KAORI

高力熱處理工業股份有限公司

KAORI HEAT TREATMENT CO., LTD.

- Low Carbon and Emission
- People Values
- Sustainability

2025 ESG
Sustainability Report

Content

Message from the Chairman

2025 marks a year of ongoing restructuring in the global industrial order and the accelerated advancement of energy transition. In an environment characterized by such volatility and competition, we have not chosen a conservative path; instead, we continue to push for transformation and upgrading with a proactive stance, moving resolutely toward a corporate future that integrates low-carbon, intelligent, and sustainable development. Over the past year, we have not only consolidated our established market position but also achieved concrete breakthroughs in sustainable governance and operational efficiency, further strengthening the Company's long-term competitiveness.

Market and Professional Recognition

In terms of market and professional evaluations, we have been honored as one of the Taiwan FINI 100 Companies and achieved an “A” rating in the Taiwan Sustainability Ratings. At the same time, in the CommonWealth Magazine's Top 50 Benchmark Entrepreneurs, we were honored with second place in the electromechanical equipment and precision instrument industry. This not only represents external recognition of our operational results, but also reflects the continuous improvement of the Company's technical strength, governance quality, and industry influence.

Sustainable Transformation

To advance our sustainable transformation, we have further accelerated our carbon reduction efforts and the optimization of our energy structure. Complete the deployment of 1.216 MW in renewable energy capacity in 2025, with annual power generation reaching 1,381,178 kWh, to gradually increase the proportion of self-generated green power and strengthen energy autonomy. Meanwhile, through comprehensive process improvements and deepened energy management, energy intensity decreased by 30.40% compared to 2024, while greenhouse gas emission intensity was also reduced by 31.28%. These achievements are not a single improvement, but a concrete manifestation of systemic transformation, representing that we are reshaping our business model in a more efficient and low-carbon manner.

Governance and Risk Management

Regarding governance and risk management, we have continued to strengthen our corporate resilience and institutional foundations. It is worth highlighting that our subsidiary, Kaori Heat Energy Technology Co., Ltd., officially obtained ISO 45001 Occupational Health and Safety Management System third-party certification within just its first year of operation. This achievement demonstrates that we have aligned our systems with international standards in a remarkably short timeframe, fully integrating occupational health and safety management into a systematic framework. We continue to advance this initiative with zero occupational accidents as our clear, long-term management objective. Simultaneously, the subsidiary earned ISO 27001 Information Security Management System certification, further strengthening its information security defenses and digital operational resilience. These milestones have established a verifiable, scalable governance foundation that meets international standards, ensuring steady and continuous operations within a highly digitized and competitive global environment.

Looking ahead, we face not only market competition but an era defined by the comprehensive reshaping of energy structures, technological innovation, and sustainability standards. We will continue to accelerate the development and application of low-carbon technologies and high-efficiency solutions, expand our renewable energy footprint, and deepen our digital and smart manufacturing capabilities, ensuring that sustainability is not merely a responsibility, but the core engine driving corporate growth.

Our goal is not merely to keep pace with change, but to set the standard amidst it; we do not simply respond to trends, we define the future. Facing the challenges of the next stage, we will drive the company forward with firmer determination, more systematic strategies, and a longer-term vision, working with all stakeholders to create a future that is more resilient, competitive, and defined by sustainable value.

Chairman and Chief of the ESG Committee

Chih-Hsiung Wu

Report Overview and Scope

Report Overview

This report follows the guidelines and framework of the Global Reporting Initiative (GRI) Sustainability Reporting Standards to detail the efforts of Kaori Heat Treatment Co., Ltd. (hereinafter referred to as Kaori Heat Treatment, Kaori, the Company, or we) in fulfilling corporate citizenship responsibilities. It focuses on the Company's active implementation of sustainability management, corporate governance, risk management, operational strategy performance, customer relations, product innovation and quality management, sustainable supply chain management, sustainable environmental sustainability, creating a friendly workplace and safe and healthy work environment, and social harmony.

Considering the issues that concern investors, this report aims to provide reliable and transparent information. Various information is published simultaneously on the Company's website to promote two-way communication with internal and external stakeholders. Kaori anticipates increasing demands from stakeholders for the disclosure of non-financial information. Therefore, we aim to present the Company's management approach and data related to corporate sustainable development, as well as the transparency and credibility of data.

This report can be read and downloaded from the Company's ESG sustainability official website: https://esg.kaori.com.tw/

Data Period

Year 2025 (from January 1, 2025 to December 31, 2025). This report discloses the various ESG sustainability reports of Kaori Heat Treatment Co., Ltd., including sustainable management involving stakeholder structure and identification, the communication and analysis of issues of concern, the ranking of and response to material issues, impact of sustainable management and risk assessment of material issues, implementation of the United Nations Sustainable Development Goals, management approaches of material issues, and performance information on managing and acting on material ESG issues. Some content is included to enhance the reader's understanding of the information in the report. The Company will annually revise and continue to issue ESG sustainability reports.

Scope and Boundaries

The disclosure scope of this report is compiled based on the organizational boundaries defined by Kaori Heat Treatment Industrial Co., Ltd., covering the main operational sites of the Company in Taiwan and two subsidiaries. The specific scope is as follows:

Parent Company in Taiwan:

- Headquarters / Zhongli Plant 3: No. 5-2, Jilin North Road, Zhongli District, Taoyuan City
- Zhongli Plant 1: No. 2, Jilin North Road, Zhongli District, Taoyuan City
- Zhongli Plant 2: No. 11, Songjiang N. Rd., Zhongli Dist., Taoyuan City
- Kaohsiung Plant: No. 3, Bengong 2nd Rd., Gangshan Dist., Kaohsiung City

Subsidiaries:

- Kaori Thermal Technology Co., Ltd.: No. 8-1, Ziqiang 4th Road, Zhongli District, Taoyuan City (Ziqiang Plant)
- Kaori Technology (Ningbo) Co., Ltd.: No. 8, Chuangye 4th Road, Ningbo Free Trade Zone (West), Ningbo (Ningbo Plant)

Financial Information Notes

Financial information in this report is disclosed in accordance with the principles for preparing consolidated financial statements. All currency amounts are expressed in New Taiwan Dollars (NTD); larger amounts are presented in thousands of NTD.

- Principles of Data Presentation

  Unless otherwise stated, the data in this report is presented according to the following principles:

Rounding	Figures are rounded to two decimal places.
Trend Comparison	To present medium- and long-term trends, data for certain indicators are provided for three consecutive years (2023 to 2025).
Boundary differences	Where the scope of disclosure for specific data differs from the overall reporting boundary, a separate note is provided below the respective paragraph or chart.
Restatements of Information	If historical data is restated due to methodological adjustments, boundary changes, or other reasons, the reasons for the restatement and its impact will be explained.

Principles and Guidelines

The content of this report was compiled by the respective working groups under the ESG Committee of Kaori, based on collected and consolidated information. It has been reviewed and approved by the ESG Committee in accordance with the established procedures, and was ultimately submitted by the Sustainable Development Committee for review by the Board of Directors.

To continuously enhance the comparability of performance and the materiality and quality of the report, all the information disclosed in this report adheres to international standards: GRI, TCFD, SASB, and the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies. The standards are as follows:

- Global Reporting Initiative Sustainability Reporting Standards (GRI Standards: 2021)
- TCFD: Climate change risks, opportunities, and financial impacts
- SASB: Themes and accounting metrics of Sustainable Accounting Standards for Resource Transformation: Industrial Machinery & Goods
- SDGs: United Nations Sustainable Development Goals → Applicable provisions for corporate organizations
- Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies (amended on May 05, 2025)
- Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies (amended on September 2, 2025):

Ensuring the accuracy of public information

Publishing ESG-related information has a significant impact on stakeholders. Therefore, we must make every effort to ensure the accuracy and completeness of the disclosed information. In 2025, we paid close attention to every detail to guarantee the correctness and completeness of the public information.

Internal verification

All information, data, reviews, and verification materials disclosed in this report have been documented. The content was compiled by the respective working groups under the ESG Committee of Kaori, based on collected and consolidated information. It has been reviewed and approved by the ESG Committee in accordance with the established procedures and was ultimately submitted by the Sustainable Development Committee for review by the Board of Directors.

External verification

Financial data: Deloitte Taiwan

ESG Sustainability Report: Verified by AFNOR Asia Ltd. in accordance with the AA1000 Assurance Standard, Type I, Moderate level of assurance, and in compliance with the requirements of the GRI Standards: 2021. The Independent Assurance Statement was issued by AFNOR Asia Ltd. (see Appendix 5 for details).

Frequency of issuance

This is the 2025 Sustainability Report of Kaori Heat Treatment Co., Ltd. In support of Kaori's energy and carbon reduction, environmental care, and paperless initiatives, the Company has opted to disclose the report to all potential users in electronic form over Kaori's website.

- Date of previous publication: August 2025
- Date of current publication: August 2026
- Date of next publication: August 2027

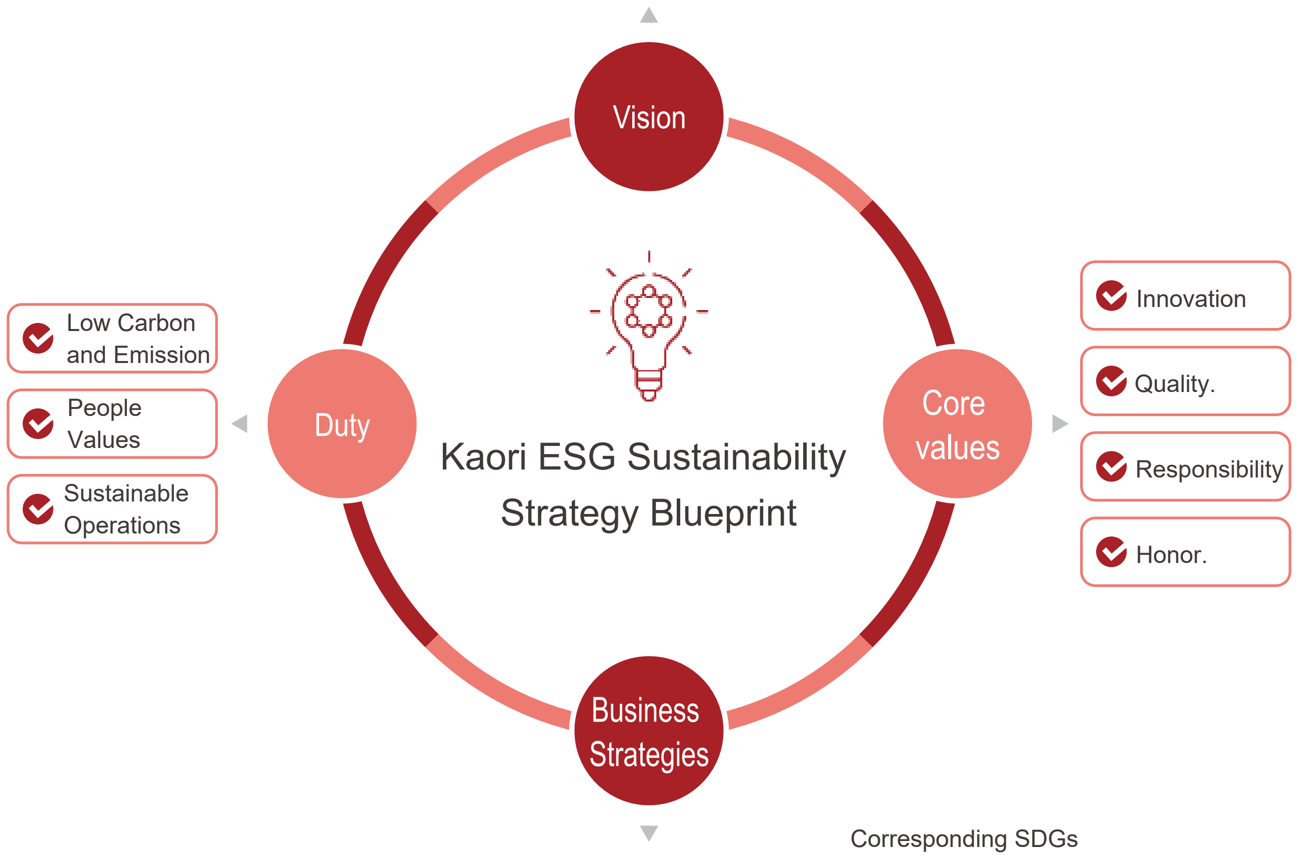
Contact Information

Please do not hesitate to contact us if you have any suggestions regarding this report or Kaori's sustainability practices.

- Kaori Heat Treatment Co., Ltd. ESG Committee, Manager Chen
- Address: No. 5-2, Jilin North Road, Zhongli District, Taoyuan City 320030
- Tel.: +886-3-4527005 ext. 213
- Email:pr@kaori.com.tw
- Website: https://www.kaori.com.tw

ESG Vision and Strategy

For Earth. For Us.



Vision

Duty

Core values

Business Strategies

Kaori ESG Sustainability Strategy Blueprint

- ✓ Low Carbon and Emission
- ✓ People Values
- ✓ Sustainable Operations

- ✓ Innovation
- ✓ Quality.
- ✓ Responsibility
- ✓ Honor.

Corresponding SDGs

- Pollution prevention/compliance with environmental laws and regulations
- Establishment of a sustainable green environment
- Energy Conservation, carbon reduction, and energy management
- Renewable energy and effective energy conservation
- Support for renewable energy and circular utilization

3 Good Health and Well-Being
6 Clean Water and Sanitation
7 Affordable and Clean Energy
12 Responsible Consumption and Production
13 Climate Action

- Friendly and inclusive workplace
- Talent cultivation and development
- Healthy and safe environment
- Competitive remuneration and benefits
- Community charity/care for the disadvantaged

4 Quality Education
5 Gender Equality
8 Employment and Economic Development
10 Reduced Inequality

- Quality governance and business integrity
- Sustained growth and profitability
- Customer service and satisfaction
- Implementation of the sustainable supply chain management system
- Support for local procurement

8 Employment and Economic Development
9 Sustainable Industry and Infrastructure
11 Sustainable Cities and Communities
12 Responsible Consumption and Production
16 Institutional Justice and Peace

2025 Sustainability Highlights

TOP 100

Taiwan FINI 100 Companies

Taiwan Sustainability Ratings: Level A.

2nd place as the benchmark in the electromechanical equipment and precision instrument category of the CommonWealth Magazine's "Benchmark Entrepreneur Survey".

Energy intensity was lowered significantly by 30.40% in 2025 compared to 2024.

The greenhouse gas emissions intensity in 2025 decreased by 31.28% compared to 2024.

An outstanding enterprise in the "Active Evaluation of Occupational Health and Safety Performance Disclosure in Corporate Sustainability Reports"

Kaori Thermal Technology Co., Ltd. passed the ISO 45001 Occupational Health and Safety Management Systems third-party certification. Through systematic occupational safety and health management, we are committed to continuous improvement and to moving toward the goal of zero occupational accidents.

Kaori Thermal Technology Co., Ltd. passed the third-party certification for the ISO 27001 Cybersecurity Management Systems third-party certification.

1

Sustainability Management Implementation

9 Sustainable Industry and Infrastructure

12 Responsible Consumption and Production

1.1 Stakeholder Organization

1.1.1 ESG structure and responsibilities

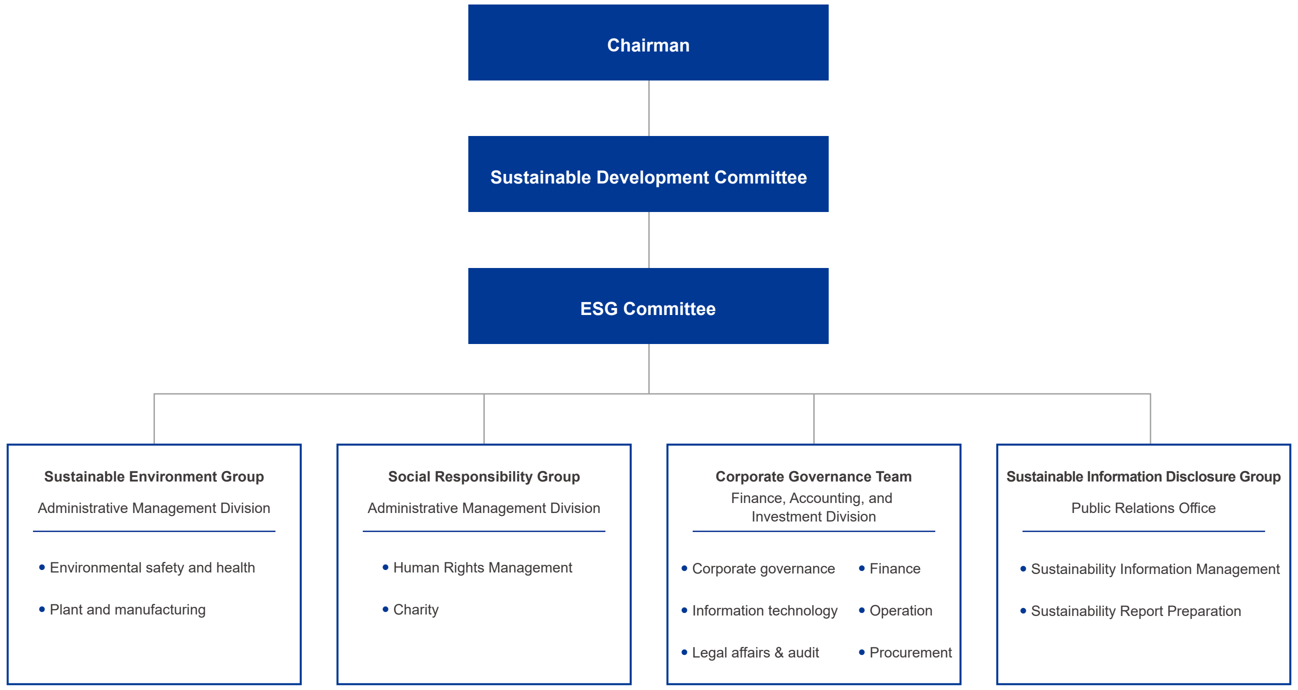
To strengthen the Company’s governance and promotion of sustainability, and to ensure the effective implementation of its sustainability strategies and goals, the Company formally established the Sustainable Development Committee (hereinafter referred to as “the Committee”) with the approval of the Board of Directors on May 8, 2024. The Committee is composed of three members and aims to enhance the Company’s management and oversight in areas such as environmental protection, social responsibility, and corporate governance, ensuring that while pursuing economic benefits, the Company also fulfills its responsibilities to society and the environment.

Under the authorization of the Board of Directors, the Committee shall exercise the duty of care of a good administrator and faithfully perform the following responsibilities, with reports submitted to the Board of Directors:

I. Formulate, promote, and strengthen the Company’s sustainability policies, annual plans, and strategies.
II. Review, track, and revise the implementation status and effectiveness of sustainability initiatives.
III. Supervise sustainability-related disclosures and review the sustainability report.
IV. Oversee the implementation of the Company’s Sustainable Development Best Practice Principles and other sustainability-related tasks as resolved by the Board of Directors.

In 2025, the Sustainable Development Committee convened a total of two meetings, with reports submitted to the Board of Directors. Please refer to the minutes of the Sustainable Development Committee meetings.

Organizational structure of the Sustainable Development Committee



Chairman

Sustainable Development Committee

ESG Committee

Sustainable Environment Group
Administrative Management Division
- Environmental safety and health
- Plant and manufacturing

Social Responsibility Group
Administrative Management Division
- Human Rights Management
- Charity

Corporate Governance Team
Finance, Accounting, and Investment Division
- Corporate governance
- Finance
- Information technology
- Operation
- Legal affairs & audit
- Procurement

Sustainable Information Disclosure Group
Public Relations Office
- Sustainability Information Management
- Sustainability Report Preparation

The Company has established the ESG Promotion Committee (hereinafter referred to as the ESG Committee) as the executive body to assist the Sustainable Development Committee in implementing various plans. In accordance with Article 6 of the Organizational Regulations of the Sustainable Development Committee, the executive functions are performed by relevant department heads, who serve as members of the Sustainable Environment Group, Social Responsibility Group, Corporate Governance Group, and Sustainability Information Disclosure Group. The General Manager acts as the convener, reporting the implementation status during monthly management meetings and, when necessary, urging timely adjustments. The ESG Committee held a total of 13 meetings in 2025 to discuss project execution progress, changes in domestic and foreign laws, and issues concerning CBAM.

The ESG Committee is a cross-departmental communication platform responsible for planning, implementing, and controlling various action plans. It integrates and supervises the implementation progress and effectiveness of the four key aspects: corporate governance, social responsibility, environmental management, and sustainable information disclosure, ensuring the effectiveness of both horizontal and vertical communication within the organization and concrete practices of sustainable development.

- Responsibilities of the ESG Committee:

1. Formulate the annual corporate sustainable development plan and strategic direction.
2. Plan and execute various activities related to corporate sustainability development.
3. Track and review the implementation and effectiveness of the corporate sustainable development plan.
4. Make decisions on other ESG-related matters, including corporate governance, environment, and social issues.
5. Monthly meetings to report and discuss corporate sustainability development-related topics.
6. Regularly report the ESG implementation plan and results to the Board of Directors every year.

The structure of the aforementioned ESG Committee, the key ESG initiatives for each category, and the responsible units are as follows:

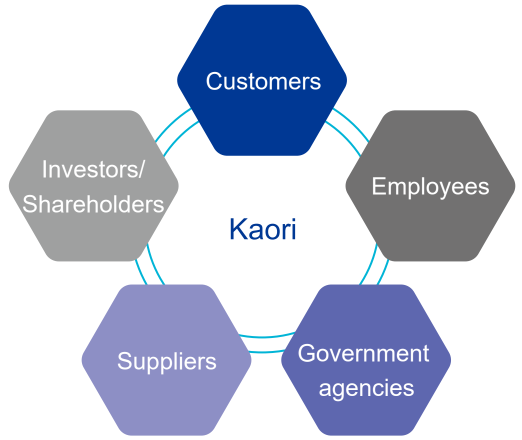
By Category			Key ESG initiatives	Responsible unit
Corporate Governance Team	Corporate governance		• Financial Management System • Business integrity	Finance and Investment Division Special Assistant's Office
			• Quality Management System	Quality Assurance Center
			• Ethical management systems: Legal compliance, professional ethics, anti-corruption and bribery, etc.	Administrative Management Division Special Assistant's Office
			• Cybersecurity	Information Technology Division
			• Risk management	Business Divisions
			• Customer privacy and customer relationship management	Business Divisions
			• Sustainable development management system and goals	ESG Committee
			• Grievance system - employees/customers/suppliers/shareholders	Administrative Management Division/Operations Management Department/Procurement Center/Finance and Investment Division
	Product	Suppliers	• Supply chain management (including contractors)	Procurement Center, Administrative Management Division
		Product safety and customer service satisfaction	• Product quality and safety • Customer service and satisfaction • Customer relations management	Business Divisions, Quality Assurance Center
		Product quality management and delivery time	• Product quality management systems • Key quality management procedures and control methods • Product yield rate and delivery time	Business Divisions, Quality Assurance Center
	Economic		• Operating performance	Business Divisions
Sustainable Environment Group	Environmental Management Energy conservation & carbon reduction.		• Energy management • Greenhouse gas management (including carbon emissions) • Water resource management	Administrative Management Division
			• Sewage/Exhaust/Waste management • Work environment management systems	Administrative Management Division
			• Public area management systems	Administrative Management Division
	Health and safety		• Occupational safety and health	Administrative Management Division
Social Responsibility Group	Human rights management	Employee management system/ Labor relations	• Human rights management and protection • Employee selection, training, utilization, and retention management • Salary, benefits, and talent cultivation • Labor relations, diversity and inclusion	Administrative Management Division
	Community and public welfare activities		• Neighborliness in local communities	Administrative Management Division
			• Give back to communities and charity events	
Sustainable Information Disclosure Group	Sustainable Information Management Preparation of Sustainability Report		• Sustainable Information Management Policy • Relevant Regulations and International Standards for Sustainability Disclosure	Public Relations Office

1.2 Major Stakeholder Identification and Engagement

1.2.1 Identifying major stakeholders

The ESG Promotion Task Force of Kaori followed six key selection principles: “Responsibility”, “Influence”, “Proximity”, “Dependency”, “Representativeness”, and “Policy and Strategic Intent”. Stakeholder identification and prioritization were conducted through questionnaires. The results were then cross-validated with input from external sustainability consultants to ensure the completeness of stakeholder coverage. Final deliberation and approval were carried out through the ESG Committee meeting. In 2025, the five primary stakeholder groups were identified as: investors/shareholders, customers, suppliers, and government agencies. We listen to the voices of stakeholders through various communication channels, collect their concerns on the Company, and accept and respond to their expectations.

- The main stakeholders of the Company are as follows:



1.2.2 Major stakeholder communication and grievance channels

Kaori discloses its corporate social responsibility on the Company website. Five contact window and contact information of the major stakeholders, and the corresponding contact person, and issues of concern are as follows:

Category	Contact window, Issues of concern, and Grievance channels	
Employees' Area	Contact window: Administrative Management Division Issues of concern: Human rights protection, remuneration and benefits, training and development, safety and health, promotion channels, etc. • Grievance hotline: 03-4527005 #236	• Email:jocelyn@kaori.com.tw
Customers' Area	Contact window: Business Division Issues of concern: Product quality and delivery time, customer privacy, customer service and satisfaction, etc.	
	Brazed Plate Heat Exchangers Operations Management Department • Grievance hotline: 03-4527005 #229 • Email:minnie@kaori.com.tw Gasket Plate Heat Exchangers Business Division • Grievance hotline: 03-4527005 #233 • Email:jim-tsai@kaori.com.tw	New Energy Division • Grievance hotline: 03-4527005 #801 • Email:victorhsu@kaori.com.tw Fuel Cell Division • Grievance hotline: 03-4527005 #819 • Email:winston@kaori.com.tw
Suppliers' Area	Contact window: Procurement Center Issues of concern: Procurement regulations, green procurement, supplier management, etc. • Grievance hotline: 03-4527005 #501	• Email:daniel-lee@kaori.com.tw
Investors' Area	Contact window: Finance, Accounting, and Investment Division Issues of concern: Operational performance, corporate governance, risk management, shareholders' equity, information disclosure, etc. • Grievance hotline: 03-4527005 #221	• Email:ritachuang@kaori.com.tw
Government Agencies' Area	Contact window: Administrative Management Division Issues of concern: Legal compliance, corporate governance, safety and health, environmental protection, etc. • Grievance hotline: 03-4527005 #280	• Email:allen_yu@kaori.com.tw

1.3 Communication on issues of concern to stakeholders and the process of identifying material issues

Kaori collects sustainability-related issues based on the SDGs, industry regulations and standards, and the organization's annual goals. Through various communication channels with stakeholders, representatives of various units communicate with stakeholders on a regular/ad hoc basis to summarize the concerns of stakeholders through the impact of the Company's operations, and whether there is an impact on the Company's operations. A total of 22 issues were raised (with duplicates counted as one), as detailed in the table below:

Stakeholders	Significance for Kaori	Issues of Concern	Communication Methods and Channels	Frequency of Communication
Customers	Customers' recognitions and support are what drive us to grow; Kaori is dedicated to meeting customers' needs and expectations and creating maximum value with top-quality products and services	• Sustainable Products • Customer privacy • Product Safety • Product quality • Innovative R&D	• Business meetings and visits • Quarterly business reviews • Product project meetings • Customer satisfaction surveys • E-mails, documents, questionnaires • Technology conferences • Company website	• Unscheduled • Quarterly • Unscheduled • Q4 each year • As needed • Unscheduled • Unscheduled
Investors/ shareholders	Kaori operates in the best interests of its shareholders; it allocates capital in a manner that creates a virtuous cycle and makes transparent disclosures of operational and financial information	• Operating performance • Customer relations management • Risk management • Talent attraction and retention • Green operation	• General meetings • Investor conference • Annual reports • Investor mailbox • Market Observation Post System (MOPS) • Telephone	• Once a year • Once a year • Regularly • Unscheduled • Unscheduled • Unscheduled
Suppliers	Kaori views suppliers as important partners for sustainable development. By assisting suppliers in assessing potential risks and opportunities, we work together to develop higher-quality solutions for our customers.	• Product quality • Business integrity • Risk management • Customer privacy • Green operation	• Supplier conferences • Supplier sustainability performance assessment • Supplier sustainability audits • Sustainable supply conferences	• Unscheduled • Once a year • Unscheduled • Once a year
Employees	Driven by the core value of being “people-centered”, Kaori attracts the world's best talents by providing them with comprehensive compensation, a robust training system, and a workplace where they can perform to their best potential and maximize their performance	• Talent development and cultivation • Talent attraction and retention • Occupational health and safety • Labor/management relations • Human rights and equality	• Internal meetings • Operational meetings • COO meetings • Labor-management meetings • Performance evaluation • Training of professional skills • Training for new recruits • Occupational Safety and Health Committee meetings • Employee Welfare Committee meetings • Bulletins • Intranet announcements • Employee health checkups • Reports of personal health states • Health knowledge • Employee grievance mailbox	• Monthly • Once a month • Once a week • Quarterly • Semiannually • Carried out according to employees' annual training program • Carried out depending on new recruitment • Unscheduled • Ad-hoc • Ad-hoc • Once a year • Ad-hoc • Unscheduled
Government agencies	In addition to complying with government policies and regulations of the competent authority, Kaori takes the initiative to promote awareness of government measures and builds a corporate culture of compliance while fulfilling its civic responsibility	• Climate Change Strategy • Salary and benefits • Human rights and equality • Corporate governance • Compliance	• Participation in corporate governance evaluation • Correspondence • Telephone • On-site audit • Seminars and public hearings	• Once a year • Unscheduled • Unscheduled • Unscheduled • Unscheduled

The aforementioned issues of concern were analyzed with reference to the Global Reporting Initiative Standards (GRI Standards) based on the steps of identification, prioritization, validation, and review. This analysis aims to confirm the scope of material issues disclosed in the report and to comprehensively examine the sustainable development challenges faced by the company, both internally and externally, in terms of material issues and the overall effectiveness of sustainable management.

The process for generating material issues is as follows:

1. Identification

- With reference to domestic and international sustainability standards and industry trends, and through consultations with external experts, 26 sustainability-related topics were identified as the basis for the materiality assessment in the report.
- Employees from various departments identified stakeholders based on their regular business and work experience, listing the sustainability issues that concern different stakeholders and their impact on internal operations.
- To ensure the objectivity, completeness, and inclusiveness of the key issues, the materiality matrix from the previous report was also reviewed.

2. Rank

The method for ranking material issues is explained as follows:

- The evaluation is based on two main aspects: the "impact of various ESG issues on the Company's economic, environmental, and human rights performance" and the "level of concern among stakeholders."
- The internal ESG Committee met to understand stakeholders' opinions, and let the members of the ESG Committee play specific roles (such as procurement playing the role of suppliers) to assess the direct or indirect impacts of the issues of concern on internal operations.
- A quantitative analysis of these direct and indirect impacts was conducted to evaluate the significance of each issue, resulting in a materiality matrix. Follow-up responses to the material issues were subsequently formulated.

3. Confirmation

- To ensure alignment with the GRI principles of completeness and stakeholder inclusiveness, the identification results were reviewed with internal and external experts and discussed during the ESG Promotion Committee meeting, resulting in the selection of 22 topics. The topics were subsequently reviewed by the Sustainable Development Committee and submitted to the Board of Directors for final confirmation as material topics.
- Materiality matrix results:

  10 "material issues," 7 "secondary issues," and 5 other issues. Among them, ten key issues have been identified as the material disclosure topics for this report. Based on the content of these key issues, corresponding GRI material topics have been identified and addressed in the report.

