Transformation risk - policy and laws and regulations	Changes in laws and regulations at home and abroad	
3	Entity risk - immediacy	The severity of extreme events such as typhoons and floods has increased	

Summary of opportunity identification and key financial impacts:

Opportunity prioritizing	Opportunity type	Opportunity factors	Major financial impacts
1	Opportunity-market	Reach out to new markets	Revenue increased Cooperation opportunities available
2	Opportunity-product and service	Develop and increase low-carbon goods and services	

	3	Opportunity-product and service	Shift in consumer preferences	Access to capital																								
6. If there is a transformation n plan to manage climate-related risks, describe the plan and the indicators and objectives used to identify and manage physical and transformation risks.	<p>In the face of climate change risks, the Company has developed a low carbon transformation plan to reduce direct emissions from operations (Scope 1), indirect emissions from energy use (Scope 2) and indirect emissions from value chains (Scope 3). The execution includes:</p> <div><div>1. Active and independent low-carbon emission reduction: Refine process brazing technology, replace energy-consuming production equipment, improve energy productivity and use efficiency, and continue to reduce carbon emissions in product manufacturing and processing stages. At the same time, waste output from operational activities continues to be reduced.</div><div>2. Build green renewable energy equipment: Build solar photovoltaic systems, increase the proportion of renewable energy use, and support low-carbon energy transformation.</div><div>3. Development of low-carbon and zero carbon technology: With liquid cooling and hydrogen energy technology, we are leading the way in the sustainable development of the industrial chain and constructing a complete low-carbon transformation structure.</div></div> <p>Indicators and objectives for managing entity risk and transformation risk</p> <table><tr><th>Schedule</th><th>Short-term indicators :2024-2025</th><th>Medium-term indicators: 2026-2029</th><th>Long-term indicators: 2030 and beyond</th></tr><tr><td rowspan="4">Climate change and energy conservation</td><td>Implement energy conservation and carbon reduction projects</td><td>Power saving 3%</td><td>Power saving 5%</td></tr><tr><td>Production was interrupted for 0 days after the weather disaster</td><td>Production was interrupted for 0 days after the weather disaster</td><td>Production was interrupted for 0 days after the weather disaster</td></tr><tr><td>Conduct greenhouse gas emission examination and inspection</td><td>Set a reduction goal</td><td>Internal carbon pricing</td></tr><tr><td>Set up renewable energy</td><td>Set up renewable energy</td><td>Green voucher transaction</td></tr><tr><td rowspan="2">Wastes</td><td>Zero violation of waste regulations</td><td>Zero violation of waste regulations</td><td>Zero violation of waste regulations</td></tr><tr><td>100% of waste is disposed of by legitimate businesses</td><td>100% of waste is disposed of by legitimate businesses</td><td>100% of waste is disposed of by legitimate businesses</td></tr></table>				Schedule	Short-term indicators :2024-2025	Medium-term indicators: 2026-2029	Long-term indicators: 2030 and beyond	Climate change and energy conservation	Implement energy conservation and carbon reduction projects	Power saving 3%	Power saving 5%	Production was interrupted for 0 days after the weather disaster	Production was interrupted for 0 days after the weather disaster	Production was interrupted for 0 days after the weather disaster	Conduct greenhouse gas emission examination and inspection	Set a reduction goal	Internal carbon pricing	Set up renewable energy	Set up renewable energy	Green voucher transaction	Wastes	Zero violation of waste regulations	Zero violation of waste regulations	Zero violation of waste regulations	100% of waste is disposed of by legitimate businesses	100% of waste is disposed of by legitimate businesses	100% of waste is disposed of by legitimate businesses
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7. Where internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	It is expected to be piloted in Taiwan starting from 2025. Our Company will conduct an internal feasibility evaluation of carbon pricing and set carbon intensity targets and carbon emission limits based on mechanisms such as carbon trading.															
8. If climate-related targets are set, information on the activities covered, scope of greenhouse gas emissions, planning period and annual progress towards achieving them should be provided; where carbon credits or renewable energy credits (RECs) are used to achieve the relevant objectives, the source and number of credits or the number of renewable energy credits (RECs) should be stated.	<p>Starting from its own, Kaori manages energy during the operation phase in order to improve performance such as environmental protection and social value. In addition to strengthening related material research and process technology changes, Kaori has also established a Carbon Management Committee to actively promote greenhouse gas reduction and management, energy conservation management, water conservation management and waste recycling and other environmental impacts. At the same time, Kaori invests in environmental protection facilities and integrates green management and energy conservation plans into corporate operations, thereby achieving environmental sustainability.</p> <p>The Company has passed the ISO 14001 Environmental Management System’s certification (Benjhou Plant in Kaohsiung) in 2019. As for the environmental performance related to greenhouse gas, air pollution, wastewater discharge, waste disposal, etc., the Company has made continuous efforts to continuously improve the environmental impact damage to the minimum, and no major violations of environmental laws occurred during the reporting year. Through the introduction of the ISO 14001 Environmental Management System, the factory can reduce the impact of organizational activities on the environment, provide safe products and services, and ensure the health and safety of employees at work by means of environmental management policies, formulation of effective management processes, compliance with environmental laws, maintenance of environmental order and safety, education and training.</p> <p>Since 2021, a “Carbon Management Committee” has been established to carry out annual GHG emissions examination and verification in accordance with ISO14064-1. The planned schedule and annual progress are detailed in point 9 1-2 below. At this stage, the company reduce carbon through independent energy saving.</p> <p>In terms of renewable energy planning, the Kaohsiung Benjhou plant has set up a commercial rooftop solar photoelectric system of 744.51kW, which has been put on the line in September 2022, and its total power</p>															

	generation in 2024 accounts for about 11.55% of the power consumption of the plant area. In the Q4 of 2024, Zhongli No. 3 Plant and Ziqiang Plant were estimated that 431.73KW commercial rooftop solar photovoltaic system can be built to expand and improve the proportion of renewable energy to the plant's power consumption. It's expected that the industrial mode will be transferred to the commercial one in 2025.
9. Greenhouse gas examination and identification status and reduction targets, strategies and specific action plans (filled in 1-1 and 1-2).	Please refer to the below for details.

1-1The Company's greenhouse gas examination and assurance status for the last two years

1-1-1Information on greenhouse gas examination

Describe the emissions (tons of CO2e), intensity (tons of CO2e/NT\$ million), and data coverage of greenhouse gases in the past two years.		
Please explain the scope of data coverage that should be disclosed according to the sustainable development path map of TWSE/TPEX companies (relevant schedule planning can refer to the website of the exclusive path map of TWSE/TPEX companies: https://isds.tpex.org.tw):		
1. The individual financial statements of the parent company will be audited from 2026 (the same below).		
2. Subsidiaries with consolidated financial reporting should be audited starting in 2027.		
The consolidated company shall establish a greenhouse gas examination mechanism in accordance with the Greenhouse Gas Protocol issued by the World Association for Sustainable Development (WBCSD) and the World Resources Institute (WRI)/the ISO 14064-1 Greenhouse Gas examination Standard (specifying applicable examination standards) issued by the International Organization for Standardization (ISO). Starting from 2021, the Company will conduct an annual examination of its individual GHG emissions (for subsidiaries, 2024) to obtain a complete picture of its GHG usage and emissions and verify the effectiveness of its reduction actions.		
In addition, the Company's individual greenhouse gas examination data in the last two years are described as follows:		
Carbon emissions (ton of CO2e/year)	2023	2024
Scope 1 (A)	250.3325	302.4268

	Scope 2 (B)	7,515.3455	6,055.8497
	Total	7,765.6780	6,358.2765

* In 2023 and 2024, the examination was carried out among plants in the boundary of Taiwan, totaling 5 plants (initiation of new plant): Operation Headquarters and Plant 3, Zhongli Plant 1, Zhongli Plant 2, Benjhou Plant, Kaohsiung and Ziqiang Plant.

Note 1: Direct emission (Scope 1, emissions directly from the source owned or controlled by the Company), indirect emission (Scope 2, indirect greenhouse gas emissions from input electricity, heat or steam) and other indirect emission (Scope 3, the emissions generated by the activities of the Company are not indirect emissions from energy sources, but from sources owned or controlled by other companies)

Note 2: Data on direct emissions and indirect energy emissions shall be covered in accordance with the schedule specified in paragraph 2 of Article 10 of this Standard, and other indirect emissions information may be disclosed voluntarily.

Note 3: Greenhouse Gas examination Standard: Greenhouse Gas Protocol (GHG Protocol) or ISO 14064-1 published by the International Organization for Standards (ISO).

Note 4: The intensity of GHG emissions can be calculated per unit of product/service or turnover, provided that at least the data calculated in terms of turnover (NT \$ millions) should be stated.

1-1-2 Information on greenhouse gas assurance

A statement of the assurance status for the two most recent years up to the date of publication of the annual report, including the extent of the assurance, the body of the assurance, the criteria of the assurance and the opinion of the assurance.

Please indicate at least the extent to which the assurance shall be carried out in accordance with the sustainable development path map of the TWSE/TPEX companies (please refer to the exclusive path map website of the TWSE/TPEX companies for relevant schedules) <https://isds.tpex.org.tw>):

1. The parent company preparing individual financial statements shall implement the assurance from 2028 (the same below).
2. Subsidiaries subject to consolidated financial statements implement assurance since 2029.

In the total greenhouse gas emissions disclosed by the consolidated company on 1-1-1, where the companies implementing assurance from 2021 to 2022 are the ones stated individual financial statements of the Company, they have been tested by the third party SGS and AFNOR International S.A in accordance with ISO 14063-1:2018 released by the International Organizations for Standardization (ISO). Category I and II are reasonable guarantee levels, and Category II and IV are limited guarantee levels. The Company's third party test for companies as stated in individual financial statements for year 2024 is scheduled to be completed in Q3 of 2025.

<p>Where the companies as stated in individual financial statements of the Company for year 2022 are subject to test.</p>  <p>聲明書編號 TW23/00521GG</p> <p>溫室氣體查驗聲明書</p> <p>2022 年溫室氣體排放資訊</p> <p>高力熱處理工業股份有限公司</p> <p>320030 桃園市中壢區吉林北路 5-2 號</p> <p>經本公司依據 ISO 14064-3:2006 完成查驗並符合下列標準要求</p> <p>ISO 14064-1:2018</p> <p>直接溫室氣體排放量 292,4936 公噸二氧化碳當量</p> <p>間接溫室氣體排放量 26,335.0645 公噸二氧化碳當量</p> <p>直接與間接溫室氣體排放量 26,627.558 公噸二氧化碳當量</p> <p>簽署人</p> <p>鄭裕宇 知識與管理事業群副總經理 日期: 2023 年 10 月 15 日 版次: 1</p> <p>TOP66A-15-B 2207 台灣檢驗科技股份有限公司 臺北市五股區新永盛街 1 號 130 之 1 號 T (02) 22983279 F (02) 22989493 www.sgs.com</p> <p>SGS</p> <p>本聲明書對於閣下可取信於用。協助查驗範圍、日期、標準及相關資訊均詳列於說明書內。 第 1 頁 共 6 頁</p>	<p>Where the companies as stated in individual financial statements of the Company for year 2023 are subject to test.</p>  <p>報告編號: (TH21-262 / 第 1 版)</p> <p>Certificate Certificat</p> <p>溫室氣體查驗報告意見書 THGHG21262-00</p> <p>查驗範圍: 高力熱處理工業股份有限公司 320030 桃園市中壢區吉林北路 5-2 號 [X] 涵蓋其他場域範圍如附頁所示。</p> <p>查驗準則: ISO 14064-1: 2018</p> <p>查驗日期: 立法諮詢 (AFNOR ASIA) 根據 ISO 14064-3: 2019 標準, 確認上述組織之溫室氣體聲明(溫室氣體查驗報告)依據雙方協議之查驗準則進行查驗並提出報告, AFNOR 以客觀公正立場及原則(相關性、完整性、一致性、準確性、透明度)執行查驗。</p> <p>數據期間: 2023 年 01 月 01 日至 2023 年 12 月 31 日 (檢視的數據為歷史性質)</p> <p>查驗數據: 直接溫室氣體排放量(類別 1): 250,3325 公噸 CO₂e 間接溫室氣體排放量(類別 2): 7,516,3455 公噸 CO₂e 間接溫室氣體排放量(類別 3-6): 16,017,1658 公噸 CO₂e</p> <p>全球暖化潛勢值(GWP): 引用 IPCC 2021 年第 6 次評估報告。</p> <p>聲明依據: 本聲明必須與下列文件作為一個整體以進行解釋說明。 溫室氣體查驗報告 (版次: 2 ; 日期: 2024 年 08 月 08 日) 溫室氣體查驗清單 (版次: 2 ; 日期: 2024 年 08 月 08 日)</p> <p>實質性: 8% (類別 1 及類別 2)</p> <p>意見類型: <input checked="" type="checkbox"/> 不含保留意見 <input type="checkbox"/> 含保留意見(請見附頁) <input type="checkbox"/> 放棄查驗</p> <p>查驗結論: 確認組織依據雙方協議之查驗準則之要求提出溫室氣體聲明, 且公正地呈現溫室氣體數據及相關資訊, 與雙方協議之查驗範圍、目標和準則一致。 聲明查驗數據之合理保證等級為類別 1 及類別 2。</p> <p>本文件核發日期: 2024 年 09 月 09 日</p> <p>APPROVED BY <i>Patrick Ni</i> Patrick Ni Director for Certification CHU BERNALF GDF AFNOR ASIA</p> <p>第 1 頁 / 共 4 頁 (本文件不可單獨使用, 單頁使用無效)</p> <p>AFNOR ASIA Ltd. - 亞洲認證與標準有限公司 201, Min 102, Chung Ping Road, Taipei, 100 R.O.C., Taiwan T: +86 85 220 0885 F: +86 85 220 1880 info.asia@afnor.com www.asia.afnor.com</p> <p>afnor CERTIFICATION</p>
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Note 1: Handled in accordance with the schedule as specified in Paragraph 2, Article 10 of the Standards. Where the Company fails to obtain complete greenhouse gas assurance opinion on the publication date of the Annual Report, the “complete assurance information will be disclosed in the Sustainability Report” shall be noted. If the Company fails to prepare the Sustainability Report, the “complete assurance information will be disclosed on the MOPS” shall be noted.

Note 2: The assurance institution shall comply with relevant regulations on the assurance institution for the Sustainability Report formulated by TWSE and TPEx.

Note 3: Please visit the website of the Corporate Governance Center, TWSE for the Best Practice Examples for disclosure contents.

1-2 Greenhouse gas reduction targets, strategies and specific action plans

Describe the greenhouse gas reduction base year and its data, reduction targets, strategies, and specific action plans, as well as the achievement of reduction targets.

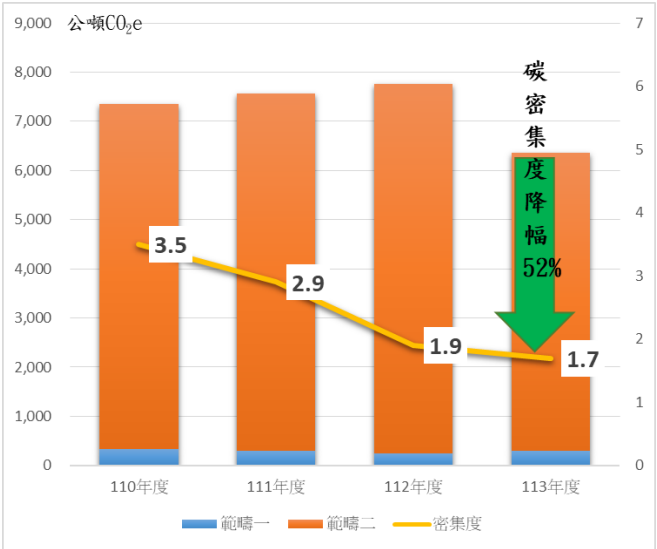
Base year and target for greenhouse gas reduction

For the purpose of planning the greenhouse gas emission reduction strategy, the individual company completed the examination in 2021 (the same below) on the basis of the individual financial report, so the base year is 2021, and its Category 1 and Category 2 emissions are 326.6783 tonnes of CO₂e and 7,031.5215 tonnes of CO₂e, respectively. It is hoped that the reduction will be further realized through the following specific actions.

Greenhouse gas reduction strategy and specific action plan

Individual companies are currently integrating carbon management into their operational strategies and seeking breakthroughs in carbon reduction. In response to the international pricing trends, the consolidated companies have taken into account the market price of international carbon, carbon price set according to regulations concerning greenhouse gas and the Company’s internal carbon reduction cost before mapping out internal carbon price. On this basis, this serves as the reference for carbon reduction management and planning. by implementing the carbon pricing mechanism, the Company can respond early to internal and external carbon reduction pressure and risks from Taiwan’s “Climate Change Response Act”, the carbon expenses to be charged and competent supervision mechanism for carbon emission of countries around the world and requirements for green power usage proportion as stipulated in the Regulations on Renewable Energy Development. In order to enable management, executive team and all employees to achieve greenhouse gas reduction targets and improve energy resource efficiency, the evaluation of important program objectives will be included in the operational performance indicators as the basis for employee performance appraisal and bonus, thereby practicing the spirit of responsibility and management.

Fulfillment of reduction target: Emissions data and carbon intensity of individual companies over the years are shown in the figure on the left, and the carbon intensity in 2024 is 52% lower than that in 2021.



Note 1: Handled in accordance with the schedule as stipulated in Paragraph 2, Article 10 of the Standards.

Note 2: The base year shall be the year in which the examination of the consolidated financial reports is completed. For example, in accordance with provisions of Paragraph 2, Article 10 of the Standards, the companies with capital over NT\$10 billion shall complete the examination of consolidated financial reports of 2024 in 2025. Therefore, the base year shall be 2024. If the Company If the company has completed the examination of the consolidated financial reports ahead of schedule, the earlier year may be the base year and the data for the base year may be averaged over a single year or several years.

Note 3: Please visit the website of the Corporate Governance Center, TWSE for the Best Practice Examples for disclosure contents.

(VI) Status of the Company's Fulfillment of Ethical Corporate Management and Measures Adopted: Implementation of Ethical Corporate Management and its Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Companies" and Reasons

Evaluation Items	Implementation Status (Note 1)			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"
	Yes	No	Abstract Illustration	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the Company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy</p> <p>(2) Does the Company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Does the Company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(1) To ensure fulfillment of the ethical corporate management, the Company has formulated an Ethical Corporate Management policy, which has been approved by the Board of Directors. The Company has also established accounting and internal control systems, with its internal auditors regularly auditing compliance with these systems. The core values of the Company's operations-innovation, quality, responsibility, and honor- are explicitly stated in external documents. The policy of Ethical Corporate Management emphasizes guidelines for Directors, Supervisors, senior management, employees, and substantial controllers to follow in conducting business. The Company has adopted its "Ethical Corporate Management of the Company", "Operational Procedure and Guideline of Conducts for Ethical Corporate Management", and the "Guidelines for Ethical Conducts" in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies".</p> <p>(2) Ethical Corporate Management. To prevent instances of dishonest behavior, The Company has implemented preventive measures in its internal control management</p>	None

Evaluation Items	Implementation Status (Note 1)			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Abstract Illustration	
			<p>regulations. These measures specifically target activities with higher risks of unethical conduct as outlined in the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" Article 7, Paragraph 2, or other business operations within the scope. These measures are in place to ensure the promotion and implementation of Ethical Corporate Management.</p> <p>(3) The Company has established a strict "Risk Management Policy" to prevent and mitigate the risks associated with business activities that have a higher potential for dishonest behavior within its scope of operations. Additionally, the Company has implemented an appropriate reporting system and channels for whistleblowing, and treats related reports and handling records as confidential information, fulfilling its responsibility to maintain confidentiality. The Company regularly reviews and revises the aforementioned measures to ensure their effectiveness.</p>	

Evaluation Items	Implementation Status (Note 1)			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Abstract Illustration	
<p>2. Ethical Corporate Management Fulfill Operations Integrity Policy</p> <p>(1) Does the Company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?</p> <p>(2) Does the Company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?</p> <p>(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p> <p>(4) Does the Company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?</p> <p>(5) Does the Company regularly hold internal and external educational trainings on operational integrity?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>(1) The Company avoids conducting transactions with individuals or entities with a history of unethical conducts. Integrity clauses are included in the commercial contracts. Important legal documents of the Company are reviewed by legal personnel or legal consultants, who provide professional opinions and advice.</p> <p>(2) The Company has designated its Special Assistant Office as the dedicated unit to handle the procedures and revisions, execution, interpretation, consultation services, and record-keeping related to the operational procedure and Code of Conduct, supervised by the auditing unit. The Company’s auditing unit is an independent department affiliated with the Board of Directors. The Auditing Office conducts regular audits to ensure compliance, monitors various operations, and prepares audit reports to be submitted to the Board of Directors.</p> <p>(3) The Company has established a policy to prevent conflicts of interest and provides appropriate channels for statements, whistleblowing, and complaints. The General Affairs Department is responsible for the authority and duties related to this policy.</p> <p>(4) The Company promotes the avoidance of any behavior that goes against integrity in all business activities. To implement Ethical Corporate Management, all operations are required to comply with accounting</p>	None

Evaluation Items	Implementation Status (Note 1)			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Abstract Illustration	
			<p>systems, internal control systems, and relevant policies. Regular audits conducted by internal auditors have not revealed any violations against ethical corporate management.</p> <p>(5) The Company organizes regular monthly meetings for advocacy that all conducts against integrity shall be avoided in all business activities. Employees are encouraged to participate in internal and external education and training.</p>	
<p>3. Implementation Status Operation of the Integrity Channel</p> <p>(1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the Company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?</p> <p>(3) Does the Company provide proper whistleblower protection?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(1) The Company has established strict preventive measures and disciplinary actions to guide employees in maintaining high ethical standards within the business scope and prevent illegal activities. Additionally, a reporting and complaint channel has been established, with the General Affairs Department responsible for its management. If an employee violates the ethical behavior standards outlined in the Company's work rules, appropriate discipline measures will be administered in accordance with the relevant provisions. If the disciplined employee as mentioned in the preceding paragraph believes that the Company has handled the matter improperly and their legitimate rights and interests have been violated, they may file a complaint with the General Affairs Department in accordance with the Company's relevant complaint handling regulations for appropriate remedies.</p> <p>(2) The Company has formulated processing principles and</p>	None

Evaluation Items	Implementation Status (Note 1)			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Abstract Illustration	
			confidentiality mechanisms for reported matters. (3) The Company ensures the confidentiality of whistleblowers and treats case-related information and processing records as confidential documents, which are properly archived and retained.	
4. Strengthening Information Disclosure Does the Company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?	V		The Company currently has disclosed contents related to Rules of Ethical Corporate Management on the corporate website.	None
5. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: The Company has adopted its “Ethical Corporate Management of the Company”, “Operational Procedure and Guidelines for Ethical Corporate Management”, “Guidelines for Ethical Conducts”, ~, “Internal Communication Procedures”, “Investor Relations Handling Procedures”, and risk management policies in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”. The two did not reveal any discrepancy.				
6. Other important information to facilitate a better understanding of the Company’s ethical corporate management policies (e.g., review and amend its policies): None				

Note 1: Whether “Yes” or “No” is checked, the Operation Status should be stated in the summary field.

(VII) Other important information sufficient to improve understanding of implementation status for corporate governance may be disclosed altogether:

1. The Company has established the “SOP for Handling Internal Material Information” for managing internal significant information and has informed all directors, supervisors, managers, and employees. This procedure is disclosed on the “electronic bulletin board” at the Company’s internal network for all employees to follow, so as to avoid violations or occurrences of insider trading.
2. Directors, supervisors, managers, and newly appointed internal personnel of the Company are distributed with the Insider Equity Transactions Advocacy Handbook for TWSE/TPEX Listed Companies upon assuming their positions. This Handbook informs the internal personnel themselves (directors, supervisors, managers, and shareholders holding more than 10%) and their related parties (spouse, children of minor age, and nominees) about the relevant laws and regulations regarding insider trading and the precautions that should be taken by internal personnel of a TWSE/TPEX

Listed Companies.

3. Other ways of inquiring to improve the understanding of the operation of corporate governance:

Kaori's Official Website: <https://www.kaori.com.tw/tw/modules/investors>

MOPS: <https://mops.twse.com.tw>

(VIII) Disclosures Required for the Implementation of the Internal Control System

1. Internal Control Statement:

Kaori Heat Treatment Ind., Co., Ltd.
Statement on Internal Control

Date: March 5, 2025

The Company hereby releases this Statement concerning the results of self-inspection on the Company's internal control system made in 2024:

- I. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), the reliability, timeliness, and transparency of reporting, and compliance with applicable norms and applicable laws, regulations, and bylaws.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.
- III. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets (hereinbelow, the "Regulations"). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. control environment 2. risk assessment 3. control activities 4. information and communications 5. monitoring activities. Each element further contains several items. Please refer to the Regulations for details.
- IV. The Company has assessed the design and operating effectiveness of its internal control system according to the aforesaid criteria.
- V. Based on the findings of the assessment mentioned in the preceding paragraph, the Company believes that as of December 31, 2024, its internal control system (including its supervision and management of subsidiaries and its overall implementation of information security), encompassing internal controls for understanding the degree of achievement of operational effectiveness and efficiency objectives, the reliability, timeliness, and transparency of reporting, and compliance with applicable norms and applicable laws, regulations, and bylaws, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.
- VI. This Statement will become a major part of the content of the Company's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement has been passed by the Board of Directors Meeting of the Company held on March 5, 2025, where none of the nine attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Kaori Heat Treatment Ind., Co., Ltd.

Chairman: WU CHIH-HSYONG Signature

President: WANG HSIN WU Signature

2. Review on Internal Control System by Entrusted Auditors, where the Company has entrusted a CPA for the review of Internal Control System on a Project Basis: none.