4. Review

- In the next version of the report, we will continue to review the matrix of material issues and strengthen communication with stakeholders to confirm whether the matrix of material issues will be adjusted in the future.

1.3.1 Identification and analysis of stakeholders' issues of concern

Each issue of concern is identified based on the material issues considered by the stakeholders. This involves examining the focus areas of corporate governance, economic aspects, environmental aspects, and social (including human rights/people) issues, identifying the direct or indirect impacts within the internal and external scope of the Company. These topics are then analyzed based on the level of stakeholder concern and subsequently prioritized.

The direct and indirect impacts of the issues continuously monitored by the ESG Committee in 2025 are summarized in the table below:

● Direct Impact ◎ Indirect Impact

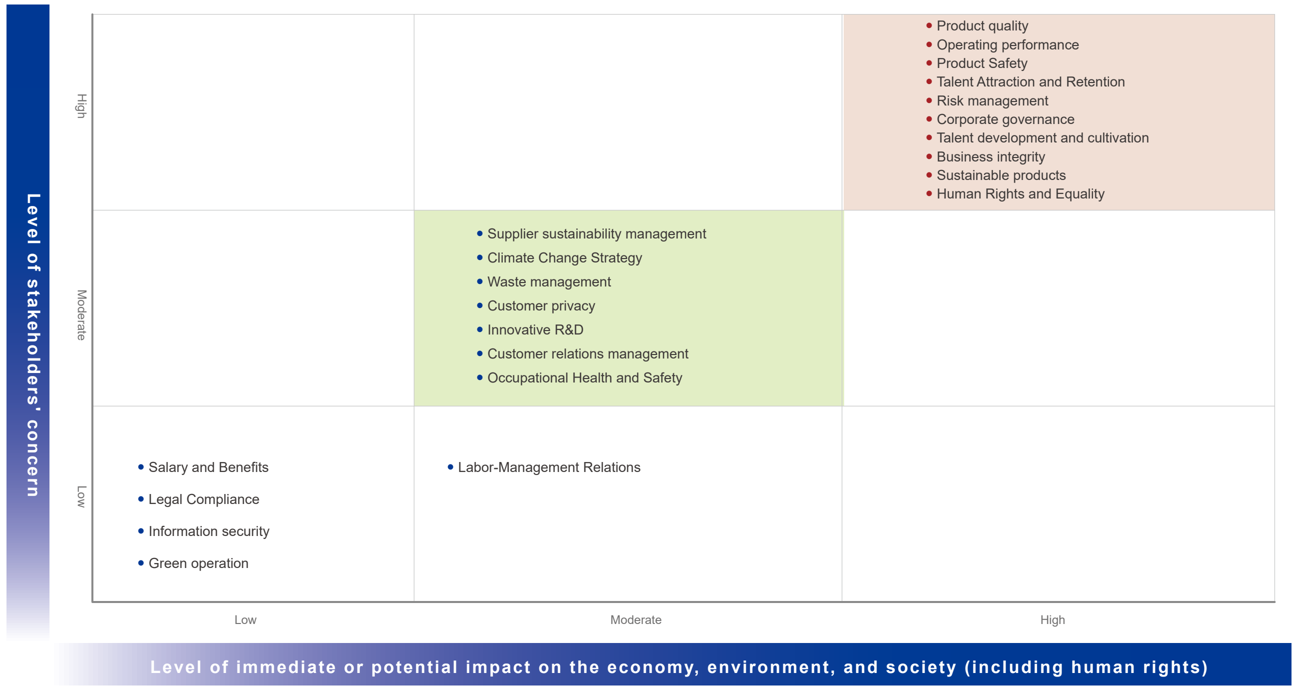
Stakeholder areas of concern		Analysis of the content of issues of concern	Internal to the Company			External to the Company		
			Organization	Employees	Shareholders	Customers	Suppliers	Government agencies
Corporate governance aspect		Corporate governance	●	●	●	●	●	◎
		Compliance	●	●				●
		Business integrity	●	●	●	●	●	◎
		Risk management	●	●	●	●	●	●
		Innovative R&D	●	●	●	●		◎
		Cybersecurity	●	●	●	●		◎
		Sustainable Products	●	●	●	●	●	◎
Economic	Investors	Operating performance	●	●	●	●	●	
	Customers	Product quality	●	●	●	●	●	
		Product Safety	●	●	●	●	●	
		Customer relations management	●		◎	●	●	
		Customer privacy	●		●	●		◎
	Suppliers	Supplier sustainability management	●	●		●	●	◎
Environmental		Climate Change Strategy	●	●		●	●	◎
		Green operation	●	●		●		◎
		Waste management	●	●			◎	●
Social	Personnel management within the Company	Talent development and cultivation	●	●	●		●	●
		Human rights and equality	●	●	●	●	◎	●
		Talent attraction and retention	●	●	●	●		●
		Salary and benefits	●	●				●
		Labor/management relations	●	●		●		●
		Occupational health and safety	●	●		●	◎	●

Explanation: The above table analyzes the importance of 22 issues of concern for both the internal (organization and employees) and external (shareholders, customers, suppliers, and government agencies) stakeholders. Issues with 5 or more (●) are considered highly impactful and are marked in orange 🟧 as material issues. A total of 10 material issues have been identified. These issues will be addressed in terms of their materiality and secondary importance and will be subjected to risk assessment and management (refer to section 2.7.1 Risk Management Process and Response Methods and Appendix 2-1). Issues with 3 or more (●) and 1 (◎) but less than 5 (●) are considered secondary issues and are marked by the light green 🟩 marking. A total of 7 secondary issues have been identified. Only the material and secondary issues are addressed; other general issues are not addressed.

1.4 Identification and ranking of material issues and responses

The Company has consistently focused on the three core areas of sustainability: environmental protection, social responsibility, and corporate governance. These material topics are crucial to our long-term development and are highly aligned with our corporate mission. Over the past two years, both our internal operations and the external market environment have remained stable, without significant changes. To ensure the continuity and consistency of our sustainability strategies, ESG Committee have decided to maintain the same material topics as the previous year, with an emphasis on deepening and implementing the existing plans.

The Materiality Matrix of the Company for 2025 is shown below:



Level of stakeholders' concern	Low	Moderate	High
High			● Product quality ● Operating performance ● Product Safety ● Talent Attraction and Retention ● Risk management ● Corporate governance ● Talent development and cultivation ● Business integrity ● Sustainable products ● Human Rights and Equality
Moderate		● Supplier sustainability management ● Climate Change Strategy ● Waste management ● Customer privacy ● Innovative R&D ● Customer relations management ● Occupational Health and Safety	
Low	● Salary and Benefits ● Legal Compliance ● Information security ● Green operation	● Labor-Management Relations	

Level of immediate or potential impact on the economy, environment, and society (including human rights)

Note: Material issue 🟥 , Secondary issue 🟩

Description of Differences in Material Topics

Detailed description of the differences in the Company's material topics between 2024 and 2025:

2024 Material Topics

- Items: Operational Performance, Energy and GHG Management, Product Quality, Innovative R&D, Customer Relations Management, Risk Management, Talent Development and Cultivation, Customer Privacy, Sustainable Product Services, and Occupational Health and Safety, totaling 10 items.

2025 Material Topics

- Items: Product quality, operational performance, product safety, talent attraction and retention, risk management, corporate governance, talent development and training, ethical management, sustainable products, and human rights and equality (10 items in total).
- Added: 5 items—Product Safety, Talent Attraction and Retention, Corporate Governance, Ethical Management, and Human Rights and Equality
- Removed: Energy and GHG Management, Innovative R&D, Customer Relationship Management, Customer Privacy, and Occupational Safety and Health, totaling 5 items.

Difference Description

The identification results of material topics for this year show significant differences compared to the previous year. Overall, the importance of topics related to governance, ethics, and talent has risen significantly, whereas the relative attention given to certain environmental and customer-oriented topics has declined. This change reflects a shift in stakeholders' expectations for corporate sustainability and the evolution of global sustainability governance trends.

First, several new topics added this year—including "product safety," "talent attraction and retention," "corporate governance," "ethical management," and "human rights and equality"—all ranked among the top ten material issues. This shift indicates that stakeholder concern regarding product risk control, corporate governance transparency, ethical management, and human rights protection has continued to rise. This trend aligns with international sustainability standards (such as ISSB and CSRD), supply chain management requirements, and investor expectations regarding corporate compliance and human rights issues. Among these, "Talent Attraction and Retention" was newly identified and included as a material topic for the first time this year. This reflects that, amid global talent competition, industry labor shortages, and organizational transformation, stakeholders are placing greater emphasis on a company's ability to attract and retain top-tier talent to ensure operational resilience and long-term competitiveness. Furthermore, the rise in the ranking of "Product Safety" indicates that market supervision, product-related regulations, and customer requirements are becoming increasingly stringent, with stakeholders placing higher expectations on the safety and compliance of the entire product life cycle.

In contrast, issues such as "Energy and Greenhouse Gas Management," "Occupational Safety and Health," "Customer Privacy," "Customer Relationship Management," and "Innovative R&D," which ranked highly in the previous year, fell out of the top ten this year. This result may stem from stakeholders' recognition of the Company's management maturity and risk controllability in related fields, leading to a decrease in relative scores. It also reflects a reprioritization of overall issues, as emerging topics such as governance, ethics, and human rights have gained significant attention due to international trends.

Overall, this year's materiality analysis results reflect a shift in stakeholder focus from individual environmental and customer perspectives toward more comprehensive themes highly relevant to the company's long-term operational stability, such as "governance resilience," "corporate ethics," "talent sustainability," and "product safety". The Company will adjust its management strategies and information disclosure content based on the results of the new version of material topics, so as to continuously respond to stakeholders' expectations and enhance sustainability performance.

1.4.1 Responses to material issues

In 2025, 10 material issues were identified and confirmed. A summary of the management actions and related measures is provided below:

Item	GRI standards	Importance to Kaori	Promotion measures
Management Measures	• 416-1 Assessment of the health and safety impacts of product and service categories • 416-2 Customer health and safety	Customers place great importance on product quality and delivery times, which are crucial factors in building trust and a strong reputation with them.	Obtain ISO 9001 quality management certification (including procedures, work standards, etc.) and continuously maintain its validity.
Operating performance	• 201 Operating performance • 201-1 Direct economic value generated by the organization • 201-2 Financial impacts and risks of climate change • 201-3 Defined benefit plan obligations and retirement plans • 201-4 Financial subsidies received from the government	By maintaining continuous profitability to achieve the goal of sustainable operations, we aim to expand new customer bases, increase market share, and create new employment opportunities.	• Keep track of the economic situation and increase capital expenditure in a timely manner. • Expand customers and increase market share. • Control costs and expenses.
Product Safety	• 416-1 Assessment of the health and safety impacts of product and service categories • 416-2 Customer health and safety	Through these management mechanisms, the Company ensures that products meet safety and quality requirements, mitigates regulatory and operational risks, and enhances customer trust and corporate brand value.	Achieved ISO 9001 Quality Management System certification to ensure product quality and safety while mitigating potential risks to customer health and safety during product use.
Talent attraction and retention	• 401-1 New Employee Hires and Employee Turnover • 401-2 Benefits Provided • 401-3 Parental leave • 402 Labor/management relations • 405-1 Diversity of governance bodies and employees • 405-2 Ratio of basic salary and remuneration of women to men	This reflects an organization's ability to attract and retain talent. Monitoring new hires and employee turnover helps the company assess the effectiveness of its human resource management and maintain operational stability.	The Company has established a comprehensive human resource management system and employs talent recruitment mechanisms, competitive compensation and benefits, performance appraisal systems, and education, training, and career development plans to attract and retain outstanding talent. Additionally, we regularly track employee recruitment and turnover to ensure the stability and sustainable development of organizational human resources.
Risk management	• 201-2 Financial impacts and risks of climate change • 308 Supply Chain Risk • 205 Compliance Risk	Risk management is the cornerstone of sustainability; by strengthening governance and resilience, we ensure stable operations and create long-term value.	We implemented the Risk Assessment Procedures in accordance with the ISO 9001 Quality Management System, ISO 14001 Environmental Management System, and ISO 27001 Cybersecurity Management System.
Corporate governance	• 2-9~20 Governance Structure • 205 Business Ethics • 2-26 Whistleblowing Mechanism	Disclose the corporate governance framework and Board of Directors composition. Through robust governance systems and oversight mechanisms, we enhance decision-making transparency and management efficiency, ensuring stable corporate operations and strengthening investor trust. Explain the Board's oversight role on corporate economic, environmental, and social issues, ensuring that related risks and impacts are integrated into decision-making and management mechanisms to strengthen corporate governance and support corporate sustainable development.	The Company has established a comprehensive board governance structure and functional committees, alongside risk management, internal control, and grievance systems. Major operational and sustainability issues are integrated into the board's oversight mechanism to ensure transparent decision-making and stable operations, thereby enhancing the trust of investors and stakeholders.
Talent development and cultivation	• 404-1 Average hours of training per year per employee • 404-2 Programs for upgrading employee skills and transition assistance programs • 404-3 Percentage of employees receiving regular performance and career development reviews	Enhance employees' professional competencies and skills through education, training, and career development programs to strengthen corporate competitiveness. Simultaneously, improve employee satisfaction and retention rates to foster long-term corporate development.	Established the "Education and Training Management Procedures" and "Annual Performance Evaluation Implementation Regulations" for managers at all levels to follow.
Business integrity	• 205 Anti-corruption • 2-23 Policy commitments (Integrity Policy) • 2-26 Whistleblowing Mechanism • 2-27 Compliance with laws and regulations	Implementing business integrity policy is crucial for establishing the Company's reputation and credibility.	We have formulated and implemented the "Ethical Corporate Management Best Practice Principles," "Procedures for Ethical Management and Guidelines for Conduct," "Code of Ethical Conduct for Officers and Senior Professionals," "Code of Ethical Conduct for Employees Below Managerial Level," and "Employee Code of Conduct.
Sustainable Products	• 3-3 Life Cycle Assessment	Customers' demand for sustainable, green products is increasing and becoming more important, which is also a key factor for the Company's product transformation.	Obtain ISO 14067 carbon footprint verification. At the same time, an R&D center has been set up to innovate and develop green and sustainable products.
Human rights and equality	• 2-23 Policy commitments (Human Rights Policy) • 405 Diversity and Equal Opportunity • 405-1 Diversity of governance bodies and employees • 405-2 Ratio of basic salary and remuneration for women and men • 406 Non-discrimination • 408 Prohibition of child labor • 409 No forced labor	Guided by its people-centered values, Kaori takes actions to respect and protect employees' human rights and promote diversity in the workplace.	Released a third-party human rights due diligence report in 2025 Q2. The "Human Rights Policy" is formulated in accordance with the core labor standards and local laws and regulations of the "United Nations Universal Declaration of Human Rights," "United Nations Global Compact," "RBA Code of Conduct," and the fundamental Conventions of the International Labour Organization.

1.5 Impact of sustainable management

1.5.1 Value chain relationships of material issues in Kaori

Sustainability tasks	Material issues	GRI Standards specific topics SASB Standards - Industrial Machinery & Goods	Upstream	Key products of Kaori		Downstream	Operational importance			
			Procurement stage	Heat exchangers	Thermal energy products	Customer use	Revenue growth	Customer satisfaction	Employee morale	Business risk
Corporate governance	Operating performance	• 201 Economic performance • 201-1 Direct economic value generated by the organization	▲	◎	◎	◎	◎	◎	◎	◎
	Business integrity	• 205 Anti-corruption • 2-23 Policy commitments (Integrity Policy) • 2-26 Whistleblowing Mechanism • 2-27 Compliance with laws and regulations	◎	◎	◎	◎	◎	◎	◎	◎
	Corporate governance	• 2-9~2-20 Corporate Governance Framework • 205 Business Ethics • 2-26 Whistleblowing Mechanism	▲			▲	◎	◎		◎
	Risk management	• 201-2 Financial impacts and risks of climate change • 308 Supply Chain Risk • 205 Compliance Risk	▲			▲	◎	◎	◎	◎
Green production	Sustainable Products	• 3-3 Life Cycle Assessment (LCA)		◎	◎	▲	◎	◎		◎
	Product Safety	• 416 Management and disclosure of material topics • 416-1 Assessment of the health and safety impacts of product and service categories • 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services • RT-IG-440a.1 Materials sourcing		◎	◎	◎	◎	◎	◎	◎
	Product quality	• Custom topic	◎	◎	◎	◎	◎	◎	◎	◎
Friendly Workplace	Talent attraction and retention	• 401-1 New Employee Hires and Employee Turnover • 401-2 Benefits Provided • 401-3 Parental leave • 402 Labor/management relations • 405-1 Diversity of governance bodies and employees • 405-2 Ratio of basic salary and remuneration of women to men				▲	▲	▲	◎	◎
	Talent cultivation and development	• 404-1 Average hours of training per year per employee • 404-2 Programs for upgrading employee skills and transition assistance programs • 404-3 Percentage of employees receiving regular performance and career development reviews				▲	▲	▲	◎	◎
	Human rights and equality	• 2-23 Policy commitments (Human Rights Policy) • 405 Diversity and Equal Opportunity • 405-1 Diversity of governance bodies and employees • 405-2 Ratio of basic salary and remuneration for women and men • 406 Non-discrimination • 408 Prohibition of child labor • 409 No forced labor	▲	◎	◎	◎		▲	◎	◎

Note: ◎ High impact ▲ Low impact

1.5.2 Risk management of material issues

In accordance with the Taiwan Stock Exchange's corporate governance evaluation requirements, TWSE/TPEx listed companies shall conduct risk assessments on environmental, social, and corporate governance issues related to the Company's operations based on the principle of materiality and establish relevant risk management policies or strategies. The following table provides a detailed analysis and explanation of the severity and likelihood of risks associated with the 10 material issues identified in 2025, along with the risk considerations, risk assessments, and management measures:

Material issues	Positive Opportunities	Negative impacts	Occurrence Probability*	Severity*	Management of Risks and Opportunities	Report Section
Product quality	High quality ensures customer loyalty and market share.	Quality defects trigger product returns and brand damage.	Unlikely	Critical	Passed the "ISO 9001 Quality Management System" certification, which includes a rigorous quality control system and execution forms; regularly review the causes of defects in the production process and implement continuous improvements to ensure that our products meet customer requirements.	4.5 Product Quality and Product Safety
Operating performance	AI liquid cooling technology transition boosts gross margin.	Global inflation and tariffs impact profitability.	Possible	Critical	The financial department constantly monitors exchange rate information and maintains close communication with our main banking partners to keep track of exchange rate fluctuations, so that managers are adequately informed of exchange rate changes to make adjustments at appropriate times.	3.2 Operating Performance
Product Safety	Safety certification is the threshold to enter high-end markets.	Causing customer system failures.	Unlikely	Severe disaster	Mainly focused on three major dimensions: quality management systems, hazardous substance control, and regulatory compliance.	4.5 Product Safety and Quality Management
Talent attraction and retention	A stable talent pool can pass down key core technologies.	Loss of core technical talent affects R&D progress.	Possible	Critical	The Company has established a comprehensive human resource management system, employed diverse talent recruitment mechanisms, competitive compensation and benefits, performance appraisal systems, and education, training, and career development plans to attract and retain outstanding talent. Additionally, we regularly track employee recruitment and turnover to ensure the stability and sustainable development of organizational human resources.	7.1 Talent Management Policy and Commitment 7.2 Workforce Structure 7.4 Compensation and Benefits
Risk management	Mastering carbon reduction transition opportunities through scenario analysis.	Sudden disasters or information security incidents lead to work suspension.	Possible	Severe disaster	The Company adheres to financial, environmental, labor, and occupational safety regulations, with no violations reported. The Company has formulated the "Risk Management Policy" to respond to the risks of corporate operations and reduce the impact of risks after they occur.	2.6 Risk management

Material issues	Positive Opportunities	Negative impacts	Occurrence Probability*	Severity*	Management of Risks and Opportunities	Report Section
Corporate governance	Enhancing decision-making transparency and strengthening investor trust.	Decision-making errors affect the direction of sustainable operation.	Unlikely	Critical	Corporate Governance Evaluation results carry indicative significance for enterprises, and good performance helps enhance long-term enterprise value; however, the Company should still strike an appropriate balance between governance requirements and operational efficiency to ensure sustainable development.	2.2 Corporate Governance
Talent development and cultivation	Elevating employee competencies and accelerating organizational transition.	Skill obsolescence leads to inability to adapt to new technologies such as AI.	Possible	Medium	The Company has established the "Education and Training Management Procedures" and "Annual Performance Evaluation Implementation Regulations" for managers at all levels to follow.	7.3 Talent Development and Cultivation
Business integrity	Establishing an integrity culture to reduce legal and reputational costs.	Fraudulent behaviors lead to heavy penalties and trust crises.	Unlikely	Severe disaster	Formulated the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct," which explicitly restrict the acceptance of bribes, illegal political donations, and improper benefits, as well as prevent conflicts of interest. Code of Ethical Conduct: All directors, managers, and employees are required to sign relevant integrity statements to incorporate ethical standards into daily operations.	2.3 Business integrity
Sustainable Products	Assisting customers in carbon reduction and opening up green business opportunities.	Excessive technology iteration speed leads to wasted R&D funds.	Possible	Critical	Passed the "ISO 14067 Carbon Footprint Inspection", committed to transforming into low-carbon products, and identifying hazards that may be caused to usage, environment, or property throughout the entire product life cycle.	4.2 Strategic Goals for New Products and Technologies
Human rights and equality	A diverse workplace can attract cross-disciplinary talents.	Workplace discrimination triggers disputes, damaging the image.	Unlikely	Medium	• Released a human rights due diligence report in 2025 Q2. • The "Human Rights Policy" is formulated in accordance with the core labor standards and local laws and regulations of the "United Nations Universal Declaration of Human Rights," "United Nations Global Compact," "RBA Code of Conduct," and the fundamental Conventions of the International Labour Organization.	7.5 Human rights protection and diversity inclusion

Note: Risk occurrence probability: Almost Certain, Likely, Possible, Unlikely, Rare.
Severity of negative risk: Severe disaster, Critical, Medium, Minor, Very slight.

1.6 Fulfill the United Nations Sustainable Development Goals

To fulfill the UN Sustainable Development Goals, Kaori continues to focus on focus on 12 sustainability goals: SDG 3 (Good health and well-being), SDG 4 (Quality education), SDG 5 (Gender equality), SDG 6 (Clean water and sanitation), SDG 7 (Affordable and clean energy), SDG 8 (Decent work and economic growth), SDG 9 (Industry, innovation and infrastructure), SDG 10 (Reduced inequalities), SDG 11 (Sustainable cities and communities), and SDG 12 (Responsible consumption and production), SDG 13 (Climate action), and SDG 16 (Peace, justice and strong institutions). The company has set 2025 goals and management measures from economic, environmental, and social perspectives, and is implementing specific actions to create a sustainable impact.

Dimension	Material issues	Corresponding SDGs Sub-indicators			Report Section
Economic	Corporate governance	16 Institutional Justice and Peace	16.6	Develop effective, accountable and transparent institutions at all levels.	2.2 Corporate Governance
	Business integrity	16 Institutional Justice and Peace	16.5	Substantially reduce corruption and bribery in all their forms.	2.3 Business integrity
	Operating performance	8 Employment and Economic Development	8.2	Achieve higher levels of economic productivity through diversification, technological upgrading and innovation.	3.2 Operating Performance
	Risk management	13 Climate Action	13.1	Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.	2.6 Risk management
Environmental	Product quality	12 Responsible Consumption and Production	12.4	Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.	4.5 Product Quality and Product Safety
	Product Safety	3 Good Health and Well-Being	3.9	Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.	
	Sustainable Products	7 Affordable and Clean Energy	7.3	7.3 Double the global rate of improvement in energy efficiency.	4.2 Strategic Goals for New Products and Technologies
		9 Sustainable Industry and Infrastructure	9.4	9.4 Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency.	
Social	Talent attraction and retention	8 Employment and Economic Development	8.5	Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.	7.1 Talent Management Policy and Commitment 7.2 Workforce Structure 7.4 Compensation and Benefits
	Talent development and cultivation	4 Quality Education	4.4	Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.	7.3 Talent Development and Cultivation
	Human rights and equality	10 Reduced Inequality	10.3	Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices.	7.5 Human rights protection and diversity inclusion
		5 Gender Equality	5.5	Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making.	

2 Corporate Governance and Risk Management

9 Sustainable Industry and Infrastructure

12 Responsible Consumption and Production

16 Institutional Justice and Peace

Achievement of Short-, Medium-, and Long-term Plans and Goals for Material Topics in Corporate Governance

Timeline	Short-term metrics (2025 - 2026)	Medium-term metrics (2027 - 2030)	Long-term metrics (after 2031)
Corporate governance	The Company's corporate governance evaluation ranking is in the 36th to 50th percentile among all listed companies.	The Company's corporate governance evaluation ranking is in the 36th to 50th percentile among all listed companies.	The Company's corporate governance evaluation ranking is in the 21th to 35th percentile among all listed companies.
Compliance	0 violation of the Company Act or tax regulations	0 violation of the Company Act or tax regulations	0 violation of the Company Act or tax regulations

Material issue objective and performance: Corporate governance and business integrity

Kaori is committed to corporate governance and sustainable management, adhering to the principles of business integrity and transparency in information disclosure. The company follows regulations, enhances operational performance, strengthens internal controls and personnel management mechanisms, and maintains ISO management system certifications. This is all part of fostering a high-quality corporate culture that embodies the Company's business philosophy and ethical standards. The goals and performance related to key issues are outlined as follows:

	2025 Goals	2025 Performance Achievement Level	2026 Goals
Corporate governance	The Company's corporate governance evaluation ranking is in the 36th to 50th percentile among all listed companies.	36% - 50% → Achieved	The Company's corporate governance evaluation ranking is in the 36th to 50th percentile among all listed companies.
Compliance	0 violation of the Company Act or tax regulations	0 cases → Achieved	0 violation of the Company Act or tax regulations

Note: For an explanation of the reasons for unmet targets, please refer to Section 2.2.4 Corporate Governance Practices and Future Plans

2.1 Company Profile

2.1.1 Company Profile

Kaori Heat Treatment Co., Ltd. (TWSE code: 8996) was founded in 1970 with the mission to promote green energy. It is the only business in Taiwan that is concurrently involved in the “use”, “conservation”, and “generation of energy”. Today, Kaori has successfully established its expertise in energy conservation and environmental protection. Over the years, Kaori has been aligning its technology and quality with international markets. In addition to gaining experience through partnerships with global industry leaders, Kaori's equipment is on par with that of advanced countries like the United States, Germany, and Japan. To meet the stringent regulatory standards of major international companies, the Company continues to innovate and transform. To date, Kaori's products have been sold in over 100 countries, with a rapidly growing global customer base, making it the preferred partner for international green energy development companies.

Energy Utilization

Energy Savings

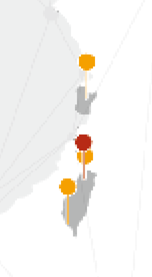
Energy Production

3-Stage Strategy Toward Green Energy

All of the Group's core business activities revolve around energy conservation and green energy, with the main products including plate heat exchangers and critical components for stationary Solid Oxide Fuel Cell (SOFCs). Kaori also offers next-generation green low-carbon solutions through two major technologies: water cooling and immersion liquid cooling and hydrogen power. These efforts support industrial upgrading and align with global trends towards net-zero emissions, environmental friendliness, and sustainable development. The basic information about the Company is as follows:

Company Profile			
Company Name	Kaori Heat Treatment Co., Ltd.	Chairman	Chih-Hsiung Wu
Capital	NT$920 million	Vice Chairman	Hsien-Fu Han
Date of establishment	October 11, 1970	General manager	Hsin-Wu Wang
Employee count (2025.12.31)	Total head count: 952 Parent Company: 676 people; Kaori Thermal Technology Co., Ltd.: 201 people; Kaori Technology (Ningbo) Co., Ltd.: 75 people	Headquarters	No. 5-2, Jilin North Road, Zhongli District, Taoyuan City
Main products and technologies	Brazed plate heat exchangers, gasket plate heat exchangers, key components for solid oxide fuel cells (SOFCs), water cooling and immersion server cooling technology, and hydrogen power technology (methanol-based hydrogen/heat generation, power generation, purification of industrial waste hydrogen)	Operating locations	Headquarters and Zhongli Plant 3, Zhongli Plant 1, Zhongli Plant 2, Kaohsiung Main Plant, Kaori Thermal Technology Co., Ltd., Kaori Technology (Ningbo) Co., Ltd.

The operating headquarters and plants are shown in the figure below:



Headquarter

Chung-Li Plant 1

Chung-Li Plant 2

Chung-Li Plant 3

Kaori Thermal Technology Co., Ltd.

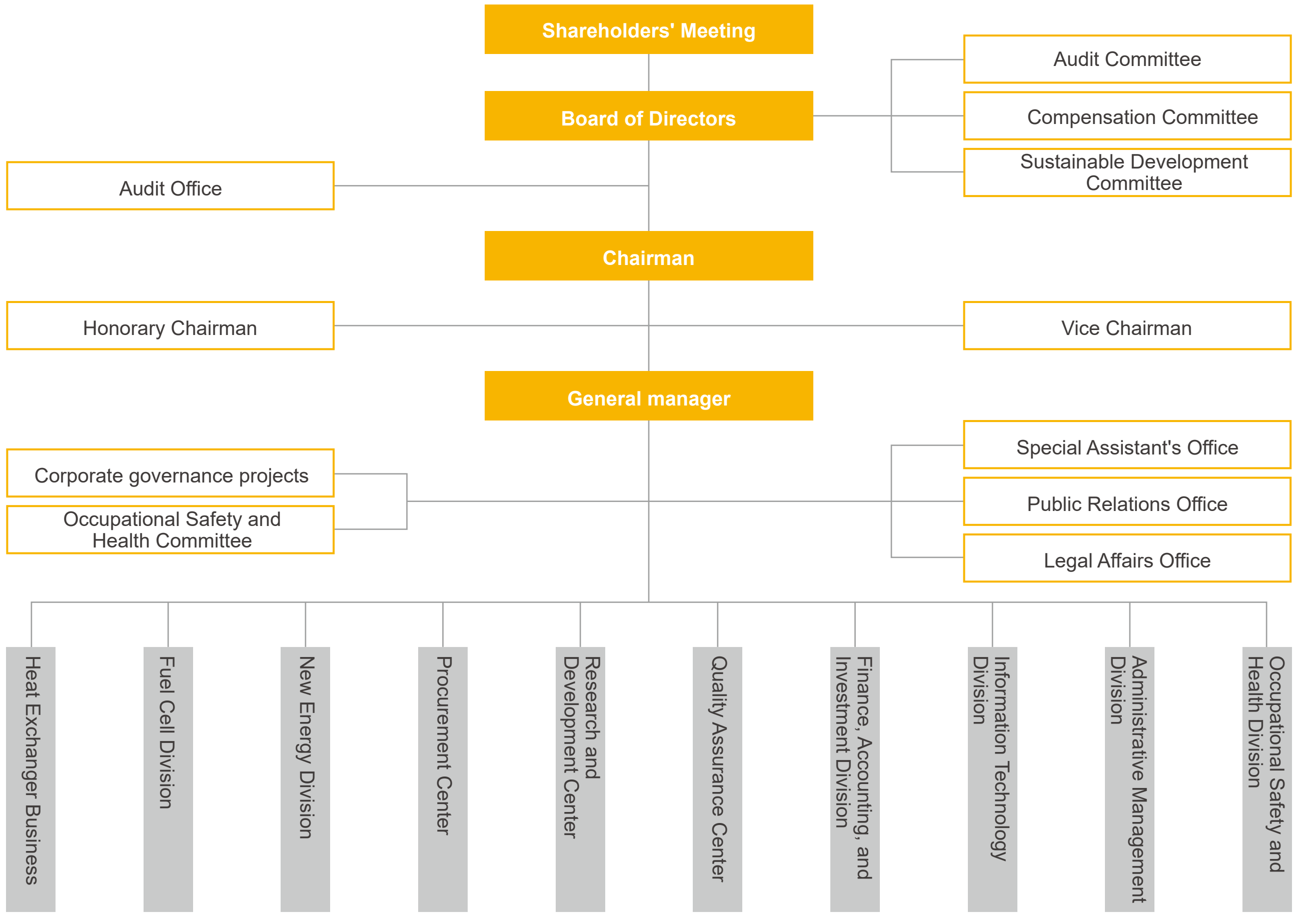
Kaohsiung Ben-Chou Plant

Kaori Technology (Ningbo) Co., Ltd.