(IX) Major Resolutions of Shareholders' Meeting and Board Meetings in the Most Recent Year and as of the Publication Date of this Annual Report:

1. Shareholders' Meeting:

The Company's 2024 Annual General Shareholders' Meeting was held on June 20, 2024 (Thursday) at 9:30AM at No.5-2, Jilin North Road, Zhongli District, Taoyuan City, Taiwan. (Large conference room on 5F of the operational headquarters at the head office). The resolutions adopted in the Shareholders' Meeting were as follows:

Major Resolutions	Implementation Status
Adoption of Business Report and Financial Statements for Year 2023.	Completed in accordance with the resolution of the shareholders' meeting.
Amendments to the "Articles of Incorporation".	Completed in accordance with the resolution of the shareholders' meeting.
Amendments to the "Rules of Procedure for Shareholders' Meeting".	Completed in accordance with the resolution of the shareholders' meeting.

2. Extraordinary Shareholders' Meeting:

The Company's 2024 Extraordinary Shareholders' Meeting was held on November 12, 2024 (Tuesday) at 9:30AM at No.5-2, Jilin North Road, Zhongli District, Taoyuan City, Taiwan. (Large conference room on 5F of the operational headquarters at the head office). The resolutions adopted in the Shareholders' Meeting were as follows:

Major Resolutions	Implementation Status
The handling of proposal of Business Division and Transfer of "Thermal Energy Business"	Completed in accordance with the resolution of the shareholders' meeting.

3. Board of Directors:

The Company has convened 10 Board of Directors Meetings in 2024, with proposals and resolutions summarized as follows:

Date/ Session of Board Meeting	Proposals and Resolutions
6 th meeting of the 21 st term January 17, 2024	<ol style="list-style-type: none"> 1. To adopt the Application for Credit Line to Financial Institutions for the Operation Needs and Relevant Credit Matters. 2. To adopt the Whole Company's Year-end Bonus and Business Reward for Year 2023. 3. To adopt Distribution of Managers' Year-end Bonus and Business Reward for Year 2023. 4. To adopt the Company's Operating Plan for Year 2024. 5. To adopt the Change of the Company's Spokesman. 6. To adopt the Amendments to the Company's "Code of Practice for Financial Business between Related Enterprises". <p>Results of the above resolutions: Adopted as proposed.</p>
7 th meeting of the 21 st term March 8, 2024	<ol style="list-style-type: none"> 1. To adopt the Application for Credit Line to Financial Institutions for the Operation Needs and Relevant Credit Matters. 2. To adopt the Business Report and Financial Statements for Year 2023. 3. To adopt the Surplus Distribution for Year 2023. 4. To adopt the Formulation of Schedule for Cash Dividends Payment of Surplus Distribution for Year 2023. 5. To adopt the Distribution of Employee and Directors' Remuneration for Year 2023. 6. To adopt the Presentation of "Statement on Internal Control" for Year 2023.

Date/ Session of Board Meeting	Proposals and Resolutions
	<ol style="list-style-type: none"> To adopt the Company's Evaluations on the Independence and Suitability of Attesting CPAs. To adopt the Amendments to the Company's "Articles of Incorporation of the Audit Committee". To adopt the Amendment to the Company's "Rules of Procedure for Board of Directors Meeting". To adopt the Formulation of the Matters of Shareholders' Meeting for Year 2024. <p>Results of the above resolutions: Adopted as proposed.</p>
8 th meeting of the 21 st term May 8, 2024	<ol style="list-style-type: none"> To adopt the Application for Credit Line to Financial Institutions for the Operation Needs and Relevant Credit Matters. To adopt the Proposal to the Post Transfer and Change of CPAs of the Accounting Firm. To adopt the Q1 Financial Report for Year 2024. To adopt the Company's Distribution of Directors and Employees' Remuneration for Year 2023. To adopt the Supplement to the Company's "Articles of Incorporation of the Commission on Sustainable Development". To adopt the Establishment of the Company's "Commission on Sustainable Development" and Appointment of Commission Member. To adopt the Amendments to the Company's "Accounting System". To adopt the Setting of the Base Date of the Company's Fourth Domestic Unsecured Conversion of Corporate Bonds to Issue New Shares. To adopt the Authorization of the Chairman to Handle the Evaluation and Preparation Proposals Required for the Division of Thermal Energy and heat Dissipation Business. To adopt the Appointment of the Company's Vice President WU CHUN YING to Concurrently Serve as the President of the Subsidiary Kaori Technology (Ningbo) CO., Ltd. The appointment was made by the Board of Directors of the subsidiary and the date of appointment shall be otherwise decided. <p>Results of the above resolutions: Adopted as proposed.</p>
9 th meeting of the 21 st term August 9, 2024	<ol style="list-style-type: none"> To adopt the Application for Credit Line to Financial Institutions for the Operation Needs and Relevant Credit Matters. To adopt the Q2 Financial Report for Year 2024. To adopt the Amendments to the Company's "Pre-approved Non-assurance Service Items". To adopt the Setting of the Base Date of the Company's Fourth Domestic Unsecured Conversion of Corporate Bonds to Issue New Shares for the Q2 of 2024. To adopt the Re-investment of the Company in Kaori Thermal Technology Co., Ltd. To adopt the Formulation of New Subsidiary's Articles of Incorporation and Appointment of Directors for the New Subsidiary. To adopt the proposal to Set up Subsidiary in Thailand and Authorize the President to Handle the Establishment of Subsidiary. <p>Results of the above resolutions: Adopted as proposed.</p>
10 th meeting of the 21 st term	<ol style="list-style-type: none"> To adopt the Application for Credit Line to Financial Institutions for the Operation Needs and Relevant Credit Matters. To adopt the Handling of the Business Division and Transfer of Thermal Energy Business. To adopt the Formulation of Matters Relating to 1st Extraordinary Shareholders' Meeting for Year 2024. To adopt the Authorization of the President to Negotiate the Purchase of Land in the Industrial Zone of Thailand.

Date/ Session of Board Meeting	Proposals and Resolutions
	<ol style="list-style-type: none"> To adopt the Establishment of the Subsidiary in Thailand and Appointment of Directors of the Subsidiary in Thailand. To adopt the Proposal to Have the Thai Subsidiary to Open a Bank Account and Authorization of the Acting Signatory. To adopt the Amendments to the Company's "Regulations Governing the Management of Transactions among Related Parties". To adopt the Amendments to the Company's "Code of Practice for Corporate Governance". <p>Results of the above resolutions: Adopted as proposed.</p>
11 th meeting of the 21 st term October 9, 2024	<ol style="list-style-type: none"> To adopt the Supplementary Explanation for the Company's Handling of Business Division and Transfer of the Thermal Energy Business. <p>Results of the above resolutions: Adopted as proposed.</p>
12 th meeting of the 21 st term November 8, 2024	<ol style="list-style-type: none"> To adopt the Application for Credit Line to Financial Institutions for the Operation Needs and Relevant Credit Matters. To adopt the Q3 Financial Report for Year 2024. To adopt the Setting of the Base Date of the Company's Fourth Domestic Unsecured Conversion of Corporate Bonds to Issue New Shares for the Q3 of 2024. To adopt the Amendments to the Company's "Internal Control System". To adopt the Company's 2025 Audit Plan. To adopt the Supplement to the "Supplement to the Company's SOP of Sustainability Report Preparation and Verification". To adopt the Amendments to the Company's "Process for Accounting Policies and Estimate Change". To adopt the Amendments to the Company's "Regulations Governing the Management of Financial Statements Preparation Process". To adopt the Amendments to the Company's "Regulations Governing the Year-end Bonus Distribution". To adopt the Amendments to the Company's "Regulations Governing the Operating Bonus". <p>Results of the above resolutions: Adopted as proposed.</p>
13 th meeting of the 21 st term December 20, 2024	<ol style="list-style-type: none"> To adopt the Application for Credit Line to Financial Institutions for the Operation Needs and Relevant Credit Matters. To adopt the Appointment of Directors for the Subsidiary Kaori Thermal Technology Co., Ltd. To adopt the Appointment of President WU CHI HSIUNG to Concurrently Serve as the CEO of the Subsidiary Kaori Thermal Technology Co., Ltd. To adopt Vice President CHOU WU HSING to Serve as the President of the Subsidiary Kaori Thermal Technology Co., Ltd. To adopt the Proposal to Lift the Ban on Directors from Business Competition. To adopt the Year-end Bonus and Operating Bonus across the Company for Year 2024. To adopt the Distribution of Year-end Bonus and Operating Bonus for Managers for Year 2024. To adopt the Operating Plan of the Company for Year 2025. <p>Results of the above resolutions: Adopted as proposed.</p>
14 th meeting of the 21 st term	<ol style="list-style-type: none"> To adopt the Setting of the Base Date of the Company's Fourth Domestic Unsecured Conversion of Corporate Bonds to Issue New Shares for the Q4 of 2024. To adopt the Proposal for the Bank Credit Line Endorsement for the Subsidiary Kaori Thermal Technology Co., Ltd. To adopt the Proposal of the Company to Assign Zhongli Plant 2 to Its Subsidiary Kaori Thermal Technology Co., Ltd. To adopt the Plan of Adding Stamping Production Line for Its Subsidiary Kaori

Date/ Session of Board Meeting	Proposals and Resolutions
	Technology (Ningbo) Co., Ltd. Results of the above resolutions: Adopted as proposed.
15 th meeting of the 21 st March 5, 2025	<ol style="list-style-type: none"> To adopt the Business Report and Financial Statements for Year 2024. To adopt the Surplus Distribution for Year 2024. To adopt the Distribution of Employee and Directors' Remuneration for Year 2024. To adopt the "Statement on Internal Control System" for Year 2024. To adopt the Company's Evaluations on the Independence and Suitability of Attesting CPAs for Year 2025. To adopt the Proposal of the Company's Capital Increase in Its Subsidiary Kaori Technology (Thailand) Co., Ltd. To adopt the Proposal for the Bank Credit Line Endorsement for the Subsidiary Kaori Thermal Technology Co., Ltd. To adopt the Amendments to the Company's "Articles of Incorporation". To adopt the Formulation of Relevant Matters to the Shareholders' Meeting. To adopt the Transportation Expenses of the Company's Directors Attending the Meeting. Results of the above resolutions: Adopted as proposed.

(X) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors in the Most Recent Year and as of the Publication Date of this Annual Report: None.

IV. Regarding the Company's Audit Fee:

Information on Audit Fee

Unit: NT\$ thousand

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-Audit Fee	Total	Remarks
Deloitte & Touche Firm	SU YU HSIU, CHEN WEN-HSIANG	2024. 01.01~ 2024.12.31	2,965	3,200	6,165	<ol style="list-style-type: none"> Tax and transfer pricing auditing and attesting: NT\$250,000 thousand. Review of Annual Report for Shareholders' Meeting: NT\$70,000. Table of Salary Information Check for Full-time employee Assuming Non-executive Positions: NT\$30 thousand. Translation of financial statements to English: NT\$ 80,000. Audit fee for Direct Deduction and Review of Funds of NT\$104,000.

						6. Proposed public expenses for division of NT\$650,000. 7. Establishment of subsidiary and change in division case of NT\$180,000. 8. Fees for CB4 issuance of NT\$160,000 9. Others (business registration) of 360,000
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(I) Where the attesting CPAs, accounting firms, and their affiliated enterprises receive non-audit fees equal to or more than one-fourth of the audit fees, the details of audit and non-audit fees as well as the disclosure of non-audit service content shall disclosed as follows: disclosed in the Remarks of CPA's Fees.

1. Where a replacement of accounting firm is made and the audit fee paid in the year of replacement is less than the audit fee in the previous year, the amount and reasons for the audit fee before and after the replacement shall be disclosed: None.

2. Where audit fees have decreased by more than 10% compared with the previous year, the amount, proportion and reasons for the decrease in audit fees shall be disclosed: None.

(II) The audit fee referred to in the preceding paragraph refers to the fee paid by the Company to the CPAs for the examination, check and review of financial reports and financial forecasts.

V. Replacement of CPA:

If the Company has changed its accountant in the most recent two years and the period thereafter, it shall disclose the following:

(I) About Former CPAs

Date of Replacement	Adopted at the Board Meeting on May 8, 2024		
Reason for Replacement and Explanation	For the need of internal organization of Deloitte & Touche Firm, it was proposed to replace CPA since Q1 2024. The former CPAs were LIU SHU LIN and CHEN WEN HSIANG and new CPAs are SU YU-HSIU and CHEN WEN HSIANG.		
Explanation of termination or non-acceptance of appointment by the appointor or CPA	Status/Parties	CPA	Appointor
	Voluntary termination of the appointment	Omitted	Omitted
	Non-acceptance of further appointment	Omitted	Omitted
Opinions and reasons for issuing audit reports other than unqualified opinions within the last two years	1. In 2023, an audit report with no reservations was issued. 2. In 2024, an audit report with no reservations was issued.		
There is no disagreement with the issuer	Yes		Accounting principles or practices
			Disclosure of financial reports
			Audit scope or steps
			Others
	No	V	

	Explanation: omitted
Other matters to be disclosed (Where it's required to be disclosed in accordance with Item 1-4 to 7, Paragraph 6, Article 10 of the Standards)	None

(II) About Successor CPAs

Firm Name	Deloitte & Touche Firm
Name of CPAs	SU YU HSIU, CHEN, WEN-HSIANG
Date of Appointment	Appointed from May 8, 2024.
Matters and results of advice on the accounting treatment or accounting principles of specific transactions and the possible issuance of financial reports prior to appointment	None
Written opinion of the successor accountant on matters of disagreement with the predecessor accountant	None

(III) Reply from the former CPA to Items 1 and 2-3, Paragraph 5 of Article 10 of this Standards: Omitted.

VI. Where the Chairman, General Manager, or Manager in charge of Financial or Accounting affairs have worked in the accounting firm affiliated company of the attesting CPA in the last year, the name, title and employment period in the firm or affiliated enterprise of attesting CPA period of affiliated enterprise shall be disclosed: None.

VII. Changes in Equity Interest Transfer and Pledge of Stock Rights Amongst Directors, Supervisors, Managers and Shareholders with Shareholding Percentage over 10% in the Most Recent Year and as of the Publication Date of this Annual Report

(I) Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders:

Unit: Shares

Title	Name	2024		As of March 25, 2025		Remarks
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	
Chairman	WU CHIH HSYONG	0	None	0	None	
Director (concurrently as Vice President)	HAN HSIEN FU	1,192,000	None	(1,200,000)	None	Trust of 1,200,000 shares
Director (President)	HSIN WU WANG	(10,000)	None	0	None	
Director	Aladdin Holding Group	125,000	None	0	None	
Director's representative (concurrently as Vice President)	WU CHUN YING	0	None	0	None	
Director's representative	KU HUNG TAO	3,000	700,000	0	None	

Director (concurrently as Vice President)	HUANG HUNG HSING	0	178,000	0	(178,000)	
Independent Director	HUNG HSIANG WEN	0	None	0	None	
Independent Director	TANG CHI YAO	0	None	0	None	
Independent Director	MAO EN KUANG	0	None	0	None	
Vice President	CHOU WU HSING	0	None	4,000	None	Dismissed on January 1, 2025 and transferred to as as President in the subsidiary.
Vice President	CHIU HUNG YI	(50,000)	None	0	None	
Senior Assistant Manager	LI CHING CHUN	(7,000)	None	0	None	
Senior Assistant Manager	HUANG YAO CHUN	(35,604)	None	0	None	
Senior Assistant Manager	CHEN YU CHUNG	(5,315)	None	0	None	
Assistant Manager	TSAI MENG FANG	(4,000)	None	0	None	
Assistant Manager	CHU CHIU MING	0	None	0	None	
Assistant Manager	HSU YUNG CHENG	0	None	0	None	
Assistant Manager	CHIANG HUNG CHI	0	None	0	None	
Assistant Manager	LIN YUE HUNG	0	None	0	None	Dismissed on January 1, 2025 and transferred to as as Vice President in the subsidiary.
Assistant Manager	HAN WEN TENG	0	None	0	None	
Assistant Manager	CHENG CHANG LI	(2,728)	None	0	None	
Finance Chief	CHUANG TUAN CHIN	(20,000)	None	0	None	
Accounting Chief	CHANG WAN CHING	0	None	0	None	
Corporate Governance Chief	LI CHIA JUNG	0	None	0	None	

(II) Information Concerning Counterparty for Transfer of Share by Director, Manager, and Major Shareholder as a Related Party: None.

(III) Information Concerning Counterparty for Pledges by Director, Manager, and Major Shareholder as a Related Party: None.

VIII. Relationship among the Top Ten Shareholders, including Related Parties or Spouse or Relatives within 2nd Degree of Kinship:

March 25, 2025

Name	Shares Held		Shares Held by Spouses and Children of Minor Age of Director/Supervisor		Shares Held through Nominees		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives within 2 nd Degree of Kinship (Note)		Remarks
	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Name of Entity (or Individual)	Relationship	
Citibank Taiwan custody for Investment account of Norges Bank	5,687,000	6.22%	0	0.00%	0	0.00%	None	None	
HAN HSIEN SON	2,920,000	3.19%	990,975	1.08%	0	0.00%	None	None	
KU HUNG TAO	2,207,000	2.41%	9,000	0.01%	0	0.00%	None	None	
CHANG YOU HUA	1,596,000	1.74%	0	0.00%	0	0.00%	None	None	
HAN HSIEN FU	1,461,753	1.60%	2,702	0.00%	0	0.00%	None	None	
HUANG HUNG HSING	1,406,165	1.54%	0	0.00%	0	0.00%	None	None	
Trust Account of HAN HSIEN FU entrusted to Mega Securities	1,200,000	1.31%	0	0.00%	0	0.00%	None	None	
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a Series of Vanguard Star Funds	1,188,344	1.30%	0	0.00%	0	0.00%	None	None	
TSAI HE LING	1,167,268	1.28%	0	0.00%	0	0.00%	None	None	
WANG KUEI HSIANG	1,087,000	1.19%	0	0.00%	0	0.00%	None	None	

Note: The shareholders mentioned above include both juristic persons and natural persons, and their relationships should be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

IX. Shares of the Same Re-invested Businesses held by the Company and Directors, Managers and Businesses under Direct or Indirect Control of the Company, with Combined Calculation of the Comprehensive Shareholding Percentages:

December 31, 2024; Unit: Shares;%

Re-invested Businesses	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers		Comprehensive Investments	
	Shares	%	Shares	%	Shares	%
KAORI INTERNATIONAL CO.,LTD	5,100,000	100.00%	0	0.00%	5,100,000	100.00%
KAORI DEVELOPMENT CO.,LTD	5,050,000	100.00%	0	0.00%	5,050,000	100.00%
Kaori Technology (Ningbo) Co., Ltd.	—	100.00%	0	0.00%	—	100.00%
Kaori Thermal Technology Co., Ltd.	42,600,000	100.00%	0	0.00%	42,600,000	100.00%
KAORI TECHNOLOGY (THAILAND) CO., LTD.	14,999,999	99.9999933%	0	0.00%	14,999,999	99.9999933%

III. Capital Overview

I. Capital and Shares:

(I) Source of Capital:

1. Capital Constitution History:

Unit: thousand shares; NT\$ thousand

Year and Month	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Others
2002.10	10	35,000	350,000	26,145	261,450	Capital Increase out of Earnings at 12,450	None	Approved per 16 August 2002 Order (91)-Taiwan-Finance-Securities (I) No. 0910145673
2003.09	10	35,000	350,000	29,000	290,000	Capital Increase out of Earnings at 28,550	None	Approved per 15 August 2003 Order (92)-Taiwan-Finance-Securities (I) No. 0920137148
2004.10	10	35,000	350,000	31,900	319,000	Capital Increase out of Earnings at 29,000	None	Approved per 13 August 2004 Order Finance-Management-Securities (I) No.0930136246
2005.09	10	35,000	350,000	34,771	347,710	Capital Increase out of Earnings at 28,710	None	Approved per 9 August 2005 Order Finance-Management-Securities (I) No.0940132241
2006.07	13	50,000	500,000	39,000	390,000	Cash Capital Increase 42,290	None	Approved per 8 May 2006 Order Finance-Management-Securities (I) No.0950115746
2007.10	20	100,000	1,000,000	44,000	440,000	Cash Capital Increase 50,000	None	Approved per 12 July 2007 Order Finance-Management-Securities (I) No.0960034033
2008.09	10	100,000	1,000,000	46,200	462,000	Capital Increase out of Earnings at 22,000	None	Approved per 16 July 2008 Order Finance-Management-Securities (I) No.0970035837
2009.08	21.3	100,000	1,000,000	51,284	512,845	Capital Increase thru Convertible Bonds at 50,845	None	Approved per 14 August 2009 Order MoEA-Authorization-Commerce No. 09801184360
2009.09	10	100,000	1,000,000	55,904	559,045	Capital Increase out of Earnings at 46,200	None	Approved per 13 July 2009 Order Financial-Supervisory-Commission-Issuance No.0980034711
2009.10	10	100,000	1,000,000	57,315	573,150	Capital Increase thru Convertible Bonds at 14,105	None	Approved per 20 October 2009 Order MoEA-Authorization-Commerce No. 09801241260
2010.01	10	100,000	1,000,000	57,621	576,211	Capital Increase thru Convertible Bonds at 3,061	None	Approved per 19 January 2010 Order MoEA-Authorization-Commerce No. 09901012620

2010.02	32	100,000	1,000,000	62,621	626,211	Cash Capital Increase 50,000	None	Approved per 26 October 2009 Order Financial-Supervisory-Commission-Issuance No.0980054536
2010.04	10	100,000	1,000,000	63,532	635,324	Capital Increase thru Convertible Bonds at 9,113	None	Approved per 15 April 2010 Order MoEA-Authorization-Commerce No. 09901072230
2010.07	10	100,000	1,000,000	66,566	665,658	Capital Increase thru Convertible Bonds at 30,334	None	Approved per 21 July 2010 Order MoEA-Authorization-Commerce No. 09901164400
2012.08	10	100,000	1,000,000	69,894	698,941	Capital Increase out of Earnings at 33,283	None	Approved per 22 August 2012 Order MoEA-Authorization-Commerce No. 10101172810
2013.08	10	100,000	1,000,000	73,389	733,888	Capital Increase out of Earnings at 34,947	None	Approved per 22 August 2013 Order MoEA-Authorization-Commerce No. 10201170270
2013.09	48	100,000	1,000,000	77,389	773,888	Cash Capital Increase 40,000	None	Approved per 26 September 2013 Order MoEA-Authorization-Commerce No. 10201199280
2014.08	10	100,000	1,000,000	81,258	812,582	Capital Increase out of Earnings at 38,694	None	Approved per 22 August 2014 Order MoEA-Authorization-Commerce No. 10301175910
2015.09	10	100,000	1,000,000	89,384	893,840	Capital Increase out of Earnings at 81,258	None	Approved per 16 September 2015 Order MoEA-Authorization-Commerce No. 10401195310
2024.05	10	150,000	1,500,000	89,801	898,011	Capital Increase thru Convertible Bonds at 4,171	None	Approved per 29 May 2024 Order MoEA-Authorization-Commerce No. 11330088590
2024.09	10	150,000	1,500,000	90,627	906,272	Capital Increase thru Convertible Bonds at 8,261	None	Approved per 9 September 2024 Order MoEA-Authorization-Commerce No. 11330158880
2024.11	10	150,000	1,500,000	91,323	913,228	Capital Increase thru Convertible Bonds at 6,956	None	Approved per 28 November 2024 Order MoEA-Authorization-Commerce No. 11330206250
2025.02	10	150,000	1,500,000	91,465	914,647	Capital Increase thru Convertible Bonds at 1,419	None	Approved per 8 February 2025 Order MoEA-Authorization-Commerce No. 11430014130

2. Type of Stock:

March 25, 2025 Unit: Shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Ordinary Shares	91,471,435	58,528,565	150,000,000	WSE-Listed Company Shares

3. Information concerning the soliciting and issuance of securities through shelf registration system shall be disclosed: None.

(II) Shareholder Composition:

The Name, Amount and Proportion of the Shareholders Whose Equity Proportion Is More Than 5% or the Shareholders Whose Equity Proportion Is in the Top Ten

March 25, 2025

Major Shareholders' Name	Number of Shares	Shares Held	Shareholding Percentage (%)
Citibank Taiwan custody for Investment account of Norges Bank		5,687,000	6.22%
HAN HSIEN SON		2,920,000	3.19%
KU HUNG TAO		2,207,000	2.41%
CHANG YOU HUA		1,596,000	1.74%
HAN HSIEN FU		1,461,753	1.60%
HUANG HUNG HSING		1,406,165	1.54%
Trust Account of HAN HSIEN FU entrusted to Mega Securities		1,200,000	1.31%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a Series of Vanguard Star Funds		1,188,344	1.30%
TSAI HE LING		1,167,268	1.28%
WANG KUEI HSIANG		1,087,000	1.19%

(III) Dividend Policy and Implementation Status:

1. Dividend Policy under the Company's Articles of Incorporation:

After closing of accounts, if there are earnings, the Company shall first pay the tax, make up the losses for the preceding years, and set aside a legal reserve of 10% of the net profit. 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 set aside another sum as special reserve or revert such sum in accordance with relevant laws and regulations. The balance following the distribution added with undistributed earnings from the former years are the cumulative distributable earnings, whose distribution shall be made into proposals with a percentage between 10 and 100 percent by the board of directors based on development circumstances of the industry. Where the distribution is to be made in issuance of new shares, the proposal shall be submitted to the meeting of shareholders for resolutions. According to Article 240, Paragraph 5 of the Company Act, the Board of Directors under authorization distributes dividends and bonuses or allocate all or a portion of the statutory retained earnings and capital reserve specified in Article 241, Section 1 of the Company Act in the form of cash, provided that the resolution is approved by a majority of the attending directors in a meeting attended by two-thirds or more of all directors. The Board of Directors shall report this to the Shareholders' Meeting.

The Company will take into consideration the Company's environment and growth stage, future funding requirements and long-term financial planning along with interests of shareholders and dividend policies by distributing cash dividends not less than 10

percent of the total amount of shareholder dividends.

2. Proposed Dividend Distribution in the year:

The Company's net profit after tax for 2024 was NT \$593,043,782, plus the undistributed surplus at the beginning of the period NT \$357,600,914, and the remeasurement of identified benefit programs recognized as retained surplus of NT \$5,733,658, together with the reversal of the special surplus reserve of NT \$5,401,304, and then deducting the 10% statutory reserve of NT \$59,877,744 as prescribed by law, the total surplus available for distribution for the period is NT \$901,901,914. The Company intends to distribute an unpaid cash dividend of NT \$4.0 per share, for a total of NT \$365,858,796.

(IV) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting:

The Company's earnings per share in 2024 were NT \$6.56. On March 5, 2025, the Board of Directors approved the free distribution of cash dividends of NT \$4.0 per share, totaling NT \$365,858,796. As the Company's net cash inflow from revenue and operating activities is stable, there is no significant impact on operating performance, earnings per share and return on shareholders' investments.

(V) Compensations of Employees and Directors:

1. Percentage or Scope of Compensations of Employees and Directors under the Company's Articles of Incorporation:

If there is a profit for the current year, a distribution no less than 2 percent of the said profits shall be made as employees' remuneration, and a distribution no more than 5 percent shall be made as directors' remuneration. The distribution of employees' remuneration in the form of stock or cash shall be resolved by the Board of Directors, and individuals entitled to receive shares or cash may include employees inclusive of the employees of parents or subsidiaries of the company meeting certain specific requirements. However, when the Company still has accumulated losses, the compensation shall be made up first before distributing the employees' remuneration and directors' remuneration in the aforementioned percentages.

2. Estimation basis for employees', directors' and supervisors' compensations in the current period, Calculation basis for shares distributed as employees' compensation, and accounting handling for deviations of actual distribution amount from estimates:

Concerning the estimation basis for the Company's 2024 employee and director compensation amounts, the calculation basis for employee compensation distributed in the form of stock, and the handling where actual distribution amount differs from the estimated amount, if there are significant changes in the distribution amount decided by the Board of Directors at the end of the fiscal year, the necessary adjustments are made to the originally provisioned annual expenses responding to such changes. By the date of the Shareholders' Meeting resolution, if the amount is still subject to change, it will be handled based on accounting estimates and adjusted in the fiscal year of the Shareholders'

Meeting resolution.

3. Situation of Compensation Distribution Approved by the Board of Directors:

- (1) The amounts for distribution of the compensation of employees, directors and supervisors made in cash or stock:

For the fiscal year 2024, the Company's net profit before tax was NT\$743,103,78. It is proposed to distribute employee compensation in the amount of NT\$16,530,911, and directors' compensation in the amount of NT\$27,551,518, in accordance with the Company's Articles of Incorporation.

- (2) The Amount of Employees' Compensation Distributed in Stock and Its Proportions to the Sum of Net Income and Employees' Compensation in the Current Comprehensive or Company Only Financial Statements

The Company did not make any employees compensation distribution in the form of stock in 2024.

4. The actual distribution of the compensation of employees, directors and supervisors in the previous year (including the distribution of shares, amount and stock price); if there is any difference from the recognized compensations employees, directors and supervisors, the difference, reason and handling situation shall be specified: None.

(VI) Buyback of Outstanding Shares of the Company: None.

II. Implementation Status of Corporate Bonds:

(I) Corporate Bonds Outstanding and Handling in Progress

1. Outstanding Corporate Bonds:

Type of Corporate Bonds	Fourth Issuance of Unsecured Convertible Corporate Bonds in the Domestic Market
Date of issuing	2023/12/06
Denomination	NT\$100,000
Place of issue and trading	Issued at home, listed in Taipei Exchange
Issuing price	Issued in NT \$10 denomination
Total amount	NT\$ 1,000,000,000
Interest rate	0%
Duration	Five-year period maturity date: 2028/12/06
Guarantee institution	None
Trustee	Mega International Commercial Bank Co., LTD
Underwriter	Mega Securities
Certified lawyer	N/A
CPA	N/A
Repayment method	Please refer to the Company's Regulations Governing the Fourth Issuance and Conversion of Unsecured Convertible Corporate Bonds in the Domestic Market for details (refer to Pages 144-156)
Outstanding principal refund	NT\$503,200,000 as of March 31, 2025
Clause for redemption or early repayment	Refer to the Company's Regulations Governing the Fourth Issuance and Conversion of Unsecured Convertible Corporate Bonds in the Domestic Market

Restriction clause		None
Name of credit rating agency, rating date, corporate bond rating results		None
Additional rights attached	The amount of ordinary shares, overseas depositary receipts or other marketable securities converted (converted or subscribed) as at the date of publication of the annual report	As at March 31, 2025, 2,087,355 shares had been converted.
	Issuance and conversion (conversion or subscription) method	Please refer to the Company's Regulations Governing the Fourth Issuance and Conversion of Unsecured Convertible Corporate Bonds in the Domestic Market for details (refer to Pages 144-156).
Issue and conversion, exchange or subscription method, issue conditions on the possible dilution of equity and the impact on the equity of existing shareholders		The total amount of convertible corporate bonds issued this time is NT \$1,000,000,000. As the term of the bonds is five years and the time of conversion requested by creditors varies, the dilution effect on earnings per share will be delayed, and it will not have a significant impact on the existing shareholder rights.
Name of entrusted custodian of the subject matter of exchange		N/A

2. Implementation Status of Corporate Bonds:

(II) With Maturity within a year: None.

(III) Information on Convertible Corporate Bonds:

Type of corporate bond		Fourth Issuance of Unsecured Convertible Corporate Bonds in the Domestic Market	
Years			
Items		2024	As of March 31, 2025
	Market price of convertible corporate bonds		
	Highest	222.00	143.80
	Lowest	114.30	115.65
	Average	153.91	134.21
Conversion price		237.5	237.5
Issuing date and conversion price at time of issuing		On December 16, 2023, the conversion price at time of issuing was NT\$240.0	
Manner of performing the conversion obligation		Issuance of new shares	

(IV) Convertible Corporate Bond Issued: None.

(V) Solicitation and Issuance of Ordinary Corporate Bond by the Company using the Shelf Registration Method: None.

(VI) Equity Warrant Bonds Issued: None.

(VII) Handling of Privately Placed Corporate Bonds within the Most Recent 3 Years and as of the Publication Date of this Annual Report: None.

III. Implementation Status of Preferred Shares: None.

IV. Implementation Status of Global Depository Receipt (GDR): None.

V. Implementation Status of Employee Stock Warrant: None.

VI. Implementation Status of Restricted Stock Awards: None.

VII. Implementation Status of M&A or New Shares in Connection with Receiving Transfer of Shares of another Company: None.

VIII. Implementation Status of the Funds Utilization Plan:

(I) Contents of the previous convertible bond issuance plan:

1. Execution of the previous offerings or private placements of convertible securities that have not been completed: none.

Approved per 13 November 2023 Order Financial-Supervisory-Commission-Issuance No.1120359596, the Fourth Issuance of Unsecured Convertible Corporate Bonds in the Domestic Market was conducted, the project plan and fund utilization was completed as to December 31, 2023.

Unit: NT\$ thousand

Project Plan	Total Plan Fund	Execution	Year	2023
			Season	Q4
Repayment of bank loan	1,137,963	Amount spent	Estimated	1,137,963
			Actual	1,137,963
	100.00%	Execution progress	Estimated	100.00%
			Actual	100.00%
Total	1,137,963	Amount spent	Estimated	1,137,963
			Actual	1,137,963
	100.00%	Execution progress	Estimated	100.00%
			Actual	100.00%

(II) Execution:

Where it has been completed in the quarter prior to the date of publication of the annual report or within the last three years and the benefits of the program have not yet become significant: N/A.

IV. Operation Highlight

Business Activities

1. Scope of Business:

(1) Main Contents:

- 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 Pipe Lines Construction.
- 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.

(2) Proportions in Operations by the Company's 2024 Main Products:

Unit: NT\$ thousand; %

Main Products	Individual Financial Reports	Proportion (%)	Consolidated Financial Reports	Proportion (%)
Plate Heat Exchanger	1,411,611	37.41	1,642,009	41.01
Thermal Products	2,361,431	62.59	2,361,431	58.99
Total	3,773,042	100.00	4,003,440	100.00

(3) Current Line of Products and New Products under Development

- 1). Brazed and Gasketed Plate Heat Exchanger Products.
- 2). Fuel Cell Reactor Components and Reformer.
- 3). Heat Pump Industry-Use Plate Heat Exchanger.
- 4). Development of Air Dryer Industry-Use Plate Heat Exchanger.
- 5). Highly Effective Next-Generation Plate Heat Exchanger.
- 6). Methanol Fuel Cell Power Generation System/Methanol Reforming and Hydrogen Production Machine/PSA Hydrogen Purifier.
- 7). Development of carbon dioxide sequestration system
- 8). Development of waste hydrogen recovery system
- 9). Submerged server cooling module

2. Industry Overview:

(1) Status Quo and Development of the Industry:

Established on October 11, 1970, the Company initially focused on metal heat treatment processing, and with heat treatment processing technology, it entered the field of brazing processing, manufacturing, and sales of brazed plate heat exchangers. In addition, in order to meet the green energy market and with years of accumulated experience in heat treatment processing technology, the Company set up a related division in 2009 to produce thermal energy products for Solid Oxide Fuel Cell (SOFC) reactor components. Due to Kaori's mastery of key technologies in heat treatment and copper welding processing, it successfully reached the supply chain of hydrogen fuel cell manufacturers in American listed companies. In addition, in order to increase the diversity of the use of plate heat exchanger products, by mastering the cold and heat conversion technology of plate heat exchanger, the Company developed and applied the submerged liquid cooling technology for the heat dissipation requirements of data centers with large processing capacity and storage capacity in 2017 and set up the "Thermal Energy Business", and in recent years have obtained orders from large factories at home and abroad. In order to promote organizational restructuring, achieve professional division of labor, and further improve the Company's competitiveness and asset management performance, the Company held an interim meeting of shareholders on November 12, 2024, at which the Business division and transfer of Thermal Energy Business was approved. According to the resolution, the company will transfer Thermal Energy Business to its existing 100% owned subsidiary Kaori Thermal Technology Co., Ltd., effective December 31, 2024. It is expected that through this organizational restructuring, Thermal Energy Business will be given greater flexibility and efficiency in the development process, further highlighting its core competitiveness and promoting the sustainable growth of its operations. According to the resolution, the Company will transfer Thermal Energy Business to its existing 100% owned subsidiary Kaori Thermal Technology Co., Ltd., effective December 31, 2024. It is expected that through this organizational restructuring, Thermal Energy Business will be given greater flexibility and efficiency in the development process, further highlighting its core competitiveness and promoting the sustainable growth of its operations. It is expected that the overall operating performance after the separation will be better than before, thereby implementing professional labor of division and keeping creating more lucrative benefits for all shareholders of the Company.

With the goal of producing world-class products, Kaori is currently the only company in Taiwan that moves from "energy use" to "energy saving" and "energy manufacturing", with its core business focusing on energy saving, heat dissipation and green energy solutions. Kaori's two major business units are plate heat exchangers and thermal products, the latter of which includes fuel cell reactor mechanism components, hydrogen energy application technology and liquid cooling technology. In terms of products, Kaori has a leading position globally with five key competitive technologies: heat transfer flow, thermal energy management, hydrogen energy application, system integration, and welding processes. The status quo, industry characteristics and future development trend of the Company's industry are analyzed as follows:

① Fuel cell industry

Fuel cells are energy conversion power generation devices that can directly convert fuel into electricity through electrochemical reactions without combustion. Therefore, the energy conversion efficiency is quite high. They have a wide range of fuel sources, including coal, oil, natural gas, and other hydrocarbon fuels, from which a large amount of hydrogen can be extracted through reforming reactions. They can also directly use alcohols such as methanol as the fuel input for the fuel cell. The working principle of a fuel cell is composed of positive and negative electrodes and an electrolyte with ion conduction properties. Hydrogen enters the fuel cell from the anode, while oxygen (or air) enters from the cathode. Currently, fuel cells can be classified into six types based

on different electrolytes: Alkaline Fuel Cell (AFC), Proton Exchange Membrane Fuel Cell (PEMFC or PEFC), Phosphoric Acid Fuel Cell (PAFC), Molten Carbonate Fuel Cell (MCFC), Solid Oxide Fuel Cell (SOFC), and Direct Methanol Fuel Cell (DMFC). Fuel cells have a wide range of applications, with the current main areas being automobiles, stationary power generators, and portable electronic devices. The Company mainly engages in the production of Solid Oxide Fuel Cells (SOFC), primarily used in large-scale stationary fuel cell power generation systems.

In response to the global net-zero carbon emissions trend, many countries are looking to introduce a significant amount of renewable energy as the optimal solution in the current stage, with major countries actively promoting and supporting the energy storage industry through policy initiatives. The orientation of “energy policies” drives the development of renewable energy. The proportion of renewable energy directly affects the demand for energy storage in the power system, and different policy content will also influence the demand for different energy storage applications and market development. “Policy” can be considered a crucial driving force for the development of the energy storage industry, and collaboration among industry, government, and academia can accelerate the expansion of the energy storage market. For example, in Mainland China, the proportion of renewable energy in the energy structure is gradually increasing, and various provinces are encouraged or required to increase the construction of renewable energy plants with energy storage systems; the U.S. federal government actively supports the research and application of energy storage systems, and local government policies in various states mainly stimulate industry development through tax incentives and installation subsidies; in Australia, each province has adopted its own renewable energy development goals and implemented subsidies, low-interest loans, or other incentive policies; Korea promotes phased nuclear reduction and an “energy transition policy” with a focus on renewable energy development, as well as the Renewable Energy Certificate (REC) system, aiming to rapidly deploy energy storage systems through policy initiatives; in UK, after the introduction of the “Energy Storage Deployment Enabling Act 2020”, which removed the limit on project capacity not exceeding 50MW, there is uncertainty in the capacity market, leading UK companies to explore opportunities for behind-the-meter energy storage applications.

Strategies for the Introduction of Major Electrochemical Energy Storage in the Energy Storage Market of Major Countries around the World

	Mainland China	US	UK	Germany	Australia	Korea	Japan
Strategies for the Introduction of Major Electrochemical Energy Storage	Subsidy Empirical Experiments thru Virtual Power Plant	Obligations of Establishment Subsidy Reorganization of Market Electricity Pricing Model Design	Reorganization of Electricity Trading Market	Subsidy	Subsidy	Obligations of Establishment Subsidy	Subsidy Empirical Experiments thru Virtual Power Plant

Source: Mitsubishi Research Institute, Inc. (2021); Industrial Economics and Knowledge Center, ITRI (2021)

In terms of applications, fuel cells are divided into stationary, portable and fuel cell vehicles, of which stationary fuel cells refer to the provision of power in a fixed location, stationary fuel cell applications include standby power generation, primary power generation and steam and electricity symbiosis, which can meet the needs of data

centers, utilities, industrial, commercial institutions and private households.

Unlike non-rechargeable batteries, which are discarded after use, or rechargeable batteries, which need to be continuously charged, a solid oxide fuel cell (SOFC) is a device that generates electricity by adding fuel to maintain its power. In general, the most common fuel is “hydrogen”, which can be used as fuel in addition to the hydrocarbons that can be broken down into hydrogen, such as natural gas, methanol, alcohol and biogas. The fuel eventually turns into water and a very small amount of carbon dioxide, so it is generally classified as a clean new energy source. Characterized with high efficiency for power generation (close to 60% of its own power generation efficiency, and can be used in conjunction with a hot gas turbine with an efficiency of over 80%), high efficiency of cogeneration (waste heat temperature up to 400°C-600°C, and efficiency of cogeneration of over 90%), water resource saving (2% of water consumption of conventional power generation), green and environmental protection with no precious metal catalyst not required, it is a kind of fuel cell with high application prospect. In addition, it is widely used, mainly in portable power supplies, distributed generation or cogeneration systems, high-performance power supplies and large power stations and other fields.

The Paris Agreement, signed by UN Member States in 2016, sets out to bring the world to net zero emissions in the second half of this century and stabilize global temperature increases well below 2°C above pre-industrial levels and close to 1.5°C to slow the rise in the Earth’s temperature. The 2018 report of the United Nations Intergovernmental Panel on Climate Change (IPCC) recommended that global carbon emissions should be nearly halved by 2030 and net zero emissions by 2050 (IPCC, 2018). Therefore, countries are determined to expand their carbon reduction efforts through voluntary commitments and even cooperation with regulatory frameworks, and gradually control the impact of carbon emissions through global cooperation. Moreover, in order to achieve the net zero emission vision with the international community, the construction of energy recycling models is urgently needed. To ensure an efficient and clean energy cycle, solid oxide fuel cells need to be included.

Currently, the commercial practice of fuel cell power generation in Taiwan mainly revolves around high-temperature fuel cells. This type of fuel cell not only has high conversion efficiency, but also demonstrates strong competitiveness in terms of power generation costs. High temperature fuel cells, which use natural gas as a fuel with high conversion efficiency, can flexibly respond to energy needs of different scales, and are currently used in data centers, commercial facilities and industrial sites. High temperature fuel cells, which use widely available natural gas as fuel and have high conversion efficiency, can flexibly respond to energy demands of different scales. Currently, they have been applied in data centers, commercial facilities, and industrial sites, especially in the recent expansion plans of several data centers in North America, which have gradually used fuel cells as part of the base power to drive related supply chains led by Bloom Energy.

Advances in SOFC technology and materials are expected to further drive the market growth. The development of new ceramic materials and improvements in manufacturing processes are improving the performance and durability of SOFCs, making them suitable for a wider range of applications, including stationary power generation and transportation. In addition, the increasing emphasis on energy resiliency and decentralized generation is driving the demand for SOFC systems that can operate independently or in combination with renewable energy sources. As industry and society increasingly recognize the value of SOFCs in achieving energy independence,

the SOFC market is likely to see a surge in demand for innovative solutions that optimize energy production.

②.Heat Exchanger Industry

As industries across various sectors seek ways to reduce energy consumption and lower carbon emissions, heat exchangers have gained increasing attention. The future growth of the market can be attributed to several factors:

1. Extreme climates raise awareness of energy conservation and carbon emission reduction, promoting the demand for heat exchangers and expanding the range of applications, such as server water cooling and hydrogen cooling. Energy depletion and climate change have increased awareness of energy conservation and carbon emission reduction, promoting the demand and application of heat exchangers.

2. Energy consuming industries are increasingly concerned about the development of innovative technologies and improving efficiency, making heat exchangers more attractive to a wider range of industries, especially the increase in demand for heat pumps, refrigerated air conditioners, air dryers and other industries.

3. The issue of greenhouse gases has led to increased demand for new refrigerants, equipment replacements, and improvements in thermal conductivity efficiency, which are also expected to contribute to the vibrant development of the market.

4. Government regulations: Governments worldwide are introducing regulations to reduce greenhouse gas emissions and promote energy efficiency. Switching from fossil fuel-based heating equipment, such as boilers, to efficient heat pumps is gradually becoming the preferred choice for sustainable comfort systems. Heat pumps for heating and cooling can reduce energy costs and carbon footprints, helping to mitigate the impact of greenhouse gases globally. Heat exchangers are essential components within heat pump systems, and well-designed heat exchangers can minimize the refrigerant charge and enhance the performance of heat pump systems. Therefore, in the era of a more sustainable and greener environment, heat pumps play a crucial role within heat exchanger systems. In a net-zero emission scenario by 2050, efficient heat pumps are the main technology driving emission reduction in the building sector. Amid the ongoing global energy crisis, heat pumps have been identified as a solution to enhance energy security. The European Committee has proposed the REPowerEU plan to double the deployment rate of heat pumps in the coming years to reduce dependence on Russian natural gas. In the United States, heat pumps have been designated as a priority technology under the Defense Production Act (DPA) to ensure clean energy independence.

As a kind of metal plate to transfer heat between two fluids, the plate heat exchanger is a new type of high efficiency heat exchanger composed of a series of metal sheets with a certain corrugated shape. Thin rectangular channels are formed between various plates, through which heat is exchange. Compared with traditional heat exchangers, plate heat exchangers have the advantages of exposing the fluid to a larger surface area because of their high heat exchange efficiency, small heat loss, compact and lightweight structure, small footprint, easy installation and cleaning, wide application and long service life. Because the fluid is dispersed on the plate, it helps to transfer heat, greatly speeding up the speed of temperature change. Plate heat exchangers are quite common today, reflected in the very small plate exchangers used

in the hot water of millions of heat pumps. Because of its extremely high heat transfer efficiency, the domestic hot water flow is improved, which has a significant impact on home heating and hot water. The fluid exchange principle of plate heat exchanger is detailed in the following figure.

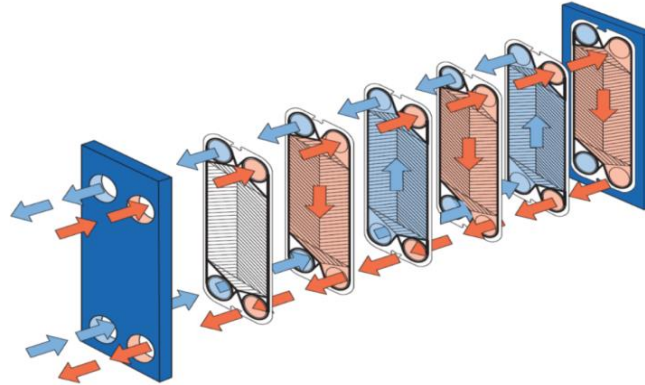
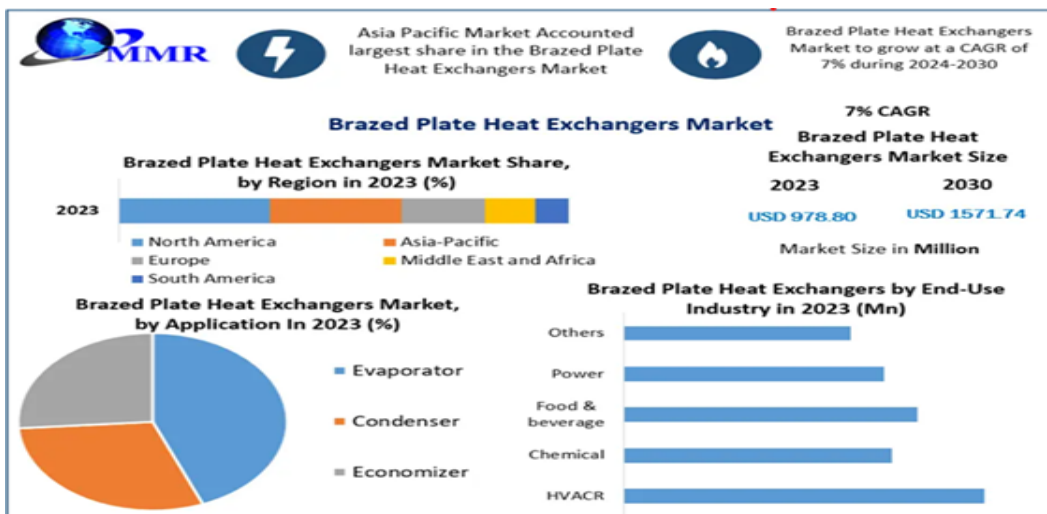


Plate heat exchangers are widely used. The combination of high heat transfer efficiency characteristics, special design through the plates and fluid channels allows heat to be transferred quickly and efficiently, saving energy and increasing system performance. This advantage is particularly critical in the industrial and HVAC fields, and has been widely used in various industrial fields such as chemical, petroleum, metallurgy, electric power, Marine, electrical and heat pump heating. Abnormal changes in global climate have caused countries around the world to face severe challenges in climate, urgent demand for heating in winter, and governments are increasingly paying attention to the trend of ESG, which accelerates the substantial growth of heating demand for plate heat exchangers used in heat pumps and other countries around the world. According to Maximize Market Research's estimates, the plate heat exchanger market size will be about \$914 million in 2023, and is estimated to reach nearly \$1.572 billion in 2030, showing a compound annual growth rate of 7%.

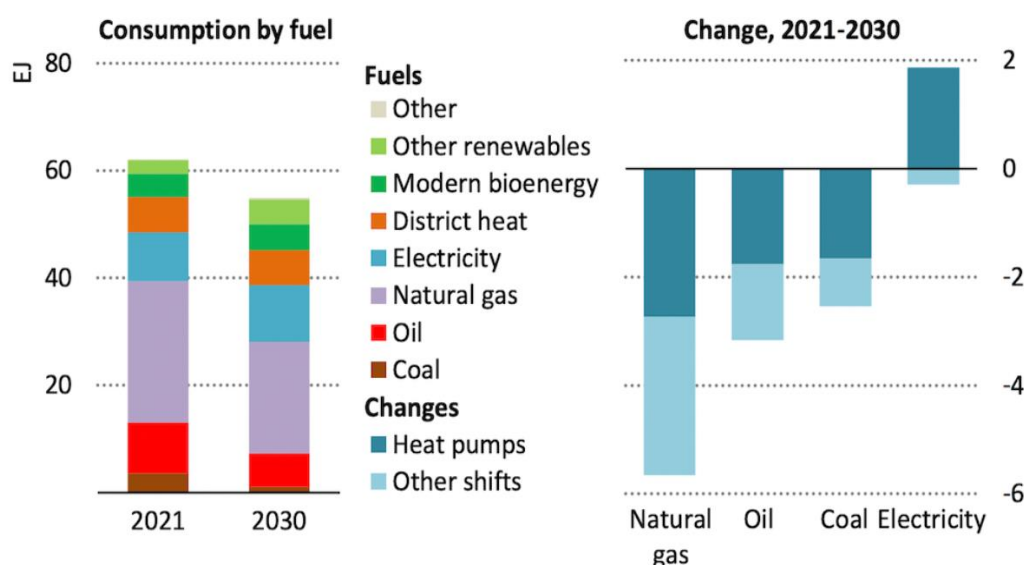


Source: Maximize Market Research, 2024.