Establishment of the Company and Major Milestones

Year	Establishment of the Company and Major Milestones
1970	The Company was founded on October 11.
1994	Independently developed brazed plate heat exchangers
2008	Critical heat exchange system for fuel cells, hydrogen fuel cell power generation system
2018	Established a Thermal Department and introduced immersion server cooling system
2021	Integrated energy solutions into sustainability
2022	• Kaori hosted the "Immersion Cooling Technology Forum," during which it invited guest speakers from the industry, government agencies, and academia to deliver speeches on how low-emission, low-energy, and low-water technologies can be used to help businesses accomplish becoming "carbon neutral." • Expansion of the Kaohsiung Plant was completed, adding 7,841m^2 of factory premises for a total of 17,269m^2 • Passed third-party certification for the "ISO 14064-1 Greenhouse Gas Inventory" • The 744.51 kW commercial rooftop photovoltaic system installed at the Kaohsiung Plant began production • The first sustainable supplier exchange meeting was held to introduce a sustainable supply chain management system. • Acquired an invention patent certificate in Taiwan for a "Device and method of disposing and reusing organic waste fluids" • Plate heat exchangers passed Water Regulations Advisory Scheme (WRAS) certification in the UK
2023	• The world's first plate heat exchanger manufacturer to receive a dual certification of ISO 14064-1 for greenhouse gas inventory and ISO 14067 for carbon footprint from a third party. • Founder and Honorary Chairman Han Hsien-Shou was awarded an honorary doctorate from National Changhua University of Education • With a focus on energy-saving digitalization in the manufacturing process, the Kaohsiung Plant and Plant 1 have already implemented semi-automated production equipment, achieving energy savings and improving production management efficiency. • Obtained the ISO 45001 Occupational Health and Safety Management System certification • Promote CPR+AED training for all employees to improve emergency care skills • Obtained third-party validation for the ISO 27001 cybersecurity management standard • Implemented the ISO 14064-1 Greenhouse Gas Inventory for two consecutive years and passed the third-party validation
2024	• The Board of Directors established a functional committee, the “Corporate Sustainable Development Committee” • An extraordinary shareholders’ meeting approved the spin-off of the Company’s Thermal Business Division, which will be transferred through a spin-off arrangement to a newly established wholly owned subsidiary, Kaori Thermal Technology Co., Ltd. • In 2024, the Company received a Grade B in the international CDP Carbon Disclosure assessment • The Ningbo plant passed the international ISO 14064-1:2018 greenhouse gas inventory verification and was rated as a Three-Star Green Factory by Beilun District, Ningbo City • Implemented the ISO 14064-1 Greenhouse Gas Inventory for three consecutive years and passed the third-party validation • Awarded the “Healthy Workplace Certification - Badge of Accredited Healthy Workplace” by the Health Promotion Administration, Ministry of Health and Welfare • Awarded as an outstanding enterprise in the “Active Evaluation of Occupational Health and Safety Performance Disclosure in Corporate Sustainability Reports” by the Occupational Safety and Health Administration, Ministry of Labor • Conducted the first third-party human rights due diligence and issued a corresponding report
2025	• Taiwan FINI 100 Companies • Taiwan Sustainability Ratings: Level A. • 2nd place as the benchmark in the electromechanical equipment and precision instrument category of the CommonWealth Magazine's "Benchmark Entrepreneur Survey". • Renewable green power deployment: Completed the installation of 1.216MW of capacity, with the total power generation reaching 1,381,178 kWh in 2025. • Energy intensity was lowered significantly by 30.40% in 2025 compared to 2024. • The greenhouse gas emissions intensity in 2025 decreased by 31.28% compared to 2024. • Awarded as an outstanding enterprise in the “Active Evaluation of Occupational Health and Safety Performance Disclosure in Corporate Sustainability Reports” by the Occupational Safety and Health Administration, Ministry of Labor. • Kaori Thermal Technology Co., Ltd. passed the ISO 45001 Occupational Health and Safety Management Systems third-party certification. Through systematic occupational safety and health management, we are committed to continuous improvement and to moving toward the goal of zero occupational accidents. • Kaori Thermal Technology Co., Ltd. passed the third-party certification for the ISO 27001 Cybersecurity Management Systems third-party certification.

2.1.2 Organizational Structure and Responsibilities



Main duties of each department

Department	Main duties and responsibilities
Board of Directors	• Provides guidance for the Company's business strategy and objectives, and supervise the management's operational performance. • Appoints and dismisses managers, and determine their remuneration. • Reviews the Company's financial statements and surplus distribution plans. • Convenes shareholders' meetings and executes their resolutions.
Chairman	• Presides over Board of Directors meetings to ensure the effective operation of the Board. • Formulates the Company's long-term strategies and policies together with Board members to ensure the realization of corporate goals. • Supervises and evaluates the job performance of senior managers such as the General Manager and Chief Executive Officer to ensure that company operations align with the best interests of shareholders. • Provides professional opinions for major decisions and integrates viewpoints from all parties to promote an effective decision-making process.
General manager	• Cooperates with the Board of Directors to formulate the Company's long-term strategies and annual operating plans to ensure the continuous growth of the Company. • Responsible for and supervise the Company's daily operations and management to ensure that various departments work collaboratively to achieve company goals. • Effectively allocates company resources, including human, financial, and material resources, to support the implementation of company strategies and the achievement of expected goals. • Handles various crises and challenges faced by the Company to ensure stable corporate operations.
Special Assistant's Office	• Comprehensively manages the Company's overall project plans and strategies summary, recording, implementation, and follow-up to ensure that tasks are completed on time.
Corporate governance projects	• Handles matters related to Board of Directors and shareholders' meetings in accordance with the law, and produce meeting minutes. • Assists directors in complying with relevant laws and regulations to ensure that company operations are lawful and compliant. • Promotes the achievement of Corporate Governance Evaluation indicators to elevate the quality of corporate governance. • Arranges communication between independent directors, certified public accountants (CPAs), and the internal chief auditor to ensure information transparency.
Audit Office	• Establishes and revises the internal audit system. • Examines and evaluates the internal control system; raises suggestions and tracks improvements as necessary.
Public Relations Office	• Manages and enhances the corporate brand image to ensure a positive image of the enterprise among the public and media. • Establishes and maintains good relationships with the media, releases press releases, and arranges media interviews and press conferences. • Handles public relations crises, formulates response strategies, and ensures that the enterprise can react quickly and reduce negative impacts during a crisis. • Organizes and plans various public relations activities, such as product launches and public welfare activities, to enhance brand awareness.
Legal Affairs Office	• Ensures that corporate operations comply with relevant legal norms, and provides legal opinions and suggestions. • Drafts, reviews, and manages contracts to ensure that contract terms align with corporate interests and are legally valid. • Handles various legal disputes involving the enterprise, represents the enterprise in litigation or arbitration, formulates risk prevention measures, and protects the enterprise from the impacts of legal risks. • Protects and manages the enterprise's intellectual property rights, including patents, trademarks, and copyrights.
Occupational Safety and Health Division	• Drafts, plans, supervises, and promotes safety and health management matters, and guides as well as drives relevant departments to implement them.
Administrative Management Division	• Responsible for the human resource management of the Company and its subsidiaries, including recruitment, training, compensation and benefits management, performance appraisal, employee relations, and corporate culture development. • Responsible for general affairs administrative and logistical support such as office facilities, office supplies, employee group dining, official vehicle arrangements, and mail handling. • Provides equipment maintenance services required by various business departments to ensure the normal operation of equipment and improve operational efficiency. • Assists in engineering projects of various business departments, from planning, execution to supervision, to ensure that projects are completed on time and meet quality standards.
Finance and Investment Division	• Responsible for financial, accounting, and tax-related affairs within the Company and subsidiaries; prepares and analyzes financial reports to ensure the accuracy and transparency of financial data. • Responsible for budgeting, shareholder services, financial planning, fund raising, and investment planning within the Company and subsidiaries to ensure corporate financial health and sustainable development. • Communicates with investors and maintains good investor relations. • Ensures the accuracy of publicly disclosed information, maintains good relations with the media, correctly guides media reports, and maintains and enhances the public image of the Company.
Information Technology Division	• Plans, maintains, controls, and implements the computerized processes and information security management within the Company and subsidiaries to ensure the stable operation of information systems and support corporate business goals. • Provides technical support and services to resolve problems encountered by employees during the use of information systems.
Research and Development Center	• Researches and develops new products and new technologies. • Validates feasibility and plans commercialization of R&D results. • Attracts and expands outstanding R&D talents from home and abroad.
Quality Assurance Center	• Plans, operates, maintains, and deploys quality and environmental management systems, as well as performs internal audits and corresponding external audits. • Responsible for document control management planning and deployment, and assisting in corresponding to various product certifications and second-party audit-related matters. • Plans and executes external verification for greenhouse gas inventory.
Procurement Center	• Responsible for procurement operations and import business; formulates and executes effective procurement strategies based on the Company's operational goals and needs. • Develops, evaluates, and manages suppliers to ensure that supplier quality, cost, and delivery times meet the Company's requirements. • Conducts procurement operations based on inventory levels and demand forecasts to ensure the timely supply of materials and commodities. • Reduces procurement costs and enhances the Company's competitiveness through price negotiation and contract management.
New Energy Division	• Responsible for the design and development of methanol fuel cell power generation systems to ensure high efficiency and stability of the systems. • Develops natural gas fuel cell power generation systems to enhance their energy conversion efficiency and environmental performance. • Formulates and executes production plans, and establishes quality control processes to ensure that products meet customer requirement standards and are delivered on time.
Fuel Cell Division	• Manufactures key structural components of fuel cells to ensure high performance and durability of the products. • Conducts market research to understand market demands and competitive situations, and continuously researches and develops new products to satisfy market demands and technical standards. • Researches and improves production technologies to elevate production efficiency and product quality, promotes production automation, reduces costs, and increases production speed. • Formulates detailed production plans, and establishes strict quality control processes to ensure that products meet customer requirements and are delivered on time.
Heat Exchanger Business	• Responsible for the manufacturing of brazed plate heat exchangers, including material selection, plate pressing, brazing, and assembly. • Promotes and sells brazed plate heat exchangers, expands markets, and maintains customer relationships. • Designs gasket plate heat exchangers according to customers' needs, and carries out production and assembly to ensure high efficiency and reliability of the products. • Provides technical support and after-sales services to resolve problems encountered by customers during use. • Ensures that products meet quality standards, and conducts strict testing and inspections to ensure production efficiency and product quality. • Researches and develops new types of heat exchanger products, conducts market research to understand industry trends and customers' needs, formulates R&D strategies, and carries out product technology improvements and innovations. • Provides brazing OEM services, and regularly maintains vacuum furnace equipment to ensure processing quality as well as the stability and safety of the processing process.

2.2 Corporate governance

2.2.1 Management approach and policies

Topic	Management Approach	
Corporate Governance	Policy	Comply with the Company Act and relevant business regulations to ensure the proper functioning of the Board of Directors and maintain profitable operations without losses, thereby safeguarding shareholders' rights.
	Goals	The key to successful business management lies in a governance system that is supported by the management, employees, and shareholders.
	Commitment	Utilize due diligence and early warning communication methods to implement the Company's established codes, ensuring the protection of stakeholders' interests.
	Measures	1. Establish the "Corporate Governance Best Practice Principles" system to ensure the structure, agenda, and obligations of the Board of Directors. 2. Comply with the laws, regulations to ensure the proper composition of the Board of Directors. 3. In accordance with the "Business Integrity Code of Conduct," a responsible and transparent corporate governance structure is established, and managers operate with integrity. 4. In order to seek professionalism in business decision-making, the Board of Directors is composed of people with diverse educational backgrounds. 5. Adhering to the business philosophy of innovation, quality, responsibility, and honor, we are committed to the sustainable governance of innovation quality. 6. Update material information on the Market Observation Post System at any time to protect the rights and interests of stakeholders.

Based on the business philosophy of innovation, quality, responsibility, and honor, Kaori is committed to achieving sustainable and steady operations. We also emphasize product innovation, quality management, and employee responsibilities and honors, cultivating a tacit understanding of cooperation and innovative capabilities and thereby building energy efficiency. The outstanding team that exerts the greatest effectiveness for the enterprise continues to inject new competitive niches and become the benchmark in the industry. In addition, we are committed to providing customers with innovative products and high-quality and efficient services. We strive for excellence and an honorable corporate culture to become Taiwan's leading heat treatment company with high growth and high performance.

Kaori has always prided itself on having adopted an accountable and transparent corporate governance framework. The Company holds the conviction that a strong Board of directors provides the foundation for sustainable growth. To enforce these values, the Company has implemented the Corporate Governance Code of Conduct and the Business Integrity Code of Conduct throughout the organization. Through the implementation of governance principles and policies, the Company hopes to develop a culture of integrity, enforce accountability in corporate governance, and empower the Board of directors to the best interest of all stakeholders.

- 2025 Annual general meetings:

2.2.2 Functionality of the Board of Directors

Kaori has established its Board of directors system using standards that are more stringent than what the laws require. The Board of directors serves as the ultimate governance body of the Company; its main responsibilities are to supervise and strengthen the management, devise operating plans, establish key policies, and make decisions on major investments.

Board of Directors Nomination and Election Procedures

Carried out according to the Company's "Directors Election Policy". Director election is held during shareholders' meetings.

- All shareholders of adequate capacity within the Company are eligible to be elected as the Company's directors.
- Election of the Company's directors shall proceed using the candidate nomination system, where shareholders will elect from a list of director candidates using the cumulative voting system. The shareholder account number printed on the ballot shall be used as the identifier for registered votes. Each share is vested with voting rights equal to the number of directors to be elected. These voting rights may be concentrated on a single candidate or spread across multiple candidates.
- Candidates who receive the highest number of votes are assigned the role of director, until the number of director seats mentioned in the Articles of Incorporation are fully filled. If two or more candidates receive the same number of votes, thereby resulting in more electees than the number of seats available, the candidates who receive an equal number of votes shall draw for the remaining seats available. The Chair will draw on behalf of those who are absent during the meeting.
- The Chairman is elected by the Board of Directors. The Board has functional committees such as the Remuneration Committee and the Audit Committee assembled under it to support its duties. Internally, the general manager devises business plans and coordinates departments for execution depending on current market circumstances and the competitive landscape. The roles of Chairperson and general manager are not undertaken by the same person.

The Board of Directors consists of 9 members (including 3 independent directors), each serving a three-year term. The Board convenes at least once every quarter. In the 21st term of 2025, a total of eight Board meetings were held, with an attendance rate of 100.00%. Kaori has rules in place to ensure that independent directors are selected from diverse professional backgrounds and that they individually possess the adequate knowledge, insight, and commercial judgment needed to carry out their duties independently. The Company attaches great importance to the diversity of the Board of Directors' composition, and is continuously seeking female director candidates possessing professional expertise to strengthen the comprehensiveness of the decision-making level. Three of the nine Board members are independent directors: Hsiang-Wen Hung (Consultant of Li Mei Jia Investment Co., Ltd.), En-Kuang Mao (Secretary General of Taiwan Wind Turbine Industry Association), and Chih-Yao Tang (Vice President, HR Department of Lion Travel Service Co. Ltd.). Independent directors currently represent one-third of the Board.

The powers of the Board of Directors include:

1. The Company's business plan.
2. Annual and semi-annual financial reports. Except for semi-annual financial reports that are not audited and attested by a CPA according to law.
3. Establishment or amendment of the internal control system in accordance with Article 14-1 of the Securities and Exchange Act, and evaluation of the effectiveness of the internal control system.
4. Establishment or amendment of the procedures for the acquisition or disposal of assets, engaging in derivative transactions, lending funds to others, making endorsements or providing guarantees for others, and handling procedures of major financial or business activities according to Article 36-1 of the Securities and Exchange Act.
5. The offering, issuance, or private placement of marketable securities that are of an equity nature.
6. Election or dismissal of the chairperson if the Board of Directors does not have a managing director.
7. Appointment or dismissal of a financial, accounting, or internal auditing officer.
8. Donations to a related party or material donations to a non-related party. However, public welfare donations for emergency relief due to major natural disasters may be ratified at the next board meeting.
9. Matters requiring resolution at a shareholders' meeting or board of directors meeting under Article 14-3 of the Securities and Exchange Act or other laws, regulations, or the Articles of Incorporation, or material matters as specified by the competent authorities.

In line with the Corporate Governance 3.0 - Sustainable Development Blueprint, the Company established a functional committee, the Sustainable Development Committee, on May 8, 2024, to promote its vision and strategy for sustainable management.

Educational Experiences of Board Members

Designation	Name	Gender	Current position	Academic and career experience
Chairman	Chih-Hsiung Wu	Male	Chairperson of the Company	• Ph.D. in Materials Science and Engineering, University of Illinois at Urbana-Champaign • Senior Vice President of Motech Industries Inc.
Vice Chairman	Hsien-Fu Han	Male	Vice Chairperson of the Company	• Department of Mechanical Engineering, Tatung University • General Manager of Kaori since June 2000
Director	Hsin-Wu Wang	Male	General manager of the Company	• Graduate Institute of Financial Management, National Central University • Vice President of the Company since January 2006
	Hung-Hsing Huang	Male	Chief Strategy Officer of the Company	• Institute of Technology Management, National Tsing Hua University • Investment Manager of IBF Financial Holdings Co., Ltd.
	Representative of Aladdin Investment Co., Ltd. Chun-Ying Wu	Male	Vice President of the Company	• J.D., Tulane University • Master of Advanced Business Administration, Université de Lausanne • Investment Partner of MiiCs & Partners Inc.
	Representative of Aladdin Investment Co., Ltd. Hung-Tao Ku	Male	Chairperson of Kaori Thermal Technology Co., Ltd.	• MSc Financial Economics, University of York • Bachelor of Business Administration, National Chengchi University • Technology Director of Linkupper Co., Ltd.
Independent Director	Hsiang-Wen Hung	Male	Consultant of Li Mei Jia Investment Co., Ltd.	• Department of Business Administration, National Taiwan University • Trust Fund Manager of Kwanghua Securities Investment & Trust Co., LTD.
	En-Kuang Mao	Male	Secretary General of Taiwan Wind Turbine Industry Association	• Deputy Secretary-General, Taiwan Electrical and Electronic Manufacturers' Association • 1987: Passed the second-class examination for the general administrative staff of the retired military personnel transferred to the civil service.
	Chih-Yao Tang	Male	Vice President of Human Resources, Lion Travel Service Co. Ltd.	• Master of Business Administration, College of Management, National Taiwan University • Director of the Human Resources Division, Taiwan Star Telecom Corporation Limited

https://www.kaori.com.tw/tw/modules/investors/trustee

Gender and age range of directors

21st term in 2025		Age Distribution of Members of the Board of Directors			
		30 and below	31-50	51 and above	Subtotal
Gender	Female	0	0	0	0
	Male	0	4	5	9
Subtotal		0	4	5	9

Board of Directors Meetings and Attendance

The Board of Directors held 8 meetings in 2025. The attendance of the directors is as follows:

Designation	Name	2025		
		No. of In-Person Attendances	No. of proxy attendance	Actual attendance rate (%)
Chairman	Chih-Hsiung Wu	8	0	100%
Vice Chairman	Hsien-Fu Han	8	0	100%
Director	Hsin-Wu Wang	8	0	100%
Director	Hung-Hsing Huang	8	0	100%
Director	Chun-Ying Wu, Representative of Aladdin Investment Co., Ltd.	8	0	100%
Director	Hung-Tao Ku, Representative of Aladdin Investment Co., Ltd.	8	0	100%
Independent Director	Hsiang-Wen Hung	8	0	100%
Independent Director	En-Kuang Mao	8	0	100%
Independent Director	Chih-Yao Tang	8	0	100%
Average attendance rate		100.00%		

Execution of Board of Directors Meetings

The Board of directors convenes meetings on a regular and irregular basis. The general manager is responsible for issues concerning economic performance and management, and briefs the Chairperson or the Board of directors either regularly or irregularly depending on the materiality of the issue in question. The purpose of the meeting is to review business performance and discuss material strategic issues and major concerns, including economic, environmental, and social impacts and risks and opportunities associated with business activities. A responsible unit will be designated for each of the issues discussed during meeting and tasked with the responsibility of making follow-up reports in the next meeting.

- Major Resolutions of the Board of Directors in 2025

Date of meeting	Resolution
The 14th meeting of 21st term January 18, 2025	1. Proposal to set the record date for the issuance of new shares upon conversion of the Company's fourth domestic unsecured convertible corporate bond in Q4 2024. 2. Proposal to provide endorsement/guarantee for the bank credit line of the subsidiary, Kaori Thermal Technology Co., Ltd. 3. Proposal to allocate Chungli Plant 2 for use by the subsidiary, Kaori Thermal Technology Co., Ltd. 4. Proposal to expand the stamping production line of the subsidiary, Kaori Technology (Ningbo) Co., Ltd. • The result of the above resolutions: Approved as proposed.
The 15th meeting of 21st term March 5, 2025	1. Proposal for the 2024 business report and financial statements. 2. Proposal for the 2024 earnings appropriation. 3. Proposal for the employee and director remuneration and director compensation for 2024. 4. Proposal for the issuance of the 2024 "Statement on Internal Control System". 5. Proposal for the independence and the evaluation of the independence and suitability of the Company's CPAs for 2025. 6. Proposal for a capital increase in the subsidiary, Kaori Technology (Thailand) Co., Ltd. 7. Proposal to provide endorsement/guarantee for the bank credit line of the subsidiary, Kaori Thermal Technology Co., Ltd. 8. Amendments to the Company's "Articles of Incorporation". 9. Proposal for the details concerning the 2025 annual general meeting. 10. Proposal for transportation allowances for the Company's directors attending meetings. • The result of the above resolutions: Approved as proposed.
The 16th meeting of 21st term April 15, 2025	1. Proposal for the 1st repurchase of the Company's shares (treasury stock) in 2025. • The result of the above resolutions: Approved as proposed.
The 17th meeting of 21st term May 9, 2025	1. Motion to apply for credit limits and handle credit-related matters with financial institutions based on operational needs. 2. Proposal to determine the distribution schedule of cash dividends for the 2024 earnings appropriation. 3. Proposal for the distribution of directors' and employees' remuneration for 2024. 4. Proposal for the 2025 Q1 Financial Report. 5. Proposal to set the record date for the issuance of new shares upon conversion of the Company's fourth domestic unsecured convertible corporate bond in Q1 2025. 6. Proposal for the Company's employees to be granted employee stock options issued by a subsidiary. 7. Amendments to the Company's "Material Insider Information Handling Procedures". • The result of the above resolutions: Approved as proposed.
The 18th meeting of 21st term August 7, 2025	1. Motion to apply for credit limits and handle credit-related matters with financial institutions based on operational needs. 2. Proposal for the 2025 Q2 Financial Report. 3. Amendments to the Company's "Issuance and Conversion Regulations for the 4th Domestic Unsecured Convertible Corporate Bonds". 4. Submission of the Company's 2024 Sustainability Report. 5. Submission of the Company's 2024 Human Rights Due Diligence Report. • The result of the above resolutions: Approved as proposed.
The 19th meeting of 21st term September 18, 2025	1. Proposal to appoint directors of the subsidiary, Kaori International Co., Ltd. 2. Proposal to appoint directors of the subsidiary, Kaori Development Co., Ltd. 3. Proposal to appoint directors of the subsidiary, Kaori Technology (Ningbo) Co., Ltd. 4. Amendments to the Company's "Internal Control System". • The result of the above resolutions: Approved as proposed.
The 20th meeting of 21st term November 10, 2025	1. Motion to apply for credit limits and handle credit-related matters with financial institutions based on operational needs. 2. Proposal to set the record date for the issuance of new shares upon conversion of the Company's fourth domestic unsecured convertible corporate bond in Q3 2025. 3. Proposal for the release of endorsement/guarantee for the bank credit line of the subsidiary, Kaori Thermal Technology Co., Ltd. 4. Proposal for the 2025 Q3 Financial Report. 5. Proposal for the 2026 Annual Audit Plan. 6. Amendments to the Company's "Organizational Management". 7. Proposal to change the Company's accounting managers. • The result of the above resolutions: Approved as proposed.
The 21th meeting of 21st term December 18, 2025	1. Motion to apply for credit limits and handle credit-related matters with financial institutions based on operational needs. 2. Proposal for the Company's 2026 Annual Business Plan. 3. Amendments to the Company's "Sustainable Development Best Practice Principles". 4. Proposal for the investment in the "Phase I Plant Construction and Investment Plan" in the Ciaotou Park of the Southern Taiwan Science Park. 5. Proposal for the investment in the "Ziqiang Plant Factory Construction" on the Company's owned land on Ziqiang 4th Road, Zhongli District. • The result of the above resolutions: Approved as proposed.

The execution of recusal by directors with conflicts of interest shall specify the director's name, the content of the proposal, the reason for recusal, and the voting participation status:

1. At the Board Meeting held on March 5, 2025, Proposal 3 was discussed:

   The Board approved the Company's 2024 employee and director remuneration distribution and director compensation proposal, as deliberated by the Remuneration Committee. For this proposal, stakeholders among the directors and managers recused themselves from both the discussion and voting. The remaining attending directors raised no objections, and the proposal was approved as presented.

2. At the Board Meeting held on May 9, 2025, Proposal 3 was discussed:

   The Board approved the distribution plan for directors' and employees' remuneration for 2024, as deliberated by the Remuneration Committee. For the discussion on directors' and managers' remuneration, the directors and managers who were stakeholders in the matter recused themselves from both the discussion and voting. The remaining attending directors raised no objections, and the proposal was approved as presented.

3. At the Board Meeting held on May 9, 2025, Proposal 6 was discussed:

   The Board approved the proposal for the Company's employees to be granted employee stock options issued by a subsidiary, as deliberated by the Remuneration Committee. For the discussion on directors' and managers' remuneration, the directors and managers who were stakeholders in the matter recused themselves from both the discussion and voting. The remaining attending directors raised no objections, and the proposal was approved as presented.

4. At the Board Meeting held on September 18, 2025, Proposal 1 was discussed:

   The Board approved the proposal to appoint directors of the subsidiary, Kaori International Co., Ltd. For this proposal, stakeholders among the directors and managers recused themselves from both the discussion and voting. The remaining attending directors raised no objections, and the proposal was approved as presented.

5. At the Board Meeting held on September 18, 2025, Proposal 2 was discussed:

   The Board approved the proposal to appoint directors of the subsidiary, Kaori Development Co., Ltd. For this proposal, stakeholders among the directors and managers recused themselves from both the discussion and voting. The remaining attending directors raised no objections, and the proposal was approved as presented.

6. At the Board Meeting held on September 18, 2025, Proposal 3 was discussed:

   The Board approved the proposal to appoint directors of the subsidiary, Kaori Technology (Ningbo) Co., Ltd. For this proposal, stakeholders among the directors and managers recused themselves from both the discussion and voting. The remaining attending directors raised no objections, and the proposal was approved as presented.

Functional Committee

The Company has always been transparent about its operations and valued shareholders' interests. We believe that sound corporate governance is possible only with a strong and efficient Board of directors. This is why the Board of directors has assembled and delegated part of its authority to functional committees such as the Audit Committee and the Compensation Committee, whose responsibilities are to assist the Board of directors with supervisory duties. All committees have had their charters approved by the Board of directors, and the chief of each committee makes regular reports to the Board regarding activities and resolutions. The Audit Committee and Remuneration Committee consist entirely of independent directors.

Audit Committee

The Audit Committee assists the Board of directors by supervising the quality of internal practices such as accounting, auditing, financial reporting, and financial controlling. Outcomes of assessments are raised for discussion by the Board of directors. The Audit Committee consists entirely of independent directors and was assembled directly under the Board of Directors following the approval of the Audit Committee Charter. One member serves as the convener, and at least one member possesses accounting or financial expertise. The Audit Committee convenes meetings at least once a quarter; eight meetings were held in 2025.

Kaori has also established channels to facilitate communication between the Audit Committee and CPAs and the chief internal auditor. The CPAs make irregular reports to the Board of Directors on various issues, including the Company's financial position, the financial and operating performance of overseas subsidiaries, and audit findings concerning internal control. They also communicate with the Company on major adjustments to accounting entries and how regulatory changes affect accounting practices. The Company's audited consolidated financial statements and CPAs' independent auditor's report are reviewed by the Audit Committee. The chief internal auditor makes regular reports to the Board of directors concerning the execution of internal audits and regular follow-ups on improvement measures.

Matters reviewed by the Audit Committee mainly include:

1. Establishment or amendment of the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
2. Evaluation of the effectiveness of the internal control system.
3. Establishment or amendment of the procedures for the acquisition or disposal of assets, engaging in derivative transactions, lending funds to others, making endorsements or providing guarantees for others, and handling procedures of major financial or business activities according to Article 36-1 of the Securities and Exchange Act.
4. Matters involving the interests of directors.
5. Significant asset or derivative transaction.
6. Lending funds, making endorsements, or providing guarantees for material loans.
7. The offering, issuance, or private placement of marketable securities that are of an equity nature.
8. Appointment, discharge, or remuneration of CPAs.
9. Appointment or dismissal of a financial, accounting, or internal auditing officer.
10. Annual and semi-annual financial reports.
11. Other matters that are material to the Company or as regulated by the competent authority.

- In 2025, the Audit Committee convened eight meetings. The attendance record is as follows:

Designation	Name	2025		
		No. of In-Person Attendances	No. of proxy attendance	Actual attendance rate (%)
Convener	Hsiang-Wen Hung	8	0	100%
Committee member	En-Kuang Mao	8	0	100%
Committee member	Chih-Yao Tang	8	0	100%
Average attendance rate		--	--	100%

Compensation Committee

Kaori has complied with the requirements 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” by having the Board of directors approve a Compensation Committee Organizational Charter and assembling a Compensation Committee. More than half of the Compensation Committee members are independent directors. The committee exercises the duty of care as a prudent manager to establish and regularly review policies, systems, standards, and procedures concerning directors' and managers' performance evaluation as well as compensation. The committee has authority over the assessment of directors' and managers' compensation and raises proposals for discussion by the Board of directors. In 2025, the Remuneration Committee convened two meetings.