More than 90% of the region's natural gas is imported, with Russia, the largest supplier, accounting for about 45%. Since the energy crisis caused by Russia's invasion of Ukraine in 2022, reducing energy imports such as Russian natural gas has become an inevitable measure. Renewable energy has once again become a hot topic, not only related to global sustainable development, but also plays an important role in national energy security. Therefore, in order to reduce the threat of Russian gas supply, the European Union announced a €210 billion "REPowerEU" plan, aiming to stop relying on Russian fossil fuels before 2027, and is expected to double the construction rate of heat pumps in the next few years to accelerate the green energy transition. As a result, energy efficiency has become a focus for suppliers and consumers around the world. Compared to alternatives that consume fossil fuels, heat pumps have an average energy efficiency 3-5 times higher, resulting in a new high in demand for heat pumps as substitutes for gas boilers and electric heaters in Europe.

According to statistics from the European Heat Pump Association (EHPA), heat pump sales in Europe in 2024 were about 2.2 million units, an annual decline of 23%. Due to policy uncertainty, the market is in a wait-and-see mode, and the market generally expects sales in 2025 to outperform that than in 2024.

More than 30 countries around the world already have financial incentives for heat pumps, and as Europe tries to wean itself off natural gas from Russia, switching to heat pumps will help reduce dependence on fossil fuel imports and improve energy security. According to IEA estimates, the use of natural gas in global buildings will fall by 21% in 2030, while the use of fossil fuels such as oil and coal will also decrease, by about 29%.



Source: IEA, December, 2021. °

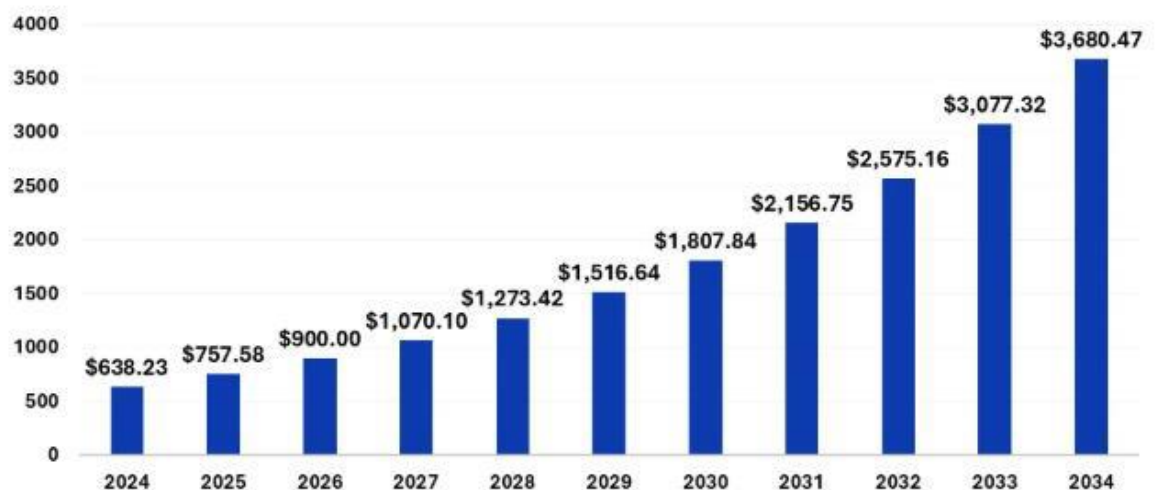
Overall, as businesses seek to reduce energy consumption, improve the environment, and comply with regulations, Heat Exchangers, with their low energy costs, reduced carbon footprint, and low maintenance requirements, play a significant role. Therefore, the Heat Exchanger market is expected to continue to grow.

③Thermal Energy and Heat Dissipation Industry

Generative AI has driven a new wave of industrial demand, and the heat dissipation industry has developed rapidly in recent years. Liquid cooling represents a structural trend compared to air cooling for the following reasons: first, it has higher spatial efficiency; second, it has a higher heat capacity; third, it can reduce the Power Usage Efficiency (PUE), which is used to evaluate the energy efficiency of data centers. Lower PUE means higher energy efficiency and lower carbon emissions. As a result, the visibility of orders for liquid cooling products from Kaori's "Thermal Energy Business", which has immersed liquid cooling cooling technology, has increased year by year. In order to enhance competitiveness and seize market opportunities, the Company has made important adjustments in capacity planning and adopted vacuum furnace brazing process to produce CDM. Compared with traditional argon welding, this process can effectively improve production efficiency and product yield, helping to surmount the current capacity bottleneck. Kaori continues to win orders from domestic ODM factories and CSP customers in the United States.

The continued strong demand for AI and cloud has driven the development of the semiconductor supply chain, such as advanced process wafer foundry, AI chips, high-level switch communication semiconductors, EDA software and IP silicon wisdom, HBM memory, as well as Rack, components, heat and other supply chain industries, whose operating situation will heat up year by year. In 2025, the cooling industry will benefit from the substantial growth of GB200 liquid cooling shipments. In this context, the energy and heat dissipation issues involved in NVIDIA GB200 have become the core issues of industry concern. Kaori's thermal team has successfully made the GB200 supply chain list with its self-developed liquid cooling CDM and coolant distribution device.

According to Precedence Research, the global AI market is expected to grow to \$3,680 billion by 2034, with a CAGR of 19.2% from 2025 to 2034, based on a projected size of \$757 billion by 2025.



Source: Precedence Research, 2025/02

In addition, Grand View Research predicts that by 2030, the global data center cooling market will climb to \$56.1 billion. From 2022 to 2030, the CAGR of the market is as high as 16.8%, showing extremely bright growth, which shows that the future growth prospects of the heat dissipation industry are very impressive.

(2) Correlation among Upstream, Midstream, and Downstream of the Industry:

① Fuel Cell Industry

Taiwan's hydrogen and Fuel Cell industry has a complete supply chain, ranging from upstream to downstream, including precious metal catalysts, proton exchange membranes, Fuel Cell assemblies and components, control systems and peripheral components, stationary power generation systems, portable power products, and transportation vehicles. In addition to upstream material technologies, Taiwan's industry has abundant mass production experience and cost advantages, giving it a relative advantage in entering the midstream and downstream product markets. The region already has a strong foundation in industries such as power generators, electronics, and motorcycles. With the introduction of fuel technology, products become more competitive internationally, offering energy efficiency and environmental characteristics.

The development of Taiwan's Fuel Cell industry started with research institutions, and after successful technology development, it gradually formed into an industry involving private companies. The supply chain of Taiwan's fuel cell industry includes upstream, midstream, and downstream manufacturers, as shown in the figure below.

List of domestic and foreign participants in the fuel cell manufacturing industry

	Materials (Upstream)	Battery Components (Midstream)	System Applications (Downstream)	Peripheral Accessories
	Proton-exchange membrane	Battery modules	Fuel Cell Systems	Hydrogen Supply
	Microcosm Technology Co. Ltd. DuPont (US) DSM (Netherlands)) JSR(Japan) Hitachi Chemical Co., Ltd. (Japan) Tokuyama Chemical Engineering (Japan) Mitsui Chemicals (Japan) Nitto Denko (Japan) Toagosei (Japan)	Chung Hsin Electric & Machinery Leatec Fine Ceramics Eco-Energy Technology Asia Pacific Fuel Cell Technologies Toplus Energy SDI Corporation Fucell Leadtech Green Hydrogen Power NGK Insulators (Japan) Hitachi (Japan) Fuji Electric (Japan) JOMO (Japan) Daihatsu (Japan) TOYOTA (Japan) HONDA (Japan) TOSHIBA (Japan)	Chung Hsin Electric & Machinery Toplus Energy Asia Pacific Fuel Cell Technologies Enermaster Technology Boyam Power Systems M-Field Energy YC Synergy Eco-Energy Technology Green Hydrogen Power Hephas Energy Fucell Noveltek Industrial Manufacturing Kaori Heat Treatment Asia Hydrogen Energy Neo Solar Power Hitachi (Japan) Fuji Electric (Japan) JX	Air Products San Fu LienHwa Air Liquide Far Eastern CPC Corporation Linde Group (Germany) Biocoal Lab (Japan)
				Methanol Supply
	MEA			LCY Chemical Merck Electronic Chemicals (US) Mitsubishi Gas Chemical Company (Japan) Kurita Water Industries (Japan) Methanex (Canada)

Main Corporations	Yangtze GOC International NGK Insulators (Japan) Nippon Shokubai (Japan)	KYOCERA (Japan) PANASONIC (Japan) NISSAN (Japan) ENEOS (Japan) Siemens (Germany) Daimler (Germany) UTC POWER (US) FuelCell Energy (US)	(Japan) Fuji Electric (Japan) TOYOTA (Japan) HONDA (Japan) TOSHIBA (Japan) KYOCERA (Japan) PANASONIC (Japan) NISSAN (Japan) ENEOS (Japan) Siemens (Germany) Daimler (Germany) FuelCell Energy (US) Bloom Energy (US) Doosan (Korea)	Methanol Fuel Tanks
				Asia Vital Components Toyo Seikan (Japan)
	Catalysts			Hydrogen storage alloy tank
	Green Hydrotec Sumitomo 3M (Japan) Hitachi Maxell (Japan) Showa Denko (Japan)			HBank Technology Asia Pacific Fuel Cell Technologies Boyam Power Systems Taiwan Innovative Space Canon (Japan) General Motors (US) Japan Metals & Chemicals (Japan) Toyota (Japan) Samtech (Belgium)
	GDL			
	Carbon energy technology			
				Fuel reformer
	Bipolar plate	BOP components		Chung Hsin Electric & Machinery Asia Hydrogen Energy Green Hydrotec Kaori Heat Treatment JOMO (Japan) ENEOS (Japan) Idemitsu Kosan (Japan)
	Porite Taiwan Plus Metal Tech Toplus Energy SDI Corporation Gallant Precision Machining Carbon energy technology FJ Composite (Japan) Seikoh Giken (Japan) Hitachi Cable (Japan)	Kaori Heat Treatment AcBel Polytech Hephas Energy Apexgreen Tech		Hydroelectrolysis Equipment
				Epoch Energy Technology GOC International Optodisc Co. Ltd.

Source: Taiwan Hydrogen & Fuel Cell Partnership, IEK, ITRI, compiled by Taiwan Industry Economics Services, March 2020.

Specifications of Main Fuel Cells

Fuel Cell Type	Working Temperature	Electrolyte	Catalytic	Fuel Used	Energy Efficiency	Power	Applications
Proton Exchange Membrane Fuel Cell	Room Temperature ~ 100 °C	High Polymer Membrane	Platinum etc.	Hydrogen	25~60%	1~1000k W	Distributed Power, Transportation, Portable Energy
Direct Methanol Fuel Cell (DMFC)	Room Temperature ~ 120 °C	High Polymer Membrane	Platinum etc.	Methanol	40~47%	1W~1kW	Small Batteries, Power for Electronics, Backup Power
Alkaline Fuel Cell (AFC)	120~ 200 °C	35~85 % KOH	Ni, Ag Precious Metal	Hydrogen	25~50%	1~100kW	Distributed Power, Transportation
Phosphoric Acid Fuel Cell (PAFC)	150~ 200 °C	Phosphoric Acid Solution	Platinum	Hydrogen	25~40%	0.1~1000k W	Distributed Power, Large Power Plants
Molten Carbonate Fuel Cell (MCFC)	600~ 700 °C	Molten Carbonate	Ni, NiO	Hydrogen, Fossil Fuel	30~55%	1~100MW	Distributed Power
Solid Oxide Fuel Cells (SOFC)	700~ 1000 °C	Zirconia Ceramics Membrane	-	Hydrogen, Fossil Fuel	35~80%	1 kW ~100MW	Distributed Power, Transportation, Large Power Plants

Source: INER, compiled by Taiwan Industry Economics Services, January 2010.

② Heat Exchanger Industry

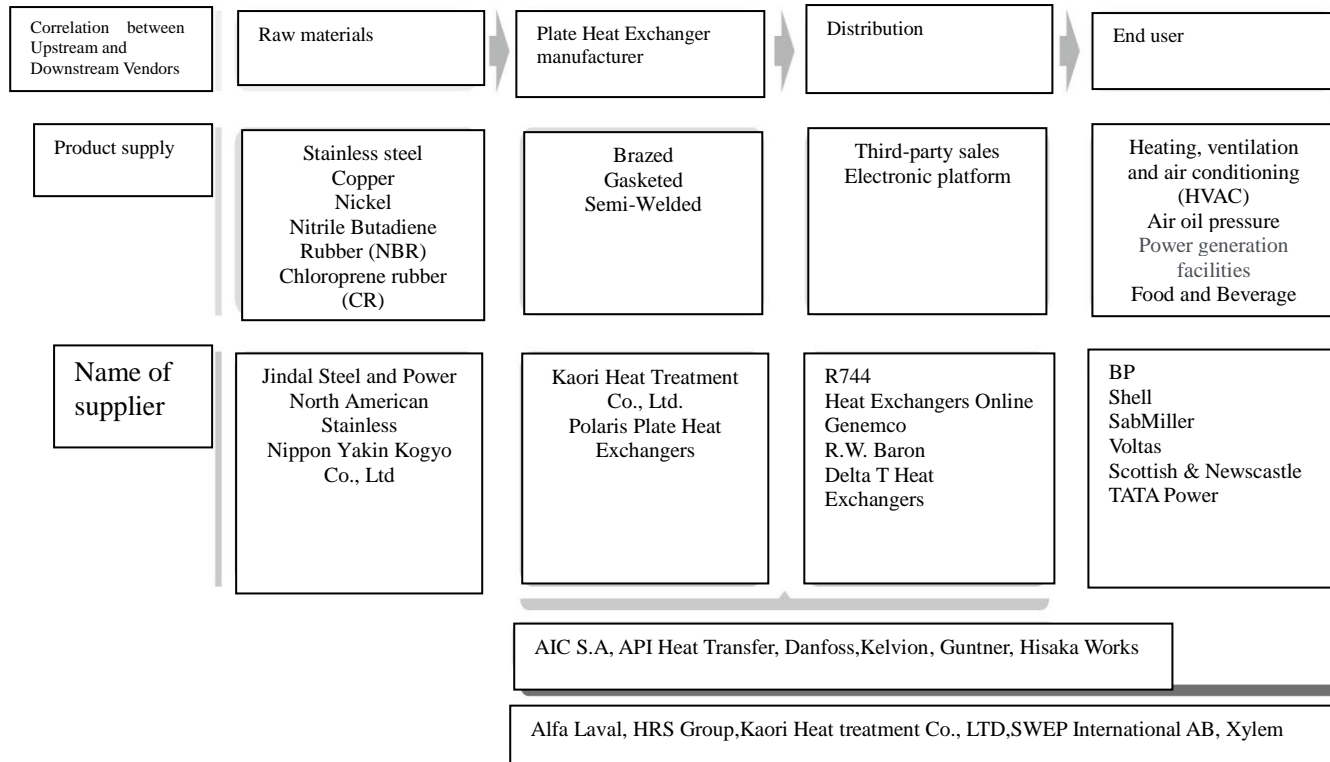
The main materials for heat exchangers are stainless steel, copper foil, nickel foil, and other rubber products. At present, the raw materials are domestically produced or imported, while the remaining materials are sourced domestically.

Currently, most of the raw materials are imported, while the remaining materials are sourced domestically.

Kaori's Heat Exchanger Department has two plants located in the Zhongli Industrial Area in Taiwan, specializing in the production of Braze Plate Heat Exchangers. The raw materials undergo processing using equipment such as punching machines, milling machines, and laser cutting machines to produce semi-finished products. They are then manually assembled and undergo vacuum brazing in vacuum furnaces to become the final products. Most of the processing is done in-house, while special accessories, protective sleeves, and castings are outsourced. The high level of in-house production allows for efficient order processing and reduces reliance on outsourcing and procurement.

Kaori is the only manufacturer in Taiwan that produces Braze Plate Heat Exchangers. In addition to having a market share of over 80% in Taiwan, Kaori also exports to more than 70 countries. Kaori has distributors worldwide and, in response to the delivery requirements of European customers, provide warehousing services in

the Netherlands.



Source: (GrandView Research Plate & Frame Heat Exchanger Market Analysis, Market Size, Application Analysis, Regional Outlook, Competitive Strategies And Forecasts, 2015 To 2022; compiled by Kaori)

③ Heat Dissipation Industry

Generative AI sets off a new wave of industry demand. With the rise of concepts such as intelligent manufacturing and intelligent automated factories, and the continuous introduction of various scientific and technological applications into process production, fields such as the Internet of Things, artificial intelligence, big data, data centers, information security and 5G have developed rapidly. In recent years, as the chip TDP continues to rise, the existing air-cooled heat dissipation method has gradually approached the system heat dissipation limit in high-level servers, in this context, liquid cooling heat dissipation has gradually received high attention from the market. 3DVC can effectively improve the heat dissipation efficiency, however, due to the high power consumption of the air conditioning system it relies on, the further development of 3DVC May be limited under the current development trend of ESG. Data centers will take the lead in AI servers that use more GPUs to simultaneously adopt liquid cooling and air cooling in parallel. In particular, it focuses on liquid cooling systems in Nvidia's GB200 and GB300 AI servers. The market is expected that after the 2025 Q2, shipments of liquid cooled products will show a rebound trend it will bring more development opportunities for the AI server market between 2025 and 2026. The rise of liquid cooling has a significant long-term positive impact on cooling solutions. Globally, data centers account for about 1% of global energy consumption, according to the IEA. As AI processors get hotter, server cooling becomes critical.

(3) Various Development Trends of Products

1) Expansion of Applications for Steel and Metal Products

The traditional scope of services covered by heat treatment and processing is extremely broad. In the industrial product classification of the Ministry of Economic Affairs, the only directly related coding to heat treatment products is the metal surface treatment industry. However, other indirectly related coding includes metal machinery

tools and parts, screws and nuts, metal molds, automotive components, motorcycle components, and bicycle components. Additionally, the value-added rate of the metal product industry is mainly influenced by fluctuations in international steel prices.

Currently, the plate heat exchangers are used in a wide range of applications, including refrigeration and air conditioning, water dispensers, petrochemical industries, pharmaceutical and food industries, heat pumps, heat recovery, wind power generation, and cooling equipment in the machinery industry. In the future, the scope of diverse applications can be further expanded to include seawater desalination equipment on offshore fishing vessels, battery cooling in electric vehicles, cooling solutions for data centers, and more.

2) Improvement in Quality Requirements

In recent years, the rapid development of science and technology and the continuous progress of industry have prompted all kinds of machinery and equipment and industrial products in terms of products and processes, the requirements for quality standards are far higher than before. This has led to a strong demand for high quality heat treatment and heat exchangers. Only through high-quality heat treatment processing and heat exchanger, in order to fully tap the characteristics of metal materials, which not only meet the market demand for high-performance products, help enterprises to create a differentiated brand image, but also promote the smooth upgrading of the entire industry.

The internals of heat exchangers often contain corrosive or flammable substances. If an explosion occurs, it can cause significant pollution and damage to the operating personnel and the surrounding environment. Therefore, to minimize the probability of such hazards, heat exchangers are classified as pressure vessels, and the safety and quality of the products become the primary considerations for customers.

3) Global Active Development of Alternative Energy Sources

Countries worldwide have generally recognized the necessity and urgency of combating global warming, climate change, and related issues. In December 1997, they jointly signed the “United Nations Framework Convention on Climate Change” and its “Kyoto Protocol”. Since its entry into force in 2005, signatory countries are obligated to reduce greenhouse gas emissions. Fuel Cells, which directly convert chemical energy into electrical energy, have high efficiency and low pollution compared to traditional combustion of fossil fuels. They have a wide range of applications and have become a key industry for the development of alternative energy sources worldwide. For example, Fuel Cell types used for stationary power generation, such as Phosphoric Acid Fuel Cells (PAFC), Molten Carbonate Fuel Cells (MCFC), and Solid Oxide Fuel Cells (SOFC), emit fewer greenhouse gases and pollutants per unit of electricity generated compared to thermal power generation. They also do not have concerns about radiation pollution from nuclear power generation. Therefore, they have become popular options for decentralized power generation. Many countries, including Taiwan, have recently implemented research funding subsidies, tax reductions, and subsidies for fuel cell-related products to encourage the development of this industry. To further achieve the goal of reducing carbon emissions, major countries and companies are actively promoting the practical application of hydrogen and fuel cell technologies. Fuel cell is a kind of hydrogen energy technology, which works by using hydrogen and hydrogen ions in fossil fuels to produce electricity and water through oxidation reaction and reduction reaction. Although fuel cells, like conventional batteries, convert chemical energy directly into electricity through electrochemical reactions, there is a difference: the reactive material in fuel cells can be continuously supplied from the outside, while conventional batteries rely on sealing chemicals to store electricity. In nature, fuel cells are more similar to power generation devices.

The EU's development plans in the field of hydrogen and fuel cells can be traced back to the draft 2030 Climate and Energy Policy Framework published in 2014. The draft set short - and medium-term development goals with a base period of 1990. In order to achieve the goal of reducing greenhouse gas emissions by 90% by 2040 compared with 1990, the EU introduced methane emission reduction regulations in the energy sector in the first half of 2024. The regulation raises the standards for monitoring methane emissions from the natural gas, oil and coal industries, a move that has pushed the energy industry to actively explore cleaner technological solutions, including fuel cells. In order to achieve these goals, the EU is committed to the development of various green energy technologies, and hydrogen energy and fuel cells are one of the solutions. Driven by building energy consumption regulations in Germany and other places, it is expected to grow in 2025. In the face of this situation, many large power users and private power plants in the United States, in addition to improving the power consumption and heat dissipation specifications of the data center, also adopt Molten Carbonate Fuel Cells with high power generation efficiency. Due to the sharp increase in power consumption of large data centers, in order to cope with this situation, many large power users and private power plants in the United States, on the one hand, improve the power consumption and heat dissipation specifications of data centers, on the other hand, in addition to Molten Carbonate Fuel Cell (MCFC) with high power generation efficiency, it has also begun to purchase SOFC models with rapidly improving power generation efficiency, and actively uses high-temperature fuel cells as baseload power supplies, a series of initiatives that have driven the demand for fuel cell components in North America.

In addition, the Chinese mainland has provided subsidies to the fuel cell industry in the 13th Five-Year Plan. Although the grant is mainly for the project of new energy vehicles, it still strongly promotes the development of SOFC technology and various applications. In the research and development projects of the National Natural Science Foundation, SOFC-related technologies have become an important part of recent research and development projects. On the other hand, despite the rapid economic development of emerging Asian countries in recent years, the power infrastructure has not been able to keep up with it, which has led to a mismatch in the country's overall development. In order to support stable economic development, most countries have included power construction in the scope of key development projects. In addition to solving the problem of power supply gap, issues such as improving the reliability of power supply, reducing the loss of electric larceny and promoting the development of renewable energy have also received increasing attention. In view of this, in recent years, countries all over the world have begun to list hydrogen energy and fuel cells as key development projects.

SOFC has a wide range of fuel options, including natural gas, biogas, hydrogen, gas, methanol and diesel. Electrode catalyst does not need to use precious metals, reducing production costs. SOFC work is not restricted by the climate state, can not be interrupted continuous operation, SOFC's total efficiency of more than 85%, significantly better than any energy converter. Highly efficient SOFCs are essential for a sustainable energy supply and are an important alternative energy consideration.

(4) Competition Landscape

1) Plate heat exchangers:

Heat exchangers, as fundamental equipment for heat conduction and exchange, have been widely applied in modern industries and mechanical equipment, including automobiles, aerospace, heating and air conditioning systems in commercial buildings, and heat recovery in industrial facilities. As a crucial component of all thermal energy systems, heat exchangers make the most important and irreplaceable contribution to

energy efficiency. With continuous technological development and innovation, this market will continue to advance. Heat exchanger devices are indispensable components for energy exchange between hot and cold substances and are commonly used in daily life, industrial processes, and various applications that rely on the transfer and exchange of thermal energy. While there are alternative products such as finned tube heat exchangers for applications involving gases as the medium, plate heat exchangers still hold advantages in terms of performance and compact size.

2) Thermal products

In recent years, countries around the world have actively sought and developed clean and pollution-free alternative energy sources due to the depletion crisis of fossil energy and increasing environmental pollution. These include solar energy, wind energy, biomass energy, and fuel cells derived from hydrogen energy. The future trend of energy development aims to replace existing traditional power plants and nuclear power plants with safe and clean alternative energy sources. While solar and wind power are affected by natural weather conditions and may have fluctuations in power output, fuel cells can provide stable, continuous, low-cost, and low-pollution power. Most importantly, the shift from centralized power generation to distributed power generation reduces significant capital investments and significantly minimizes power transmission losses. In terms of power generation efficiency and supply stability, fuel cells are the most efficient and stable among various alternative energy sources, giving them an advantage in terms of development potential. Although different alternative energy sources have their complementary roles, fuel cells still hold a dominant position.

The increasing demand for regulatory compliance and emphasis on environmental sustainability are expected to shape the future development of the SOFC market. As governments push for more stringent emission standards and actively promote the use of cleaner technologies, the market demand for SOFC systems that meet these requirements will continue to grow. Collaboration between fuel cell manufacturers, energy suppliers and regulators is key to driving progress and ensuring that the SOFC market remains at the forefront of clean energy solutions.

The boom of generative AI continues to boost the development process of global AI servers and data centers, which has driven the market demand for the server heat dissipation industry. This boom also greatly stimulated the semiconductor, computing, storage, networking, power and other fields of strong demand. Overall, liquid cooling will promote the strong demand for heat dissipation market value, and the future growth of the heat dissipation industry market can be expected.

3. Technology and R&D Overview:

(1) Technical level and research development of the business engaged:

With the increasing frequency of extreme climate, the net zero carbon emission goal has been a global consensus, coupled with the energy crisis caused by the war between Ukraine and Russia, countries have accelerated energy transition, and the requirements for energy efficiency have also increased. Therefore, the provision of high-quality and international net zero, environmentally friendly and sustainable development of products and technologies will become a global development trend. Therefore, the Company continues to focus on market demand, and vigorously invest in the research and development of energy-saving and green energy products. In 2024, the Company's Heat Exchanger Business successfully developed a new model heat exchanger based on all-stainless steel welding. With cloud data center as the core business direction, the Thermal Energy Business continues to focus on server heat

dissipation problems and launches liquid cooling cooling system solutions. In the field of hydrogen energy, research and development focuses on the research of hydrogen storage materials and the development of carbon sequestration devices for carbon dioxide gas for carbon recovery. In addition, the Fuel Cell Business has been working with Bloom Energy to develop high-efficiency hydrogen generators and hydrogen generators striving to enter the new century of hydrogen energy with net zero carbon emissions.