The Remuneration Committee has the following terms of reference, and submits recommendations to the Board of Directors for discussion:

I. Regularly review the Charter and propose amendments as needed.

II. Establish and regularly review the annual and long-term performance goals and the policies, systems, standards, and structures of remuneration for the Company's directors and managers.

III. Assess the achievement of performance targets of the Company's directors and managers regularly and set the content and amount of individual compensation.

- In 2025, the Remuneration Committee convened two meetings. The attendance record is as follows:

Designation	Name	2025		
		No. of In-Person Attendances	No. of proxy attendance	Actual attendance rate (%)
Convener	Hsiang-Wen Hung	2	0	100%
Committee member	En-Kuang Mao	2	0	100%
Committee member	Chih-Yao Tang	2	0	100%
Average attendance rate		--	--	100%

Compensation Policy

I. Directors' individual compensations are disclosed in Section Three of the annual report: Compensation paid to directors, supervisors, the general manager, and vice presidents in the last year.

II. Regarding independent directors' compensation, the Board of Directors is authorized under the Articles of Incorporation to set a maximum amount of NT$1 million and determine the standards for monthly payment per person. Payment of directors' remuneration is linked to corporate profit and performance; according to the Articles of Incorporation, no more than 5% of profit concluded in a year is appropriated for directors' remuneration.

III. A “Performance Bonus Policy” has been established to provide incentives for senior managers to pursue growth and profit targets while focusing on the Company's long-term competitiveness and continuity.

Sustainable Development Committee

In order to implement sustainable development goals such as environmental protection, social responsibility, and corporate governance, we plan to establish the Sustainable Development Committee under the Board of Directors to strengthen Board functions and management mechanisms. In 2025, a total of two meetings were convened.

Powers and Duties of Sustainable Development Committee:

I. Formulate, promote, and strengthen the Company's sustainability policies, annual plans, and strategies.
II. Review, track, and revise the implementation status and effectiveness of sustainability initiatives.
III. Supervise sustainability-related disclosures and review the sustainability report.
IV. Oversee the implementation of the Company's Sustainable Development Best Practice Principles and other sustainability-related tasks as resolved by the Board of Directors.

- In 2025, the Sustainable Development Committee convened two meetings. The attendance record is as follows:

Designation	Name	2025		
		No. of In-Person Attendances	No. of proxy attendance	Actual attendance rate (%)
Convener	Hsiang-Wen Hung	2	0	100%
Committee member	En-Kuang Mao	2	0	100%
Committee member	Chih-Yao Tang	2	0	100%
Average attendance rate		--	--	100%

2.2.3 Continuing education, performance, capability, and remuneration for members of the Board of Directors

In addition to the board members with relevant industry backgrounds and practical experience in business management, all the Company's directors participated in the continuing education in accordance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies" in 2025, and the hours of training are as follows:

Designation	Name	Training hours in 2025 (hours)
Chairman	Chih-Hsiung Wu	• Trends and Risk Management of Digital Technology and Artificial Intelligence (3 hours) • 2025 Taiwan's Capital Market Summit (3 hours) • Internal Control and Internal Audit Intelligent Transformation in the AI Era (3 hours)
Vice Chairman	Hsien-Fu Han	• Trends and Risk Management of Digital Technology and Artificial Intelligence (3 hours) • Internal Control and Internal Audit Intelligent Transformation in the AI Era (3 hours)
Director	Hsin-Wu Wang	• Trends and Risk Management of Digital Technology and Artificial Intelligence (3 hours) • Internal Control and Internal Audit Intelligent Transformation in the AI Era (3 hours)
Director	Hung-Hsing Huang	• Trends and Risk Management of Digital Technology and Artificial Intelligence (3 hours) • Internal Control and Internal Audit Intelligent Transformation in the AI Era (3 hours)
Director	Chun-Ying Wu, Representative of Aladdin Investment Co., Ltd.	• Trends and Risk Management of Digital Technology and Artificial Intelligence (3 hours) • Internal Control and Internal Audit Intelligent Transformation in the AI Era (3 hours)
Director	Hung-Tao Ku, Representative of Aladdin Investment Co., Ltd.	• Trends and Risk Management of Digital Technology and Artificial Intelligence (3 hours) • Internal Control and Internal Audit Intelligent Transformation in the AI Era (3 hours)
Independent Director	Hsiang-Wen Hung	• Trends and Risk Management of Digital Technology and Artificial Intelligence (3 hours) • Internal Control and Internal Audit Intelligent Transformation in the AI Era (3 hours)
Independent Director	En-Kuang Mao	• Legal Matters Board Directors Must Understand: Steering Clear of the Red Lines of Concerted Action (3 hours) • Trends and Risk Management of Digital Technology and Artificial Intelligence (3 hours) • 2025 Insider Equity Trading Regulatory Compliance Seminar (3 hours) • Internal Control and Internal Audit Intelligent Transformation in the AI Era (3 hours)
Independent Director	Chih-Yao Tang	• Trends and Risk Management of Digital Technology and Artificial Intelligence (3 hours) • The Great Future of Industry — Challenges and Opportunities (1 hour) • Cross-border Payments and International Market Opportunities (2 hours) • AI Operations in Industrial Development and Its Governance Strategies (1 hour) • Biodiversity Conservation and Corporate Environmental Responsibility (2 hours) • Internal Control and Internal Audit Intelligent Transformation in the AI Era (3 hours)

Board Performance Evaluation Procedures and Frequency

The Company has established a "Board Performance Evaluation Policy" and discloses assessment outcomes in its annual report. Evaluation of the Board of Directors is conducted regularly, at least once a year, through internal self-assessment. Directors are asked to assess several aspects, such as the functionality and culture of the Board and functional committees, management of internal/external relationships, and individual performance. The Board meeting organizer then consolidates the outcomes and reports them in a Board of Directors' meeting along with proposed improvements. In the future, plans have been made to assess and commission a professional and independent third-party institution at appropriate times to conduct Board performance evaluations, so as to enhance the objectivity and completeness of the evaluations.

The overall performance evaluation of the Board of Directors and functional committees in 2025 was rated as "Excellent." The detailed assessment is as follows:

Evaluation criteria	5* to 4 points	4* to 3 points	3* to 2 points	2* to 1 points	1* point
	Excellent	Good	Fair	Needs Improvement	Poor

Note: "5* to 4 points" refers to scores greater than 4 and up to 5 (inclusive). The same logic applies to the other ranges

- Board of Directors:

Self-evaluation of the Five Key Dimensions	Number of Questions	Average Score	
		2025	2024
A. Participation in Company Operations	12	4.92	5.00
B. Enhancement of Board Decision-making Quality	12	5.00	4.92
C. Board Composition and Structure	7	4.71	5.00
D. Director Selection and Ongoing Training	7	4.57	4.43
E. Internal Control	7	5.00	5.00
Total/Average Score	45	4.84	4.87

- Board Members:

Self-evaluation of the Six Key Dimensions	Number of Questions	Average Score	
		2025	2024
A. Understanding of the Company's Goals and Mission	3	4.89	4.89
B. Awareness of Directors' Responsibilities	3	4.89	5.00
C. Participation in Company Operations	8	4.83	4.81
D. Internal Relationship Management and Communication	3	4.85	4.96
E. Professionalism and Ongoing Training of Directors	3	4.74	4.85
F. Internal Control	3	4.85	4.81
Total/Average Score	23	4.84	4.89

- Functional Committee:

The Company regularly executes performance self-evaluations for functional committees. In 2025, the evaluations of the Audit Committee and the Remuneration Committee have been completed. Regarding the Sustainable Development Committee, because the current official self-evaluation reference questionnaire provided by the Taiwan Stock Exchange (TWSE) has not yet included this category, and considering that the evaluation needs to be professional and legally compliant, the Company plans to officially launch the annual performance evaluation after the competent authority releases the corresponding standards. During this interim period, the Sustainable Development Committee continues to implement its powers and duties to ensure the execution effectiveness of various sustainability projects.

Self-evaluation of the Five Key Dimensions	Audit Committee			Compensation Committee		
	Number of Questions	Average Score		Number of Questions	Average Score	
		2025	2024		2025	2024
A. Participation in Company Operations	4	4.92	4.75	4	4.83	4.75
B. Awareness of Functional Committees' Responsibilities	5	4.93	4.87	5	4.73	4.67
C. Enhancement of Decision-making Quality in Functional Committees	7	4.76	4.67	7	4.76	4.67
D. Composition of Functional Committees and Selection of Members	3	4.89	5.00	3	4.89	5.00
E. Internal Control	3	4.89	4.78	-	-	-
Total/Average Score	22	4.88	4.81	19	4.80	4.77

Conclusion:

Upon evaluation, the overall performance ratings of the Board of Directors, individual members, and various functional committees in 2025 were all "Excellent". This demonstrates that the Board's operational effectiveness is good, and it can effectively implement the decision-making process and internal control. The results of this evaluation will serve as a reference for director remuneration and nomination, and will be disclosed in the annual report in accordance with the law.

Board diversity

The board members have backgrounds in professional fields such as business management and financial accounting and possess the knowledge, skills, and attainments required to perform their duties, including operational judgment, industry experience, leadership decision-making, and operational judgment.

Diversity Items / Name of Director	Operation and management	Accounting	Operational judgment	Industry knowledge	Leadership decision-making	Crisis, conflict, and risk management capabilities		
						Crisis management	Conflicts and risks	International markets
Chih-Hsiung Wu	●		●	●	●	●	●	●
Hsien-Fu Han	●		●	●	●	●	●	●
Hsin-Wu Wang	●	●	●	●	●	●	●	●
Hung-Hsing Huang	●	●	●	●	●	●	●	●
Chun-Ying Wu, Representative of Aladdin Investment Co., Ltd.	●	●	●	●	●	●	●	●
Hung-Tao Ku, Representative of Aladdin Investment Co., Ltd.	●	●	●	●	●	●	●	●
Independent Director Hsiang-Wen Hung	●	●	●	●	●	●	●	●
Independent Director En-Kuang Mao	●		●	●	●	●	●	●
Independent Director Chih-Yao Tang	●	●	●	●	●	●	●	●

Directors' remuneration

According to the Company's Articles of Incorporation, no more than 5% of the Company's profit shall be allocated as remuneration to directors, and the proposal to distribute remuneration to directors shall be submitted to the annual shareholders' meeting. Directors and independent directors who do not hold positions within the Group shall receive fixed remuneration regardless of the Company's profit or loss. Directors holding positions within the Group are considered based on their positions in the Company, representatives serving as directors of subsidiaries, and involvement in the Company's operations. The abovementioned proposed remunerations are subject to the recommendations of the Remuneration Committee and then submitted to the Board of Directors for approval.

2.2.4 Corporate Governance Practices and Future Plans

The Company has established and disclosed its own Corporate Governance Code of Conduct in accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and is committed to enforcing a sound corporate governance philosophy and practices throughout the organization. During the meeting held in November 2021, the Board of directors passed the resolution to appoint one corporate governance officer and made short-, medium-, and long-term plans to enforce sound governance practices. The Company will continue making amendments to relevant policies, enhancing information transparency, and empowering the Board of directors in ways that support sound corporate governance.

Performance in the 2025 Corporate Governance Evaluation: Significant Promotion, Alignment with the New Era of ESG

1. Significant Leap in Evaluation Rankings

   The Company demonstrated excellent growth resilience in the "Corporate Governance Evaluation". The evaluation result in 2025 significantly rose from the 51% to 65% range of the previous year into the 36% to 50% range. "This successful advancement by one ranking bracket directly reflects the professional recognition of the Company’s reform efforts in strengthening Board functions, enhancing information transparency, and ensuring the equitable treatment of shareholders.

2. Strategic Preparation for the Transition to ESG Evaluation

   In response to the TWSE's major regulatory shift from the “Corporate Governance Evaluation” to the “ESG Evaluation,” the Company has established a clear transition blueprint:

   - Continuation of Governance (G):

     Continue to seek female director candidates to optimize the Board structure, and immediately incorporate the Sustainable Development Committee into the annual performance evaluation once the TWSE releases the official template of the self-evaluation questionnaire.

   - Strengthening of Environmental (E) and Social (S):

     Combine the Company's technological advantage in transitioning from heat treatment to AI server liquid cooling thermal management, the Company will quantify energy-saving, carbon reduction, and environmental performance, and plans to voluntarily adopt the IFRS S1 and S2 disclosure standards ahead of schedule in 2026. This will ensure that we not only maintain our upward momentum under the new ESG evaluation system but also strive to advance into a leading ranking bracket.

Information Disclosure

Kaori maintains an official website (https://www.kaori.com.tw/), where it discloses the company’s basic information, product offerings, and financial data. The Company also has a spokesperson and an acting spokesperson responsible for handling and responding to shareholders' rights-related matters. In addition to holding corporate briefings from time to time or through investment forums held by financial institutions, where the company's operational status and future outlook are presented and explained, relevant information is also uploaded to the "Market Observation Post System" for stakeholders' reference. Additionally, we regularly disclose information about business activities, organizational structure, financial status, and operational performance in accordance with relevant applicable laws and major industry practices.

2.2.5 Tax Management Approach

The Company's tax policies support product and technology innovation and sustainable development and are committed to controlling tax risks, pursuing sustainable development, and fulfilling corporate social responsibility. Kaori is committed to:

- Major operational decisions are made in compliance with relevant laws and regulations, and the impact of tax risks is assessed accordingly.
- Comply with the OECD's Base Erosion and Profit Shifting Action Plan (BEPS), ensuring that the Company generate profit with economic substance and obtain tax residency status in the respective countries, complying with local tax regulations.
- Do not engage in tax planning or transactions in low-tax jurisdictions for the purpose of tax avoidance.
- Disclosure in financial reports is conducted in accordance with relevant laws, and tax information is fully disclosed as required by applicable regulations.
- Establish a relationship of mutual respect and good communication with the tax authority under the tax jurisdiction based on good faith.
- In 2025, the Company complied with tax policies and regulations and did not receive any government financial subsidies.

2.3 Business integrity

Material topic	Management Approach	
Business integrity	Policy	Formulate relevant codes such as the "Ethical Corporate Management Best Practice Principles," "Code of Ethical Conduct for Supervisors and Senior Professionals," "Code of Ethical Conduct for Employees Below Section Level," and "Employee Code of Conduct" to live up to the core values of "Innovation, Quality, Responsibility, and Honor".
	Goals	Integrate ethical values into the Company's daily operational decisions to achieve an ethical management environment of "all colleagues, zero violations, and zero lawsuits".
	Commitment	Adopt a zero-tolerance stance toward bribery, corruption, and embezzlement of public funds; strictly ensure the confidentiality of whistleblowers' identities and prohibit retaliation.
	Measures	1. Grievance channels: An official website whistleblowing mailbox and a dedicated email (csr@kaori.com.tw) are established for standardized investigation and disciplinary processes. 2. Value chain driving: Require key suppliers to 100% sign the "Supplier Code of Conduct" and align their processes with RBA international standards.

The Company's business philosophy is guided by four core principles: innovation, quality, responsibility, and honor. With the primary goal of pursuing profit and surplus, we are committed to ensuring the creation of new products, increasing added value and profitability, and continuously improving our team's professionalism and leadership skills to enhance operational performance.

Kaori has implemented a business integrity policy with the Board of directors' approval and developed its own accounting policies and internal control system to enforce business integrity. Internal auditors have been assigned to audit compliance on a regular basis. Kaori has clearly stated its core values of innovation, quality, responsibility, and honor in external communications and established business integrity policies that all directors, senior managers, employees, and the controller must obey when carrying out their duties. The Company has established the "Business Integrity Code of Conduct," "Business Integrity Procedures and Behavioral Guidelines," relevant "Ethical Conduct Guidelines," "Investor Relationship Management Policy," and "Risk Management Policy" in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies."

Integrity Management Approach

1. Incorporating integrity and moral values into the Company's operating strategies and establishing integrity assurance and fraud prevention measures in accordance with laws.
2. Implementing measures against dishonest conduct, including standard operating procedures and behavioral guidelines.
3. Planning internal organization and duties and implementing checks and balances for business activities that present higher risks of dishonest conduct.
4. The promotion and coordination of integrity policy training have been incorporated into the onboarding training for new employees. In the future, the Company will evaluate including it in the annual training program.

The Company has designated the Special Assistant's Office as the unit responsible for the amendment, execution, interpretation, and consultation of the procedures and behavioral guidelines, as well as the supervision of regulatory reporting and filing works. The Special Assistant's Office operates under the supervision of the Audit Office, which is an independent unit created directly under the Board of directors. The Audit Office conducts regular audits on business integrity and compliance and is responsible for monitoring internal operations and presenting audit reports to the Board of directors.

The Company convenes "monthly general assemblies" to verbally promote the importance of avoiding dishonest conduct in all business activities. Employees are also encouraged to undergo internal and external training on a regular basis. In 2025, there were no financial losses resulting from legal proceedings related to bribery or corruption.

Anti-bribery and anti-corruption

Kaori has formulated and implemented relevant regulations, including the "Ethical Corporate Management Best Practice Principles," "Procedures for Ethical Management and Guidelines for Conduct," "Code of Ethical Conduct for Supervisors and Senior Professionals," "Code of Ethical Conduct for Employees Below Section Level," and "Employee Code of Conduct". The aforementioned systems aim to ensure the normal and orderly corporate operations, maintain a fair market environment for competition, and regulate various commercial purchasing and sales activities. The Company explicitly prohibits any form of improper benefits, including but not limited to corruption, extortion, and embezzlement of public funds, in order to implement the principles of ethical management and strengthen internal governance mechanisms. Kaori strictly regulates all business activities and external interactions, including contact with government departments, negotiations with customer representatives, customer QC inspections, and impartial execution of product testing, inspections, and audits. In these activities, any improper practices, such as offering or accepting kickbacks, promotional fees, advertising expenses, service fees, expense reimbursements, or providing domestic or international travel under any guise, are prohibited. These rules are in place to prevent the direct or indirect exchange of cash, goods, or other benefits outside of the transaction.

Kaori complies with the RBA Code of Conduct and accepts relevant audits and self-evaluation activities from customers. In areas such as labor, health and safety, environment, ethics, and management systems, there have been no major non-compliance issues. Additionally, the Company continuously implements relevant training and awareness activities each year.

Building an Integrity Culture

Kaori upholds “innovation, quality, responsibility, and honor” and recognizes integrity as the core of its corporate culture. By implementing a set of ethical behavior guidelines, the Company enforces values such as fair trade, avoidance of improper gains, protection of business secrets, human rights, and compliance in all aspects of business operations. The Company has implemented rigorous preventive and disciplinary measures to enforce high ethical standards among employees and prevent violations when engaging in business activities. Misconduct reporting channels have also been set up, and any employee that violates the behavioral guidelines will be disciplined according to the Work Rules. In 2025, the Company had no verified cases of violating the principles of ethical management or involving corruption. The relevant internal control mechanisms continued to operate effectively, serving as an important foundation for maintaining ethical management.

In addition to tracking yearly internal control self-assessments conducted by various departments and making adjustments to policies and laws that affect corporate operations, Kaori also reiterates the importance of corporate governance and ethics to employees from time to time. Employees who commit violations of the law, safety rules/regulations, employment contracts, or commercial ethics will be subject to legal consequences and disciplinary measures. These violations will also be considered in employee performance evaluations as part of our efforts to build a culture of integrity within the organization.

Complete Grievance Systems, Channels, and Investigation Procedures

Kaori upholds integrity in all business activities and prohibits corruption and all forms of fraud. All reports of suspicious activities or violations against ethical behavior guidelines that involve Kaori's employees or any personnel related to the Company are handled in secrecy unless otherwise specified by law, for which the Company will assign relevant departments to investigate in a timely manner.

An Investors Section has been created on the corporate website to disclose the contact number and e-mail of service personnel for institutional customers and shareholders and to handle investors' suggestions, queries, and disputes. The Company has open communication channels in place to maintain productive interaction with investors, suppliers, customers, and stakeholders. Interactions with the above-mentioned parties are carried out with the utmost integrity and in conformity with the Company's internal control system and management policy.

Employees are required to report, using the following channels, any violations of laws, policies, or contract terms or any attempts to exploit the vested authority for improper gains against the Company's interests:

- Physical Mailbox:
  No. 5-2, Jilin North Road, Zhongli District, Taoyuan City 32030
  Special Assistant’s Office of Kaori Heat Treatment Co., Ltd.
- Email
  csr@kaori.com.tw
- Website “Integrity - Grievance mailbox”

Misconduct reports are handled by the Special Assistant's Office under the supervision of the Audit Office. Employees who are found to have violated the Company's behavioral or ethical guidelines will be disciplined and instructed to make improvements within a given period of time. Incidents of high severity may be referred to judicial institutions. The Company has zero tolerance for criminal behavior and takes legal action against all violations. Whistleblowers' identities, the information they provide, and subsequent progress are kept strictly confidential so that whistleblowers may communicate with the management free of concern for retaliation, threat, and harassment.

Investigation Procedures:

1. Misconduct reports that involve general employees are escalated to the heads of departments, whereas misconduct reports that involve directors or senior managers are escalated to independent directors.
2. Upon receiving a report, the responsible unit and the head or staff of the appropriate department shall proceed to investigate the facts immediately, and they may seek help from compliance or other departments if necessary.
3. If the reported misconduct is verified to constitute a violation of the law or the Company's business integrity policy or rules, the violator will be ordered to cease and desist such conduct and subjected to disciplinary action and claims through legal proceedings if necessary to protect the Company's interests and reputation.
4. Details including the misconduct report, investigation process, and findings must be maintained in written or electronic form and retained for five years. Should any litigation arise in relation to the reported misconduct before expiry of the retention period, the above documents will have to be retained until the litigation is concluded.
5. For every verified misconduct report, the department concerned is required to examine the internal control system and operating procedures and propose improvement measures to prevent similar occurrences in the future.
6. The responsible unit shall report to the Board of directors the reported misconduct along with details on how they are handled and the improvement measures undertaken. Violators may also be reported to the competent authority or judicial institutions if necessary.

Enhancing Integrity Awareness Across the Value Chain and Among Suppliers

Kaori exerts ESG influence by requiring all key (Grade A) suppliers to sign a "Supplier Code of Conduct" that outlines the integrity principles as well as the environmental, labor, human rights, and occupational safety regulations that suppliers are bound to comply with during production activities. 100% of suppliers have signed the commitment to the clause to date.

Ethical Behavior Guidelines

1. Offering and acceptance of bribes.
2. Offering of illegal political donations.
3. Inappropriate donation or sponsorship.
4. Offering or acceptance of inappropriate gifts, treatment or benefits.
5. Infringement on business secrets, trademarks, patents, copyrights, and other intellectual property rights.
6. Engagement in unfair competition.
7. Direct or indirect damage to consumers' or stakeholders' interests, health or safety during research, development, procurement, manufacturing, offering, or sale of products and services.

Reporting and Grievance Mechanism and Its Implementation Results

Kaori focuses on respecting human rights, protecting intellectual property, and preventing the improper transfer of benefits that could harm the interests of the company, customers, and suppliers. To ensure the implementation of business integrity, we have established an independently operated Audit Office. This department conducts regular or ad-hoc internal audits each year and provides convenient and accessible grievance channels for internal and external stakeholders to report issues and receive appropriate responses. These measures help reduce operational risks and foster a positive interaction model with stakeholders. In 2025, there were no violations of integrity principles by any managers or employees.

2.4 Compliance

Kaori complies with regulations by regularly collecting and compiling relevant business-related laws and regulations for identification. If there are any new or revised regulations, the responsible departments immediately review whether the current business practices and operations are in compliance. Additionally, they assist in communicating and promoting these regulations to all departments. To protect the legal rights and interests of the Company, the Company periodically holds legal courses and produce legal materials to enhance employees' legal knowledge.

The Company's compliance with corporate governance, environmental, economic, and social regulations, including relevant important legal sources, internal policies, or procedures, as well as any violations in the past two years (2024–2025), are detailed in the table below:

Category	Important legal sources in Taiwan	Corresponding measures or procedures of the Company	Whether there was any violation in 2024-2025
Corporate governance	Company Act, Corporate Governance Best Practice Principles, Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, Audit Committee Charter, Remuneration Committee Charter	Articles of Incorporation, Corporate Governance Best Practice Principles, Ethical Corporate Management Best Practice Principles, Audit Committee Charter, Remuneration Committee Charter	The Company complies with laws and regulations, and has not been penalized for violating laws and regulations
Employee labor rights and conditions	Labor Standards Act, Employment Service Act, Act of Gender Equality in Employment, Labor Insurance Act, Labor Pension Act, National Health Insurance Act, Employee Welfare Fund Act, Regulations of Leave-Taking of Workers, Regulations for Implementing Labor-Management Meeting, etc.	Employee Code of Conduct, Labor-Management Meeting Election Measures, Personal Data Protection Management Measures	
Health and safety	Occupational Safety and Health Act, Enforcement Rules of the Occupational Safety and Health Act, Labor Health Protection Rules, Labor Safety and Health Facilities Rules, Occupational Safety and Health Education and Training Rules, etc.	• Occupational Safety and Health Work Principles Verification and Backup • Occupational Safety and Health Organization and Personnel Verification and Backup • ISO 45001 Occupational Health Management System and related procedures	
Environmental	The Basic Environment Act, Climate Change Response Act, Waste Disposal Act, Resource Recycling Act, Air Pollution Control Act, Noise Control Act, Drinking Water Management Act, Effluent Standards, Water Pollution Control Act and its Enforcement Rules, etc.	• ISO 14001 Environmental Management System and related procedures, SOPs, and forms, including waste disposal procedures, noise control procedures, drinking water management procedures, wastewater management procedures, etc. • Introduce the ISO 14064-1 greenhouse gas inventory operation system and issue the greenhouse gas inventory report	
Economic	Fair Trade Act, Patent Act, Copyright Act, Intellectual Property Act, Trade Secrets Protection Act, Computer Processing and Personal Data Protection Act, etc.	Labor contract, code of ethics for employees below the section level, code of ethics for managers and senior professionals, personnel-related management system	
Social	Civil Code, Communicable Disease Control Act, Sexual Harassment Prevention Act		
Product	Fair Trade Act, Computer Processing and Personal Data Protection Act, QC 080000 Hazardous Substance Process Management System	• ISO 9001 Quality Management System and related procedures, SOPs, and forms • Introduce the ISO 14067 carbon footprint criteria to comply with the international carbon reduction trend	

Kaori has several effective controls in place to ensure compliance. The Company checks new regulatory amendments on a monthly basis and conducts compliance audits on all plant sites on a yearly basis. In 2025, there was no record of violation of safety and health, environmental protection, fire safety, and other laws and regulations. Aside from the above, no major compensations or losses were reported in annual internal audits.

2.5 Cybersecurity

2.5.1 General Policy for Cybersecurity Management

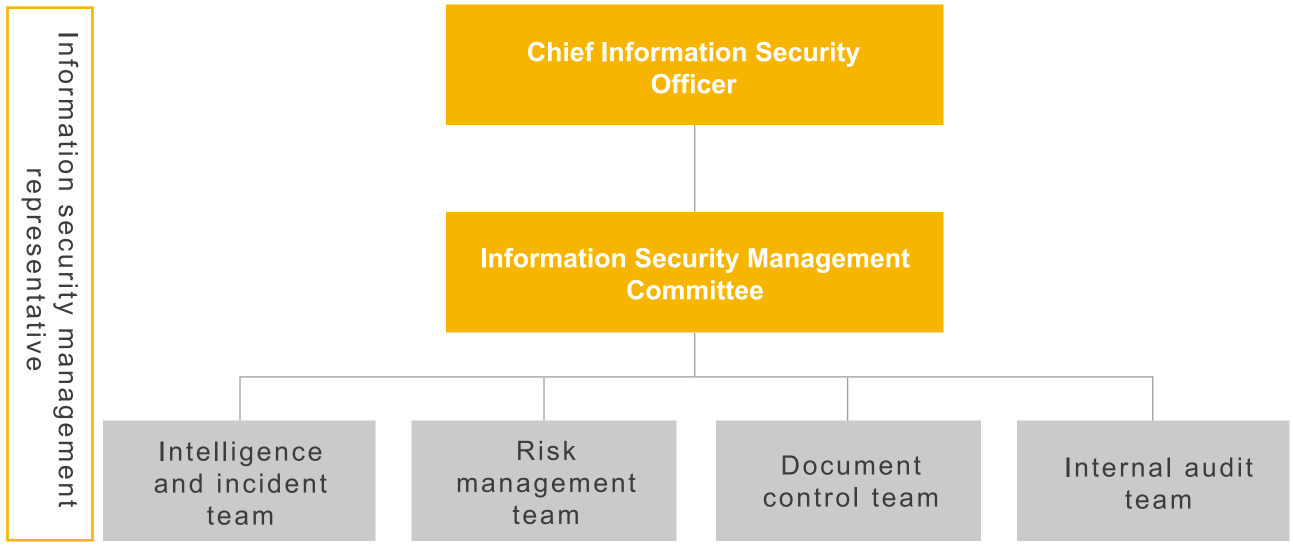
The Chairman of the Company has appointed an Assistant Manager of the IT Department to set up an internal Cybersecurity Management Committee to be responsible for formulating the Company's cybersecurity management policy. A dedicated unit, managers, and personnel are set up to plan and implement cybersecurity operations. Based on the principles of simplicity, easy-to-remember, and compliance with cybersecurity management objectives, the Company has formulated the cybersecurity policy statement: "Cybersecurity is everyone's responsibility."

2.5.2 Cybersecurity Risk Organization

Kaori has established an information security management system in accordance with internal and external stakeholders' concerns and by following the steps of the international information security management system standard, and has formulated information security policies to serve as the basis for the overall establishment, development, implementation, operation, monitoring, review, and continuous maintenance and improvement of the information security management system, and has established information security management policies and objectives based on the Company's business activities and risks. To strengthen the emergency response capabilities for information security incidents and ensure the security of the information assets of the Company and its customers, the following measures are adopted:

1. An Information Security Committee has been established, which regularly reports on the implementation status of information security management to the Board of Directors every year. (The date of the most recent report to the Board of Directors was December 18, 2025.)
2. The Company joined the Taiwan Computer Emergency Response Team / Coordination Center (TWCERT/CC) in June 2023 as an official member, thereby collecting various threat intelligence, and conducting internal information security risk audits, comparisons, and corrections. Collect various types of threat intelligence for internal cybersecurity risk assessment, benchmarking, and remediation.
3. A dedicated information security chief and 2 dedicated personnel have been established to regularly (quarterly) report to senior management under the framework of the Information Security Committee.
4. The Company passed the ISO 27001:2022 information security management system certification in December 2023, with the certificate validity period extending to February 28, 2027.

In order to ensure that the operation of the Company's cybersecurity management system can meet the Company's policies and goals, and to confirm its continuous application and the effectiveness of its operation, the Company has established the "Cybersecurity Organization and Management Review Procedures" to regulate the Company's information and serve as the basis for the management's regular evaluation of the cybersecurity management system. Below is the organization chart:



- Scope of application: The Company's headquarters and plants in Taiwan.
- Goals:

The Company's cybersecurity goal is to ensure the confidentiality, integrity, availability, and compliance of important and core systems.

Quantitative metrics of cybersecurity performance are defined and measured according to each hierarchy and function to confirm the implementation status of the cybersecurity management system and whether the cybersecurity goals are achieved.