Looking to the future, the Heat Exchanger Division of the Company will focus on the application development of heat pumps. With the advent of the hydrogen energy era, there is a demand for high-voltage nickel welding heat exchangers in electrolytic hydrogen production plants and hydrogen fuel cell vehicles. In the future, the Company plans to conduct research and development of related welding materials, and further promote the development of clean energy towards low-carbon and zero carbon transformation; on the other hand, our company will base our efforts on core technologies of hydrogen and thermal energy, combined with existing metal processing technologies, to advance in the fields of waste hydrogen purification equipment for hydrogen furnaces, development of immersed dielectric liquid cooling tanks, and various heat dissipation, thereby creating the next opportunity for high growth for Kaori.

(2) R&D expenses:

Unit: NT\$ thousand

Item \ Years	Individual financial statement of 2024	Consolidated financial statement of 2024
R&D expenses	113,099	113,099

(3) Successfully Developed Technologies or Products:

Years	R&D Achievements
2024	1. Development of Heat Exchanger of Diffrent Channel B416 2. Development of All-stainless Steel Heat Exchanger S105 3. Development of Carbon Dioxide Sequestration System 4. Development of Waste Hydrogen Recovery 5. Development of Submerged Server 25U80KW Cooling Module

. Long and Short-Term Business Development Plans:

(1). Short-Term Business Development Plan:

① Develop server cooling market and win international orders.

Developing the heat pump market: Under the RepowerEU policy, the market has the opportunity to grow until 2030.

②New product development: Strive for innovative cooperation opportunities with major brands. Meanwhile grasping market trends and aiming to provide more professional and high-quality services to meet customer demands, thereby increasing market share.

③ Introducing experienced technical and management talents, providing training for R&D and international marketing personnel.

④ Securing appropriate and cost-effective funding aligned with business development needs, and adoption of electronic processes to establish efficient production management and enhance operational efficiency.

⑤ Improving internal management procedures, establishing efficient production management, reducing defect rate and reducing heavy work.

- ⑥ Continuing to strengthen product technology development and performance improvement research and development.
- (2). Long-Term Business Development Plan:
- ① Continuously exploring international markets to expand product presence globally.
 - ② Serving customers with high-quality, cost-effective, and fast-delivery products.
 - ③ Continuously developing products that meet customer demands.
 - ④ Innovating to gain competitive advantages and maximize shareholder value.
 - ⑤ Expanding market share through obtaining of testimonials by renowned manufacturers.

II. Market and Sales Overview:

1. Market Analysis:

(1) Sales Regions of Main Products:

The Company's main products include metal products and processing, production of plate heat exchangers, and thermal products. The demand for metal components requiring heat treatment and processing is widespread, including industries such as automotive, machinery, molds, hardware, home appliances, and defense manufacturing. Heat treatment and processing are essential in the production process of these industries. In the meantime, plate heat exchangers are primarily sold to domestic and international renowned air conditioning manufacturers; thermal energy-related products mainly target green energy manufacturers involved in the production and sales of power generators, and fuel cells are primarily exported to the United States. In 2024, the total revenue was NT\$ 4,003,440 thousand, with export revenue accounting for NT\$ 2,900,876 thousand. The domestic sales proportion was 27.54%, and the export proportion was 72.46 %, with the export presence covers various locations worldwide.

Unit: NT\$ thousand(Source: Consolidated Financial Reports)

Year		2023		2024	
By Region		Amount	%	Amount	%
Domestic		684,107	15.82	1,102,564	27.54
Export	Asia	509,672	11.78	417,307	10.42
	Africa	337	-	131	-
	Oceania	14,186	0.33	7,651	0.19
	Europe	1,133,184	26.20	559,890	13.99
	America	1,984,185	45.87	1,915,897	47.86
Total		4,325,671	100.00	4,003,440	100.00

(2) Market Share:

According to Maximize Market Research estimates, the plate heat exchanger market size is about \$979 million in 2023, and is estimated to reach nearly \$1.572 billion in 2030, showing a compound annual rate of 7% growth. The Company is currently the largest and only publicly traded company in Taiwan specializing in the manufacturing and sales of Braze Plate Heat Exchangers. It holds a market share of over 90% in the domestic market and has expanded its presence to more than 70 countries worldwide. The Company is the leading designer and producer of Plate Heat Exchangers domestically. The Company is the leading designer and producer of Plate Heat Exchangers domestically. Considering its technological, scale, and operational capabilities, the Company is a leading manufacturer in the industry. Heat Treatment and Processing are integral parts of various manufacturing processes, making the industry's scope extensive. Based on current estimates and statistics, the Company's market share in

plate heat exchangers worldwide is approximately 5%. Overall, plate heat exchanger shipments continue to grow with the vigorous implementation of the global government subsidy policy for heat pumps.

According to the Global Solid Oxide Fuel Cell Market Research Report, the global SOFC market size is expected to grow from \$2.13 billion in 2024 to \$6.48 billion in 2033. During the forecast period from 2026 to 2033, the market will exhibit a strong compound annual growth rate (CAGR) of 13.17%. Driven by the growing demand for clean and efficient energy solutions, the global Solid Oxide Fuel Cell (SOFC) market is poised for significant growth. A solid oxide fuel cell is an electrochemical device that converts chemical energy from fuels such as natural gas and hydrogen directly into electricity efficiently and with low emissions. In the context of the world's transition to sustainable energy and efforts to reduce greenhouse gas emissions, the application of SOFC technology is expected to increase significantly. This trend will also further push the promising market to make breakthroughs in innovation and attract more investment. In response to the green energy market, the company has strategically cooperated with major hydrogen Fuel Cell manufacturers listed in the United States to produce stationary Solid Oxide Fuel Cell (SOFC) reactor parts (Hot Box). The US customer accounts for about 75% of the global market for hydrogen fuel cells, and in view of the global net zero carbon emission trend, many countries have introduced a large amount of renewable energy as the most suitable solution at this stage, the US customer has benefited from entering the Korean market and the growth of hydrogen fuel pipeline construction in the United States, which has driven a significant growth in revenue and increased the compound growth rate of the next 10 years to 35%. Overall, the market size is still showing a rapid growth trend.

(3) Future Market Supply and Demand Situation and Growth Prospects:

The Company's core market businesses include energy-saving products, heat dissipation products, and green energy products. The overall development and market conditions are outlined as follows:

1) Heat Exchanger Market Growth Trends:

The Company produces heat exchangers, which are essential components for various industries such as refrigeration and air conditioning, semiconductor and electronics, low-temperature frozen food, machinery equipment, transportation, medical devices, data centers, shipping, and steel industries. The Company's heat exchangers, developed through technology transfer from the Industrial Technology Research Institute (ITRI), have been continuously researched and developed to cater to various product applications and new areas. In recent years, the Company has obtained multiple patents and has been adopted by renowned air conditioning manufacturers both domestically and internationally. The demand for the Company's plate heat exchangers is expected to increase indirectly with the stable growth of the global refrigeration and air conditioning equipment market.

2) Green Energy Thermal Products Industry Growth Trends:

The Company's green and thermal energy products include fuel cells, hydrogen energy applications and liquid cooling heat dissipation. Kaori's green energy business may be mainly divided into two sectors: A. The Fuel Cell Business Department responsible for Solid Oxide Fuel Cell-related components, and B. Hydrogen Energy

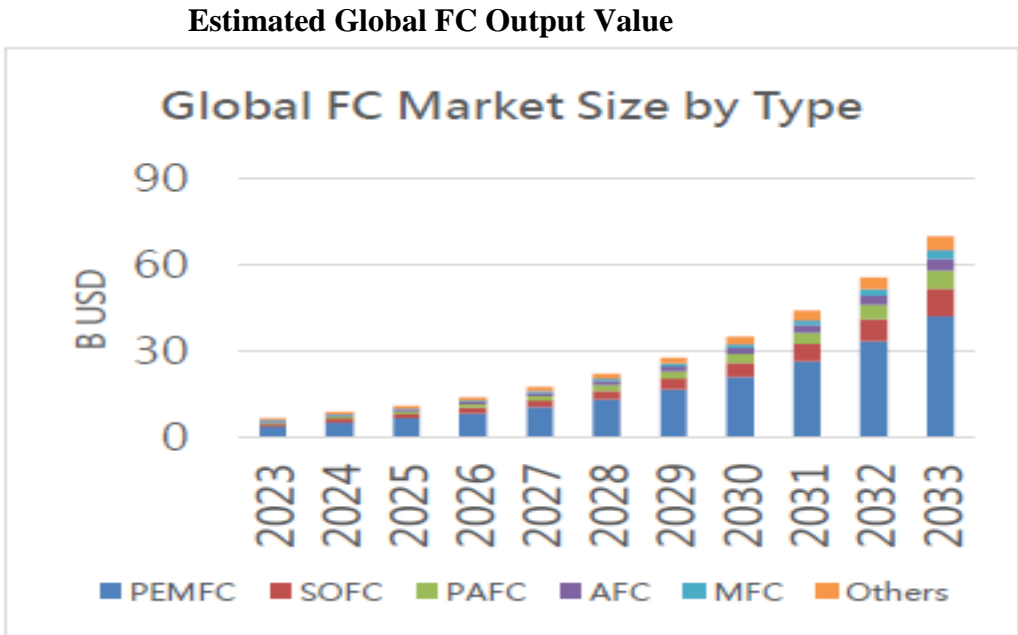
Business Department focusing on methanol-to-hydrogen and backup power systems. The contents and market applications are shown in the following figure. Kaori's fuel cell and hydrogen energy projects:

Amongst the Company's thermal products, the fuel cells exhibit high efficiency and low pollution as well as wide applications, making them a key industry for the development of alternative energy sources worldwide.

The European Union's methane emission reduction strategy and industrial carbon management strategy have played a positive role in promoting the development of SOFC. In order to achieve a 90% reduction in greenhouse gas emissions by 2040 compared to 1990, the European Union introduced a methane emission reduction regulation in the energy sector in the first half of 2024 (EU/2024/1787). The regulation raises standards for monitoring methane emissions in the natural gas, oil and coal industries. The control covers the following aspects: (1) the process of exploration, production, collection, processing, transmission and distribution of oil and natural gas in the territory; (b) operating shaft and opencast mines, as well as closed and abandoned shaft mines; (3) Methane emissions outside the EU but associated with crude oil, gas and coal sold on the EU market. These measures have prompted the energy industry to seek cleaner technological solutions, such as SOFCs, to reduce the environmental impact of methane emissions. At the same time, the European Union has adopted legislation to promote the implementation of industrial carbon management strategies, which cover carbon capture and storage (CCS), the deployment of CO₂ transport infrastructure, and industrial carbon removal. These policies create an environment suitable for SOFC technology to be deployed in the industrial sector, which will greatly help reduce carbon emissions in the industrial sector. In the first half of 2024, the European Commission has approved hydrogen infrastructure plans in seven member states and provided 6.9 billion euros in subsidies for this purpose. Of this, €67.4 million is earmarked to support five cross-border renewable energy projects covering a wide range of key sectors such as wind power, biomass, district heating, and green hydrogen and ammonia. Driven by the full use of renewable energy, coupled with the long-term demand for carbon reduction in petrochemical, steel, logistics and transportation industries, green hydrogen market prospects are broad. It is estimated that by 2033, the size of the green hydrogen market will climb to 165.84 billion US dollars, with a CAGR of 38.8%, which will also accelerate the layout of the blue hydrogen and green hydrogen industry. In 2024, many companies, including Middle Eastern petrochemical companies and European wind energy companies, are starting to make long-term investments to build a hydrogen energy industry chain. This initiative has prompted PEMFC, RMFC, SOEC and other technical layouts to be launched one after another.

According to the survey, the global fuel cell market is expected to grow from \$6.6 billion in 2024 to \$70 billion in 2033 (CAGR+26.7%). The global micro cogeneration market is expected to grow to \$2.87 billion by 2037, with a CAGR of 7.2%. Fuel cells, with their high efficiency and environmental protection characteristics, have significant advantages as power generation equipment, and are gradually expanding to residential and commercial fields. In 2024, NYSERDA vigorously promoted fuel cell cogeneration systems. With a single fuel source, the system can simultaneously supply power to the site, achieve heating and cooling functions, and achieve efficient energy conversion. Its power generation efficiency can reach up to 60%, and the overall efficiency is as high as 85%. In the United States, an additional 55GW of data center IT capacity is expected to come online over the next five years, compared to the current existing capacity of about 25GW. Power companies hold data centers accountable for their own power usage needs. It is expected that by 2030, the proportion of on-site electricity supply will reach 30%. At present, there are two priority factors for data centers: first, grid connection

preparation time; second, whether it can support the high load of artificial intelligence work. This will also change the traditional power system only focus on the cost and reliability of generation situation.



Source: Market US. Sorted by Research Department, Cathay Futures Consultant

The major factors driving the growth of the green energy market include: the continuous expansion of the power and energy industry, resulting in a sharp rise in the demand for clean energy; all kinds of products are constantly innovating; extensive research and development activities; and the implementation of favorable government policies. Under the general trend of increasing global demand for clean energy, it is estimated that the solid oxide fuel cell market will show an increasing trend year by year.

Due to the explosion of AI server demand, large data centers need more GPUs with excellent computing power, which will generate a lot of heat during the calculation process, so an efficient cooling system is needed to ensure the stability of the performance. The four largest cloud service providers (CSPs) in the United States, namely Amazon, Google, Microsoft and Meta, are long-term optimistic about the growth prospects of AI servers. Throughout 2024, these four companies saw a significant increase in capital expenditure, and the entire supply chain benefited as a result. Among them, air-cooled and water-cooled cooling solutions have also become an indispensable part.

(4) Competitive Niche

1). Company Position in the Industry

an estimated market share of over 35%. Its main competitors in the heat exchanger industry are SWEP, Kelvion, Danfoss, Hisaka, and others. In Taiwan, the Company is the first domestic manufacturer of brazed plate heat exchangers. As of the end of 2022, the Company is the only TWSE/TPEX listed company specialized in heat exchanger manufacturing.

Based on the Taiwan Hydrogen & Fuel Cell Partnership’s vendor directory and the major product information of each vendor, the main domestic manufacturers of fuel cell stacks mainly focus on two types of technology: Proton Exchange Membrane Fuel Cells (PEMFC) and Direct Methanol Fuel Cells (DMFC). The Company, on the other hand,

focuses on Solid Oxide Fuel Cells (SOFC) as its development foundation. Currently, there are no major competitors in Taiwan producing the same products as the Company.

2). Key Factors and Their Impact on Company Achievement or Failure

①. Stability of Quality and Accumulation of Experience

Heat treatment and processing services have a wide range of applications, including automotive, machinery, molds, hardware, appliances, and defense products. If the quality of heat-treated metal components is poor, it can result in defects ranging from minor issues affecting the smooth operation of the parts to major failures of the entire machine, leading to downtime and even posing risks to machine operators or users of transportation equipment. Therefore, the stability of processing quality is the primary key factor for success in the metal heat treatment industry.

The Company has extensive experience in heat treatment, and its technical team has the ability to determine various metal materials and is well-versed in their physical properties. They can effectively control the heat treatment quality of various components under different processing methods and conditions. Furthermore, the accumulated practical experience over the years helps The Company maintain stable heat treatment quality, expand the scope of services, and pursue various potential business opportunities, thereby expanding its operational scope.

②. Mastery of Core Product Technologies

Based on its expertise in heat treatment and brazing technology, the Company has ventured into the manufacturing of plate heat exchangers. Kaori is the only company with the capability to manufacture plate heat exchangers in Taiwan due to the solid brazing technology required; Kaori's Heat Technology Business has a core advantage in Fuel Cell Core Reactors and liquid cooling products. The Company has fully mastered the key technologies of each business unit, and its advantages in capital, specialized technology, and accumulated experience are not easily matched by competitors in a short period of time.

③. Possession of International Quality Assurance Certifications

As the quality requirements for heat treatment and processing become increasingly stringent, some manufacturers, particularly Japanese automotive and component manufacturers, consider the possession of quality certifications as one of the main factors when selecting heat treatment vendors. The Company has scrutinized quality control requirements and has obtained the Japanese Industrial Standard (JIS) certification in 1988. In 1994, the Company further obtained the special process certifications for "Steel Heat Treatment" and "Wet Brazing of Aluminum Alloy" from McDonnell Douglas Aerospace Corporation. Subsequently, the Heat Exchanger Business Unit obtained certifications from international quality organizations such as ISO, CE, and UL; the Company's Metal Products Business Unit also obtained ISO, US UL pressure vessel, and European Union Pressure Equipment Directive (PED) certifications; furthermore, the Company is an approved partner approved by the Corporate Synergy Development Center and holds the quality system certificate from AIDC and the certificate of qualified national defense industry manufacturer. These certifications and evaluations are proofs that the Company's strict quality control requirements and establish its important position in the domestic and international professional heat treatment industry.

(5) Favorable and Unfavorable Factors for Future Development and Countermeasures

1).1). Favorable Factors for Future Development:

① Climate Governance and Low-carbon Transition Policy

Due to the threat of extreme weather, the sustainable trend in recent years has shifted from ESG risk management to enterprise resilience and transformation adaptability, and "net zero carbon emissions" has become a hot topic of global concern.

Since 2023, the EU Green Deal has regulated the introduction of carbon border taxes on high-carbon products imported into the EU to avoid carbon leakage. Other countries have developed “net zero carbon emission” policies and will gradually implement carbon management requirements in the future. In view of the EU’s implementation of four measures for energy conservation, diversification of energy supply, accelerated promotion of renewable energy and expansion of investment, the demand for heat-pump related products has boosted. The plate heat exchanger produced by the Company is the key component of the heat pump related products, which can be highly customized according to customer requirements to meet the relevant energy-saving product specifications. With years of accumulated experience, the company can also provide complete and diverse services to meet the needs of customers with the fastest and professional attitude in the face of short-term growth in market demand. Large scale, experienced management team.

② Seize the Opportunity of Future Green Energy Market

With net zero carbon emissions becoming the ultimate goal for the future, countries are actively developing various alternative energy sources, of which hydrogen energy is regarded as the ultimate clean energy, and has become the goal actively pursued by countries. Hydrogen energy is mainly applied through fuel cells, which are one of the power generation devices with high energy conversion efficiency, short charging time, and low environmental pollution. For the green energy market, the Company produces components such as Solid Oxide Fuel Cell (SOFC) reactors. Although the market has not yet popularized the construction of fixed solid oxide fuel cells, under the continuous catalysis of energy shortage issues, South Korea has taken the lead in implementing the hydrogen energy law to subsidize hydrogen fuel cell related costs. In addition, advanced countries have also actively invested in the research and development of hydrogen energy based on energy security and environmental sustainability. With the continuous improvement of hydrogen fuel cell technology and the reduction of hydrogen fuel use cost, it is expected that hydrogen fuel cells will be widely used in the future. Kaori’s stable mass production process for fuel cell reactor components has taken the lead in seizing the still developing hydrogen fuel cell market.

③ Wide Scope of Product Applications

Currently, plate heat exchangers are used in various applications such as air conditioning, water dispensers, petrochemical industries, pharmaceuticals, and food industries. However, in practice, the need for heat exchange extends beyond these industries. Future applications may include small air conditioning systems in automobiles, seawater desalination equipment on deep-sea fishing vessels, and solar and geothermal heat collection systems.

Fuel cells have a wide range of product applications, including consumer electronics, transportation, household electricity, and industrial electricity. The main application areas for fuel cells currently cover automobiles, stationary generators, and portable electronic products. Moreover, since the nuclear disaster in Japan, the world has placed more emphasis on clean and pollution-free energy sources. According to news released by Bloom Energy, household fuel cells will be introduced in the next 5-10 years. With the active development of alternative energy sources worldwide, fuel cells are expected to expand their application areas sustainably.

2). Unfavorable Factors for Future Development:

① Fluctuations in Prices of Raw Materials

In recent years, the supply chain bottleneck caused by the epidemic has continued, resulting in a serious imbalance between supply and demand, and raising storage and transportation costs, driving up international raw material prices. Also affected by the war between Ukraine and Russia, the price of international metal raw materials soared. Under such circumstance, many enterprises are under pressure, with their profits

continuously being affected.

[Countermeasures]

- a. Pay close attention to global political and economic changes, international raw material prices and international exchange rate fluctuations, flexibly adjust procurement and other related strategies in order to improve profitability.
- b. Timely adjust sales strategies and transfer costs to customers to maintain gross profit margins.

② Labor Shortage in the Domestic Market

In recent years, the domestic manufacturing industry has faced a labor shortage, leading to increased labor costs and impacting industry competitiveness.

[Countermeasures]

In addition to increasing the automation level of machinery and equipment to reduce the demand for labor, the Company has introduced legal foreign labor and enhanced employee welfare to address the labor shortage. Furthermore, the Company actively invests in R&D, striving to continuously improve its services in line with the upgrading of domestic industries. It also enhances employee education and training to improve their professional skills, thereby providing services with a higher level of technical expertise.

③ Currently Compact and Less Competitive Domestic Energy Market

Advanced countries such as the United States, Japan, and the European Union nations have entered the alternative energy market earlier and have a larger market scale, hence having advantages in upstream raw materials, critical components, and R&D talents. On the other hand, as Taiwan entered the market relatively late, and the overall market scale is smaller, the development of upstream, midstream, and downstream industries are relatively confined. As a result, the competitiveness of domestic fuel cell manufacturers in the international market requires improvement.

[Countermeasures]

The Company established its Fuel Cell Business Department in August 2008, leveraging its expertise in vacuum brazing and precision manufacturing technologies. Through collaboration with Bloom Energy, a US-based fuel cell company, the Company aims to seize the international fuel cell market. Currently, the Company continues to invest in expanding production facilities, acquiring machinery and equipment, and manufacturing key components for Solid Oxide Fuel Cells (SOFC). Additionally, the Company actively engages in the development of fuel cell-related products including fuel reformers with the goal of enhancing its competitiveness in the international market.

2. Significant Applications and Manufacturing Processes of the Main Products:

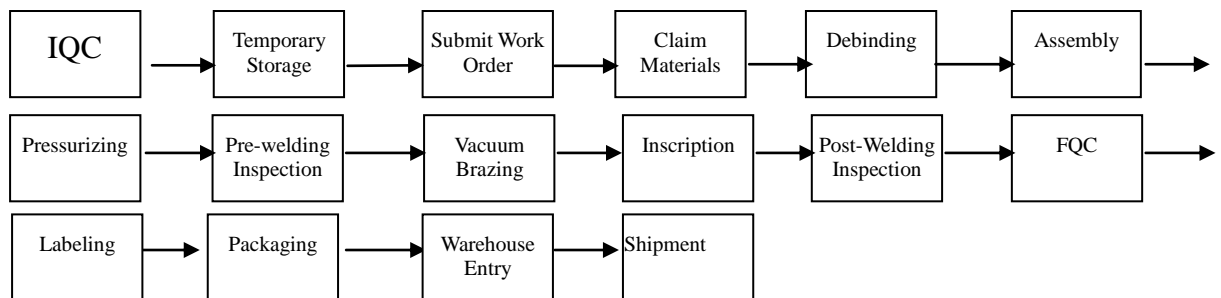
(1) Significant Applications of the Company's Main Products

Main Products	Significant Usage of Product
Metal Products and Processing	Metal Product Processing: Brazing is mainly used for welding automotive and air conditioning appliance parts, as well as annealing and solution treatment of stainless steel pipes and electric heating tubes.
Plate Heat Exchanger	Heat exchangers are primarily used in the refrigeration and air conditioning industry, air compressors, hydraulic machinery, food industry, fuel cells, electric vehicles, server cooling and general industrial applications (for heat exchange of water and cooling water within machinery and equipment).
Thermal Products	Newable energy fuel cell reformer and fuel cell core reactor components are applied to commercial large engines, cogeneration plants, geothermal power plants, hot springs, and general industrial and commercial power generation; cryogenic air dryers: used in electronic industries, spray

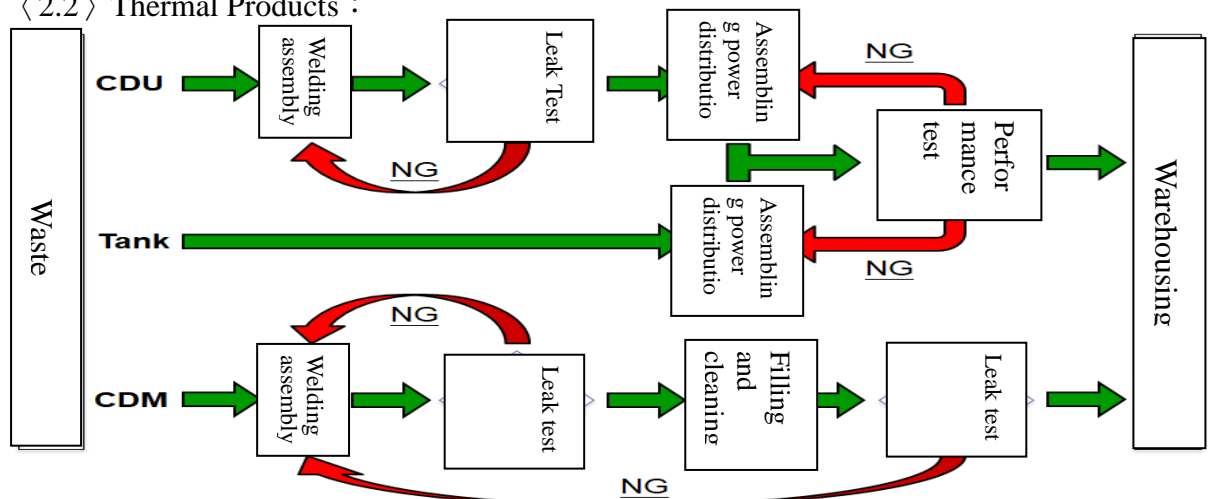
Main Products	Significant Usage of Product
	<p>painting, pneumatic tools, food, chemical industries, laboratories, biotechnology industries, precision mechanical component processing, measurement instruments, and equipment. Fuel cell core reactor components are applied to stationary fuel cell systems, which are distributed energy systems directly serving users by producing and supplying energy on-site according to their needs. With multiple functions, they can meet the objectives of small and medium-sized energy conversion and utilization systems. Fuel cells have a wide range of applications, including various power products such as consumer electronics, transportation vehicles, household electricity, and industrial electricity. Currently, the main applications for fuel cells are automobiles, stationary generators, and portable electronic products.</p> <p>Furthermore, they can also be applied to server cooling systems modules in data centers or cloud computing centers.</p>

(2) Manufacturing Process of Main Product

〈 2.1 〉 Plate Heat Exchanger:



〈 2.2 〉 Thermal Products :



3. Supply Status of Main Raw Materials:

Main Raw Materials	Main Source	Supply Status
Stainless Steel Coils, Steel Materials	UEX, Tang En Irons Co., Ltd., Outokumpu Europe, Bahru Stainless	Good
INCONEL Sheet Materials, TOMBSTONE, Ceramic Pieces, Heat	UPM, VDM, CHUANG CHENG CO., LTD., Coors Tek, PROMAT, METAL ONE	Good

Insulating Materials		
Copper Foil. Copper Coil	AML, KME	Good

4. Name of Customers Engaged in Supply (Sales) Accounting for over 10% of Total Supplies (Sales) in Any of the Last Two Years, Amount(s) of Supply (Sales), Proportion to Total Supplies (Sales), and the Reason for Such Increase, Decrease or Change.

(1) Customer: Unit: NT\$ thousand (Source: Individual Financial Reports)

	2023				2024			
Items	Name	Amount	Percentage to All-year Net Sales (%)	Relation with Issuer	Name	Amount	Percentage to All-year Net Sales (%)	Relation with Issuer
1	BLOOM ENERGY	1,859,647	44.88	None	BLOOM ENERGY	1,637,557	43.40	None
	Others	2,283,638	55.12		Others	2,135,485	56.60	
	Net Sales	4,143,285	100.00		Net Sales	3,773,042	100.00	

Unit: NT\$ thousand (Source: Consolidated Financial Reports)

	2023				2024			
Items	Name	Amount	Percentage to All-year Net Sales (%)	Relation with Issuer	Name	Amount	Percentage to All-year Net Sales (%)	Relation with Issuer
1	BLOOM ENERGY	1,859,647	42.99	None	BLOOM ENERGY	1,637,557	40.90	None
	Others	2,466,024	57.01		Others	2,365,883	59.10	
	Net Sales	4,325,671	100.00		Net Sales	4,003,440	100.00	

Reason for Increase / Decrease:

From 2024 to 2025, the customer BLOOM ENERGY accounted for a significant portion of the net sales, ranging from 40.90% to 42.99% and ranked 1st of all customers, indicating stable transactions. This is mainly due to fluctuations in the shipment of processed fuel cell components by the Company.

(2) Supplier

Unit: NT\$ thousand (Source: Individual Financial Reports)

	2023				2024			
Items	Name	Amount	Percentage to All-year Net Purchase (%)	Relation with Issuer	Name	Amount	Percentage to All-year Net Purchase (%)	Relation with Issuer
1	CoorsTek	301,928	13.97	None	CoorsTek	356,005	22.23	None
2	VDM	296,854	13.73	None	VDM	113,067	7.09	None

	Others	1,563,144	72.30		Others	1,124,556	70.68	
	Net Purchase	2,161,926	100.00		Net Purchase	1,593,628	100.00	

Unit: NT\$ thousand (Source: Individual Financial Reports)

	2023				2024			
Items	Name	Amount	Percentage to All-year Net Purchase (%)	Relation with Issuer	Name	Amount	Percentage to All-year Net Purchase (%)	Relation with Issuer
1	CoorsTek	301,928	13.78	None	CoorsTek	356,005	21.29	None
2	VDM	296,854	13.55	None	VDM	113,067	6.76	None
	Others	1,591,577	72.67		Others	1,202,826	71.95	
	Net Purchase	2,190,359	100.00		Net Purchase	1,671,898	100.00	

Reason for Increase / Decrease:

Concerning items with higher amounts of purchases, the Company's stainless steel coils required in manufacturing of plate heat exchangers are from suppliers UEX, Outokumpu Europe, Tang Eng, Bahru, as well as copper foil from AML and KME; In addition to the VDM required for high-nickel steel plates, UPM and CoorsTek required for ceramic parts, the purchase of other raw materials are still diversified. In terms of raw material procurement, the Company selects suppliers based on their quotations, quality, and transaction conditions. There have been no instances of shortages or interruptions in the supply chain in the past two years.

III. Distribution of Incumbent Employees by Number in Each Role, Average Years of Service, Average Age and Education in the Last 2 Calendar Years and as of the Publication Date of this Annual Report

Source: Individual Financial Reports

Year		2023	2024
Number of Employees	Direct Labor	386	379
	Indirect Labor	255	267
	Total	641	646
Average Age		40.13	40.82
Average Years of Service		8.9	9.45
Education	Ph.D.	1.40%	1.39%
	Masters	10.30%	11.76%
	Bachelor's Degree	49.30%	49.23%
	Senior High School	36.66%	35.29%
	Below Senior High School	2.34%	2.32%

Source: Consolidated Financial Reports

Year		2023	2024
Number of Employees	Direct Labor	417	412
	Indirect Labor	288	310
	Total	705	722
Average Age		39.95	40.67
Average Years of Service		8.90	9.5
Education	Ph.D.	1.29%	1.25%
	Masters	9.43%	10.53%
	Bachelor's Degree	49.85%	47.78%
	Senior High School	36.43%	36.98%
	Below Senior High School	3.00%	3.46%

IV. Environmental Protection Expenditure

1. Disclose the losses suffered by the Company resulting from violations against environmental pollution in the most recent year and as of the publication date of this Annual Report (including compensation and violations against environmental protection laws and regulations, per environmental protection audit result, and date of disposition, disposition document number, articles the Company has violated against, contents of violated laws and regulations, and content of disposition shall be disclosed), and disclose the estimated amount and response measures that may occur at present and in the future. If it cannot be reasonably estimated, facts preventing the reasonable estimations shall be explained: None.
2. Implementation of Measures in Response to European Union's Restriction of Hazardous Substances Directive: The Company has complied with the regulations under the RoHS Directive and established appropriate management systems. Regular sampling inspections have been conducted, and all results are in compliance with the regulations.

V. Labor Relations

1. Various Employee Welfare Measures, Continuing Education, Training, Pension System and the Implementations thereof, and the Circumstances of Employer-Employee Agreements and Various Employee Rights Maintenance Measures

(1) Employee Welfare Measures:

- ① The Company has established a Welfare Committee to implement various employee welfare measures. Each month, 0.15% of the operating revenue and 20% of the income from selling scrap materials are allocated for welfare funds. The following employee welfare initiatives are implemented:

A. Domestic and international group travel activities.

B. Subsidies for childbirth, marriage celebration or condolence for funeral service, hospitalization due to illness, and military service.

(A) Maternity allowance: For newborns whose parents are employees of our company on the day of birth.

(B) Child Care Allowance: children under the age of six whose household registration are in the employee account of the Company.

C. Emergency Allowances.

D. Education Scholarship for Children of Employees.

E. Gift Money at Chinese New Year.

F. Organizing of Birthday Celebrations.

② Other Welfares include:

A. Insuring of Group Life and Accident Insurances.

B. Subsidies for childbirth and childcare.

(2) Implementation of Continuing Education and Training for Employees:

In order to adapt to the changing trend of the industry and ensure the career development of employees, the company has incorporated the learning and development of employees into the focus of human resource management, so that it is closely aligned with the business strategy, and actively promotes the training of core functions and talent cultivation. The Company provides a variety of training methods, including on-the-job training, expatriate training and language learning subsidies, to enrich the learning resources of employees.

In 2024, the Company's training activities covered multiple key areas such as professional skills and leadership development, and achieved significant results. Employees actively participated in the training and achieved remarkable learning outcomes. Based on this favorable situation, the Company will continue to optimize its training plan, committed to ensuring steady improvement of employee skills and providing more solid and powerful support for the growth and innovation of the enterprise.

No.	Items	Classes	Total Training Hours	Attendance	Total Fees
1	Professional Competencies Training	157	3,511	877	361,498
2	Labor Safety and Health	56	1,251	413	137,880
3	Supervisor Talent Training	11	274	37	217,600
4	General Knowledge Training	7	1,150	383	10,270
5	Information Security Management	9	542	240	0
6	Enterprise Sustainable Development	18	944	882	0
7	Climate Environmental Protection	5	451	336	35,460
Total		263	8,122	3,168	726,708

In order to provide the best learning environment for employees, the Company has introduced a variety of learning platforms, including physical classroom learning, e-learning and knowledge management system, and set up a teaching satisfaction survey mechanism to monitor the learning effect. The Human Resources Department is responsible for planning and promoting learning activities and talent development programs. At the same time, we invite representatives of all units to form a "training team" to help evaluate and implement the

learning plan. These collaboration and integration initiatives allow companies to build professional programs that fit the needs of the organization, thereby upgrading the skills and capabilities of their employees.

A. Professional Competencies Training:

Formulate professional training blueprints according to job title, seniority, class, etc., and offer various professional training to help colleagues acquire professional skills required for work.

B. Labor Safety and Health:

The relevant training hours and certification must be obtained according to the regulations.

C. Supervisor Talent Training:

Provide necessary courses for managers at all levels to learn and share practical experience to enhance specific leadership skills.

D. General Knowledge Training:

General training courses are provided for all colleagues to help improve work efficiency, and all colleagues can take elective courses. For example: communication skills, time management, etc.

E. Information Security Management:

In order to convey the concept of information security to every employee, the Company carries out information security advocacy and education and training activities to enhance the awareness and alertness of colleagues to information security.

F. Enterprise Sustainable Development:

The company vigorously promotes the process of corporate sustainability, regularly conducts relevant education and advocacy activities to enhance employees' awareness of sustainability goals, actively implements environmental, ESG strategies, and strives to create value and reduce negative impacts in long-term development.

G. Climate Environmental Protection:

The Company actively promotes climate change and environmental protection advocacy, enhances employees' environmental awareness, implements sustainable development goals, and builds a green corporate culture.

(3) Pension System and Its Implementation Status:

The Company has formulated policy on retirement for its regular employees in accordance with the provisions of the Labor Standards Act. A Labor Retirement Pension Supervisory Committee has been formed as required by the regulations, and a retirement reserve fund is allocated monthly. The funds are deposited in a dedicated account in the name of the committee at Bank of Taiwan, and the committee is responsible for overseeing and managing the funds. As of 2024, there are 2 retirees from the Company.

(4) Status of Employer-Employee Agreements and Various Employee Rights Maintenance

Measures:

The Company complies with the law by appointing representatives from both labor and management to hold regular "labor-management meetings" to promote dialogue and exchange of opinions between the two parties. Resolutions made during these meetings are obligated to be addressed and implemented within a specified timeframe. In 2024, there was consistent consensus between labor and management, and no disputes occurred that resulted in losses for the Company.

Protection Measures for Working Environment and Employee Safety are as follows:

Items	Items	Contents
1	Access	1. The plant area and premises are equipped with a complete surveillance system. Personnel are assigned to manage and maintain such system. 2. A security company is contracted for round-the-clock personnel and vehicle control to ensure the safety of the premises. 3. Regular contact is made with the police and security authorities for periodic patrols

Items	Items	Contents
		around the plant perimeter.
2	Maintenance and Checking of Working Environment and Various Equipment	<ol style="list-style-type: none"> Occupational environmental monitoring is conducted in accordance with the “Implementation Regulations for Occupational Environmental Monitoring”. Qualified occupational environment measurement institutions are regularly engaged to perform these assessments, and the results are communicated to employees. Public safety inspections are conducted every two years by professional companies in compliance with the “Regulations Governing Building Public Safety Inspection and Certification Declaration”. Fire equipment inspections are performed annually in accordance with the “Fire Services Act” through outsourcing to professional inspectors. Regular maintenance inspections are carried out by professionals for high and low voltage electrical equipment, elevators, specific equipment for high-pressure gases, official vehicles, water dispensers, and other devices in accordance with the “Regulations Governing Occupational Safety and Health Management” and other relevant regulations. Hazardous chemicals are managed at the source in accordance with the “Regulations for the Labeling and Hazard Communication of Hazardous Chemicals”. A list of hazardous substances is established, and safety data sheets are provided for workplace reference. Personal protective equipment is provided to employees in compliance with the “Regulations Governing Occupational Safety and Health Facilities”. Welding machines are equipped with automatic electric shock prevention devices, gas cylinders are securely positioned, and warning signs prohibiting the wearing of gloves during drilling operations are posted. Eye-friendly panel lighting fixtures are used for plant lighting to protect employees' visual health and for environmental friendliness and energy-efficiency.
3	Disaster Prevention and Implementation	<ol style="list-style-type: none"> In addition to participating in joint civil defense organizations for the area, non-periodic fire prevention and disaster prevention training sessions are conducted with invited fire authorities. To ensure employee safety and health, there are occupational safety and health supervisors and personnel who have completed the registration process with the competent authorities. The Company’s occupational safety and health work guidelines have been approved by the competent authorities. Hazard identification and risk assessment are conducted by plant supervisors and employees to drive continuous improvement. Occupational accident statistics are regularly compiled in accordance with the “Occupational Safety and Health Act”. Investigations are conducted on occupational accidents and submitted to the competent authorities for approval. Relevant laws and regulations are reviewed to assess their impact and determine subsequent actions. Participating in safety and health promotion meetings organized by government authorities. Participating in unannounced emergency notification tests and firefighting drills in the industrial area. Establish an Occupational Safety and Health Management System and obtain ISO 45001:2018 third-party certification.
4	Health promotion and Environmental Hygiene	<ol style="list-style-type: none"> Physical Examinations: Qualified medical institutions conduct physical and health examinations in accordance with the “Labor Health Protection Rules” and the results are compiled into a handbook for employees. Based on the health examination results, risk management is conducted by the company nurse, and health education advice is provided in collaboration with on-site service physicians. Regularly hire family physicians and occupational medicine physicians to provide

Items	Items	Contents
		<p>on-site services.</p> <p>4. Automated external defibrillators (AED) are installed in the plant, and employees are trained regularly in its operation to facilitate emergency response.</p> <p>5. Obtain the Secure Place certification and more than 90% of the employees in the place have completed CPR+AED education training.</p> <p>6. Health promotion materials are provided to enhance employees' relevant knowledge.</p> <p>7. First aid personnel and first aid kits are established and maintained in accordance with the "Labor Health Protection Rules".</p> <p>8. The workplace is cleaned daily, and periodic disinfection of plant offices and environments is conducted.</p> <p>9. Drinking water is provided at the workplace, and emergency shower facilities are available for employees, following the "Regulations Governing Occupational Safety and Health Facilities".</p>
5	Implementing Operation Safety Control	<p>1. Contractor management: Safety training for contractors is conducted in accordance with the "Occupational Safety and Health Act", and periodic inspections are carried out at construction sites for relevant management and supervision.</p> <p>2. Controls for construction operations are implemented based on the requirements of occupational safety and health regulations and risk assessments. Fire-related work, elevated work, confined space work, live work, hazardous pipeline drilling work, and safety system interruption work are subject to construction controls and permits as required.</p> <p>3. Contractors are informed of hazards and accompanied during on-site operations by supervisors.</p> <p>4. Operation of hazardous machinery is limited to personnel who have obtained certification through qualified training and examination.</p>

2. Disclose the losses suffered by the Company resulting from labor disputes in the most recent year and as of the publication date of this Annual Report, and disclose the estimated amount and response measures that may occur at present and in the future. If it cannot be reasonably estimated, facts preventing the reasonable estimations shall be explained: None.

VI. Information Security Management

(I) Information Security Risk Management Framework:

The organizational structure, members, and responsibilities of the Company's Information Security Committee are as follows:

Organizational Structure and Members:

1. The Chairman/Vice Chairman/President are the absolute instructors for members.
2. Members: Deputy General Managers or higher-level supervisors, with attendance from the Audit Department.
3. Convenor: The Convenor of the Committee is appointed by the President, who can be the head of the Information Department or a specific senior supervisor.
4. Executive Secretary and Task Force: The Convenor may assign an Executive Secretary and Task Force under the Committee to coordinate and execute the Committee's tasks.
5. The Audit Department/Finance Department shall assist in providing reference information from external official regulatory bodies.

Responsibilities: Formulating Company information security policies.

Tasks: Reviewing the effectiveness of information security policy implementation, deliberate on proposed adjustments to information security policies, and temporary motions.

(II) Information Security Policies:

The objective of the Company's information security management strategy is Ensuring with dedication what's necessary for Company development-a continuous operational information environment:

1. For "Ensuring with dedication what's necessary for Company development-a continuous operational information environment", this information security policy is hereby promulgated.
2. Employees are provided with clear guiding principles in their work. All employees of the Company are obliged to comply with and participate in the promotion of information security policies to ensure the secure operation of Company sensitive data/information systems/ equipment and networks.
3. It is expected that all employees will understand, implement, and maintain to achieve the goal of uninterrupted operation of enterprise information systems. °

Framework-wise, the "Information Security Committee" is responsible for formulating and promoting information security policies, supervising information security risks, and management matters.

The tasks of the Information Security Committee include:

- (1) Formulating information security policies and information security control mechanisms.
- (2) Supervising and implementing various information security policies and work.
- (3) Auditing internal information security within the Company.
- (4) Reporting information security incidents, emergency response, and crisis management.
- (5) Planning information security education and training.
- (6) Coordinating and handling other information security matters.

Specific Management Plans:

In terms of management, in accordance with the regulations of the Securities and Futures Bureau, the President appoints the Assistant Manager of the Information Department as (reorganized into Information Office in 2025) the security manager, and two network management personnel as dedicated security personnel responsible for information security management operations to comply with regulatory requirements of regulatory agencies. Such appointment was approved by the Board of Directors on March 25, 2022.

In practice, the Information Security Committee reports important information security events and changes in information security measures to the Chairman/Vice Chairman of the Board/President/All Business Division Heads during the regular Chief Operations Officer meetings every week.

This achieves a higher frequency of management measures compared to the norm:

1. Annual information security policy meetings are held.
2. Special meetings are convened when special events require decision-making on information security changes.
3. Listening to reports from executing members (information security policy detection and execution team) on current performance, deliberate on proposed adjustments to information security policies, and temporary motions.

This has achieved the management cycle mechanism of Plan-Do-Check-Act (PDCA) to examine the applicability and protective measures of information security policies, and in the future, will increase the reporting of implementation effectiveness by a dedicated Information Protection Committee, achieving substantial improvement.

(IV) Resource allocation for information and communication security management:

1. The Company has promoted the ISO 27001:2022 Information security management system since September 2023, established, implemented and maintained the Information security management policy, strengthened the information security environment and information security resilience, and obtained the ISO 27001:2022 certificate in March 2024.
 2. By the end of 2024, the certification will expire one year before, and after the issuing unit to the factory for annual audit passed, the ISO 27001:2022 certificate continues to be valid.
 3. In accordance with the risk assessment report, the Company has signed maintenance contracts with third parties for important equipment to ensure that the equipment can be restored to operation in a timely manner in case of hardware damage.
 4. Actual investment purchase in the early stage (August 2021 to August 2024): the Company effectively reduces information security risks through capital investment and expenditure on next-gen firewalls, XDR, anti-virus software and other security projects. At the same time, continue to fully implement the security and protection work and daily inspection tasks.
 5. From August 2024 to March 2025, the Company not only ensures that the authorization and maintenance agreement (MA) of the previously purchased next-gen firewall, XDR, anti-virus and other information security software systems continues to be effective, but also continues to implement information security protection and daily inspection tasks in a full range. At the same time, in response to the establishment of the subsidiary (Kaori Thermal Technology Co., Ltd.), we also constructed the same strength of information security control measures for the subsidiary, and transplanted the information security management system in the existing ISO management program of the parent company, so that it becomes the internal management method of the subsidiary.
 6. In accordance with national policies, we have joined the TWCER/CC cybersecurity joint defense system of the Cybersecurity Administration in 2024 to quickly obtain information on recent domestic cybersecurity attacks and take defense measures according to its recommendations.
- (V) List the losses, possible impacts and response measures suffered in the most recent year and as of the publication date of this Annual Report due to major info-security incidents. If it cannot be reasonably estimated, facts preventing the reasonable estimations shall be explained:

As of the publication date of this Annual Report, there hasn't been major information security incidents in the last two years, and the Company has assumed no loss or possible impacts in its operations or business goodwill.

VII. Important Covenants:

Covenant Nature	Counterparties	Starting and Ending Date of Contract	Main Contents	Restrictive Clause
Long-term Borrowing	O-Bank	2020.06~2026.06	Medium-term Guaranteed Loan with the borrowing period at 2020.06~2026.06. The interest rate on December 31, 2024 was 1.8446%, with interests accrued monthly. With the installments at an interval of 6 months starting from June 2022 the repayment per installment is NT\$ 6,389 thousand.	Mortgaged with Lands and Plants of Zhongli 2 nd Plant.
Long-term Borrowing	O-Bank	2020.06~2026.06	Medium-term Guaranteed Loan with the borrowing period at 2020.06~2026.06. The interest rate on December 31, 2024 was 1.8446%, with interests accrued monthly. With the installments at an interval of 6 months starting from June 2022, the repayment per installment is NT\$ 6,067 thousand.	Mortgaged with Lands and Plants of Zhongli 2 nd Plant.
Long-term Borrowing	O-Bank	2020.09~2026.06	Medium-term Guaranteed Loan with the borrowing period at 2020.09~2026.06. The interest rate on December 31, 2024 was 1.8446%, with interests accrued monthly. With the installments at an interval of 6 months starting from June 2022, the repayment per installment is NT\$ 1,011 thousand.	Mortgaged with Lands and Plants of Zhongli 2 nd Plant.
Long-term Borrowing	O-Bank	2020.09~2026.06	Medium-term Guaranteed Loan with the borrowing period at 2020.09~2026.06. The interest rate on December 31, 2024 was 1.8446%, with interests accrued monthly. With the installments at an interval of 6 months starting from June 2022, the repayment per installment is NT\$ 1,278 thousand.	Mortgaged with Lands and Plants of Zhongli 2 nd Plant.
Long-term Borrowing	O-Bank	2022.08~2026.06	Medium-term Guaranteed Loan with the borrowing period at 2022.08~2026.06. The interest rate on December 31, 2024 was 1.8446%, with interests accrued monthly. With the installments at an interval of 6 months starting from December 2022, the repayment per installment is NT\$ 4,538 thousand.	Mortgaged with Lands and Plants of Zhongli 2 nd Plant.
Long-term Borrowing	O-Bank	2022.08~2026.06	Medium-term Guaranteed Loan with the borrowing period at 2022.08~2026.06. The interest rate on December 31, 2023 was 1.8446%, with interests accrued monthly. With the installments at an interval of 6 months starting from December 2022, the repayment per installment is NT\$ 3,875 thousand.	Mortgaged with Lands and Plants of Zhongli 2 nd Plant.
Long-term Borrowing	Shanghai Commercial and Savings Bank	2015.07~2025.04	Long-term Guaranteed Loan with the borrowing period at 2015.07~2025.04. The interest rate on December 31, 2024 was 1.845%, with interests accrued monthly. With the installments at an interval of 3 months starting from July 2016, the repayment per installment is NT\$ 2,084 thousand.	Mortgaged with Lands and Plants of Zhongli 3 rd Plant.
Long-term Borrowing	Landbank of Taiwan	2023.11~2030.11	Medium-term Guaranteed Loan with borrowing period at . the interest rate on December 31, 2024 was 1.4321%, with interests accrued monthly. The loan shall be repaid monthly from December 2025. with each repayment of NT\$1,848 thousand. The last installment of repayment was NT\$1,848 thousand.	Mortgaged with Lands and Plants of Kaohsiung Plant
Long-term Borrowing	Landbank of Taiwan	2023.11~2030.11	Medium-term secured loan, loan period from May 2024 to November 2030, interest rate of 1.4321% on December 31, 2024, monthly interest, starting from December 2025 monthly principal repayment, each installment repay NT \$713 thousand, the last installment repay NT \$709 thousand.	Mortgaged with Lands and Plants of Kaohsiung Plant
Long-term Borrowing	Landbank of Taiwan	2023.11~2030.11	Medium-term secured loan, loan period from May 2024 to November 2031, interest rate of 1.4321% on December 31, 2024, monthly interest, starting from	Mortgaged with Lands and Plants of

			June 2025 monthly principal repayment, each installment repay NT \$698 thousand, the last installment repay NT \$694 thousand.	Kaohsiung Plant
Long-term Borrowing	Landbank of Taiwan	2023.11~2030.11	Medium-term secured loan, loan period from August 2024 to November 2030, interest rate of 1.4321% on December 31, 2024, monthly interest, starting from December 2025 monthly principal repayment, each installment repay NT \$440 thousand, the last installment repay NT \$438 thousand.	Mortgaged with Lands and Plants of Kaohsiung Plant
Long-term Borrowing	Landbank of Taiwan	2023.11~2030.11	Medium-term secured loan, loan period from August 2024 to November 2031, interest rate of 1.4321% on December 31, 2024, monthly interest, starting from December 2025 monthly principal repayment, each installment repay NT \$435 thousand, the last installment repay NT \$431 thousand.	Mortgaged with Lands and Plants of Kaohsiung Plant

V. Review of Financial Conditions and Financial Performance, and Risk Management Thereof

I Financial Conditions:

(I)Review and Analysis of Financial Conditions

Source: Individual Financial Reports Unit: NT\$ thousand

Items	Year			Difference	
				Amount	Change Percentage (%)
		2023	2024		
Current Assets		2,464,985	2,558,720	93,735	3.80%
Non-current Assets		2,334,620	3,358,617	1,023,997	43.86%
Total Assets		4,799,605	5,917,337	1,117,732	23.29%
Current Liabilities		966,508	1,692,486	725,978	75.11%
Non-current Liabilities		1,129,415	787,843	(341,572)	(30.24%)
Total Liabilities		2,095,923	2,480,329	384,406	18.34%
Capital Stock		893,841	914,647	20,806	2.33%
Capital Surplus		816,351	1,245,856	429,505	52.61%
Retained Earnings		998,892	1,240,133	241,241	24.15%
Other Equity Interest		(5,402)	36,372	41,774	773.31%
Total Shareholders' Equity		2,703,682	3,437,008	733,326	27.12%

Source: Consolidated Financial Reports Unit: NT\$ thousand

Year	Items			Difference	
				Amount	Change Percentage (%)
		2023	2024		
Current Assets		2,701,672	3,855,807	1,154,135	42.72%
Non-current Assets		2,127,182	2,246,773	119,591	5.62%
Total Assets		4,828,854	6,102,580	1,273,726	26.38%
Current Liabilities		995,757	1,877,128	881,371	88.51%
Non-current Liabilities		1,129,415	788,444	(340,971)	(30.19%)
Total Liabilities		2,125,172	2,665,572	540,400	25.43%
Capital Stock		893,841	914,647	20,806	2.33%
Capital Surplus		816,351	1,245,856	429,505	52.61%
Retained Earnings		998,892	1,240,133	241,241	24.15%
Other Equity Interest		(5,402)	36,372	41,774	773.31
Total Shareholders' Equity		2,703,682	3,437,008	733,326	27.12%

(II) Analysis of Changes:

1. Main Reasons for Changes in the Individual Financial Reports:

- (1) Non-current Assets: Increased by 43.86%, mainly due to investment in two subsidiaries, i.e. Kaori Thermal Technology Co., Ltd. and Kaori Technology (Thailand) Co., Ltd.
- (2) Total Assets: Increased by 23.29%, mainly due to the increase in Non-current Assets.
- (3) Current Liabilities: Increased by 75.11%, mainly due to Short-term Borrowing.
- (4) Non-current Liabilities: Decreased by 30.24%, mainly due to the conversion of corporate bonds into stock of the Company.
- (5) Capital Stock: Increased by 52.61%, mainly due to the convertible corporate bonds issued in 2024 recognized as the equity - subscription right.
- (6) Retained Earnings: Increased by 24.15%, mainly due to the increase in special reserve and after-tax other comprehensive profits.
- (7) Other Profits: Increased by 773.31%, mainly due to the increase in Unrealized gains on financial assets measured at fair value through other comprehensive and profits/losses and commutation adjustments.
- (8) Shareholders' Equity: Increased by 27.12%, mainly due to the increase in Capital Stock, Retained Earnings and Other Equity.