Confidentiality	Avoid leaking any sensitive information about the Company to the internet.
Completeness	Ensure the accuracy of the Company's sensitive data (e.g. financial information, personnel data, system information)
Usability	Ensure that important data held by the Company are backed up.
Compliance	The Company shall ensure that it does not violate the cybersecurity requirements of laws, regulations, or contractual obligations.

- 2025 Information Security Incident Statistics:

Incidents reported by employees:	Information security incidents after investigation
4 cases	0 cases

2.5.3 Cybersecurity management measures and implementation effectiveness

Management items	Scope of operation	Implementation measures	Execution Progress
1. Network security protection	1. Prevent hacker intrusions and damage 2. Ensure smooth network operation	1. Network infrastructure has been established in the plants, separating IT and OT networks 2. Introduced zero-trust network architecture 3. Continue to refine the management strategy of network protection equipment and optimize the control operation process	No incidents of hacking occurred in 2025
2. Email security control	1. Protect the Company's sensitive data from being leaked 2. Reduce the risk of external cybersecurity threats entering employee mailboxes	1. Established advanced email defense management system 2. An email audit system has been established	No abnormal event occurred in 2025
3. Device safety protection	1. Protect the Company's internal information equipment from virus attacks or malicious intrusion 2. Protect the Company's sensitive data from being leaked	1. Anti-virus software and endpoint protection software protection devices (PC/NB, machine computers) are in place 2. Controlled the use of NB/PC external devices and cloud space 3. The privileged account management system has been introduced to strengthen the security of system account management. 4. Continue to improve system cybersecurity vulnerability control items	No abnormal event occurred in 2025
4. System/measure education and promotion	1. Optimize cybersecurity policies and information security operating regulations 2. Cybersecurity policy/regulation promotion and education training	1. The ISO27001 cybersecurity management system has been introduced, and management measures, specifications, and operating guidelines have been continuously updated 2. Provide training for new recruits 3. Regularly promote cybersecurity-related topics through email	Achieved 100% awareness campaign coverage in 2025.
5. Disaster recovery and response	1. Data backup integrity and compliance 2. System backup and activation capability	1. Build a cloud backup system to enhance the emergency response capability 2. Regularly implement disaster recovery system drills 3. Optimize the efficiency of backup system switching operations and shorten the operation time for emergency activation	Completed one BCM drill and two backup recovery tests in 2025.

2.5.4 Key Cybersecurity Implementation Status

Major Management Objectives	2025 Achieved Value	Implementation Items
Major system availability rate ≥ 95%	99.84%	Major systems include ERP/MES/information network downtime ≤ 5%.
Number of information security incidents ≤ 2 cases	0 cases	Regular threat intelligence checks are conducted via TWCERT/CC; reported cybersecurity incidents this year ≤ 0 cases.
Business continuity drill plan	1 time	Executed at least once per year according to ISO 27001:2022 standards, and complies with Business Impact Analysis (BIA) indicators.
Information security awareness campaign coverage rate ≥ 90%	100%	Conduct regular information security awareness campaign.

2.5.5 Cybersecurity Management Resource Input

In 2025, the Company invested a total annual expense of NT$ 3.78 million in maintaining the cybersecurity management system.

Scope of Information Security	Technical Control	Benefit
Identify	1. NAC 2. Asset Management System	1. Control and restrict unknown devices from accessing the Company's environment. 2. Manage known assets/devices and endpoint security controls.
Protect	1. Antivirus Software 2. XDR Endpoint Protection 3. Privileged Access Management System 4. External Next-Generation Firewall 5. Server Farm Next-Generation Firewall 6. SPAM Email Defense System	1. Protect endpoints — prevent known virus pattern threats. 2. Protect endpoints — abnormal behavior detection, investigation, and attack blocking. 3. Prevent employees' computers from being hacked, thereby avoiding lateral infection spread to servers. 4. Protect against internal and external intrusions. 5. Protect against internal and external intrusions and lateral spread. 6. Filter spam mail.
Detect	1. LogServer Intelligent Log Protection 2. External Next-Generation Firewall 3. Server Farm Next-Generation Firewall	1. Core device behavior analysis and abnormal alerting. 2. Detect internal and external intrusions (Client environment). 3. Detect internal and external intrusions (Server environment).
Respond	1. LogServer Intelligent Log Protection	1. Log correlation, security incident backtracking/ response/forensics
Recover	1. Backup software 2. Cloud backup space 3. MAE system	1. Disaster recovery — virtualized host environment. 2. Disaster recovery — MES system. 3. Offsite backup space. 4. Email backup system.

2.6 Risk management

2.6.1 Risk management policies and approach

Material topic		Management Approach
Risk management	Policy	Formulate a definitive “Risk Management Policy” to serve as the cornerstone of our corporate governance regulations.
	Goals	Effectively monitor and manage various risks to reduce the impact in the event they occur.
	Commitment	Utilize due diligence and early warning communication methods to implement the Company's established codes, ensuring the protection of stakeholders' interests.
	Measures	1. We implemented the Risk Assessment Procedures in accordance with the ISO 9001 Quality Management System, ISO 14001 Environmental Management System, and ISO 27001 Cybersecurity Management System. 2. In response to the possible impact of climate change on the business environment, we have formulated management measures to reduce corporate risks.

Kaori deeply understands the challenges that risks bring to corporate operations. To this end, a clear "Risk Management Policy" has been formulated as the core of governance regulations, ensuring a robust legal foundation and implementation framework for risk management. To minimize the influence of the external environment, managers of various business segments within the Company have identified and defined risks that are relevant to operations, so that they can be properly managed to ensure continuity. By taking risk identification, risk assessment, risk management, and risk response measures, Kaori aims to minimize potential risks and even turn them into opportunities. The PDCA cycle has been incorporated into risk management to facilitate real-time corrections and improvements and thereby protect the interests of the Company, employees, shareholders, customers, and suppliers.

2.6.2 Risk management process and countermeasures

1. **Risk identification**

Identify potential risks based on internal and external environment analysis

2. **Risk assessment**

Department employees make quantitative assessments of the identified risks, with weights assigned to the outcome

3. **Risk response**

Devise risk management strategies based on risk assessment outcome, and develop corresponding responses

4. **Ongoing improvement**

Regular performance tracking and implementation of ongoing improvements

Risk analysis outcome and response/management measures for 2025

Risk Type		Risk Description	Management Measures
Financial risk	Interest rate changes	• The Company's interest rate risks arise mainly from operation-related liabilities and treasury investments. Interest income and expenses of the Company are mainly affected by fluctuations of TWD and USD interest rates. To minimize interest rate risk, the Company mainly depends on cash receipt from operations and short-/medium-/long-term bank borrowings for working capital requirements. With regards to financial investment, the Company mainly invests in fixed income bond funds or equity funds of high liquidity and strong rating for capital security and marketability.	• The Company actively manages interest rate risks by constantly monitoring market rate movements, gathering interest rate quotes, evaluating borrowing rates, and maintaining positive relationship with banks. We pay particular attention to maintaining good credit records with banks, which entitles us to more privileged borrowing rates. If a financing requirement arises, the Company will evaluate capital requirements and credit history with banks to borrow at a preferential rate. • The Company will undertake short-term or long-term borrowing in such a way that minimizes the risks of interest rate fluctuations and funding costs on the Company's operations. • With regards to financial investment, the Company mainly invests in fixed income bond funds or equity funds of high liquidity and strong rating for capital security and marketability. However, this hedging practice only mitigates part of the risks and cannot fully eliminate the financial impacts of interest rate fluctuations.
	Exchange rate changes	• More than 80% the Company's raw material purchases are paid in currencies other than TWD, such as USD and EUR. Considering that the Company exports most of its products and that more than 80% of its revenue is also denominated in USD and EUR, much of the risk exposure is mitigated through natural hedging, but a significant change in exchange rates may still have an adverse impact on the Company's financial position.	• The financial department constantly monitors exchange rate information and maintains close communication with our main banking partners to keep track of exchange rate fluctuations, so that managers are adequately informed of exchange rate changes to make adjustments at appropriate times.
Legal risk	Change of key policies and laws	• Kaori supports the government's sustainability policies, such as the FSC's 2020 "Corporate Governance 3.0 - Sustainability Blueprint," the 2022 "Sustainability Development Roadmap for TWSE/TPEx-Listed companies," the National Development Council's "Taiwan 2050 Net Zero Roadmap and Strategy," and the Environmental Protection Administration's “Greenhouse Gas Reduction and Management Act (Climate Change Response Act)," and continues adopting practices that enhance the transparency of sustainability information and promote sustainability in line with global trends.	• A broad diversity of legal awareness campaigns is being organized to promote employees' compliance awareness. • Information such as compliance requirements, guidelines, tips, and FAQs has been made available on the Intranet, whereas educational documents are sent via e-mail to keep employees up-to-date on the latest laws. • Training courses of different attributes: The Company offers training courses on important regulations and policies; each course is tailored to the needs and duties of different employees to ensure proper understanding of applicable regulations and policies. • Kaori invites outside experts to host seminars or assigns employees to participate in external training courses from time to time to keep up-to-date on regulatory developments.
Business risk	Plant expansion risks	Heat Exchanger Business • Changes in heat pump policies in Europe have slowed down product demand. • Dilemma whether to replicate successful experiences for quick expansion or to adopt cost-effective production methods that take time to implement. Fuel Cell Business • The Company runs the risk of suffering losses if it cannot generate additional revenue from increased customer demand to support the additional depreciation and overhead incurred on plant expansion. New Energy Division • Increased operating costs	Heat Exchanger Business • Sign long-term contracts with customers, and confirm volume forecasts with customers on a regular basis. • For short-term expansion projects, the Company will take into consideration the potential of market saturation and adopt next-generation technologies. Fuel Cell Business • Kaori confirms with customers and obtains reliable estimates on the potential increases in demand for assurance. • Kaori avoids dependency on the demand of any single major customer and takes into consideration the demand of other external as well as internal customers to maximize utilization of equipment and personnel capacity. New Energy Division • Develop validation sites at the customer end.

Risk Type		Risk Description	Management Measures
Supply chain and raw materials risk	Raw material procurement risk	• The Company uses large volumes of raw materials in its production, such as stainless steel plates, special steel plates, copper foil, and stainless steel bars. • Some raw materials are overly concentrated in few suppliers, which poses the risk of being unable to source adequate supplies. The Company may encounter a decline in revenue and profit if it is unable to source the needed materials in a timely manner or if it cannot transfer the additional costs associated with rising raw material prices directly to customers.	• Diversity supply sources and secure the supply of raw materials by making purchases from suppliers in different regions. • Sign long-term supply contracts with suppliers to control cost, given the volatility of raw material prices. • Make localized purchases of raw material where possible to shorten the supply chain and minimize risk of shipment delay caused by logistics shortage.
Climate Change	Cost of transition to low-carbon technology Changes in domestic/foreign regulations Increasing severity of typhoons, floods, and extreme events	• Uncertain access to raw materials: Kaori has plans to make use of low-carbon materials, but there are limitations associated with the development and access to low-carbon materials such as eco-friendly steel and copper. Any uncertainty in the supply would make product delivery timelines more difficult to control. • Low-carbon transformation increases costs: In an attempt to conform to low-carbon requirements, the Company will have to commit R&D personnel and capital to low-carbon products, which in turn increases the costs and compromises the competitiveness of the Company's products. • Domestic and foreign carbon taxes: Carbon pricing systems are taking shape at increasing rates at home and abroad. The Company may incur additional carbon taxes and see costs rise over time. • Delayed delivery: Extreme weathers affect factory operations and cause disruptions to production activities, raw materials supply, and transportation. Delivery may be delayed by several days to one week.	• Supplier Diversification: Kaori maintains relationships with several suppliers to reduce uncertainties associated with the cost of and access to low-carbon materials. • Monitoring of regulations and trends: A dedicated team will be assembled to keep track of new product regulations and trends on a regular basis. Regular training will be organized to discuss current trends and to evaluate the needs for product re-modification and re-certification. • Compensating production capacity with efficiency: If work is suspended due to typhoons, Kaori will evaluate the extent of the delay and ask suppliers to increase production efficiency to make up for capacity shortfall, thereby averting production halt due to supply disruption.
Information Security Risk	A part of "operational risk," but with digital transformation, it has been elevated to the height of "strategic risk".	• Confidentiality: Ensure information can only be accessed by authorized personnel. Any disclosure may lead to the leakage of trade secrets or personal data. • Integrity: Ensure that information is not unauthorizedly tampered with or deleted during storage or transmission. • Availability: Ensure that authorized users can access information and services timely and reliably when needed. • Compliance: Enterprises face fines or legal liabilities due to failure to meet regulatory requirements.	• Passed the ISO 27001 international standard; formulated the "Information Security Management Policy" and operating procedures. Through institutionalized information security risk management, the Company can not only protect the brand reputation accumulated over more than 55 years, but also provide customers with more reassuring technical support in the process of transitioning to AI services.

2.6.3 Identification, assessment, and management of emerging risks

Kaori continuously monitors trends in the economic environment, identifies long-term risks and opportunities, and appropriately adjusts its business strategies to achieve sustainable operations and long-term performance. Therefore, each risk management team collects relevant domestic and foreign information to evaluate the Company's long-term operating risks. Through methods such as surveys, meetings with senior management, or discussions within the ESG Steering Committee, the topics with the highest potential impact are identified. The strategies for mitigating these impacts and response measures are then reviewed and submitted to the senior management meeting for decision-making, serving as important references for future business strategy development.

Identification of material emerging risks for the year

- Gather information on internal and external emerging
- Summarize relevant risk information and establish methods to identify emerging risks
- Identify material emerging risks for senior managers

Assessment of material emerging risks

- Identify potential problems associated with material emerging risk events
- Predict and analyze the possible impacts of various risk events
- Management window for setting material emerging risks

Management of material emerging risks

- Establish material emerging risk management strategies and plans
- Implement and monitor material emerging risk events
- Each risk management team conducts performance tracking and control

Emerging Risks Newly Identified in 2025

Risk Type	Risk Description	Management Measures
Geopolitical Risk	The U.S. tariff increases and the dramatic shocks of the USD exchange rate in 2025 led to rising export costs and exchange loss risks.	Measures: Adopt forward exchange hedging, and flexibly adjust quotations and production sites based on tariff policies.
AI Technology Risk	Given the rapid pace of technological iteration, any delays in R&D progress or portfolio planning could result in missed opportunities in the AI thermal management market.	Invest in the R&D of advanced technologies such as liquid cooling, strengthen patent applications, and establish a technological moat.
Establishment of Overseas Presence	Driven by the relocation of our customers' operations, the Company faces challenges from foreign legal systems, local tax regulations, and cross-border management cultures.	Engage professional consultants to ensure strict regulatory compliance while extending our headquarters' governance standards to our overseas locations.
Relocation of Supply Chains out of China	In response to our international clients' 'non-China manufacturing' requirements, we are restructuring our supply chain, which temporarily exposes us to cost and quality fluctuations.	Develop multi-regional suppliers, diversify source risks, and strengthen supply chain resilience management.

2.7 Internal audit and management verification system

2.7.1 Internal audit

Kaori's Audit Office is an independent internal audit unit directly reporting to the Board of Directors. Its purpose is to thoroughly review and assess the effectiveness of internal controls, measure the effectiveness and efficiency of operations, reliability, timeliness, and transparency of reports, and ensure legal compliance.

Audit process

1. Formulate an annual audit plan based on the risk assessment results and execute audit operations according to the plan.
2. Implement project audits as needed and let the management understand the existing deficiencies or potential risks in a timely manner.
3. Issue an audit report after the implementation of the audit work, and propose suggestions and improvement methods.
4. Continuously track the improvement of auditing deficiency items, and produce a quarterly follow-up report until the completion of the improvement is confirmed.
5. After the audit report and follow-up report are submitted, they shall be submitted to the independent directors for review by the end of the month following the completion of the audit item.

Audit work is conducted based on risk assessment results, with an annual audit plan developed and approved by the Board of Directors. The audits are carried out to provide management with information on the operation of internal controls. Additionally, special audits are conducted as needed. Any findings are thoroughly communicated with the audited units to help management understand current deficiencies or potential risks.

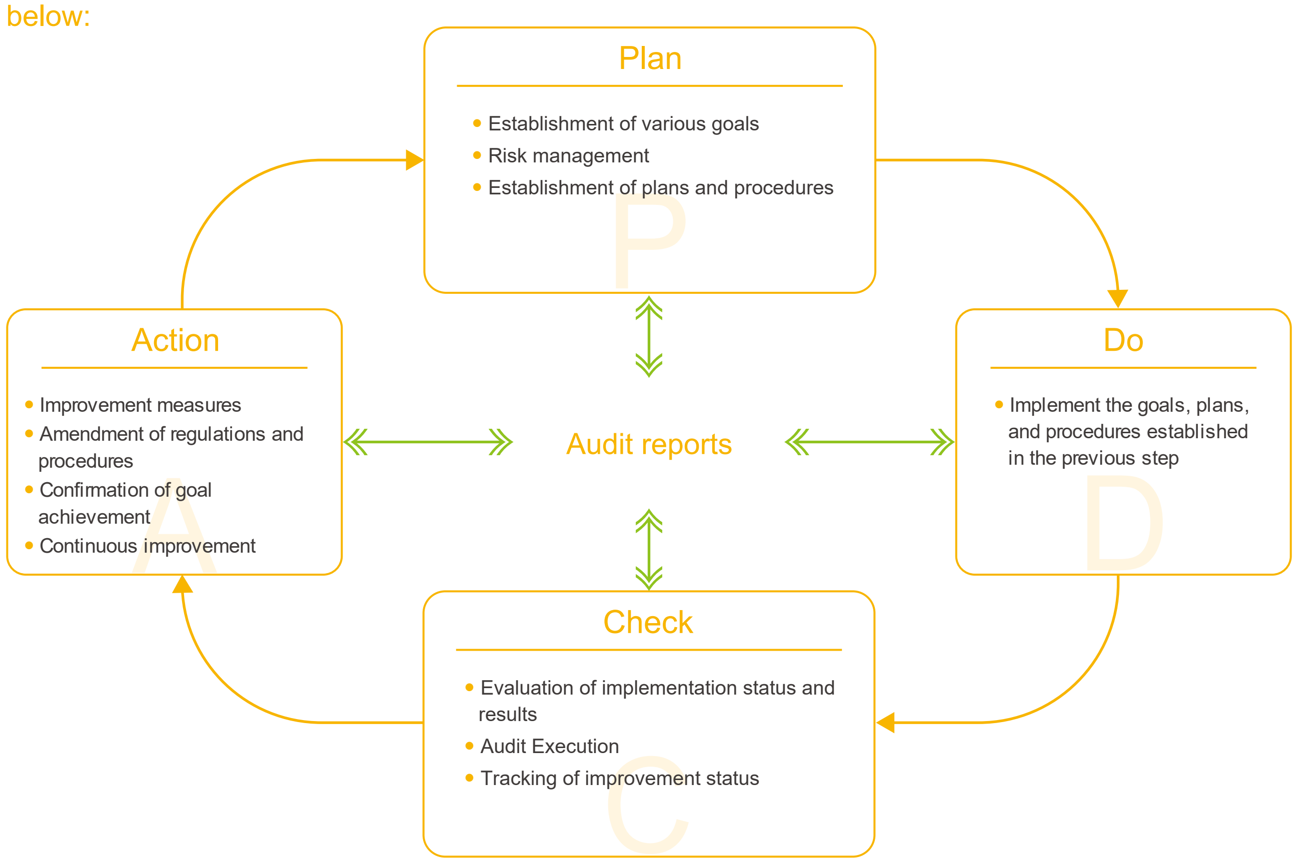
The internal audit unit issues a written audit report and follow-up report after the audit, which is reported to the Chairman and the Audit Committee on a monthly basis or when necessary, in addition to reporting at the regular board meeting every quarter.

Internal Audit and Correction

Kaori has implemented internal controls in accordance with the “Regulations Governing Establishment of Internal Control Systems by Public Companies” and the competent authority's instructions, and taken steps to ensure that they remain effective at supporting the operational goals of the Company. Annual audit plans and special audits are organized as requested by the competent authority or the Board of directors or as suggested by the management.

The Company has an Audit Office that carries out audit tasks according to the annual audit plan and on specific issues. Findings are compiled into official reports and distributed to the respective auditees. According to the proposed 2025 audit plan, the Company issued 85 audit reports, and the reports issued are communicated to the audited units. All audit reports were presented to the Audit Committee for review and reported in Board of directors' meetings. For any defects or abnormalities discovered during the audit, the auditee will be instructed to rectify or make improvement plans, and progress will be tracked on a quarterly basis until improvements have been made.

Audit operations management follows the PDCA management cycle as illustrated in the figure below:



2.7.2 Internal management system

The Company's Board of Directors and managers have established an internal management system in accordance with the " Regulations Governing Establishment of Internal Control Systems by Public Companies" and related laws and regulations to improve business management effectiveness and product quality.

The internal management system is mainly divided into the following three items:

1. Internal control system

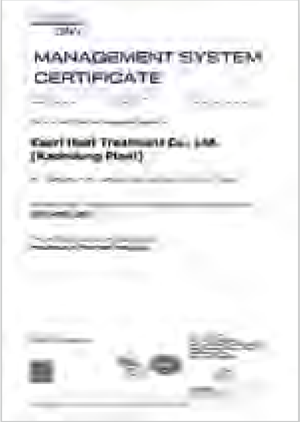
The internal control system covers the entire operation of the Company, including the "management" functions in terms of planning, organization, and control, as well as the scope of business related to sales, production, procurement, financing, salary, fixed assets, computer information, investment, and R&D. The nine major cycle procedures and standard measures adopted are the scope of the internal control system.

Its main purpose is to "promote the effective operation of the enterprise organization and identify problems and solve them immediately."

2. ISO management system

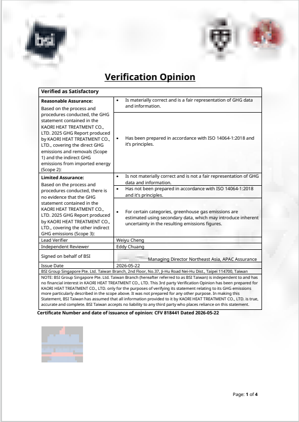
To implement corporate sustainable development and risk management, the Company has established diverse management systems according to ISO-related international standards, covering Quality Management (ISO 9001, AS9100), Occupational Health and Safety (ISO 45001), Environmental and Climate Change Management (ISO 14001, ISO 14064-1), and Information Security (ISO 27001), all of which have passed third-party verification to strengthen governance effectiveness and stakeholder trust. Details of our current ISO certificates and declarations can be found via the link and diagrams below:

- https://www.kaori.com.tw/tw/modules/about/certification


ISO 14001:2015 Environmental Management System


ISO 9001:2015 Quality Management System


AS9100:D Aerospace Quality Management System


ISO 14064-1:2018 Greenhouse Gas Verification


ISO 14067:2018 Product Carbon Footprint Verification


ISO 45001:2018 Occupational Health and Safety System

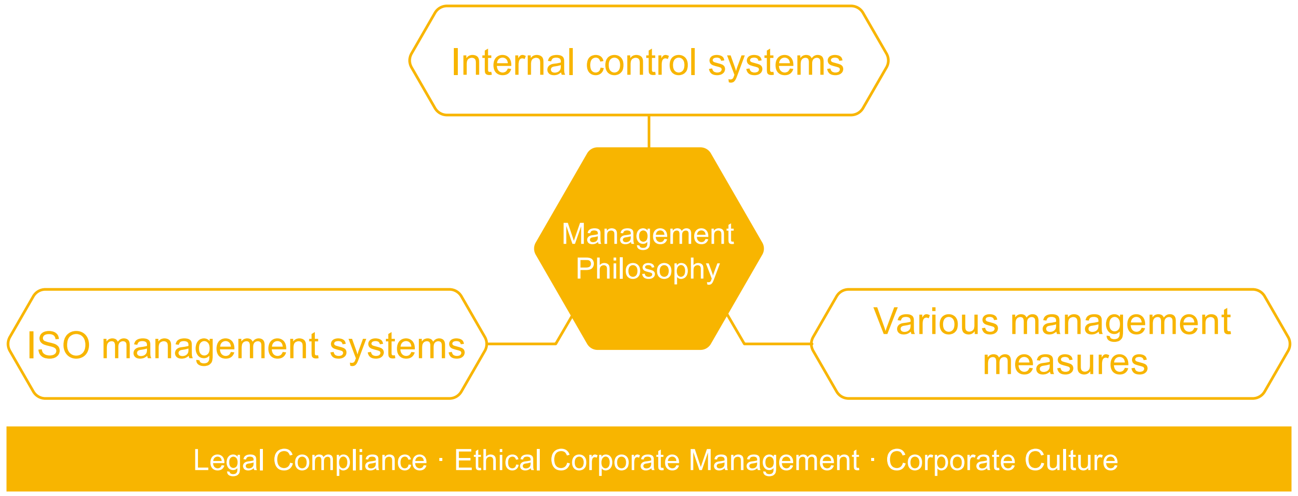

ISO 27001:2022 Information Security Management System

3. Management measures

Relevant management regulations have been established to reduce operational risks for special control items with high operational risk, such as the personnel management system, credit management operations, and the authority to approve various expenses.

These three internal control management systems are built on the principles of regulatory compliance, business integrity, ethics, corporate culture, and our business philosophy. By ensuring their effective operation and continuous improvement, we align with Kaori's sustainable business philosophy, thereby enhancing operational management effectiveness, product quality, and added value and ultimately achieving our vision and mission of sustainable corporate growth.

Below is a diagram of the internal control management system:



2.8 Participation in External Organizations and Initiatives

As market demands become increasingly diverse and competition more intense, companies must actively seek new opportunities and resources when expanding into new markets. Current participation in external organizations and positions held are as follows:

Name of the external organization	Position Held
Taiwan Thermal Management Association	Member
The Taiwan Society for Metal Heat Treatment	Member (Founding president)
Taiwan Association of Machinery Industry	Member
Cloud Computing & IoT Association	Member
Open Compute Project (OCP)	Member
Taiwan Hydrogen & Fuel Cell Partnership	Member
Taipei Computer Industry Association	Member

External Initiatives

Participated in the "E.Sun ESG Sustainability Initiative" for four consecutive years (2022 to 2025). Since 2021, E.SUN has continuously promoted ESG sustainable initiatives. From fostering climate awareness and defining carbon reduction goals to establishing a sustainability transition platform, E.SUN provides integrated financial and non-financial solutions that effectively align corporate, government, and academic capabilities to propel industrial sustainability. This time, E.SUN took talent cultivation and technological empowerment as the themes and called upon nearly 200 high-quality domestic and overseas enterprises, medical institutions, and AI organizations to respond together. It also invited several top international university professors from the United States, Japan, Australia, Singapore, and ASEAN countries to share sustainability research and practical experience and join hands to promote green-collar talent cultivation and make good use of AI and digital technology applications, thereby accelerating the implementation of sustainable transformation and strengthening Taiwan's long-term sustainability competitiveness.

3

Operating Strategies, Performance, and Customer Relation

8 Employment and Economic Development

12 Responsible Consumption and Production

Achievement of Short-, Medium-, and Long-term Plans and Goals for Material Topics Related to Operating Performance

For the pursuit of innovative breakthroughs and competitiveness, Kaori actively explores opportunities to cooperate and exchange with counterparts from within and outside the industry. Through diverse interactions and sharing, Kaori hopes to advance its know-how and foster positive development across the entire industry. The short-term, medium-term, and long-term plans for business performance and customer service related to material issues are as follows:

Timeline	Short-term metrics (2025 - 2026)	Medium-term metrics (2027 - 2030)	Long-term metrics (after 2031)
Operating performance	Customer satisfaction maintained above 80 points	Customer satisfaction maintained above 85 points	Customer satisfaction maintained above 85 points
Legal Compliance	• Violation of product or fair trade laws and regulations: 0 • Violation of customer privacy or cybersecurity laws and regulations: 0	• Violation of product or fair trade laws and regulations: 0 • Violation of customer privacy or cybersecurity laws and regulations: 0	• Violation of product or fair trade laws and regulations: 0 • Violation of customer privacy or cybersecurity laws and regulations: 0

Material issue objectives and performance

In order to achieve steady growth in operational performance, and provide customers with excellent service and high satisfaction, we have established the following material issues, goals, and performance:

- Customer satisfaction

	2025 Goals	2025 Performance Achievement Level	2026 Goals
Heat Exchanger Business	80 points and above	88.2 points → Achieved	Customer satisfaction maintained above 80 points
Fuel Cell Division	80 points and above	98.6 points → Achieved	Customer satisfaction maintained above 80 points
New Energy Division	80 points and above	88 points → Achieved	Customer satisfaction maintained above 80 points
Kaori Thermal Technology Co., Ltd.	80 points and above	93.2 points → Achieved	Customer satisfaction maintained above 80 points
Kaori Technology (Ningbo) Co., Ltd.	80 points and above	90 points → Achieved	Customer satisfaction maintained above 80 points

- Compliance

2025 Goals	2025 Performance Achievement Level	2026 Goals
Violation of product or fair trade laws and regulations: 0	0 cases → Achieved	Violation of product or fair trade laws and regulations: 0
Violation of customer privacy or cybersecurity laws and regulations: 0	0 cases → Achieved	Violation of customer privacy or cybersecurity laws and regulations: 0

3.1 Policies and strategies for operating performance

Material issues	Management Approach	
Operating performance	Policy	Profitable operations, protecting shareholder interests.
	Goals	Good and stable financial performance ensures profitability. By focusing on corporate governance, reducing waste, balancing cost expenditures, and improving quality, the Company enhances profitability.
	Commitment	Utilizing due diligence and early warning communication methods, the Company adheres to the Company Act and applicable business regulations, consistently generating economic value.
	Measures 1. Maintain a sound financial structure and provide strong backing in sales, manufacturing, and R&D. 2. Continue our efforts to focus on providing next-generation green low-carbon solutions that drive industrial upgrading, align with international net-zero goals, and foster the company's growth and progress, thereby solidifying Kaori's leading position in the industry. 3. Plan the use of short-, medium- and long-term funds to maximize capital returns while adhering to principles of stability.	

Kaori's headquarters is located in Zhongli District, Taoyuan City. There are four plants in Taiwan: Zhongli Plant1, Zhongli Plant 2, Zhongli Plant 3, and Kaohsiung Main Plant, totaling four plants and two subsidiaries: Kaori Thermal Technology Co., Ltd. and Kaori Technology (Ningbo) Co., Ltd. Kaori's key products include brazed plate heat exchangers, gasket plate heat exchangers, key components for SOFC fuel cells, immersion cooling tanks, and elements, single/two-phase immersion cooling tanks, liquid cooling cabinet modules, methanol fuel cell systems, methanol hydrogen generators, methanol-based thermal technology, organic solvent hydrocracking, and industrial waste hydrogen purification solutions, all of which are manufactured and sold by the Company.

Since its establishment, the Company has adhered to the concept of "Innovation, Quality, Responsibility, and Honor," focusing on a research and development approach that leads the market through technology. By surpassing competitors through technological and product innovation, the Company aims to increase profitability and develop next-generation products in line with market trends.