2. Main Reasons for Changes in the Consolidated Financial Reports:

- (1) Current Assets: Increased by 42.72%, mainly due to the increase in Cash and Cash Equivalents.
- (2) Total Assets: Increased by 26.38%, mainly due to the increase in Current Assets.
- (3) Current Liabilities: Increased by 88.51%, mainly due to the increase in Short-term Borrowings.
- (4) Non-current Liabilities: Decreased by 30.19%, mainly due to the conversion of corporate bonds into shares.
- (5) Total Liabilities: Increased by 25.43%, mainly due to the increase in Current Liabilities.
- (6) Capital Stock: Increased by 52.61%, mainly due to the convertible corporate bonds issued in 2024 recognized as the equity - subscription right.
- (7) Retained Earnings: Increased by 24.15%, mainly due to the increase in special reserve and after-tax other comprehensive profits.
- (8) Other Profits: Increased by 773.31%, mainly due to the increase in Unrealized gains on financial assets measured at fair value through other comprehensive and profits/losses and commutation adjustments.
- (9) Shareholders' Equity: Increased by 27.12%, mainly due to the increase in Capital Stock, Retained Earnings and Other Equity.

(III) Future Response Plans: Omitted.

II. Financial Performance:

(I) Comparison and Analysis on Operating Results:

Source: Individual Financial Reports Unit: NT\$ thousand

Items	Year 2023	2024	Increase/Decrease in Amount	Change Percentage (%)
Net Sales	4,143,285	3,773,042	(370,243)	(8.94%)
Operating Cost	3,016,333	2,652,506	(363,827)	(12.06%)
Operating Gross Profit	1,125,547	1,120,530	(5,017)	(0.45%)
Operating Expenses	461,169	499,888	38,719	8.40%
Operating Profit	664,378	620,642	(43,736)	(6.58%)
Non-operating Income and Expenses	52,344	122,462	70,118	133.96%
Income before Tax	716,722	743,104	26,382	3.68%
Income Tax Expenses	140,196	150,060	9,864	7.04%
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%

Source: Consolidated Financial Reports Unit: NT\$ thousand

Items	Year 2023	2024	Increase/Decrease in Amount	Change Percentage (%)
Net Sales	4,325,671	4,003,440	(322,331)	(7.45%)
Operating Cost	3,101,722	2,808,590	(293,132)	(9.45%)
Operating Gross Profit	1,223,949	1,194,850	(29,099)	(2.38%)
Operating Expenses	512,511	548,293	35,782	6.98%
Operating Profit	711,438	646,557	(64,881)	(9.12%)
Non-operating Income and Expenses	18,208	103,352	85,144	467.62%
Income before Tax	729,646	749,909	20,263	2.78%
Income Tax Expenses	153,120	156,865	3,745	2.45%
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%

(II) Main Reasons for Changes:

1. Main Reasons for Changes in the Individual Financial Reports:

(1) Non-operating Income and Expenses: Mainly due to the increase in profit on foreign exchange and other compensation for loss.

2. Main Reasons for Changes in the Consolidated Financial Reports:

(1) Non-operating Income and Expenses: Mainly due to the increase in profit on

foreign exchange and other compensation for loss.

(III) Estimated Sales Volume in the Upcoming Year and its Foundation, its Potential Influences and Response Plans Omitted.

III. Cash Flow:

(I) Analysis on Changes in Cash Flow in 2024

Unit: NT\$ thousand

Cash Balance at the Beginning of the Year	Estimated Net Cash Flow from Operating Activities throughout the Year	Cash Outflow (Inflow) throughout the Year from Investment and Financing Activities	Surplus (Deficit)	Leverage of Cash Surplus (Deficit)	
				Investment P l a n	Financing P l a n
506,370	962,593	(1,430,806)	38,157	-	-

Analysis on Changes in Cash Flows on Individual Financial Reports for the year 2024:

1. Net cash outflow from operating activities at approx. 962,593 thousand, mainly due to increase(s) in Net Profit before Tax and Inventory and other operating activities.
2. Net cash outflow from investing activities at approx. 806,462 thousand, mainly due to the establishment of new subsidiary.
3. Net cash inflow from financing activities at approx. 426,128 thousand, mainly due to the establishment of subsidiary and increase(s) in Show-term Borrowings.

(II) Analysis on Changes in Cash Flows on Consolidated Financial Reports for Year 2024:

Unit: NT\$ thousand

Cash Balance at the Beginning of the Year	Estimated Net Cash Flow from Operating Activities throughout the Year	Estimated Cash Outflow (Inflow) throughout the Year from Investment and Financing Activities	Cash Surplus (Deficit)	Leverage of Cash Surplus (Deficit)	
				Investment P l a n s	Financing P l a n s
590,937	1,041,283	(819,536)	812,684	-	-

Analysis on Changes in Cash Flows on Consolidated Financial Reports for Year 2024:

1. The net cash inflow from operating activities at approx. NT\$ 1,041,283, mainly due to increase(s) in Net Profit in Tax, decrease(s) in inventory and other operating activities:
2. The net cash inflow from investment activities at approx. 194,638 thousand, mainly due to the establishment of new subsidiary.
3. The net cash inflow from financing activities at approx. 426,128 thousand, mainly due to the establishment of subsidiary and increase(s) in Short-term Borrowings.

(III) Remedial Measures for Insufficient Liquidity: Omitted.

(IV) Analysis on Cash Fluidity in the Upcoming Year: Omitted.

IV. Influence on Company Finance by Significant Capital Expenditure in the Most

Recent Year:

(I) Utilization Status and Source of Capital for the Significant Capital Expenditure: None.

(II) Influence on Financial Business by Significant Capital Expenditure: None.

V. Re-investment Policies in the Most Recent Year, Main Reason(s) for the Profit or Loss of Such Re-investment, Improvement Plans, and Investment Plans in the Upcoming Year:

December 31, 2024; Unit: NT\$ thousand

Items	Descriptions	Amount Invested	Policy	Main Reason for Profit / Loss	Improvement Plans	Other Investment Plans in the Future
KAORI INTERTIONAL CO.,LTD		171,641	Re-investment in Mainland China as resolved by the Board of Directors	Re-investment recognized as Gains from Investments at NT\$ 19,618 thousand.	None	None
KAORI THERMAL TECHNOLOGY CO., LTD.		851,000	Performed in accordance with resolutions by the Board of Directors	Newly established in 2024, re-investment recognized as Losses from Investments at 72 thousand	None	None
KAORI TECHNOLOGY(THAILAND)CO.,LTD		57,000	Performed in accordance with resolutions by the Board of Directors	Newly established in 2024, re-investment recognized as Gains from Investments at NT\$ 29 thousand.	None	None
BLOOM ENERGY Corp.		101,942	Performed in accordance with resolutions by the Board of Directors	Financial Assets Measured at Fair Value through Other Comprehensive Gain or Loss-Non-current	None	None

VI. Analysis of and Evaluation on Risk Items in the Most Recent Year and as of the Publication Date of this Annual Report are as follows:

(I) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures:

Unit: NT\$ thousand; %

Items	2024 (Individual Financial Reports)	2024 (Consolidated Financial Reports)
Interest Expenditure	22,471	22,471
Ratio of Interest Expenditure to Net Operating Revenue	0.60%	0.56%
Ratio of Interest Expenditure to Income before Tax	3.02%	3.00%
Gains from Exchange	50,197	50,424
Ratio of Gains from Exchange to Net Operating Revenue	1.33%	1.26%
Ratio of Gains from Exchange to Income before Tax	6.76%	6.72%

Interest Rate: The interest expense in the Company's consolidated financial report for 2024 was only 0.56% of revenue and 3.00% of pre-tax net income, which decreased the interest expense by NT \$10,923 thousand compared with 2023, mainly due to the issuance of the fourth unsecured convertible corporate bond to repay bank loans. The Company's financial operation mainly relies on short-term financing borrowings, and changes in interest rates usually do not have a significant impact on the Company, except for major capital expenditures and long-term investments supported by medium and long-term funds. In the future, the Company will continue to adhere to the conservative and prudent principle, deposit idle funds in financial institutions with good credit, and take into account reasonable returns while ensuring the safety of funds.

Interest Rate: The Company's export business accounts for a relatively high proportion, sales and raw material procurement are mainly denominated in US dollars. In 2024, the United States implemented the interest rate reduction policy, the US dollar appreciated significantly, and the Taiwan dollar depreciated accordingly, which contributed to the Company's profit in 2024 to a certain extent. The Company's net profit from exchange as contained in the Consolidated Financial Report in 2024 was NT\$ 50,424, an increase of NT\$23,842 thousand compared with that of last year. The profit from exchange accounts for 1.26% of the consolidated revenue of 2024, taking up 6.72% of the net profit before tax. The Company's primary means of dealing with the risk of exchange rate changes is to take natural hedging actions through dollar-denominated import and export transactions and to flexibly adjust foreign currency assets and liabilities according to exchange rate fluctuations. In order to reduce the impact of exchange rate fluctuations on the Company's earnings, the Company has taken the following specific measures:

- ① For the foreign exchange positions held, the Company monitors closely the exchange rate trends and considers professional advice provided by financial institutions to determine the timing of converting to New Taiwan Dollars or retaining foreign exchange positions to reduce exchange rate risk.

- ② During the quotation and negotiation process, the Company's sales representatives also consider adjusting prices in response to exchange rate fluctuations.
- ③ Keeping abreast of international financial information and exchange rate changes, maintaining close contact with banks to timely grasp exchange rate fluctuation information, and being flexible in adjusting loan currencies to stay informed about exchange rate movements.

Inflation: The Company pays attention to the inflation situation and adjusts product prices and raw material inventory levels accordingly. As of now, inflation has not had a material impact on the Company's operations. However, the potential impact of rising raw material costs is being monitored.

(II) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Monetary Loans or Endorsement Guarantees, and Derivatives Transactions:

(1) For the year 2024 and as of the Publication Date of this Annual Report, the Company has not engaged in high-risk or highly leveraged investments, money lending, or acts of guaranteeing for others. The Company has established "Handling Procedures for Acquisition or Disposal of Assets" and "Handling Procedures for Loan of Funds to Others and Endorsement/Guarantee", which have been adopted through resolution by the Shareholders' Meeting.

(2) As of the Publication Date of this Annual Report, the Company has endorsed others as follows:

As of March 31, 2025, Unit: NT\$ thousand

Whether there is endorsement information	Increase/Decrease for Year 2024	Increase/Decrease as of the End of March, 2025
There is endorsement information of the Company	0	420,000
There is no endorsement information of subsidiaries	0	0

There is information about the Company's endorsement for subsidiaries	
The Company endorses the subsidiary to guarantee the accumulated balance	420,000
The subsidiary guarantees the accumulated balance by endorsing the Company	0

Whether there is endorsement information	Increase/Decrease in 2024	Increase/Decrease at the end of March 2025
There is no information about the Company's endorsement for regions in Mainland China.	0	0
There is no information about subsidiaries' information for regions in Mainland China.	0	0

(III)Future Research & Development Projects and Corresponding Budget

Department	Name of R&D Plan	Current Progress	Expected R&D Budget	Expected Timeframe for Mass Production	Factors Contributing to Success in Future Researches
Heat Energy Business	Development of Natural Gas Thermal Cracking Hydrogen Production Carbon Fixation Equipment	Carbon deposition and energy consumption process improvement	6 Million	2026.01	Method and technology for effective decarbonization, reduction of reaction temperature and low energy consumption
Heat Energy Business	Development of Metal Heat Treatment Hydrogen Recovery System	PSA and deaeration verified	6 Million	2026.01	Low energy hydrogen compressor
Heat Energy Business	Development of Ammonia Cracking System	Newly developed case	6 Million	2026.01	The catalyst can reduce the reaction temperature and reduce the power consumption of cracking
Fuel Cell Business	Development of Detection Technique of Heat Exchanger Fin Brazing Bead	Development of detection technique	3 Million	2025.12	Kaori's brazing technique and eddy current detection technique
Fuel Cell Business	Carbon Capture SOFC Heat Exchanger Reactor	It is expected that the second batch of samples will be shipped in Q2	5 Million	2025.12	Kaori's hard welding technology combined with argon welding technology
Heat Exchanger Business	Development of large-sized high-nickel alloy heat exchanger	Feasibility assessment of plate stamping	2.5 Million	2025.12	The fuel cell market requires products with low pressure drop characteristics and high heat recovery rates
Heat Exchanger Business	Development of heat exchangers for server cooling	In the evaluation of product market development	5 Million	2025.06	Designed specifically for the market, it can achieve high performance at the best cost
Heat Exchanger Business	Development of all-stainless steel solder heat exchanger	Product feasibility design in progress	3 Million	2025.12	Iron-based solders can directly replace nickel soldering materials because they are cheaper than nickel soldering materials and there is an overlap in their application markets.
Heat Exchanger Business	Online selection software	In design	2 Million	2025.04	Mastery of the market trend

(IV) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales:

(1) Change in Industry Policies

The Company has not been affected by significant domestic or

international policy and legal changes that would impact its financial and business operations. The Company's management actively monitors important policy and legal changes and takes timely proactive measures in response.

(2) Changes in Laws and Regulations

① Important relevant laws and regulations in the industry

A. Concerning the competent central authority for the industry concerned and the important laws affecting the Company, they can be broadly categorized into civil and commercial regulations, economic regulations, labor regulations, and environmental regulations. Recently, apart from amendments to the Securities and Exchange Act and the Company Act, there have been no major changes in the relevant laws. The competent central authority for the industry concerned relating to the Company's primary industries are the Ministry of Economic Affairs, the Financial Supervisory Commission, the Industrial Development Bureau, MoEA, the Council of Labor Affairs, and the Environmental Protection Administration. The Company has not violated any important laws or regulations that affect its industry.

B. The Company evaluates the information that should be disclosed in accordance with the laws and regulations related to TWSE/TPEX company information disclosure, and evaluates whether it is handled according to the law.

② Patent

The Company's patents are registered with the Intellectual Property Office of the Ministry of Economic Affairs, with patent certificates obtained. The Company has not been involved in any infringement.

③ Significant Labor Disputes or Environmental Pollution Incidents

As of the Publication Date of this Annual Report, there have been no significant labor disputes or major environmental pollution incidents.

④ Conclusion

The significant laws affecting the Company can be broadly categorized into civil and commercial laws, economic regulations, labor regulations, and environmental regulations. There have been no major changes, and they have not affected the Company's financial and business operations. Furthermore, the Company hires Lawyer HSIEH TIEN JEN, the former Chairman of the Consumers' Foundation, as the legal consultant to serve as an important consultation source for future legal changes and reduce the operational risks thereof.

(V) Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales:

(1) Metal Products and Processing:

In recent years, some industries such as Heat Treatment and Processing and Brazing Processing have gradually moved overseas. To reduce the impact of industry relocation on the Company's business, the Company, in addition to continuing to develop various welding technologies for different materials, reflected in the former development of dust-free steel raised floors and heat dissipation modules, using Brazing Processing technology and current development of self-owned products, such as heat dissipation module. This allows the Company to minimize the impact of industry relocation and expand its business.

(2) Plate Heat Exchanger:

Due to its small size, high pressure resistance, and wide applicability, plate heat exchangers will remain the substitutions for traditional larger-sized, less thermally conductive shell and tube heat exchangers and finned tube heat exchangers. The Company will continue to develop new types of Plate Heat Exchangers that can be applied to different fluids or flow rates and have higher thermal conductivity, which will contribute to the Company's financial growth.

(3) Thermal Products:

In response to the global energy shortage, low-carbon, zero carbon or negative carbon emissions have become a common global goal. Energy transformation, renewable energy, and waste recycling are expected to become the main tools to offset carbon emissions at this stage. As a technology research and development hub, Taiwan should not be left unattended. The government and enterprises should consider how to minimize greenhouse gas emissions through legislation and technology. The current International consensus is to achieve net zero carbon emissions by 2050, and the International Energy Agency (IEA) recommends that the world must generate more than 60% of its electricity from renewable sources by 2030. The field of new energy includes solar photovoltaic, wind, geothermal, Marine energy, hydrogen energy, of which hydrogen energy has attracted much attention at home and abroad. IEA data show that vehicle electrification and renewable energy generation are the two major net zero trends in the next decade, especially hydrogen energy is playing an important role.

Governments of various nations have taken more proactive actions to promote energy efficiency, carbon reduction, and prevent deterioration of the greenhouse effect. From the perspective of the international market, Bloom Energy in the United States took the lead in launching solid oxide fuel cell (SOFC) products. Due to the high power generation efficiency of SOFC fuel cells, their future sales volume has considerable growth potential and is worth looking forward to. In 2009, our company signed an alliance with Bloom Energy and undertook the manufacturing and processing tasks of the key components required for the Hot Box in fuel cells. Since 2012, the company has achieved remarkable and stable performance and profits in terms of finance and business. During the alliance process, both parties adhered to the belief of mutual trust and reliance. Our company fully met the demands of Bloom Energy in terms of product quality, delivery time and other aspects.

The CES exhibition held in the United States in January 2025 demonstrated that 2025 will be a year of accelerated innovation in AI technology. In numerous fields such as AI, semiconductors, digital health, automotive technology, big data, servers, cooling technology, advanced technology, and AR/VR/XR, AI can significantly enhance productivity in almost all industries and help global enterprises strengthen their competitiveness. Obviously, AI will continue to drive the prosperity of related industries in 2025 and become a key thread of technological development.

(4) Risks in Information Security:

Any network attack by hackers from any third party that disrupt or compromise the computer systems essential to the control, manufacturing, operations, and accounting functions of the Company are possible. These network attacks illegally infiltrate the company's internal network systems and engage in activities that disrupt operations, steal trade secrets, research results, and damage the Company's reputation.

To avoid or mitigate information security risks, a change in management mindset is necessary, along with the allocation of necessary resources to establish foundational protective systems and information security devices. It is also important to cultivate a cybersecurity crisis awareness among all company employees, and most importantly, to implement a system of rewards and punishments—the system allowing all employees to recognize that compliance or non-compliance with information security regulations can severely impact the overall operations/ impair shareholders' interests.

Risks and management measures for information technology security: Measures encompass three aspects: protective systems, regulatory frameworks, and implemented management. The company has established comprehensive cybersecurity protection measures, including traditional antivirus software, next-generation firewalls, and the adoption of Extended Detection and Response (XDR) products responsible for cloud security event detection and response and passed the ISO/IEC 27001:2022 on December 2023. However, relying solely on these systems cannot guarantee complete protection against attacks. Therefore, in addition to the formulation of regulations and the strengthening of personnel's awareness of information security, the company progressively complies with the implementation of regulations by government regulatory agencies and aligns with the revised organizational responsibilities of the information security department and supervisors in the internal control system's computerized cycle provisions. Additionally, information security seminars are scheduled every quarter during company-wide monthly meetings to disseminate information about key external cybersecurity incidents and enhance employees' awareness of information security. In terms of management, the Information Department is responsible for regular audits, and any violations of information security regulations must be immediately reported upwards and assessed for disciplinary action according to the Company's system of rewards and punishments.

(VI)The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Countermeasures:

Since its establishment, our Company has always been dedicated to the operation of its core business and has won a good reputation with outstanding business achievements. There have been no reports that have damaged the Company's corporate image, so there is no issue of damage or change to the corporate image.

(VII)Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plan :

Not applicable as the Company does not have any plans for merger and acquisition.

(VIII) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans:

In recent years, with the enhancement of domestic labor awareness and the continuous rise in price levels, various industries in Taiwan are confronted with a severe situation of persistently high labor costs, a shortage of labor manpower, and a comprehensive increase in the costs of land, raw materials, etc. To effectively cut costs and enhance product competitiveness, many enterprises have moved their production operations to the Chinese mainland where wages and related costs are lower, and are gradually taking the mainland as their main production base.

Considering the rapid economic and industrial development in the Chinese mainland, in order to serve customers more conveniently and expand the market in the Asia-Pacific region, our Company has decided to invest and set up a factory in Ningbo of Mainland China, and add production lines for production. Meanwhile, the Company continues to focus on research and development, design centers, and process improvement.

The production capacity in the Mainland region is stable and continues to generate profits, which is expected to bring stable income to the Company. Our Company will not only expand its own production capacity in accordance with the development trend of the industry, but also maintain long-term cooperation with outsourcing manufacturers. In terms of the regulation of capacity utilization rate, the Company is confident that it can effectively cope with the fluctuations in the future business cycle and the changes in product demand.

Credited to the strong brazing and argon welding capabilities, Kaori attracted the attention of an international green technology tycoon and became its strategic partner. For long-term development, the Company established its the Fuel Cell Business Department in 2009, erecting the key milestone declaring the Company's determination to become a significant player in the energy industry. In July 2010, the Company's first new plant for fuel cell in the Zhongli Industrial Area was inaugurated. This plant produced critical components for Solid Oxide Fuel Cells (SOFC), and by 2013, the thermal products Fuel Cell had indeed generated historic highs in revenue and profitability for the Company. Considering the continuous growth of the global fuel cell Industry, with fuel cell shipments increasing exponentially each year, the Company aims to enhance its competitiveness by reducing costs, increasing product capacity, and meeting order demands. In 2011, the Company began the construction of a new Fuel Cell plant in Kaohsiung's Benjhou Industrial Area. The main purpose of the new plant is to expand the production space of the Fuel Cell Business and build a parts center. Furthermore, the Metal Products Processing Plant at the Zhongli 3rd Plant was completed in 2014, with the metal processing operations transferred to the Kaohsiung Plant, yielding a significantly increased place for fuel cell production in the Zhongli plant to satisfy the continuous strong growth in customer shipment demands. Therefore, the expansion of the plant poses limited risks to the company. In February 2017, the office building as global operational headquarters at the Company's main plant in Zhongli Industrial Area was inaugurated.

Our company has been deeply engaged in the market of heat exchanger design and manufacturing as well as metal workpiece welding and manufacturing for many years, and has accumulated rich experience in the fields of refrigeration and air conditioning, thermal management and energy industry. In recent years, network applications such as facial recognition, autonomous driving and remote medical consultation have flourished, effectively promoting the rapid development of 5G communication and the cloud industry. In view of the huge power consumption of cloud data centers, our company has timely launched a series of energy-saving liquid cooling system products. In recent years, network applications such as facial recognition, autonomous driving and remote medical consultation have flourished, effectively promoting the rapid development of 5G communication and the cloud industry. In view of the huge power consumption of cloud data centers, our Company has timely launched a series of energy-saving liquid cooling system products. At present, the original factory space located in Zhongli Industrial Zone has approached saturation after being used for the production and operation of the Heat Exchanger Business and Fuel Cell Business. In view of this, the Company purchased the land and factory building on Ziqiang 4th Road, Zhongli Industrial Zone in March 2020, and started the factory building decoration work in the fourth quarter of 2021. By 2023, the new factory on Ziqiang 4th Road will be officially put into use and start the production business of liquid-cooled heat dissipation modules.