Kaori's operating strategies, organized by function, are as follows:

Production strategy	• Kaori upholds the principles of "providing a safe working environment, effectively preventing occupational hazards, and protecting the green Earth." • The Company aims to provide next-generation green, low-carbon solutions that align with international net-zero carbon emission goals as its business objective. • Existing production equipment will be improved to enhance process technology and production efficiency. • Master the management of raw materials and finished products. • Thoroughly implement ISO 9001 & ISO 14001 to achieve quality goals.
Sales strategy	• Existing customers → Provide products and services that are competitive in the market. • Potential new customers → Active development of potential customers for related applications of existing new technologies. • Product end customers → directly connect with end customers, and manufacturers specify the introduction of products.
R&D strategy	• Explore new application areas and develop low-carbon green energy solutions based on the Company's core technologies. • Invest in the R&D of immature concepts and prototype technologies with carbon reduction potential, such as developing high-efficiency/modern catalysts, carbon fixation, etc.
Operating strategies	• Flatten the organizational structure and strengthen project-based organizational structures. Strengthen employee on-the-job training internally and actively recruit outstanding talents externally to enhance the Company's competitive advantage.
Financial strategies	• Maintain a sound financial structure and provide strong backing in sales, production, and R&D. Plan the use of short-, medium- and long-term funds to maximize capital returns.

3.2 Operating performance

Sustainability is one aspect that businesses have to commit attention to given the highly competitive environment today. For this reason, Kaori constantly examines its strategies and plans and makes adjustments where appropriate to align with sustainable development goals. The Company remains dedicated to its core business activities and pays particular attention to product quality as well as workplace health and safety as a way to uphold the Company's brand reputation.

In 2025, Kaori demonstrated growth performance across all business entities that exceeded original expectations. Among them, the thermal dissipation business benefited from the continuous increase in the penetration rate of liquid cooling technology in large data centers; the fuel cell business maintained robust growth due to strong demand in the U.S. power market, with both major business entities maintaining double-digit steady growth in 2025. In 2025, the Company's revenue reached NT$ 6,580,623 thousand, representing a growth of approximately 64% compared to NT$ 4,003,440 thousand in 2024. The earnings per share (EPS) in 2025 was NT$ 9.07, which also grew by NT$ 2.51 compared to the EPS of NT$ 6.56 in 2024, marking the best performance since the Company's listing. See the financial statements or the latest annual report for the financial data of the Company.

- The operational results of the generation and distribution of direct economic value over the past three years are presented in the table below:

Unit: NT$ thousands

Item/Year	2023	2024	2025
Operating revenue	4,325,671	4,003,440	6,580,623
Gross profit	1,223,949	1,194,850	1,798,984
Operating expenses	512,511	548,293	775,228
Operating profit	711,438	646,557	1,023,756
Non-operating income (expenses)	18,208	103,352	28,049
Pre-tax profit (loss)	729,646	749,909	1,051,805
Net income (loss)	576,526	593,044	829,546

Note: Years 2023 and 2024: Headquarters and Zhongli Plant 3, Zhongli Plant 1, Zhongli Plant 2, Kaohsiung Main Plant, Ziqiang Plant, Kaori Technology (Ningbo) Co., Ltd.
Year 2025: Headquarters and Zhongli Plant 3, Zhongli Plant 1, Zhongli Plant 2, Kaohsiung Main Plant, Ziqiang Plant, Kaori Technology (Ningbo) Co., Ltd.

- The revenue contribution of main products over the past three years is as follows:

Unit: NT$ thousands

Year / Product	2023		2024		2025	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Heat exchanger products	2,309,941	53	1,642,009	41	1,729,076	26
Thermal energy products	2,015,730	47	2,361,431	59	4,851,547	74
Total	4,325,671	100	4,003,440	100	6,580,623	100

- Sales amount and proportion of main products by region in the last three years

Unit: NT$ thousands

Year / Location	2023		2024		2025	
	Amount	Percentage %	Amount	Percentage %	Amount	Percentage
Asia	1,193,779	28	1,519,871	38	1,358,379	21
America	1,984,185	46	1,915,897	48	4,442,956	67
Europe	1,133,184	26	559,890	14	769,520	12
Others	14,523	-	7,782	-	9,768	-
Total	4,325,671	100	4,003,440	100	6,580,623	100

- Economic value of distribution of employee salaries and benefits, and payments to investors

Unit: NT$ thousands

Year / Item	2023	2024	2025
Operating cost	3,101,722	2,808,590	4,781,639
Employee salary and benefits expenses(Note)	835,317	841,719	1,058,408
Payment of income tax	95,414	183,505	149,354
Dividend distribution	134,076	357,536	365,859
Interest paid	32,382	8,069	23,005

Note: It refers to salary and benefits expenses, labor and health insurance expenses, pension expenses, and other employee benefit expenses.

Sustainability Certificate of Deposit

To strengthen our sustainable finance strategy, we invested NT$ 5 million in Sustainability Certificates of Deposit in 2025 to support projects with environmental and social benefits. This move not only optimized the efficiency of capital utilization but also contributed to elevating the Company's sustainability performance in the environmental and social dimensions, continuously implementing corporate social responsibility.

2025 Performance and Future Prospects

Strategy	Execution Progress
I. Improve production procedures and enhance product design capacity II. Expand the portfolio of profitable products III. Expand the distribution and sales network and increase global market share	I. To enhance competitiveness, the Company is increasing the proportion of plate components sourced from its Ningbo facility and optimizing stamping equipment to improve efficiency. At the same time, it continues to invest in R&D resources to actively develop new products and technologies. II. Products for special industry applications are being developed for entry into niche markets III. Kaori continues to increase brand visibility through overseas exhibitions and social networks and strives to collaborate with foreign equipment manufacturers and major distributors

Future Prospects
I. Enforce sustainable supply chain governance, relationship management, and resilience enhancement measures to ensure the timeliness and stability of supply II. Expand the distribution and sales network for heat exchangers, and diversify business activities and the categories of steel materials sold to increase global market share III. Strengthen customer relations, improve the value chain and strive for mutual growth IV. Engage in strategic integrations and make medium/long-term plans to cooperate with world-class steel makers through joint ventures, thereby expanding overseas business

3.3 Customer relations management

Kaori adopts a “customer-centric” business approach and maintains strong relationships with customers in order to learn their needs and make appropriate adjustments. The Company also cooperates in customers' audits and makes improvements where necessary to ensure that customers' needs are satisfied, which in turn enables profit maximization and mutual benefit. We pay particular attention to product quality and after-sales service to achieve the above goals. In terms of marketing and promotion, we comply with relevant regulations and refrain from selling disputable products that do not meet environmental protection standards.

Kaori values every one of its customers. To ensure the quality of service to customers, the Company frequently gathers customers' opinions through satisfaction surveys and makes adjustments accordingly.

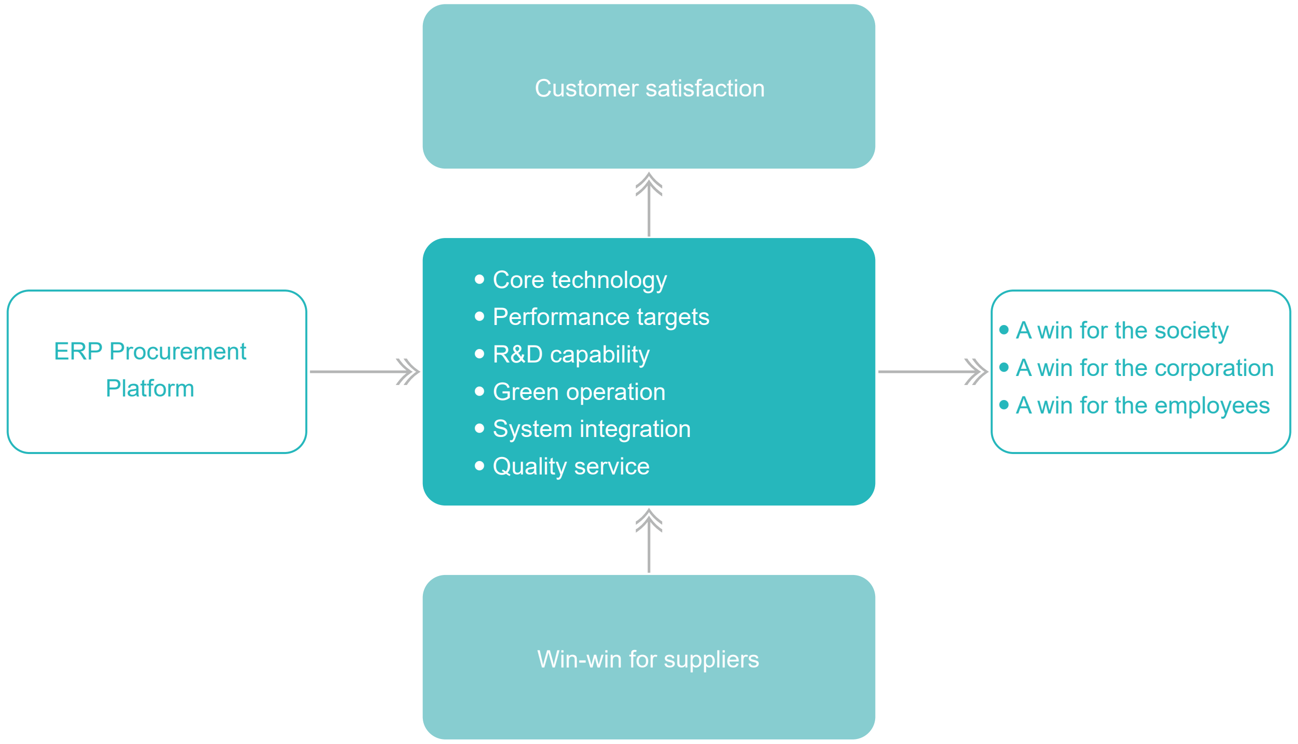
3.3.1 Customer Satisfaction Survey Process and Results

We have placed our focus on offering top-quality products and services to key customers and working with their strategic partners to develop high-end, specialized materials. This is why Kaori pays particular attention to customers' satisfaction and organizes satisfaction surveys on product quality, product delivery, service quality, and professionalism in the fourth quarter of each year. A dedicated unit has been assigned to gather and analyze satisfaction scores and present them for discussion during meetings. For aspects that do not meet the required scores, the Company conducts in-depth discussions with customers and has the Quality Assurance Center provide relevant information such as customers' monthly supplier evaluation sheets, complaints, or records of returned goods to help identify the causes of dissatisfaction and verify the survey results.

Customer Satisfaction Survey In order to achieve the long-term goal of continuous operation and growth, we have unlocked the key to market success: customer satisfaction.

Based on the concept of strengthening customer satisfaction, we make good use of two management systems: enterprise resource management (ERP) and procurement platform, and actively provide customers, suppliers, and Kaori with a triple-wins philosophy so that cost, quality, and service optimization. This mutually beneficial process fosters better performance and secures more future orders.

The triple-wins philosophy is shown in the figure below:



Results of the Customer Satisfaction Survey for 2025

Kaori observes the customer satisfaction clause of ISO 9001 Quality Management System and conducts a customer satisfaction survey in the 4th quarter of each year (to be completed before the end of year) to ensure that data is not skewed due to the timing of the survey. The survey can be carried out via e-mail, phone interview, fax, and other channels, and respondents' responses are recorded in the "Customer Satisfaction Survey Form". The survey questions are designed based on the characteristics of the products offered by the respective business department. Using a scale of 1 to 5, satisfaction is rated with 5 being most satisfactory and 1 being least satisfactory, whereas importance is rated with 5 being most important and 1 being least important. Employees have been instructed to determine accountability immediately for any unsatisfactory response or any score of 2 and lower indicated in the survey. The accountable employees then have to analyze the underlying causes and explore improvements according to the "Company's Correction and Prevention Procedures".

Heat Exchanger Business

- Survey targets: Customers whose sales amount accounted for the top 20% of that year, from which the top 20 largest customers by sales amount were selected for the survey.
- Survey results: Formulated improvement countermeasures for items rated 3 points or below in 2025.

Fuel Cell Division

- Survey targets: The top three or top 20% of customers ranked by delivery amount.
- Survey abnormalities: A total of 0 cases rated 2 points or below in 2025.

New Energy Division

- Survey targets: The top three or top 20% of customers ranked by delivery amount.
- Survey abnormalities: A total of 0 cases rated 2 points or below in 2025.

Kaori Thermal Technology Co., Ltd.

- Survey targets: The top three or top 20% of customers ranked by delivery amount.
- Survey abnormalities: A total of 0 cases rated 2 points or below in 2025.

Kaori Technology (Ningbo) Co., Ltd.

- Survey targets: Customers whose sales amount accounted for the top 20% of that year, from which the top 20-50 largest customers by sales amount were selected for the survey.
- Survey abnormalities: A total of 0 cases rated 2 points or below in 2025, and customer feedback was mainly focused on optimizing costs and reducing selling prices.

The results of the customer satisfaction survey by business division in the last two years are shown in the table below:

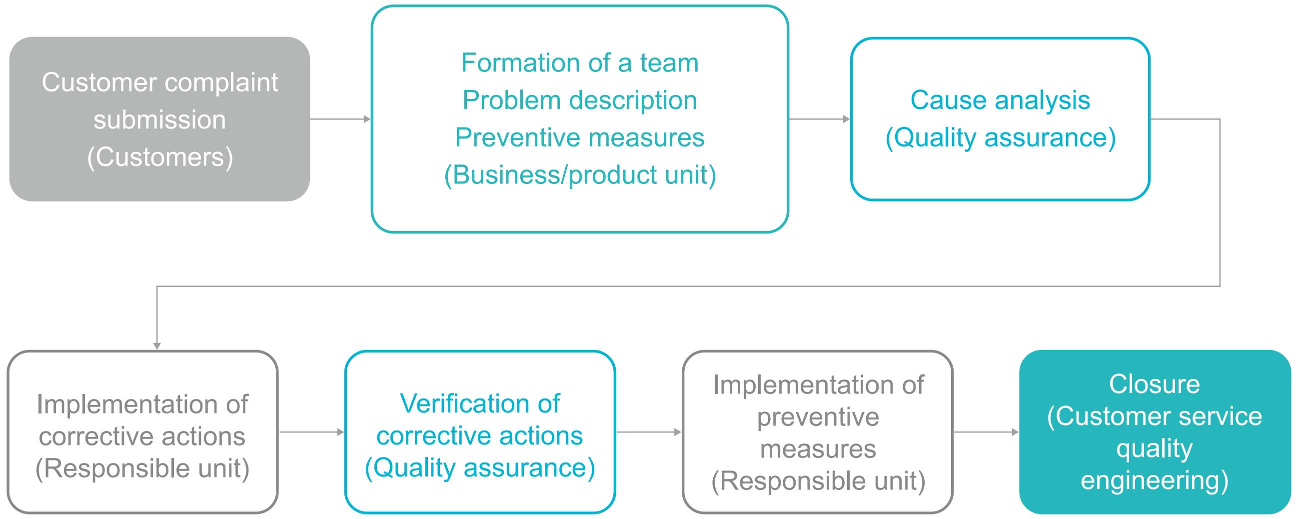
Item/Year Business unit	Survey category	2024		2025	
		Questionnaire recovery rate	Customer satisfaction average	Questionnaire recovery rate	Customer satisfaction average
Heat Exchanger Business	Product quality, delivery timing, service, professionalism, competitiveness	90%	80.8 minutes	100%	88.2 minutes
Fuel Cell Division	Product quality, product delivery, service quality, professionalism	100%	98.6 minutes	100%	98.6 minutes
New Energy Division	Product quality, delivery timing, service, professionalism, engineering capability	100%	97.8 minutes	100%	88 minutes
Kaori Thermal Technology Co., Ltd (Note)	Product quality, delivery timing, service, professionalism, engineering capability	NA	NA	100%	93.2 minutes
Kaori Technology (Ningbo) Co., Ltd.	Product quality, delivery timing, service, professionalism, competitiveness	100%	90.2 minutes	96%	90 minutes

Note: The newly established subsidiary, Kaori Thermal Technology Co., Ltd., officially commenced operations in 2025.

3.3.2 Customer Complaints and Subsequent Improvement Measures

Customer Complaint Handling Mechanism Flowchart

1. When customers complain or give feedback, the customer complaint handling procedure is activated. The sales representative is responsible for confirming the abnormal content of the customer's feedback and handling it immediately to reduce the recurrence rate of the same incident and the generation of customer complaints.
2. When abnormal customer complaints occur, a problem analysis and resolution method is used to form a correction team as appropriate to find out the true cause of the problem, short-term and long-term countermeasures are implemented for improvement, and the effectiveness of the implementation is reviewed at the end. At the same time, a culture of internal continuous improvement activities has been established through personnel re-education to continuously improve the quality level of Kaori's products.



The speed at which customers' complaints are addressed is key to raising customers' satisfaction. In addition to implementing customer sales policies and complaint procedures, Kaori also assigns dedicated personnel to maintain communication with customers and to investigate the underlying causes and accountability of all complaints raised. All complaints received are followed up quickly with effective solutions and improvement measures to prevent recurrence. Through productive communication, the Company is able to maintain good customer relations and ensure the quality of products delivered. Furthermore, transparent and efficient consumer grievance channels have been implemented to cater to customers' requirements for the products and services offered.

Customers are able to raise complaints to various departments using the contact number or e-mail disclosed in the Stakeholders section of Kaori's portal. We have made the number of customer complaints one of our key performance indicators (KPI). Complaints are analyzed by cause and customer type and discussed during annual management review meetings to serve as a reference for next year's quality improvement goals.

Heat Exchanger Business

There were a total of 54 customer complaint cases in 2025, and subsequent improvements and preventive countermeasures have been carried out for all cases.

Fuel Cell Division

A total of 4 customer complaints and 0 customer service requests were received in 2025; all of which have been improved upon with preventive measures taken.

New Energy Division

A total of 0 customer complaints and 0 customer service cases were recorded in 2025. The Company will continue to maintain this performance and pursue further improvement.

Kaori Thermal Technology Co., Ltd.

There were a total of 19 customer complaint cases in 2025, and subsequent improvements and preventive countermeasures have been carried out for all cases.

Kaori Technology (Ningbo) Co., Ltd.

A total of 0 customer complaints and 0 customer service cases were recorded in 2025. The Company will continue to maintain this performance and pursue further improvement.

3.4 Customer Data Confidentiality

Privacy has become an important issue at a time when technology plays a dominant role in our lives. Due to our relationships with business partners, department employees often come into contact with product secrets and customers' personal information. Kaori received no complaints concerning violations of customers' privacy or secrets in 2025. Kaori has restricted access to its document management system by project relevance. For example,

I. Only the system administrator may create and modify customer profiles, and sales representatives may make requests to create or change profiles only after submitting application forms and seeking proper approval.

II. Documents furnished by customers are managed according to the “Document and Record Management Procedures.” Schematics furnished by customers are placed on the server inside department-exclusive folders and made accessible only to authorized personnel.

III. Supplies provided by customers are stored in a dedicated warehouse; all placements and withdrawals are controlled using the ERP system and forms.

IV. Confidentiality agreements are signed as required by customers or the Company. Parties that the Company discloses confidential information to for the performance of duties are prohibited from revealing such information to others or using it for purposes outside of work. The same applies after employees resign.

The Company values intellectual property rights and is committed to protecting its intellectual properties and those of others (including patents, trademarks, copyrights, and business secrets), particularly during the transfer of know-how and production experience.

4

Sustainable Products and Quality Management

7 Affordable and Clean Energy
8 Employment and Economic Development
9 Sustainable Industry and Infrastructure
11 Sustainable Cities and Communities
12 Responsible Consumption and Production
13 Climate Action

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Sustainable Products and Quality Management
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Short-, Medium-, and Long-term Plans and Target Achievements for Material Topics Related to Sustainable Products

Kaori is committed to product development and quality improvement and continues to create profitable growth with important goals: product R&D and innovation, ensuring patent R&D results, protecting trade secrets and legal compliance, product quality management, and assessing the market future of products. Short-, medium- and long-term metrics are as follows:

Timeline	Short-term metrics (2025 - 2026)	Medium-term metrics (2027 - 2030)	Long-term metrics (after 2031)
Product quality	• Pass the ISO 9001 Quality Management System certification every year • No violation of EU Restriction of Hazardous Substances Directive (RoHS) • No violation of REACH SVHC prohibition	• Pass the ISO 9001 Quality Management System certification every year • No violation of EU Restriction of Hazardous Substances Directive (RoHS) • No violation of REACH SVHC prohibition	• Pass the ISO 9001 Quality Management System certification every year • No violation of EU Restriction of Hazardous Substances Directive (RoHS) • No violation of REACH SVHC prohibition
Legal Compliance	0 cases of non-compliance with product laws or patent regulations	0 cases of non-compliance with product laws or patent regulations	0 cases of non-compliance with product laws or patent regulations

Material issue objectives and performance

Kaori is committed to product R&D and innovation, R&D patent achievements, product quality management, legal compliance, etc. The following table shows the degree of achievement of important goals and performance in the past two years:

- Product Quality Management

	2025 Performance Targets	Achieved in 2025	2026 Performance Targets
Heat Exchanger Business	Pass the ISO 9001 Quality Management System certification every year	Pass the ISO 9001 Quality Management System certification every year → Achieved	Pass the ISO 9001 Quality Management System certification every year
Fuel Cell Division	• Pass the ISO 9001 Quality Management System certification every year • Pass the Aerospace Quality Management System AS9100 every year	• Pass the ISO 9001 Quality Management System certification every year → Achieved • Pass the Aerospace Quality Management System AS9100 every year → Achieved	• Pass the ISO 9001 Quality Management System certification every year • Pass the Aerospace Quality Management System AS9100 every year
New Energy Division	Due to the customized nature of our department's products, passing ISO 9001 certification is no longer designated as a key performance target. Instead, we have redirected our strategic focus toward technology and market development and concentrated our resources on the product development process, quality verification, and customer service, while maintaining the continuity of relevant quantitative indicators.		
Kaori Thermal Technology Co., Ltd.	Pass the ISO 9001 Quality Management System certification every year	Pass the ISO 9001 Quality Management System certification every year → Achieved	Pass the ISO 9001 Quality Management System certification every year
Kaori Technology (Ningbo) Co., Ltd.	Pass the ISO 9001 Quality Management System certification every year	Pass the ISO 9001 Quality Management System certification every year → Achieved	Pass the ISO 9001 Quality Management System certification every year

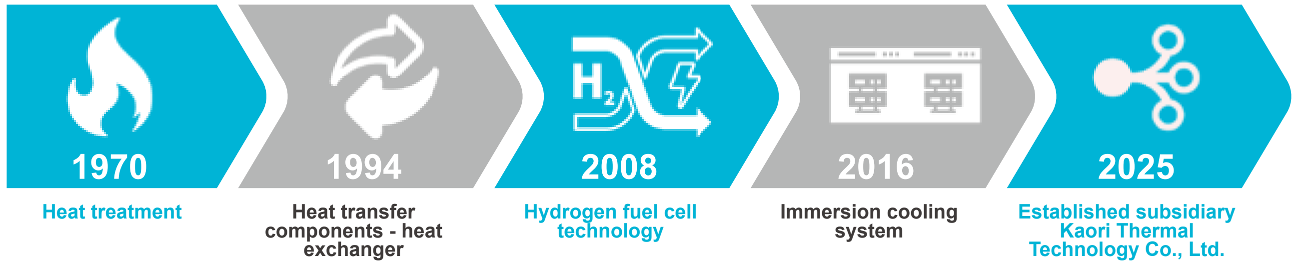
- Compliance

2025 Performance Targets	Achieved in 2025	2026 Performance Targets
0 cases of non-compliance with product-labeling laws or patent regulations	0 cases → Achieved	0 cases of non-compliance with product-labeling laws or patent regulations

4.1 Sustainable Products

Material issues	Management Approach	
Sustainable Products	Policy	Explore new application areas and develop low-carbon green energy solutions based on the Company's core technologies.
	Goals	The revenue share of low-carbon sustainable products (such as AI server cooling) continues to grow.
	Commitment	Integrate "green design" into the core of product R&D, dedicate to researching and developing thermal dissipation solutions with high heat exchange efficiency and low energy consumption, and assist customers in achieving carbon reduction targets.
	Measures	1. Established a "Patent Review Committee" composed of R&D managers, business unit managers, and legal/intellectual property managers. 2. Develop a "Patent Application and Incentive Policy" to encourage employees to focus on innovation and research. 3. Explore energy-saving solutions for the vacuum furnace, a key piece of production equipment, to reduce the production process's carbon emissions. 4. Introduce ISO 14067 for product carbon footprint to grasp the status of life cycle carbon emissions and formulate reduction plans. 5. Strengthen employee on-the-job training and actively recruit outstanding talents externally.

Kaori prides itself for being able to persistently innovate and support the industry's transition to net zero emissions.



Core business units: Fulfill the United Nations Sustainable Development Goals (SDGs)

Heat Exchanger Business Unit	11 Sustainable Cities and Communities 12 Responsible Consumption and Production 13 Climate Action
Fuel Cell Business Unit	7 Affordable and Clean Energy 11 Sustainable Cities and Communities 12 Responsible Consumption and Production 13 Climate Action
Hydrogen Energy Business Unit	7 Affordable and Clean Energy 11 Sustainable Cities and Communities 13 Climate Action
Energy Managemert Business Unit	9 Sustainable Industry and Infrastructure 11 Sustainable Cities and Communities 12 Responsible Consumption and Production 13 Climate Action

Brazed Plate Heat Exchangers

Featuring wave patterns stamped on 304 or 316 stainless steel materials, Kaori's brazed plate heat exchangers are made through multi-point brazing of stainless steel with copper or nickel in a vacuum furnace, thereby allowing them to operate under extreme pressure in a very small chassis while making them especially suitable for refrigeration and air conditioning systems. Meanwhile, the wave patterns stack on top of each other to form conduits that create a turbulent flow of the coolant even at low flow speeds. This enables the heat exchangers to achieve high thermal conduction efficiency in a small heat transfer area. In systems that require high efficiency, the use of brazed plate heat exchangers may further increase the coefficient of performance (COP) and reduce the overall space needed to install the modules, which in turn lessens the need for fluorinated greenhouse gases (F-GHG) and is a more efficient and environment-friendly design.

Industrial Applications

- Heating, Ventilation, and Air Conditioning (HVAC)
- Mechanical Equipment
- Semiconductor and Electronics Industry
- Transportation
- Low-Temperature Refrigeration
- Medical Equipment
- Energy and Utilities
- Data Centers

Sustainable Development Highlights

- The first heat exchanger manufacturer in Taiwan to pass ISO 14067 carbon footprint third-party inspection. (The certificate is shown on the right)
- Digitalization of product manuals.
- Continue to develop low-carbon stainless steel in a diversified manner, which can reduce carbon emissions by 95%.
- Assist overseas customers in obtaining local quality certification.

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Opinion Statement

Gasket Plate Heat Exchangers

Offers better heat conduction in a smaller size compared to spiral type or shell and tube type heat exchangers. With proper design, gasket plate heat exchangers can be more efficient at transferring heat and easier to clean, maintain, disassemble, and install while retaining the potential for capacity expansion.

Industry Applications

- Petrochemical Plants
- Semiconductor Plants
- Refineries
- Metal Processing Industry
- Steel Industry
- Food Industry
- Power Generation Industry
- Refrigeration
- Marine Industry

Sustainable Development Highlights

- Energy efficiency and conservation:

  The special pattern design enables a high level of turbulent flow even at low flow speeds, therefore delivering a number of advantages including efficient heat transfer, reusability, and a longer lifespan of at least 10 years.

- Heat recycling:

  Data centers, for example, may use a combination of immersion liquid cooling and gasket plate heat exchangers to recycle heat and increase overall energy efficiency by more than 40%.

Critical SOFC Components

High-efficiency Fuel Cell Recuperators

Heat-resistant nickel-base superalloys are assembled using Kaori's proprietary brazing technology in conjunction with advanced TIG welding to allow heat transfer under high temperatures. The material achieves a thermal cycle efficiency of 60%. This demonstration of exceptional brazing and TIG welding techniques has gained recognition from green manufacturers worldwide and made Kaori a long-term strategic partner.

Industry Applications

A solid oxide fuel cell (SOFC) is a form of distributed energy system which involves generating and supplying power directly to local users based on their requirements. Kaori's solutions offer a high degree of versatility that make them suitable for medium- and small-size energy conversion systems of various purposes. Ships, for example, may install fuel cell power systems to replace diesel power.

Sustainable Development Highlights

- Advantages such as high performance, stability, low emissions, zero pollution, waterless, and long lifespan have been validated through commercial operation by reputable customers for more than 10 years.
- Thermal reactors for high capacity SOFCs increase power generation efficiency to 65% from the previous generation.
- Thermal reactors have been developed for hydrogen generation and energy storage.
- Application in vessels helps the shipping industry achieve energy and carbon reduction goals.

Reformed methanol/hydrogen PSA system

The hydrogen generator takes in a methanol solution and applies a process called pressure swing absorption (PSA) to purify and generate high-purity hydrogen (99.999%). It is widely used in industrial processes that make use of the gases generated, such as hydrogen reduction furnaces, heat treatment furnaces, semiconductors, and optoelectronics.

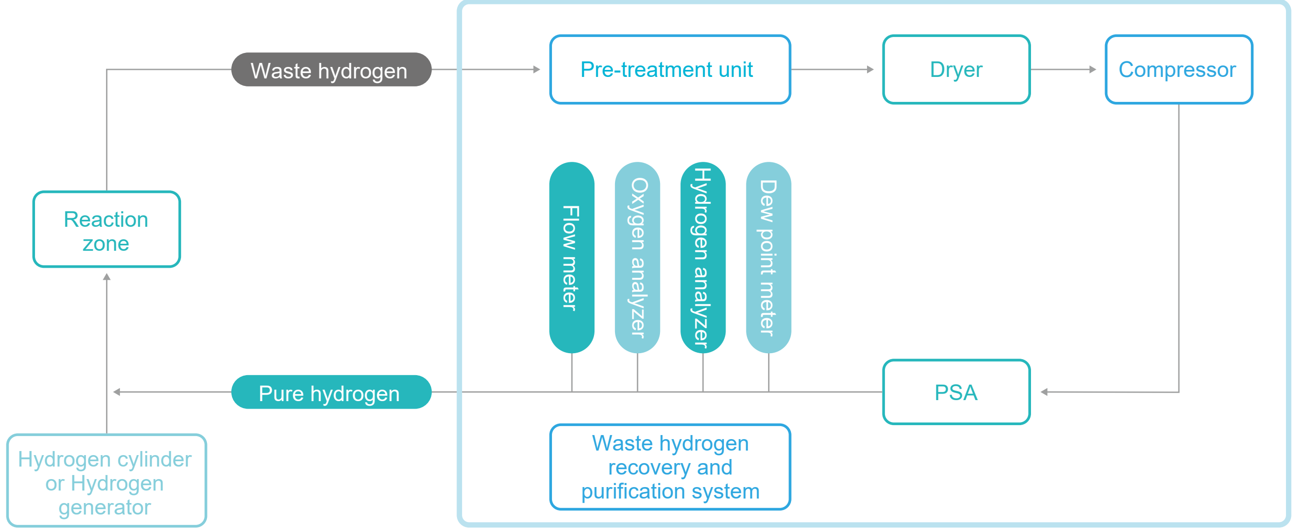
- 30-4.5 m^3/hour
- Generates hydrogen at low pressure (<5 kg/cm^2) with rigorous safety protection
- Uses methanol (<59%) as the raw material; the hydrogen produced can be used immediately and does not require a hydrogen storage tank
- Replaces pressurized hydrogen canisters; equipment investments can be recovered in as little as six months

Reformed Methanol/Proton Exchange Membrane (PEM) Fuel Cell System/ Ammonia Fuel Cell (AFC) System

- System size is 30-50% smaller compared to products of equivalent grade
- Energy consumption ≤0.5 kW and noise ≤65 dB (at 5 kW output)
- CO emission ≤20 ppm (low exhaust; no NOx and SOx)
- Safe and stable: Overall power and thermal efficiency >85%; continuous operation for >72hr
- Applications: Backup power for remote areas or disaster sites; reserve power for critical facilities

Industrial Waste Hydrogen Purification/Recycling System

- Recycling and reuse: Eliminates the need to remove hydrogen or transport hydrogen in pressurized form; approximately 70% is recycled, which lowers carbon emissions
- Greatly reduces the need to supply hydrogen through tankers/canisters; can be replaced with Kaori's methanol hydrogen generators
- Recovery period of equipment investment is about 2.5 years



Organic Solvent Hydrocracking System

By treating organic solvent waste, hydrogen can be recycled and reused to generate base load power. Waste silicon from semiconductors and solar panels can be processed to produce hydrogen at 99.9% purity; using Kaori's purification system, the level of purity can be increased to 99.999%, which makes the hydrogen usable for industrial and power generation applications.

Industry Applications

- Supports hydrogen-based production procedures or by-product hydrogen: For example, hydrogen reduction furnaces, heat treatment furnaces, semiconductors, optoelectronics, powder metallurgy, metal wires, and steel industries.
- Organic solvent waste fluids of the electronics industry (semiconductors, circuitry, LCD panel, etc.) can be pre-processed and cracked at high temperature to separate hydrogen for power or heat.

Sustainable Development Highlights

Ammonia Cracking and Hydrogen Energy: Clean energy research involving the use of ammonia as hydrogen fuel carrier has gained popularity around the world in recent years due to the ease of storage, ease of transportation, and better economic viability of ammonia compared to hydrogen.

Liquid Cooling System

It focuses on AI data centers and has introduced a new generation of server liquid cooling products targeting “server thermal management”. These solutions align with current trends in AI development and provide more sustainable cooling solutions for data centers and high-performance computing.

Industry Applications

Cloud services/5G communication, Edge computing, Data centers, Semiconductor EDA, Artificial intelligence, Blockchain, Cryptocurrency (mining), Electric vehicle battery cooling

Sustainable Development Highlights

- Power usage effectiveness (PUE) is an internationally accepted metric for measuring the power efficiency of data centers. PUE is calculated by dividing the total data center power draw by the total IT equipment power draw. A low PUE indicates that the data center requires less power for cooling, which suggests lower power consumption and greater environmental friendliness.
- China's first data center with 5A green rating uses single-phase immersion cooling technology with insulated coolant to achieve high-efficiency cooling without the need for fans, air conditioners, or chillers. The solution reduces power used in cooling by 70% and lowers the PUE to 1.09.

4.2 Strategic Objectives for Future Technology Development

Leveraging our profound expertise in heat treatment and thermal transfer technologies, and in response to the global wave of AI data centers and green energy transition, Kaori adopts “Voice of Customer (VOC)” and “Early Involvement” development strategies. Through these, we continue to deepen our footprint in three core areas: liquid cooling solutions, brazed plate heat exchangers, and clean hydrogen energy technologies. The Company not only cooperates deeply with leading manufacturers of CPU/GPU key components and major brand server manufacturers, but also translates customized demands into standardized high-performance solutions through collaborative development in multinational supply chains, thus dedicating to improving Coefficient of Performance (COP) and reducing environmental impacts. Kaori has implemented several strategies to address global climate change and align with corporate transformation efforts. The Company continuously conducts research and development of green sustainable products.

Collaborative Development

- Technology Development Procedures:

  Kaori actively gathers the voices of customers and involves customers in the early stage of product development as a way to continually improve product creativity, design, and technological capacity. These involvements are useful for gaining insights into customers' core requirements, so that the Company can focus its development efforts on solving customers' problems. It has been a key factor to the success of the Company's product and technology development efforts. Customized solutions currently take up the majority of Kaori's development resources. As national policies and industry standards evolve, the Company will be able to introduce standardized product development processes and automated production lines.

- Standard product development procedures:

1. **Customer requirements**
2. **Proposal evaluation review**
3. **R&D design review**
4. **Pilot run verification review**
5. **Mass production validation**
6. **Mass production**

Heat Exchanger Business

1. For the continuously growing AI data center server market, Kaori will introduce different model designs for more Cooling Distribution Unit (CDU) applications, thereby reducing the use of both natural and HFO coolants while increasing equipment COP.
2. More attention will be directed to improving the plate pattern design for optimal flow resistance, which increases heat exchange efficiency in less surface to achieve better performance.

Liquid Cooling Technology

1. Engage critical CPU/GPU partners in more in-depth collaboration.
2. Seek technology certifications with server manufacturers.

Hydrogen Power Clean Energy

1. Kaori cooperates with customers on various projects to increase product performance and is committed to promoting hydrogen power circular economy, so that customers may realize the energy and carbon reduction potential of SOFCs.
2. Hydrogen application is an important step to reducing carbon. Kaori hopes to first demonstrate the viability of the technology within the domestic market, and then export whole systems over the medium and long term while placing emphasis on the development of the hydrogen supply chain and potential applications on a global scale to create a new industry altogether.
3. Kaori is exploring ways to use hydrogen power for carbon reduction using existing resources and the foundation of the industry. Attention will be paid to using zero/low-carbon fuel and scaling the production of green hydrogen and blue hydrogen as means to achieve carbon reduction goals.
4. Fuel cells are the mainstream solution of the future. They will grow in popularity in household use and backup power over the short term and make their way into cogeneration over the long term.

Industry-Academia Partnerships

- Industry-academia collaboration:
  1. In collaboration with National Yang Ming Chiao Tung University, we plan to simulate the uneven distribution of flow field and heat transfer within plate heat exchangers under varying flow velocities and overall inlet port depths from 2026 to 2027. Combined with data analysis, this research will establish software-based empirical formulas.
  2. Kaori cooperates with National Central University and National Yang Ming Chiao Tung University to simulate and optimize the flow field and heat transfer within plate heat exchangers. A simulation model was developed in 2021 based on research data, and simulations on single-phase flow field were completed and validated in 2022. Since 2023, the simulation and validation of evaporation and condensation performance in two-phase heat transfer have been continuously underway.
  3. With regard to the optimization of new coolant systems, Kaori has conducted tests on a segregation design that achieves optimal distribution using different flow resistance since 2023, which will help improve the efficiency of plate heat exchangers. This design was completed in 2025.
- Professional talent:

  Development of liquid CDUs for vertical-type and horizontal-type cloud data server cabinets requires professional knowledge in heat flows, mechanical engineering, and system control.
- Intensive training:

  Kaori invites professors from National Yang Ming Chiao Tung University and National Central University to organize professional courses according to product development needs.
- Professional associations:

  Kaori assigns R&D personnel to take part in forums organized by the Taiwan Thermal Management Association and the Cloud Computing & IoT Association on a regular basis, so that they can keep up-to-date with industry trends and obtain the latest information.

Future Development Plans

Plate heat exchangers

- Heat exchangers for fuel cell-related applications
- Heat exchangers for fresh water supply
- Heat exchangers for heat pumps
- Electric vehicle battery cooling modules and heat pumps/exchangers
- Development of Heat Exchangers Dedicated to Data Centers

For some of the above projects, the department will work with suppliers to develop materials and brazing alloys, and it will take advantage of the special characteristics of new materials to resolve issues when used in certain industries. For one of the projects above, the department will cooperate with a customer on a special design to improve heat pump efficiency, increase COP, and lower coolant requirements.
The development of heat exchangers dedicated to data centers will be carried out in cooperation with relevant data center cooling equipment manufacturers to develop dedicated sizes to meet special cabinet sizes and piping requirements, achieving high efficiency requirements within limited spaces.

Hydrogen Power Clean Energy

- Thermal reactors for high-capacity SOFCs
- Thermal reactors for hydrogen generation
- Development and validation of pre-processing, cracking, and purification systems for hydrogen generation from industrial organic solvent waste
- Clean energy research involving the use of ammonia as hydrogen fuel carrier

Immersion liquid cooling systems

Cooperate with server manufacturers and upstream parts suppliers for product validation

4.3 Research and development of professional technology

Looking ahead to the future, the Company's Heat Exchanger Business Division will place its focus on application developments dedicated to heat pumps. In addition, with the arrival of the hydrogen energy era, electrolysis hydrogen generation plants and hydrogen fuel cell vehicles require high-pressure nickel-brazed heat exchangers. Future plans include carrying out research and development on relevant brazing filler metals to move toward low-carbon and zero-carbon transitions to promote clean energy development. On the other hand, leveraging our core technologies in hydrogen and thermal energy alongside our established metal processing expertise, we are actively forging ahead in areas such as waste hydrogen purification equipment for hydrogen-powered furnaces, immersion dielectric liquid cooling tanks, and various thermal management solutions. Through these efforts, we aim to create the next high-growth engine for Kaori.

2025 R&D Expenses

Unit: NT$ thousands

Item/Year	2025 Parent-company-only	2025 Consolidated
R&D Expenses	87,026	218,291

2025 Patent Development Status

Item No.	Patent Name	Category	Result
1	Calibration test piece for eddy current testing	Invention	Passed
2	Manufacturing turbulence device for immersion cooling systems	Invention	Under review
3	Immersion liquid cooling system with flow field spoilers	Invention	Under review

2025 R&D Program Development Status

Program Name	Iron-Based Brazing Filler Metal Heat Exchanger Development Project
R&D Period	• From December 2024:
Research Purpose	• Feasibility of using cost-advantageous iron-based brazing filler metal as heat exchanger brazing material. • Feasibility study on the application of iron-based brazing filler metals in heat exchanger products based on their resistance to metal ion leaching.
Research Content	• Use iron-based brazing filler metal as heat exchanger brazing material, and establish a controllable brazing process method to stabilize mass production quality and feasibility.
Current progress (research results)	• The development of S105 model-sized heat exchangers has been completed, with an initial trial run evaluation.
Whether a patent name has been obtained	• Status: Under evaluation

Technologies or Products Successfully Developed in 2025

1. Different channel heat exchanger development B390
2. Server heat exchanger development K390
3. Iron-based brazing filler metal heat exchanger development
4. Large high-nickel alloy heat exchanger development
5. Development of hydrogen production and carbon capture equipment from natural gas pyrolysis
6. Metal heat treatment industry waste hydrogen recovery system development
7. Ammonia cracking system development
8. Inspection technology development for brazed joints of heat exchanger fins
9. Carbon-capture solid oxide fuel cell heat exchanger reactor

4.4 Achievements in trade secret protection

Kaori is deeply aware that trade secrets, information security, and personal data protection are key elements in maintaining sustainable industry development and corporate core competitiveness. Therefore, the Company actively establishes complete protective mechanisms. In addition to adopting multiple technical and managerial measures to defend trade secrets, the Company follows the "Technical Secret Document Management Regulations" and the "Document and Records Management Procedure" formulated in accordance with ISO 9001 to establish a rigorous document control and authorization management system, thus fulfilling information protection and knowledge management responsibilities within operational processes. Meanwhile, the Company strictly complies with the Personal Data Protection Act and relevant information security regulations, and introduces information security management systems to conduct risk assessment, classification and categorization, encrypted storage, and authority controls for personal data and sensitive information, thereby strengthening information security resilience and preventing data leakage or abuse. To enhance organizational transparency and public trust, the Company regularly discloses information protection implementation achievements and continuous refinement measures in internal management meetings and the annual sustainability report. It also continuously advocates these values through new employee orientation and all-staff meetings to deepen employees' awareness and responsibility regarding trade secrets and information security regulatory compliance, thus cultivating an information security culture with all-staff participation and further consolidating the foundation of corporate governance. There were no incidents compromising information security in 2025.

4.5 Product Quality and Product Safety

Material issues	Management Approach	
Product quality Product Safety	Policy	Quality excellence at reduced costs; timely delivery and satisfied customers
	Goals	Offer safe and reliable products and services in conformity with customers' needs and the requirements of applicable laws
	Commitment	To establish preventive control, minimize negative impacts, and use a process-oriented approach to enhance the effectiveness and efficiency of departmental processes
	Measures	1. Comply with ISO 9001:2015 quality management system and pass certification every year 2. Comply with AS9100:D Aerospace Quality Management System and pass the certification every year 3. No violation of EU Restriction of Hazardous Substances Directive (RoHS) 4. No violation of REACH SVHC prohibition

Kaori has developed its own quality management system in accordance with ISO 9001:2015 Quality Management System and implemented a series of management procedures and operational guidelines to guide quality management practices throughout the Company. Furthermore, Kaori has open communication channels in place to gather customers' opinions, quality feedback, audit findings, etc., for ongoing improvements. The Company will continue listening to customers' voices and adopting total quality management to satisfy customers' needs.

Scope and Site Distribution of the Quality Management System (ISO 9001:2015)

Company Name	Plant	Achievement Rate
Kaori Heat Treatment Co., Ltd.	Headquarters, Zhongli Plant 1, Zhongli Plant 2, Zhongli Plant 3, Kaohsiung Plant	100%
Kaori Thermal Technology Co., Ltd.	Ziqiang Plant	100%
Kaori Technology (Ningbo) Co., Ltd.	Ningbo Plant	100%

The Company and its subsidiaries have all been certified under the latest international quality management system, ISO 9001:2015. In addition, the Fuel Cell Division obtained certification for the latest aerospace quality management standard, AS9100:D, in February 2022. These certifications guide the Company in its continuous improvement efforts, enabling the delivery of the most reliable quality and services to customers. Kaori remains committed to its customer-centric service philosophy and refrains from all actions that compromise product quality or endanger customers' safety. By making quality a part of our corporate culture and employees' conviction, we strive to become customers' trusted partner and work with customers and suppliers toward sustainability. The Company encountered zero instances of product recalls due to safety concerns or otherwise in 2025 and suffered no financial losses from lawsuits concerning product safety.

Quality Management Procedures

To ensure the quality of its products and services, Kaori adopts the process-oriented approach of the International Organization for Standardization (ISO) to improve the quality performance of various departments. By implementing the Plan, Do, Check, and Act (PDCA) cycle, the Company continues to optimize its processes and enforce preventive control with a risk focus.

- Process-oriented approach:

  From order taking, production, inspection, and shipment, Kaori applies standardized procedures and delivers products and services to customers' satisfaction.

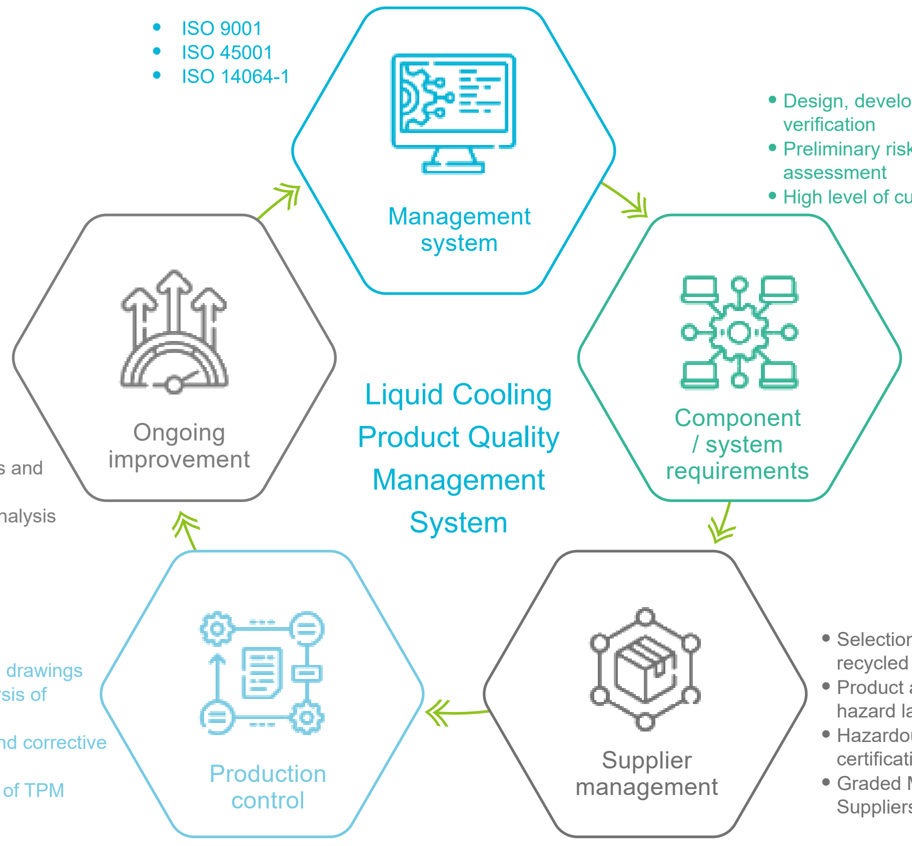
- PDCA:

  Ensure that every process is supported with adequate resources and is properly managed and improved upon on an ongoing basis.

- Risk perspective:

  Adapt to changes in the internal and external environments, minimize probability of decision errors, and prevent possible losses; aim for total anticipation of opportunities and risks, and perform effective damage control after the occurrence of risk events for business continuity.

Liquid Cooling Product Quality Management System



Management system
- ISO 9001
- ISO 45001
- ISO 14064-1

Component / system requirements
- Design, development, and verification
- Preliminary risk and hazard assessment
- High level of customization

Supplier management
- Selection of recyclable and recycled material parts
- Product and environmental hazard labeling
- Hazardous substance certifications (RoHS/REACH)
- Graded Management of Suppliers

Production control
- QC engineering drawings
- Statistical analysis of anomalies
- Improvement and corrective actions
- Implementation of TPM

Ongoing improvement
- Personnel training
- Improvement plans and rewards
- Risk and hazard analysis and handling

Fuel Cell Quality Management System

Quality system management
- Customer requirements, regulations, laws and regulations
- Third-party certification

Fuel cell OEM requirements
- Production procedures
- Process and product verification
- Customer certification

Aerospace parts OEM requirements
- Initial product quality planning
- Process and product verification
- Submit PPAP to customers for approval

Supplier management
- Incoming material quality management
- Regular supplier evaluations
- Supplier audit confirmation

Production and quality control
- Control plan and work instruction
- IQC / IPQC / FQC / OQC control

Ongoing improvement
- Enhancement of ISO 9001 Quality management systems
- Enhancement of AS9100D Quality management systems
- Internal and external audits

Promotion of Quality Awareness

Quality awareness is defined as how the employees, leaders, and managers of a business perceive and act in relation to the quality of their offerings. It is a common language that employees use to communicate in daily work activities, a value that inspires our behavior to the outside world, and a standard by which we measure our performance. By changing how employees perceive the work they do from within, we help them develop proper habits, which in turn contributes to the further strengthening of the quality culture.

Quality is key to the continuity of a business. It requires contribution from all employees and takes persistence in making improvements in order to satisfy customers' needs and accomplish corporate targets. There are also many aspects to quality, and under-performance in any aspect will compromise customer satisfaction and threaten business survival.

The Company holds the conviction that workforce competence is critical to the quality of products and services offered. Through education and training, the Company aims to develop strong quality awareness and consistent quality goals across employees. To enhance product and service quality, Kaori provides education and training with the following implementation achievements:

- The completion rate of general education and training for new recruits reached 100%.
- All employees completed education and training for quality management systems such as ISO 9001, AS9100, and ISO 14001, with a completion rate of 100%.
- Professional personnel completed gauge and instrument calibration, ionizing radiation protection courses, and license-related training meeting regulatory and competent authority requirements based on job demands, with a completion rate of 100%.

Quality Assurance

To bring traceability into the products manufactured, Kaori has adopted an enterprise resource planning (ERP) system and a manufacturing execution system (MES) that digitally integrates all processes from material purchase, storage, production, and quality management to financial management. These systems record the details of every production stage and ensure that accurate data can be generated quickly to support Kaori's commitment to quality assurance.

1. Site Management
2. Safety management: 5S activities

Organize SEIRI	SEITON	SEISO	SEIKETSU	SHITSUKE
Separate useful items from useless items, and dispose of useless items.	Place useful items neatly and in the appropriate quantity, and label clearly.	Clean the workplace and prevent pollution.	Implement standards and rules for the 3S above, and enforce accordingly to deliver results.	All members of the organization shall follow rules and develop proper habits.

Operations management

1. Standardized operations: standard operating procedures.
2. Skill training: skill training and evaluation; skill evaluation standards, skill development program, and skill training standards.
3. Improvements: A suggestion system has been implemented to encourage improvement plans for accomplishing business goals.

Quality management

1. Management during normal circumstances: Quality assurance standards have been implemented for operational staff and managers.
2. Responses in the event of abnormal occurrences (whether discovered internally or externally): The Company has standard responses in place to respond to abnormal occurrences of which all employees have been made aware.

Equipment management

Total productive maintenance (TPM): includes equipment inspection standards, inspection charts, inspection cycles, responses to equipment malfunction, and training materials for operators (work commencement checks, inspection standards, training data, etc.). The Heat Exchanger Business Division has integrated the aforementioned equipment inspection standards, inspection items, and cycles into the BPM system and MES system / PM module for execution, and keeps inspection records, anomaly reporting, and tracking management through the system to ensure the implementation and traceability of equipment management operations.

On-Site Education and Training

1. On-site education: Kaori highlights and discusses abnormal issues in daily morning meetings and takes improvement measures and follows up on progress afterwards
2. Special-purpose training: abnormal occurrences are analyzed and shared internally as case studies
3. Specialist training: instrument calibration, internal audit, pre-brazing preparations, post-brazing test, incoming quality control (IQC), final quality control (FQC), etc.

Quality Improvement Highlights for 2025

Kaori encourages all employees to participate in making persistent improvements and promotes quality awareness as a way to unite and motivate employees. An incentive program called “Quality Improvement Proposal” has been implemented to guide and encourage employees toward innovative thinking. The program invites all employees to contribute new ideas on ways to improve quality and business management, whether in terms of processes, products, or the organization, so that the organization can strive toward excellence and ensure continuity.

Heat Exchanger Business

In 2025, a total of 6 improvements were made.

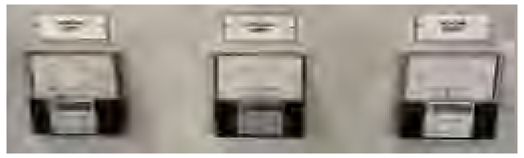
Improvement Proposal Highlight (1):
Adding Monitoring Alarm Functions to VA10-VA15 Vacuum Furnace Heaters

Purpose Process optimization

1. Improve the waste of waiting among the seven wastes of lean: If equipment anomalies are not detected in real time, it causes unnecessary downtime. After adding alarms, real-time anomaly notifications shorten the MTTR (Mean Time to Repair).
2. Improve the waste of defective products among the seven wastes of lean: Temperature anomalies that are not detected in real time easily generate rework. After adding alarms, the immediate termination of abnormal process conditions can prevent the spread of defects, reduce scrap and rework costs, and simultaneously reduce energy waste.

The status before improvement

- VA10-VA15 vacuum furnace heaters had no alarm systems.



The result after improvement

- First perform verification tests on the VA11 five-zone heater, and horizontally deploy and install on VA10-VA15 after confirming feasibility.

Improvement Proposal Highlight (2): Air Conditioning Operation Monitoring in Assembly and Packaging Area

Purpose	1. Management visualization: No need to walk around multiple times to "confirm whether it is turned on," reducing the waste of non-value-added movements. 2. Improve the waste of waiting among the seven wastes of lean, thus reducing waiting times for personnel and operations caused by non-real-time information.

The status before improvement

- In alignment with our "operational optimization" objectives, air conditioning has been integrated into the operator work zones. This initiative directly remediates high-temperature hazards, mitigates personnel heat stress risks, and elevates overall occupational safety and thermal comfort.
- However, there was no clear indicator lights for air conditioning, and one had to go to the site or actually feel the temperature to know whether the air conditioning was running. Anomalies (not turned on, tripped) could not be detected in real time, which might cause personnel to walk back and forth.

The result after improvement

- Management visualization allows the status to be judged at a glance, which can prevent personnel from leaving work without turning off the air conditioning, making the management process simpler.
- Through regionalization and operation monitoring of the air conditioning system, unnecessary energy consumption is reduced, and overall energy use efficiency is elevated.

Fuel Cell Division

In 2025, a total of 25 improvements were made.

Improvement Proposal Highlight: Efficiency Enhancement of Inspection Robotic Arms

Purpose	1. Reduce inspection time and enhance overall production efficiency. 2. Improve the waste of waiting and the waste of motion among the seven wastes of lean. 3. Elevate equipment operational efficiency and optimize resource utilization. 4. Reduce unnecessary working hours and system delays through process optimization.

The status before improvement

- The inspection process required data transmission through an external device, which was easily affected by interface delays, resulting in increased waiting time for operations.
- The inspection cycle time was 155 min/batch (approximately 9 batches/day), and the annual inspection volume was about 213,840 sets. The overall output was constrained by operational efficiency.

The result after improvement

- Introduced a direct transmission method via the motherboard to reduce delays and enhance inspection efficiency.
- The inspection cycle time was shortened to 140 min/batch (approximately 10 batches/day).
- The annual inspection volume increased to 237,600 sets, an increase of 23,760 sets.
- Overall efficiency improved by approximately 10%.

5

Sustainable Supply Chain Management

8 Employment and Economic Development

12 Responsible Consumption and Production

In order to establish a sustainable supply chain, in addition to complying with laws and regulations and ethical procurement, Kaori assists in sustainable management of the supply chain, and has short-, medium- and long-term sustainable management goals and work plans as follows:

Timeline	Short-term metrics (2025 - 2026)	Medium-term metrics (2027 - 2030)	Long-term metrics (after 2031)
Sustainable supply chain	The average rating of qualified suppliers is 80 points and above.	The average rating of qualified suppliers is 85 points and above.	The average rating of qualified suppliers is 90 points and above.
	• Suppliers are required to conduct self-assessment through the "Supplier Sustainability Self-Assessment Questionnaire". • The goal is to have 11 suppliers complete the questionnaire.	• Suppliers are required to conduct self-assessment through the "Supplier Sustainability Self-Assessment Questionnaire". • The goal is to have 15 suppliers complete the questionnaire.	• Suppliers are required to conduct self-assessment through the "Supplier Sustainability Self-Assessment Questionnaire". • The goal is to have 20 suppliers complete the questionnaire.
	• Compliance with the RBA Code of Conduct • Request suppliers to sign the "Supplier Code of Conduct" as the basis for implementation, and achieve the goal of 100%	• Compliance with the RBA Code of Conduct • Request suppliers to sign the "Supplier Code of Conduct" as the basis for implementation, and achieve the goal of 100%	• Compliance with the RBA Code of Conduct • Request suppliers to sign the "Supplier Code of Conduct" as the basis for implementation, and achieve the goal of 100%

Material issue objectives and performance:

In addition to achieving regulatory compliance and ethical procurement, Kaori has defined the material issues and performance as follows:

2025 Goals	2025 Performance Achievement Level	2026 Goals
The average rating of qualified suppliers is 80 points and above.	Average score of 92 → Achieved	The average rating of qualified suppliers is 80 points.
All suppliers have signed the code of conduct, achieving a 100% completion rate.	All suppliers have signed the code of conduct, achieving a 100% completion rate. → Achieved	All suppliers have signed the code of conduct, achieving a 100% completion rate.

5.1 Establishment of a sustainable supply chain

Steps of Sustainable Supply Chain Management

1. Sustainable Development Programs	Ongoing Promotion of Sustainability Initiatives
2. Material issues identification	Timely adjustment and update of questionnaire content
3. Sustainability Review	Increasing the proportion of document reviews and on-site audits
4. Improvement Recommendations	Providing improvement recommendations to suppliers based on weaknesses identified in document review results, with required adjustments within a specified timeframe
5. Information Disclosure	Disclosing the current status of supply chain management to respond to stakeholders.

Sustainable Supply Chain Management System

1. Establishment of a supplier management system:

   The Company continuously reviews and optimizes existing procurement and supplier management systems. By systematically reviewing current procurement operational documents, we optimize the content and execution mechanism of the "Supplier Control Operational Procedures". In the introduction phase of new suppliers, we have established a New Supplier Sustainability Evaluation Mechanism. This process integrates ESG criteria into our selection process to identify supply partners who demonstrate long-term collaborative potential and align with our corporate sustainability policies. For existing suppliers, we are also gradually promoting the signing of the "Supplier Code of Conduct," aiming to establish common principles for compliance on topics such as ethical management, environmental protection, and labor rights to jointly elevate the governance quality and sustainable development capabilities of the overall supply chain.

2. Supplier Sustainability Review

   To ensure that suppliers continuously comply with relevant laws, regulations, and the Company's sustainable development direction in aspects such as environmental protection, social responsibility, and corporate governance (ESG), the Company has established a regular supplier sustainability review mechanism and conducts an overall evaluation once every three years in principle. The scope of the review covers indicators such as labor rights protection, environmental management measures, business ethics compliance, and operational risk management, so as to understand suppliers' performance in sustainability governance and compliance management. Through this institutionalized review and continuous communication mechanism, the Company expects to establish long-term, stable, and responsible partnerships with supply partners, jointly enhancing supply chain transparency and sustainability competitiveness, and driving the industry as a whole toward a healthier and more sustainable direction.

   Overview of 2025 Supplier Sustainability Audits:

- A total of 19 suppliers filled out the supplier sustainability evaluation form, and the return review rate was 66%.
- Averaged a score of 40.4; a total of 5 suppliers (26.3%) scored above 60.
- Analysis of Material Issues in ESG Categories:

  The overall assessment results indicate that suppliers scored relatively higher in the Governance module, while scores in the Environmental module were comparatively lower. This suggests that suppliers have already established a solid foundation in governance systems and management practices, yet there remains room for improvement in environmental management and related sustainability initiatives.
- Distribution of Scores Across Question Modules:

  The top three scoring categories are “Regulatory Compliance,” “Quality Management,” and “Supplier Management,” indicating that most suppliers possess well-established systems and management capabilities in regulatory adherence, product quality control, and supply chain management. Conversely, the lowest-scoring categories are “GHG Management,” “Energy Management,” and “Environmental Management Systems”. This reflects that there remains significant room for suppliers to further strengthen their commitment and efforts toward environmental management and carbon reduction initiatives. In the future, the Company will continue to encourage suppliers to enhance their environmental management capabilities through supplier management and guidance mechanisms, while listing occupational safety and health as a key focus area during the cooperation process with suppliers, gradually reinforcing the overall sustainability management quality of the supply chain.

3. Future Improvement Plans

Low score group (40 and below)	● Kaori will help respondents understand the content of the questionnaire and guide them through the instructions while answering whatever queries they may have. ● Respondents will be given more time to reply, as well as reminders and assistance to prepare supporting information. ● Provide additional resources (e.g.: external courses and materials) will be provided to help suppliers develop relevant systems.
Medium score group (40 and above)	● Prioritize the quantity allocated to orders. ● Suppliers will be offered suggestions to devise development plans over several stages and to improve documentation or practices in areas of weakness identified through the scoring exercise.