(IX) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

(1) Risks Relating to and Response to Excessive Concentration of Purchasing Sources:

The Company's main products are plate heat exchangers, metal processing, and critical components for fuel cells (SOFC) of thermal products. The Company has specific requirements for the quality of each part, and some raw materials need to pass quality certifications from major customers. To control quality and ensure an adequate supply of materials, the Company conducts regular evaluations of suppliers based on their product quality, delivery accuracy, financial condition, and organizational structure. Furthermore, the top 10 suppliers in terms of purchase quantity for 2024 accounted for less than 22.24% of the net purchases for each respective year, indicating no significant concentration risk in procurement. In terms of raw material procurement, the Company selects suppliers based on their quotations, quality, and transaction terms. To mitigate the risk of procurement concentration, efforts are made to maintain relationships with at least two or more suppliers for each type of material. Overall, the sourcing of raw materials remains stable, and there should be no shortage or disruption of supply.

In recent years, fluctuations in international metal raw material prices have caused suppliers to experience longer supply lead times due to insufficient supply of raw materials. As a result, key outsourced manufacturers for heat exchangers and fuel cells were obliged to strengthen inventory management and safety stock levels to mitigate the impact, meanwhile passing on costs to downstream manufacturers in a timely manner to maintain gross profit margins.

(2) Risks Relating to and Response to Excessive Customer Concentration:

The Company's revenue mainly comes from processing and product sales, with its major customers being well-known domestic and international enterprises. The combined sales quantity of the top 10 customers accounted for 69.95% of the net sales in 2024. Analyzing the sales proportions by customer, it can be observed that apart from a single customer, BLOOM ENERGY, there is no significant concentration of sales. However, it should be noted that BLOOM ENERGY accounted for 42.99% and 40.9% of the net sales in each respective period from 2023 to 2024 mainly due to the Company's collaboration with BLOOM ENERGY in the production of processed parts and components for fuel cells since 2009. The global demand for fuel cells has experienced exponential growth in recent years due to increasing environmental concerns worldwide, leading to revenue growth for BLOOM ENERGY and subsequently contributing to the stable growth in the Company's sales of fuel cell heat reactors. Currently, the Company is a major global supplier of Fuel Cell components for BLOOM ENERGY, and their cooperative development of products suggests that there is no immediate risk of contract termination.

Leveraging its accumulated expertise in heat treatment and processing, brazing processing, and plate heat exchangers, the Company continues to provide services to customers with excellent technology, stable quality, and accurate delivery. Moreover, through research and development, The Company actively explores new opportunities by developing new heat treatment, brazing services, and thermal energy technologies to expand its customer base and create new products and business opportunities.

(X)Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%

In the Most Recent Year and as of the Publication Date of this Annual Report, the Company does not engage in large share transfers, hence there is no significant effect on the Company's operations resulting from large share transfers of changes in shareholding.

(XI)Effects of, Risks Relating to and Response to the Changes in Management Rights

In the Most Recent Year and as of the Publication Date of this Annual Report, the Company is not affected in the operations due to changes in management rights. In addition, the Company has promulgated complete Internal Control System and relevant management regulations, which would mitigate the effects and risks relating to such events on the Company's operations.

(XII) If there has been any material impact upon shareholders' equity or prices for the Company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the Company and a company director, supervisor, general manager, de facto responsible person, or major shareholder with a stake of more than 10%, and the matter was finalized or remained pending up to the date of publication of this Annual Report:

(1) MINCHALI INDUSTRY CO., LTD. filed a lawsuit for damages against Kaori Heat Treatment Ind., Co., Ltd. in the civil court of the Taoyuan District Court.

MINCHALI claimed that between the years 2008 and 2013, the four batches of heating furnace beams and parts delivered by Kaori contain quality issues such as inability to withstand high temperatures, deformation, severe bending, and warping. MINCHALI hence sought compensation in the amount of NT\$ 17,106,572, along with interest accrued at 5% per annum from the day following the delivery of the complaint. The Taoyuan District Court issued a judgment on February 26, 2016, ruling that Kaori shall pay NT\$ 9,320,953.

On March 25, 2016, an appeal was filed with the civil court of the Taiwan High Court. The Taiwan High Court issued a verdict on May 15, 2018, ruling that Kaori Heat Treatment Ind., Co., Ltd. shall pay MINCHALI INDUSTRY CO., LTD. NT\$ 4,618,916.

On June 13, 2018, Kaori filed an appeal to the Supreme Court against the portion of the Taiwan High Court's judgment requiring payment of NT\$ 4,618,916. In addition, MINCHALI also filed an appeal against the defeat.

On November 30, 2020, the Supreme Court issued a judgment, invalidating the original judgment except for the part concerning provisional execution and remanding the case back to the High Court.

The High Court pronounced judgment on November 1, 2024. The main text of the judgment was announced as follows: The original judgment ordering Kaori to pay more than NT \$5,038,170 in principal and interest, as well as the declaration of the provisional execution of this portion and the litigation costs, are all nullified. Regarding the above-mentioned nullification, the court of first instance rejected the lawsuit request and the application for provisional enforcement of MINCHALI INDUSTRY CO., LTD. The remaining appeals of Kaori were rejected. The appeal of MINCHALI INDUSTRY CO., Ltd. was rejected. The litigation costs of the first and second instance and the third instance before remand are by MINCHALI INDUSTRY CO., Ltd. Seven tenths of the burden will be borne by Kaori, and the rest will be covered by Kaori.

Kaori and MINCHALI INDUSTRY CO., LTD. All are dissatisfied with the aforementioned judgment of the High Court and have appealed to the Supreme Court. The case is still under trial by the Supreme Court and no judgment has been made yet.

(XIII) Other Important Risks and Countermeasures: None

VII. Other Important Matters: None

VI. Special Disclosure

I. Summary of Affiliated Enterprises

(I) Consolidated Business Report of Affiliate Enterprises: Please refer to MOPS (Three Statements of Affiliated Enterprises).

(II) Consolidated Financial Statement of Affiliated Enterprises: Please refer to MOPS (Three Statements of Affiliated Enterprises).

(III) Relationship between Affiliated Enterprises: Please refer to MOPS (Three Statements of Affiliated Enterprises).

II. Handling Status for Privately Placed Securities in the Most Recent Year and as of the Publication Date of this Annual Report: None.

III. Other Matters Requiring Supplementary Descriptions: None.

IV. Matters in the Most Recent Year and as of the Publication Date of this Annual Report having Material Impacts on Shareholders' Equities or Securities Price provided by Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act: None.

Kaori Heat Treatment Co., Ltd.
Regulations Governing the Fourth Issuance and Conversion of Unsecured
Convertible Corporate Bonds in the Domestic Market

I. Name of Bonds

Regulations Governing the Fourth Issuance and Change of Unsecured Convertible Corporate Bonds in the Domestic Market (hereinafter referred to the “Convertible Corporate Bonds”) of Kaori Heat Treatment Co., Ltd.

II. Date of Issuance

December 6, 2023 (hereinafter referred to as “Issuing Date”).

III. Denomination, Number and Issuing Price

The Convertible Corporate Bond has a face value of NT \$100,000 per bond, with a total issuance of 10,000 bonds and a total issuance face value of NT \$1 billion, with a minimum issuance amount of NT \$100,000. The convertible bonds are publicly underwritten by competitive auction, and the actual issue price is 113.8% of the face value, and the actual amount raised is NT\$1,137,963 thousand.

IV. Period of Issuance

The issuance period is five years, commencing on December 6, 2023 and expiring on December 6, 2028 (hereinafter referred to as the “Maturity Date”).

V. Nominal Interest Rate

The nominal interest rate of the Convertible Corporate Bond is 0%.

VI. Date and Method of Repayment of Principal and Interest

Except that the holders of the Convertible Corporate Bonds are converted into ordinary shares of the Company in accordance with Article 10 of the Regulations, or exercise the right to sell back in accordance with Article 19 of the Regulations, or the Company redeems them in advance in accordance with Article 18 of the Regulations, or the Company is bought back for cancellation by the securities firm’s business premises, within ten business days after the Maturity Date of the Convertible Corporate Bonds, the Company shall repay them held by the holders in cash in a lump sum at

the denomination of the Convertible Corporate Bonds. If the aforementioned date falls on the day when the Taipei Stock Exchange is closed, it will be postponed to the next business day.

VII. Guarantee

The Convertible Corporate Bonds are unsecured in nature, provided that if, after the issuance of the Convertible Corporate Bonds, the Company issues or places other secured warrants or convertible bonds, the Convertible Corporate Bonds will also create claims of the same class or security rights of the same order as the secured warrants or convertible bonds.

VIII. Subject Matter of Conversion

The Company's ordinary shares will be converted through the issuance of new shares to fulfill our conversion obligations. The new shares to be converted shall be delivered through book-entry transfer, and shall not be printed as paper shares.

IX. Conversion Period

Except for (1) the period during which the transfer of ordinary shares is suspended in accordance with the law, (2) the period from fifteen business days prior to the cessation of transfer of the Company's free allotment of shares, the cessation of transfer of cash dividends, or the cessation of transfer of cash capital increase subscription shares, until the date of distribution of rights, (3) the period from the base date for capital reduction to the day before the start of trading for capital reduction and stock exchange and (4) the period from the date of cessation of conversion for handling changes in the face value of stocks to the day before the start of trading for the issuance of new shares, from March 7, 2024, the day following the expiry date of three months after the issue date of the Convertible Bonds, to December 6, 2028, the bondholder may at any time refer to the Taiwan Depository and Clearing Corporation (hereinafter referred to as "TDCC") through the trading broker, request the stock agency of the Company to convert the Convertible Corporate Bonds into ordinary shares of the Company in accordance with the Regulations, and handle it in accordance with the provisions of Articles 10, 11, 13 and 15 of the Regulations.

The starting date for the cessation of conversion of the face value change referred to in the preceding paragraph shall be one business day before the application for change registration is submitted to the Ministry of

Economic Affairs. The Company will announce the cessation of conversion (subscription) period four business days prior to that starting date.

X. Process for Conversion Request

- (I) The bondholder shall fill in the “Application Form for Conversion/Redemption/Sale Back of Book-entry Transfer of Corporate Bonds” (indicating conversion) to the original trading broker, and the trading broker shall submit an application to TDCC. Upon acceptance of the application, TDCC shall notify the stock agent of the Company by electronic means, which shall be effective upon delivery and shall not be revoked. The conversion shall be completed within five business days after delivery and the ordinary shares of the Company shall be transferred directly into the TDCC account of the original bondholders.
- (II) When overseas Chinese and foreigners apply for the conversion of the Convertible Corporate Bonds held by the Company into ordinary shares, TDCC will handle the allocation through book-entry transfer.

XI. Conversion Price and Adjustment

(I) Conversion Price Fixing

Regarding the determination of the conversion price for this Convertible Corporate Bond, November 16, 2023 is set as the base date for setting the conversion price. The simple arithmetic mean of the closing prices of the Company’s ordinary share for the first, third, and fifth business days prior to the base date (excluding) is taken as the benchmark price, and then the conversion price is calculated by multiplying the benchmark price by the conversion premium rate of 103.9%, which is the conversion price of this Convertible Corporate Bond (calculated to NT\$ 10 Cent, and the number below Fen shall be rounded). If there is an ex-right or ex-dividend before the base date of the pricing, the closing price sampled for calculating the conversion price shall first be counted as the ex-right or ex-dividend price; the conversion price shall be adjusted in accordance with the conversion price adjustment formula in paragraph (2) of this article if there is an ex right or ex dividend from the decision to the actual issuance date. In accordance with the above, the conversion price is set at NT \$240 per share.

(II) Adjustment of Conversion Price

1. After the issuance of this Convertible Corporate Bond, except for the issuance of ordinary shares due to the issuance (or private placement) of various securities with ordinary share conversion rights or subscription rights by the Company, or the issuance of new shares for employee compensation, in the event of an increase (including but not limited to cash increase through public offering or private placement, surplus increase, capital reserve increase, company merger or transfer of shares of other companies to issue new shares, stock split and cash increase to participate in the issuance of overseas depositary receipts, etc.) in the number of ordinary shares already issued (or privately placed) by the Company, the Company shall adjust the conversion price (calculated to NT\$10 Cents, and the number below Fen shall be rounded. Adjustment should be made for price going up instead of going down) of this Convertible Corporate Bond according to the following formula and write to the Taipei Exchange (hereinafter referred to as "TPEX") to announce the adjustment (where any actual payment is made, it will be adjusted on the full payment date) on the ex-rights basis date of the new stock issuance (Note 1). If there is an increase in the number of ordinary shares issued as a result of a change in the denomination of the shares, it will be adjusted on the basis date of the new shares. If the issue price of the new shares is changed after the ex-rights base date of the new shares issued by the cash increase, the updated issue price of the new shares and the current price of each share (the base date for fixing the updated new share issue price as determined by the Company shall be the base date for fixing the updated current price per share) shall be adjusted according to the following formula. If the conversion price after the calculated adjustment is lower than the conversion price that has been announced before the date of the original ex-right basis, TPEX is requested to re-announce the adjustment.

Adjusted conversion price = conversion price before adjustment x [number of issued shares (Note 2) + (payment per share (Note 3) × number of new or private shares issued)/current price per share (Note 4)] / (number of issued shares + number of new or private shares issued)

When the denomination of the shares changes:

Adjusted conversion price = pre-adjustment conversion price ×
(number of ordinary shares issued before change in
denomination/number of ordinary shares issued after change in
denomination)

Note 1: In case of stock split, it shall be split base date; if it is a cash capital increase or a cash capital increase participating in the issuance of overseas depositary receipts processed through inquiry and subscription, considering the absence of an ex-right base date, it shall be adjusted on the date of full payment of the shares;

Note 2: Number of issued shares refers to the total number of issued shares of ordinary share (including public offering and privately placed shares) less the number of treasury shares repurchased by the Company but not yet cancelled or transferred.

Note 3: In the case of a stock grant or stock split, the contribution per share shall be zero. In the case of a consolidated capital increase by issuing new shares, the amount paid per share shall be the net value per share calculated on the basis of the most recent certified or audited financial statements of the liquidating company at the date of the consolidation multiplied by the conversion ratio. If new shares are issued for the purpose of acquiring shares from another company, the amount paid per share shall be the net value per share calculated from the most recent financial statements certified or reviewed by an accountant of the acquired company multiplied by the conversion ratio.

Note 4: The setting of the current price per share shall be based on the simple arithmetic mean of the closing price of ordinary shares calculated one, three, or five business days prior to the ex dividend base date, pricing base date, stock split base date, or privately placed securities delivery date.

2. After the issuance of the convertible bonds, if the Company issues cash dividends on ordinary shares, the conversion price shall be

reduced on the ex-dividend base date according to the following formula, and the Company shall write to request TPEx to announce the conversion price (calculated to NT\$ 10 Cents, the number below Fen shall be rounded) after the reduction. This provision does not apply to those who have requested a conversion before the ex-dividend base date (excluding). The adjustment formula is as follows:

Conversion price after reduction = conversion price before reduction
 $\times (1 - \text{ratio of cash dividend issued on ordinary share to current price per share (Note 5)})$

Note 5: The current price of each share shall be determined by the simple arithmetic average of the closing price of ordinary shares calculated one, three or five business days prior to the date of the announcement of the cessation of the transfer of the cash dividend.

3. After the issue of the Convertible Corporate Bonds, in the event of the Company's various reissued (or privately placed) securities with conversion or subscription rights to ordinary shares at a conversion or subscription price lower than the current price per share (Note 6), the Company shall adjust the conversion price (calculated to NT\$10 Cents, and the number below Fen shall be rounded). Adjustment should be made for price going up instead of going down) of the Convertible Corporate Bonds in accordance with the following formula and shall request TPEx to announce the adjustment on the date of issue of the said securities or options or the date of delivery of the privately placed securities.

Adjusted conversion price = pre-adjustment conversion price \times [number of issued shares (Note 7)+ (conversion or subscription price of newly issued or privately placed securities or stock options \times number of newly issued or privately placed securities or options convertible or subscribed for)/current price per share (Note 6)/(number of issued shares (Note 7)+ number of newly issued or privately placed securities or options convertible or subscribed for)

Note 6: The current price per share is the simple arithmetic mean of the closing price of a Company's ordinary share for one, three, or five business days prior to the base date for the issuance

(or private placement) of various securities with ordinary share conversion rights or warrants, or the delivery date of privately placed securities. If there is an ex-right or ex-dividend before the base date of the pricing, the closing price sampled for calculating the conversion price shall first be counted as the ex-right or ex-dividend price.

Note 7: Number of issued shares refers to the total number of issued shares of ordinary share (including public offering and privately placed shares) less the number of treasury shares repurchased by the Company but not yet cancelled or transferred. If reissued (or privately placed) securities with conversion rights or options for ordinary share are funded by treasury shares, the number of issued shares subject to the adjustment formula should be subtracted from the number of newly issued (or privately placed) securities that can be converted or subscribed for.

4. After the issuance of the convertible bonds, in the event that the Company's ordinary shares are reduced due to capital reduction other than the cancellation of Treasury shares, the Company shall calculate the adjusted conversion price (calculated to NT\$10 Cents, and the number below Fen shall be rounded) in accordance with the following formula and request TPEx to announce the adjustment on the base date of capital reduction. If the ordinary shares are reduced due to the change in the denomination of the shares, the adjustment shall be made on the basis date of the new shares replacement.

- (1) Capital reduction to make up for losses:

Adjusted conversion price = conversion price before adjustment x
[number of ordinary shares issued before
capital reduction (Note 8)/number of
ordinary shares issued after capital reduction]

- (2) Capital reduction in cash:

Adjusted conversion Price = [conversion price before adjustment
× (1- ratio of the cash refund per share to the
closing price on the last trading day before
the replacement of new shares)] × (number of
ordinary shares in issue before the capital
reduction (Note 8)/ number of ordinary
shares in issue after the capital reduction).

(3)Capital reduction of ordinary share due to change in denomination of shares:

Conversion price after adjustment = conversion price before adjustment \times (number of ordinary shares in issue before change in denomination/number of ordinary shares in issue after change in denomination)

Note 8: Number of issued shares refers to the total number of issued shares of ordinary share (including public offering and private placement shares) less the number of treasury shares repurchased by the Company but not yet canceled or transferred.

XII. The Listing of the Convertible Corporate Bonds to TPEx and Termination of the Listing

The Convertible Corporate Bonds shall apply to TPEx for trading before the issue date, and shall be terminated when all of them are converted into ordinary shares or all of them are bought back or repaid by the Company. The above matters shall be announced after the Company has contacted TPEx for consent.

XIII.Listing of New Shares after the Conversion

The ordinary shares issued after the conversion of the converted bonds shall be listed and traded in Taiwan Stock Exchange Corporation (hereinafter referred to as “TWSE”) from the date of delivery and shall be announced by the Company upon the consent of TWSE.

The ordinary shares of the Company will be issued in a non-paper manner and the converted ordinary shares will be listed and traded on the TWSE on a non-paper basis from the delivery date.

XIV. Registration of Change of Capital Stock

The Company shall, within 15 days after the end of each quarter, announce the amount of ordinary shares delivered in the previous quarter as a result of the conversion of the Convertible Corporate Bonds, and shall apply to the competent authority of company registration for registration of capital change at least once in each quarter.

XV. Handling of the Amount of Less One Share at Share Conversion

If there is less than one share of the Company's ordinary shares at the time of conversion, the amount of such shares shall be paid by the Company in cash (calculated to NT1\$, rounded up below), except for deducting the fees for share depositary and clearing.

XVI. Rights and Obligations after the Conversion

Unless otherwise provided for in the Regulations, the bondholders requesting conversion shall have the same rights and obligations as the holders of the original issued ordinary shares of the Company when they acquire the ordinary shares after the conversion request takes effect.

XVII. Ownership of Dividends of the Conversion Year

(I) Cash dividends

1. If the holder of this Convertible Corporate Bond requests conversion from January 1 of the current year to fifteen business days (excluding) before the cessation of transfer of cash dividends of the current year, the ordinary shares obtained from the conversion may be entitled to be granted to the cash dividend of the current year as decided by the shareholders' meeting of the next year.
2. In the current year, the conversion of the Convertible Corporate Bonds shall cease from 15 business days (inclusive) before the cash dividend of the Company ceases to transfer to the base date (inclusive) of the cash dividend.
3. Holders of the Convertible Corporate Bonds of the Company who request conversion from the day following the base date of the current annual cash dividend to December 31 (inclusive) of the current year shall not enjoy the stock dividends of the previous year as decided by the shareholders' meeting of the current year, but may be entitled to be granted to the cash dividend of the current year as decided by the shareholders' meeting of the next year.

(II) Stock Dividend

1. If the holder of the Convertible Corporate Bonds requests the conversion before 15 business days (excluding) prior to the date of

cessation of the transfer of the Company's stock grants for the year commencing on January 1 of the current year, the ordinary shares resulting from the conversion may be subject to the stock dividends of the year preceding the resolution of the current year's shareholders' meeting.

2. In the current year, the conversion of the Convertible Corporate Bonds of the Company shall cease from 15 business days (inclusive) before the date of the termination of the transfer of the Company's stock grants to the date (inclusive) of the base date of the stock grants.
3. Holders of the Convertible Corporate Bonds of the Company who request conversion from the day following the ex-dividend base date of the current annual stock grants to December 31 (inclusive) of the current year shall not enjoy the stock dividends of the previous year as decided by the shareholders' meeting of the current year, but may be entitled to be granted to the stock dividend of the current year as decided by the shareholders' meeting of the next year.

XVIII. The Company's Right to Redeem the Convertible Corporate Bonds

- (I) If the closing price of the ordinary shares of the Company exceeds the then conversion price by 30% (inclusive) for thirty consecutive business days from the day following the expiry of three months after the date of issue of the Convertible Corporate Bonds (March 7, 2024) to forty days before the expiry of the Issue period (October 27, 2028), the Company may, within thirty (30) business days thereafter, send by registered post to the bondholders (the list of bondholders listed on the fifth business day prior to the date of sending the "Notice of Call" shall prevail. For bondholders who subsequently acquire this Convertible Corporate Bond for trading or other reasons, the announcement shall be made) a 30-day Notice of Call (the aforesaid period shall be from the date of issuance of the letter by the Company, and the expiration date of the aforesaid period shall be the base date for the redemption of the bonds, and the aforesaid period shall not be the period of suspension of conversion under Article 9). The

redemption price is fixed at the face value of the bonds, and the Company will recover all of its bonds in cash, and writing to TPEx to announce. The Company shall, within five business days after the base date of bond redemption, redeem the Convertible Corporate Bonds in circulation in cash at the value of the bonds.

(II) If the outstanding balance of the Convertible Corporate Bonds is less than 10% of the total amount originally issued from the day following the expiry of three months after the date of issue of the Convertible Corporate Bonds (March 7, 2024) to forty days before the expiry of the Issue period (October 27, 2028), the Company may, at any time thereafter, send by registered post to the bondholders (the list of bondholders listed on the fifth business day prior to the date of sending the “Notice of Call” shall prevail. For bondholders who subsequently acquire this Convertible Corporate Bond for trading or other reasons, the announcement shall be made) a 30-day Notice of Call (the aforesaid period shall be from the date of issuance of the letter by the Company, and the expiration date of the aforesaid period shall be the base date for the redemption of the bonds, and the aforesaid period shall not be the period of suspension of conversion under Article 9). The redemption price is fixed at the face value of the bonds, and the Company will recover all of its bonds in cash, and writing to TPEx to announce. The Company shall, within five business days after the base date of bond redemption, redeem the Convertible Corporate Bonds in circulation in cash at the value of the bonds.

(III) If the bondholder fails to provide a written replay to the Company’s stock agency (effective upon delivery, as indicated by the postmark date) before the bond redemption base date specified in the “Notice of Call”, the Company will redeem the outstanding Convertible Corporate Bonds in cash according to the face value of the bonds within five business days after the bond redemption base date.

(IV) If the Company executes the redemption request, the deadline for the bondholder to request conversion is the second business day after the Convertible Corporate Bond ceases trading over TPEx.

XIX. The put option base date for the early redemption of this Convertible Corporate Bond by the holders of it is December 6, 2026, after the issuance of the Convertible Corporate Bond for at least three years. The Company

shall send a “Notice of Exercise of the Put Option” to the bondholder ((the list of bondholders listed on the fifth business day prior to the date of sending the “Notice of the Exercise of the Put Option” shall prevail. For bondholders who subsequently acquire this Convertible Corporate Bond for trading or other reasons, the announcement shall be made) by registered mail not later than forty days prior to the put option base date (October 27, 2026), and shall write to TPEx to notify the holder of the Convertible Corporate Bond of the exercise of the put option. The holder of the Convertible Corporate Bond may, within 40 days before the base date of put option, notify the stock agent of the Company in writing and request the Company to redeem the bond in cash at the face value of the bond plus interest compensation [100.7519% of bond face value after three years (yield to put of 0.25%)]. The Company shall redeem the Convertible Corporate Bond in cash within five business days after the base date of put option. If the aforementioned date falls on the day when the Taipei Stock Exchange is closed, it will be postponed to the next business day.

XX. All Convertible Corporate Bonds redeemed, repaid or converted by the Company (including those bought back by the dealer’s office) shall be cancelled and shall not be sold or issued again, and the conversion rights attached thereto shall be extinguished.

XXI. The Convertible Corporate Bonds and the ordinary shares converted are registered, their transfer of ownership, registration of change, pledge and loss are all handled in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies and relevant provisions of the Company Act. In addition, tax matters shall be handled in accordance with the provisions of the current tax regulations.

XXII. Mega International Commercial Bank Co., LTD is the trustee of the bondholders and exercises the right and responsibility to check and supervise the Company’s execution of the issuance of the Convertible Corporate Bond on behalf of the bondholders. All bondholders who hold this convertible corporate bond, whether subscribed at the time of issuance or purchased midway, agree to and grant to the Trustee full authority in respect of the terms of the Contract of Trust between the Company and the Trustee, the rights and obligations of the Trustee and the present issue and conversion, and such authority shall not be revoked in the course of issue. As for the contents of the Contract of Trust, the bondholder may consult the Company

or the Trustee's business premises at any time during business hours.

XXIII. The conversion, repayment of principal and interests of the Convertible Corporate Bond shall be entrusted to the Company's stock agency.

XXIV. In accordance with Article 8 of the Securities Exchange Act, no paper bonds will be printed.

XXV. Any matter concerning the issue and conversion method of the Convertible Corporate Bond shall be subject to relevant laws and regulations.