4. Future Sustainability Supply Chain Management Roadmap

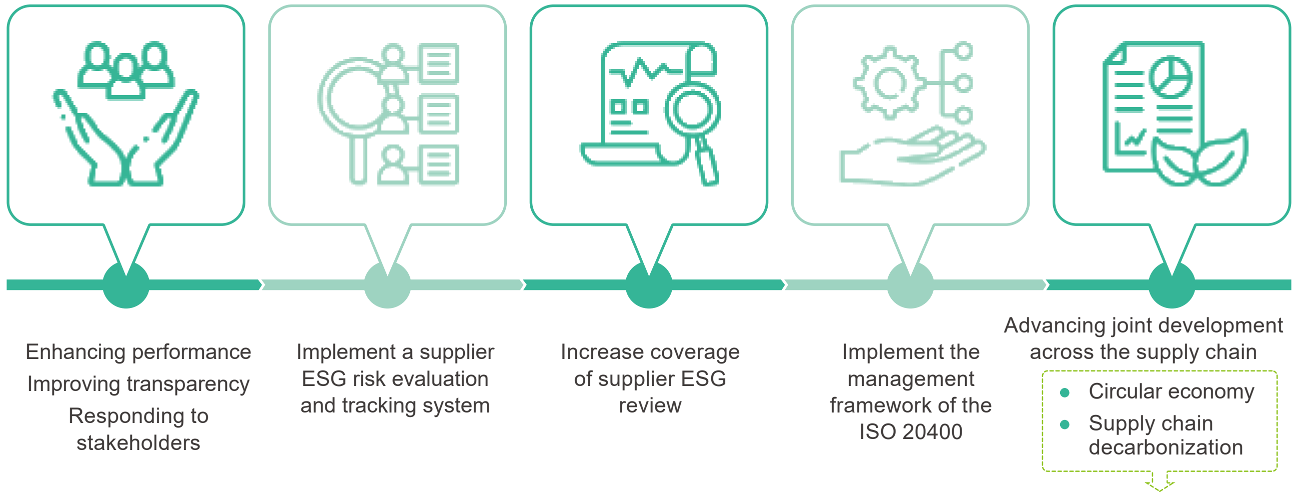
   I. Enhance sustainability performance, make transparent disclosures, and respond to stakeholders

   II. Implement a supplier ESG risk evaluation and tracking system

   III. Increase coverage of supplier ESG review

   IV. Implement the management framework of the ISO 20400 Sustainable Procurement Guidelines

   V. Coordinate with suppliers to achieve the circular economy and supply chain carbon reduction. Draw product life cycle charts and identify emission hot spots through carbon footprint surveys, and make preparations for the circular economy and low-carbon products.



Draw product life cycle charts and identify emission hot spots through carbon footprint surveys, and make preparations for the circular economy and low-carbon products

5.2 Suppliers' implementation of social responsibilities (including Ethical Procurement)

The Company has established the Supplier CSR Code of Conduct in accordance with the Responsible Business Alliance (RBA) as the basic value for managing the supply chain. This Code covers labor, health and safety, environmental standards, business ethics, and management systems to ensure that suppliers work in a safe environment, employees are treated with respect and dignity, and business operations are environmentally friendly and ethical. The Company requires suppliers to avoid risks related to the environment, human rights/labor, corporate ethics, and labor standards, as well as prevent production stoppages caused by strikes in advance, and establish a relationship of co-existence and co-prosperity with suppliers.

Kaori requires new suppliers to follow the RBA Code of Conduct and sign the "Supplier Code of Conduct Declaration," pledging that all activities comply with relevant laws and ethical standards. We communicate Kaori's sustainability management policies to our suppliers and ensure they continuously meet our expectations through formal agreements. No new key suppliers were added in 2025, and therefore no further additions were made.

Supplier Code of Conduct Declaration

Highlights:

Ensure the safety of the supply chain work environment, ensure that employees are respected, and implement business activities in compliance with environmental protection and ethical requirements, in terms of labor, health and safety, environment, business ethics, and management system. Ensure that all business activities comply with this Code, protect labor rights, and treat them with dignity and respect. Establish a healthy and safe work environment free of child labor (the minimum legal age for employment in the country/region).

Supplier Environmental and Social Responsibility Mechanism and Delivery Management

Suppliers who need to enter the Company's factories for construction and maintenance must comply with the relevant supplier specifications and requirements in the purchase contract and order. Environmental safety personnel manage the procurement operations according to the "Supplier Management Procedures" and "Contractor Environmental Protection and Safety and Health Management Guidance" and conduct environmental protection professional audits. New suppliers guarantee that the management of their production facilities, product manufacturing processes, and the products or services provided do not violate any relevant laws and regulations. In the procurement contract, they guarantee that all aspects of product production, manufacturing, labeling, packaging, storage, handling, transportation, import/export, delivery, installation, commissioning, or service provision are all in compliance with all applicable laws and regulations of the relevant applicable countries. During the social responsibility audit, new supplier employees are given reminders, guidance, and audits on working hours/safety/labor disputes.

Comply with Hazardous Substances Management Regulations

In order to maintain health and environmental safety, Kaori has adopted the ISO 9001 quality management system as the basis for managing the RoHS regulations and hazardous substances required by customers. At the same time, we are also committed to complying with the requirements of various countries and customers on chemical substances, and we also require suppliers to comply with regulations on restricted or prohibited hazardous chemical substances.

Responsible Mineral Procurement

Kaori complies with the Responsible Business Alliance (RBA) and is committed to not purchasing or using materials from conflict-affected and high-risk areas. The Company communicates its conflict minerals policy to suppliers, requiring their commitment and compliance. Suppliers are also required to trace the sources of tantalum, tungsten, tin, gold, and cobalt used in their products. At the same time, suppliers are required to communicate this policy to their upstream suppliers to fulfill corporate social responsibility. Kaori publicly discloses its conflict-free minerals policy on its website and integrates it into supplier management. Suppliers are required to sign a Non-use Conflict Minerals Guarantee, ensuring that all materials, products, or components delivered to Kaori do not directly or indirectly contain conflict metals.

5.3 Supplier Management Policy and Overview

As the general public and global partners have become increasingly aware of corporate social responsibilities, they now require suppliers/contractors to exert social influence and act in the interest of social issues, environmental protection, and social responsibilities, in addition to meeting conventional performance measurements such as product quality, technological capacity, delivery, collaboration, and other factors directly associated with service and production. Kaori requires new suppliers/contractors and existing suppliers to comply with social, environmental, economic, and ethical regulations, thereby responding to the public's expectations.

Suppliers are important partners in Kaori's operations, and in order to promote green products, it is especially critical for the Company to manage the supply chain at the source. In addition to quality, delivery, and collaboration, Kaori has also begun assessing suppliers for issues such as worker rights and socioeconomic contributions. By exerting influence over suppliers, the Company hopes to promote the sustainable growth of the entire supply chain and enforce sustainability to the benefit of all parties involved.

Supplier Management Policy

- Procurement policy:

  Select business partners primarily based on the quality, timeliness, and consistency of goods/services supplied and their willingness to commit to long-term relationships.

- Supplier selection system:

  Kaori conducts annual supply audits for effective management and maintenance of relationships with qualified suppliers. Suppliers are evaluated on product quality, delivery timing, service, technological background, and the quality management system. Furthermore, Kaori requires suppliers to present quality system certificates issued by independent third parties, and to complete questionnaires on the management of hazardous substances. All raw material suppliers are required to sign a commitment to ethical conduct and anti-bribery.

  Suppliers are evaluated not only for the prices they offer, but also for their overall contribution to Taiwan as well as their ability to complement the Company's role and position. With the introduction of the sustainable supply chain management system in 2022, Kaori will gradually replace suppliers that are found to be incompetent, thereby creating a more resilient and sustainable supply chain.

- Overview of Supply Chain Partners

  Kaori had a total of 742 supply chain partners in 2025, with total purchases amounting to NTD 2.2 billion. Among the top 80% of procurement spending, 41.5% was allocated to components, followed by raw materials and outsourced processing. The percentage of localized purchases (from local suppliers in Taiwan) was 36.6%. Suppliers are categorized based on procurement types: raw material suppliers, equipment suppliers, component suppliers, engineering service providers, gas suppliers, and outsourced processing suppliers. Qualified suppliers in 2025 (top 80% in annual procurement amount) included 20 domestic suppliers, accounting for 57%, and 15 foreign suppliers, accounting for 43%, totaling 35 suppliers.

Type of supplier	Raw materials	Equipment	Parts and accessories	Engineering	Gas	Outsourced manufacturing	Total
Total number of suppliers	10	2	12	1	1	9	35
Percentage	28.6%	5.7%	34.3%	2.9%	2.9%	25.7%	100%

Kaori's suppliers include steel mills and foreign providers of advanced technologies and products, all of which are capital-intensive businesses and have imposed high standards on environmental protection, green energy, and public interest. Kaori operates in the midstream of the industry and provides end customers with products that are processed and assembled from the above-mentioned materials.

Local Procurement (Addition of Green Procurement)

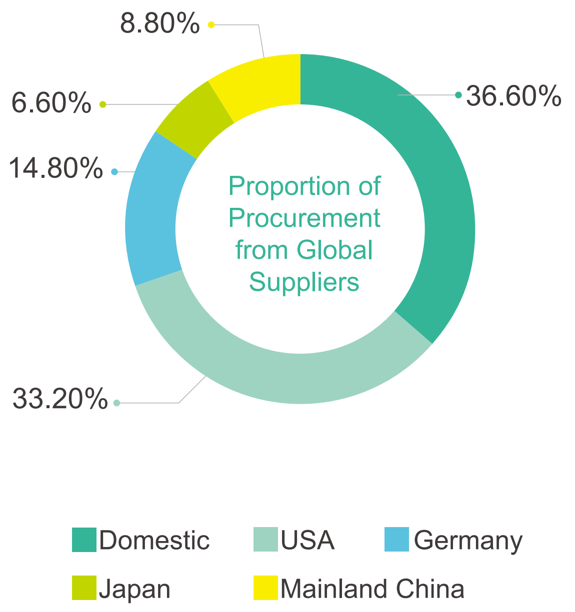
Kaori has long paid attention to the promotion of local procurement and gives priority in supplier selection to local manufacturers with good quality and stable supply capabilities. So-called local supply refers to suppliers whose manufacturing factories are located in the same country or region as Kaori's main production sites (Zhongli Plant / Kaohsiung Plant). Prioritizing local suppliers not only helps support Taiwan's local economic development and employment opportunities but also gradually increases the proportion of localized materials, thus reducing air or ocean freight demands generated by long-distance transportation and lowering carbon emissions and environmental loads caused during the transportation process while maintaining reasonable procurement costs.

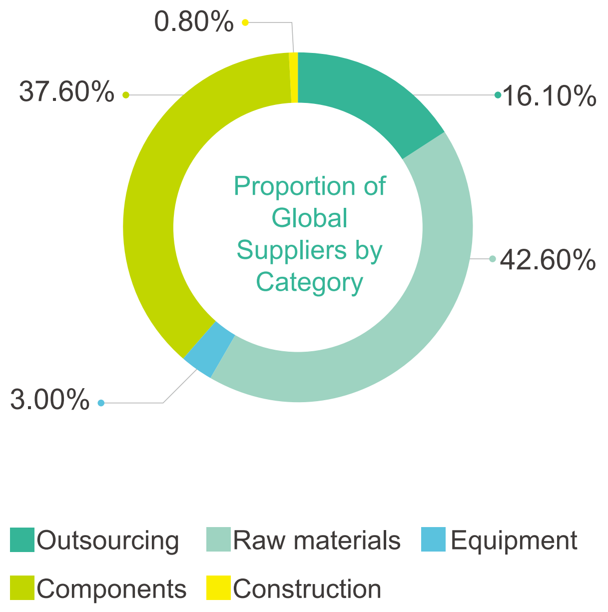
In the past, the Company has continuously kept track of relevant practices and gradually accumulated supply chain management experiences. Looking ahead to the future, Kaori will launch a comprehensive green procurement pilot plan in 2026 to collect relevant data and management experiences during the pilot period to gradually establish a more complete green procurement mechanism. This will serve as the foundation for subsequent policy formulation and institutionalized promotion, allowing us to continuously advance toward the goals of sustainable supply chain management and corporate sustainable development.

5.4 Supplier Distribution

In 2025, after the independent separation of the thermal technology subsidiary, the distribution of suppliers and the proportion of procurement expenditures remained highest for domestic suppliers. This clearly demonstrates Kaori’s commitment to prioritizing local sourcing. By doing so, the Company not only fosters the growth of domestic industries but also mitigates the carbon emissions and environmental impacts associated with international procurement.

Location	Category	Purchase amount	Percentage
Domestic	Engineering	14,849,000	0.8%
	Outsourcing	284,752,157	16.1%
	Raw materials	216,956,228	12.2%
	Gas	19,068,742	1.1%
	Equipment	20,241,900	1.1%
	Components	92,443,475	5.2%
USA	Raw materials	62,795,601	3.5%
	Equipment	32,115,800	1.8%
	Components	493,190,852	27.8%
Germany	Raw materials	262,622,641	14.8%
Japan	Raw materials	117,304,494	6.6%
Mainland China	Raw materials	75,328,504	4.3%
	Components	80,390,503	4.5%





5.5 Graded Management of Suppliers

Kaori cooperates with suppliers and divides suppliers according to the type of procurement: raw material suppliers, equipment suppliers, component suppliers, engineering service providers, gas suppliers, and outsourced processing suppliers.

Ratings of qualified suppliers:

Preface	Evaluation category	Direct material proportion	Evaluation unit
1	Quality evaluation	50%	Quality control
2	Delivery time evaluation	50%	Procurement

Judgment and disposal of the evaluation results:

Evaluation Grades	Scoring	Judgment and Disposition
A	Score≥ 70	• Qualified suppliers
B	70> Score≥ 60	• Monitored suppliers Implement simulated improvements for lower-scoring items.
C	Score <60	• Improvement is required within a set deadline for the first time, and the Company may consider reducing the order volume. And take supporting measures. • Transactions are ceased for receiving consecutive low scores.

2025 Raw materials/parts supplier delivery count and grades: Qualified supplier audit

Grade A	Grade B	Grade C	Grade D	Total
31	0	0	0	31

Qualified Supplier Audit:

Audit frequency is determined based on supplier evaluation performance, with an audit plan for the following year.

Number of audits conducted:	Major deficiencies	Minor deficiencies	Recommendations	Number of outstanding cases	Case closure rate
6	0	0	11	0	100%

6

Sustainable Environment

3 Good Health and Well-Being
6 Clean Water and Sanitation
7 Affordable and Clean Energy
12 Responsible Consumption and Production
13 Climate Action

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Sustainable Environment
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A

Climate change is one of the environmental issues currently of concern to the United Nations, governments, society, and the business community. Kaori, in accordance with the 2019 Task Force on Climate-related Financial Disclosures (TCFD) Recommendations established by the International Financial Stability Board, has set the following governance, strategy, risk management, and metrics and targets for the company, as outlined in the table below:

Management level	Kaori's response measures
Governance	• The ESG Committee identifies and prioritizes risks and countermeasures, regularly reports to the senior management to review the effectiveness of risk control, and provides decision-making and guidance. • Based on discussions or resolutions by senior management, the ESG Committee formulates policies and improvement goals. It assigns the relevant responsible units to adjust operations accordingly. The committee reports to the Board of Directors on the status of climate change issues periodically or as needed, ensuring the Board is aware of and understands the climate change risks the Company faces.
Strategy	• The Company evaluates, categorizes, and prioritizes the physical risks that climate change may pose to its assets. It establishes response strategies along with precise and rigorous preventive measures and emergency response plans. In the event of a crisis or disaster, the most appropriate response measures and recovery plans are promptly implemented to mitigate the potential impact of the disaster and instability. • In terms of transition risks, we plan and purchase renewable energy and invest in green power certificates, following the trend of energy diversification and in line with the regulations and goals of the "Renewable Energy Development Act."
Risk management	• Based on the TCFD framework, climate risk issues are identified through reports from international institutions, peer industry analysis, and relevant regulatory research. By using weighted values for the financial or strategic impact and the likelihood of occurrence, the magnitude of risk is assessed, and the importance of each risk issue is prioritized.
Indicators and targets	• Reduction of GHG emissions • Develop renewable energy (such as solar energy) • Strengthen corporate resilience and performance in response to climate change

In response to climate change issues, Kaori has set the following short, medium, and long-term environmental management metrics, as outlined in the table below:

Timeline	Short-term metrics (2025 - 2026)	Medium-term metrics (2027 - 2030)	Long-term metrics (after 2031)
Climate change and energy conservation	Execute energy and carbon reduction strategy	Power saving 3%	Power saving 5%
	0 days of production disruption caused by the disaster	0 days of production disruption caused by the disaster	0 days of production disruption caused by the disaster
	Conduct greenhouse gas emissions inventory and verification	Set reduction targets	Internal carbon pricing
	Installation of renewable energy	Installation of renewable energy	Green energy certificate transaction
waste	0 cases of non-compliance with waste laws and regulations	0 cases of non-compliance with waste laws and regulations	0 cases of non-compliance with waste laws and regulations
	100% of waste is disposed of by legal operators	100% of waste is disposed of by legal operators	100% of waste is disposed of by legal operators
Air pollution	0 cases of non-compliance with air pollution regulations	0 cases of non-compliance with air pollution regulations	0 cases of non-compliance with air pollution regulations
Water resources	0 cases of non-compliance with wastewater discharge regulations	0 cases of non-compliance with wastewater discharge regulations	0 cases of non-compliance with wastewater discharge regulations
	0 cases of production loss due to water restrictions	0 cases of production loss due to water restrictions	0 cases of production loss due to water restrictions
Legal Compliance	0 cases of non-compliance with environmental laws and regulations	0 cases of non-compliance with environmental laws and regulations	0 cases of non-compliance with environmental laws and regulations

Material issue objectives and performance

Kaori is committed to fulfilling its environmental responsibility and becoming a sustainable business with continuous improvement. In line with the short-, medium-, and long-term energy-saving and carbon reduction metrics and related implementation plans mentioned above, we have set and achieved performance goals over the past two years (as shown in the table below) to reduce potential impacts on society and the environment.

	2025 Goals	Achieved in 2025	2026 Goals
Climate change and energy conservation	Execute energy and carbon reduction strategy	Achieved	Execute energy and carbon reduction strategy
	0 days of production disruption caused by the disaster	0 days → Achieved	0 days of production disruption caused by the disaster
	Carbon inventory and third-party verification passed	Achieved	Set GHG reduction targets
	Kaohsiung Plant's solar energy system launched	Achieved	Installation of renewable energy (Zhongli Plant)
Waste management	0 violation of non-compliance with waste environmental protection laws and regulations	0 cases → Achieved	0 violation of non-compliance with waste environmental protection laws and regulations
	100% of waste is disposed of by legal operators	Achieved	Proper disposal: 100% of waste is disposed of by legal operators
Air pollution	0 violation of non-compliance with air pollution laws and regulations	0 cases → Achieved	0 violation of non-compliance with air pollution laws and regulations
Water resource management	0 cases of non-compliance with wastewater discharge regulations	0 cases → Achieved	0 cases of non-compliance with wastewater discharge regulations
	Production loss due to water restrictions: 0 PCS	0 PCS → Achieved	Production loss due to water restrictions: 0 PCS

Management Measures for Key Environmental Risks

Significant risks	Control methods
Climate change and energy conservation	• Digitalization of process energy conservation, energy conservation measures, and digital transformation of key production equipment • Green product development by using low-carbon raw materials and refining process technologies • Use reusable eco-friendly tableware to reduce single-use items • Replace old equipment and plan to procure energy-efficient equipment and implement various improvement projects
Water resources	• Maximize water resource efficiency through recycling, water separation, and pollution prevention
Waste management	• Establishment of the "Waste Management Procedures" to regulate the procedures for the classification, collection, storage, and disposal of industrial waste • Increase the proportion of recyclable waste and reduce the incineration volume of non-recyclable waste • Strengthen waste reduction and recycling of product packaging materials

6.1 Environmental Policy and Commitment

In terms of environmental policy, Kaori is committed to fulfilling its environmental protection responsibilities and becoming a sustainable enterprise through continuous improvement:

Regulatory compliance	Comply with relevant environmental regulations and strive to comply with relevant international environmental regulations.
Production waste reduction	Continue to promote waste reduction in production to achieve the commitment to pollution prevention.
Green energy production	Newly established plants comply with green building regulations and continue to improve energy conservation and carbon reduction measures.
Recycling strategy	Review and evaluate the recycling and reuse of water, metals, plastics, and chemicals used in various activities of the Company. Additionally, educate and promote the importance of resource recycling and environmental awareness among employees within the plant to enhance their environmental literacy.

Kaori has established an appropriate environmental management system in accordance with ISO 14001:2015 and set up a dedicated unit to take charge of environmental management and maintenance. Evaluate the environmental pollution considerations across the product life cycle, and continuously improve the environmental system through internal management practices to reduce negative impacts, aiming to contribute to environmental protection. In response to climate change and energy supply risks, Kaori actively identifies climate change risks such as floods, droughts, typhoons, power outages, and water shortages. In addition, the Company has implemented ISO 14064-1:2018 for GHG inventory, which not only strengthens the foundation of sustainable governance but also establishes a scientific basis for future carbon footprint assessments, product carbon labeling, carbon cost evaluation, and carbon neutrality strategy planning. In 2025, the Company did not violate environmental protection laws and regulations resulting in penalties from regulatory authorities.

- ISO Certificate Query: https://www.kaori.com.tw/tw/modules/about/certification

6.2 Management of Climate Change Risks and Opportunities

According to the “Global Risks Report” that the World Economic Forum (WEF) has been publishing on a yearly basis since 2005, environmental risks have emerged to become the dominant risk category in the world, with Climate Action Failure and Extreme Weather ranking first in the top-10 list for an extended period of time. Following the enactment of the Paris Agreement, which aims to control the global temperature increase within 1.5°C, governments around the world have followed up with their net-zero targets and introduced new regulations in an attempt to mitigate the impact of climate change. As the challenge of climate change is increasing day by day, how to cope with the impact of global warming and extreme weather on business operations has become one of the most urgent issues that deserve our attention.

Since 2021, Kaori has voluntarily adopted the guidelines of the Task Force on Climate-related Financial Disclosures (TCFD) and followed the four core elements: "governance," "strategy," "risk management," and "metrics and targets" recommended by TCFD to identify significant risks and opportunities that climate change may have on Kaori, followed by response strategies.

In addition to closely monitoring climate change, Kaori has made climate change one of the major issues for sustainable development and taken the initiative to disclose relevant information according to the requirements of the report preparation guidelines mentioned above. Through inter-departmental communication, discussions are made on the possible scenarios, the likely impacts, and the timing of impacts on Kaori. Each of the scenarios identified is further evaluated to facilitate proper control and response to the associated risks and opportunities. By adopting a more pro-active governance approach toward climate change, Kaori takes pragmatic steps to fulfill its sustainability vision.

6.2.1 Procedures for Identifying Climate Change-Related Risks and Opportunities

Kaori devotes ongoing attention to the climate policies and action plans of various industries at home and abroad and conducts thorough surveys on possible impacts from a number of perspectives including extreme weather, regulations, and market requirements. By analyzing past experience, the timing and possibility of future occurrences, and the degree of impact on business operations, reputation, personnel, financial position, etc., the Company requires all responsible units to propose their own response strategies and make corresponding adjustments internally while maintaining open and transparent communication with all stakeholders. Kaori identifies risks and opportunities of climate change by constructing at least two scenarios and hosts studies and discussions on climate change in the form of workshops. In accordance with the identification cycle, the results of the 2023 assessment report were adopted for this year. The identification process is conducted every three years, with the next assessment scheduled for 2026.

Procedures for identifying climate change-related risks and opportunities are shown below:

A.

Set climate change scenarios

Two climate change scenarios have been constructed:
SSP5-8.5: temperature increased to 6°C
SSP1-2.6: temperature increased to 2°C

B.

Evaluate impacts on the operating environment

Evaluate how climate change affects and impacts the operating environment and stakeholders

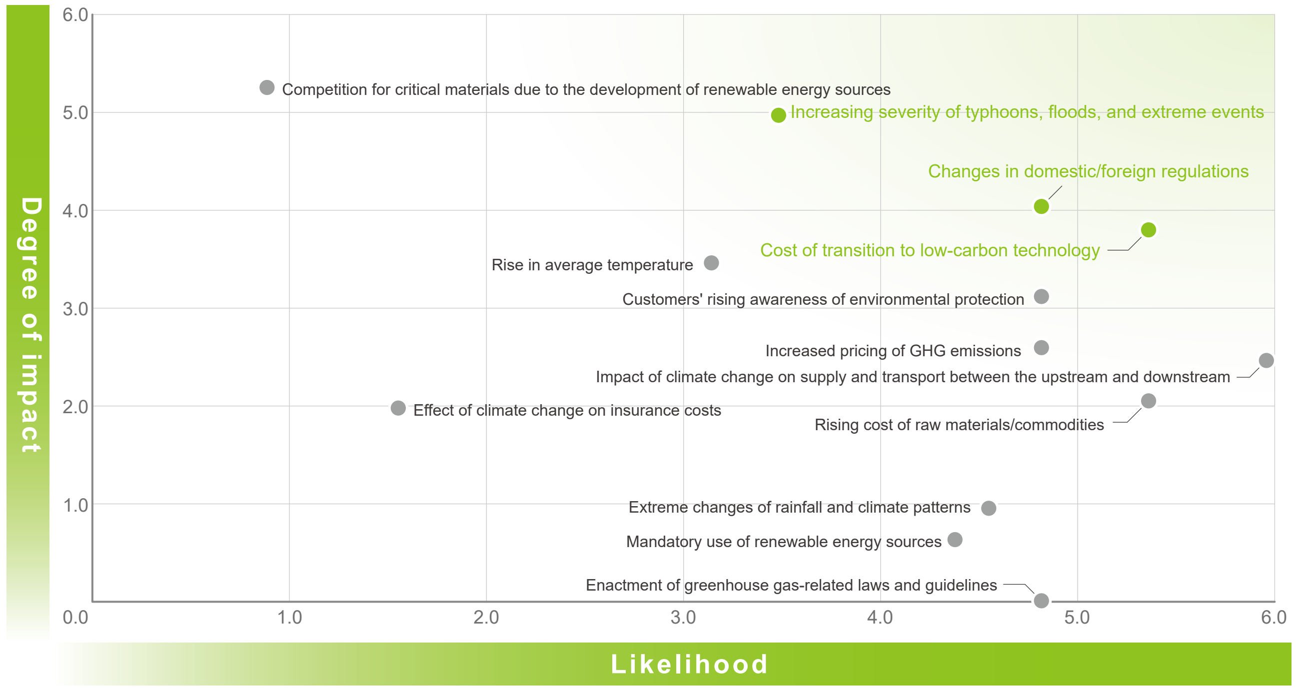
C.

Identify climate risks and opportunities

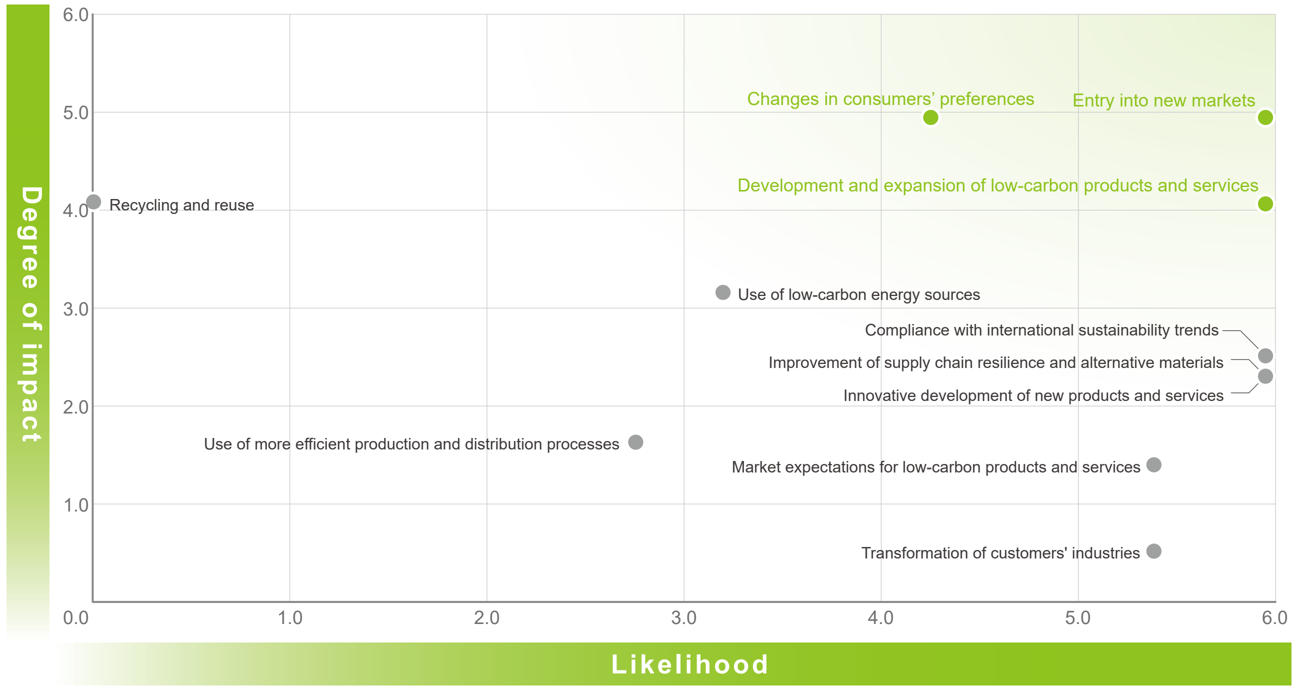
Establish a risk and opportunity matrix, and identify climate change risks and opportunities

From the climate change risks and opportunities identified, Kaori further analyzed the “Likelihood” and “Degree of impact” and shortlisted three high-risk factors and three high-opportunity factors for 2023. Kaori's climate change risk and opportunity matrix for 2023 is presented below:

Climate Change Risk Matrix



Climate Change Opportunity Matrix



6.2.2 Explanation of Climate Change-Related Risks and Opportunities

List of identified climate change risks

Risk ranking	Risk No.	Risk category	Risk factor	Estimated time of occurrence
1	001	Transition risk - technology	Cost of transition to low-carbon technology	Medium-term
2	002	Transition risk - policies and regulations	Changes in domestic/foreign regulations	Medium-term
3	003	Physical risk - immediate	Increasing severity of typhoons, floods, and extreme events	Short-term

Note: Definition of timeframes: short-term: 2023-2024; medium-term: 2025-2028; long-term: after 2029

- Risk 001 - Cost of transition to low-carbon technology

Impact scenario:

The Company will be required to develop products that feature lower carbon footprints to meet the market's demand, and the transition to lower carbon materials, production procedures, and technologies would require more resources, manpower, and time to be committed to research and development. Any attempt to transition to low-carbon products would incur additional investments of R&D resources or capital or give rise to uncertainties that ultimately increase product costs and reduce revenue.

Risk impact assessment	1. Uncertain access to raw materials: Kaori has plans to make use of low-carbon materials, but there are limitations associated with the development and access to low-carbon materials such as eco-friendly steel and copper. Any uncertainty in the supply would make product delivery timelines more difficult to control. 2. Low-carbon transformation increases costs: In an attempt to conform to low-carbon requirements, the Company will have to commit R&D personnel and capital to low-carbon products, which in turn increases the costs and compromises the competitiveness of the Company's products.
Evaluation of financial impact	Increased operating costs and reduced revenue

- Risk 002 - Changes in domestic/foreign regulations

Impact scenario:

The Company is compelled to acquire new machinery and equipment that conforms with the low-carbon and environmental protection requirements that governments have enforced through policies and regulations, and it therefore has to renew existing equipment prematurely. A drastic change of policy or law would have to be met with additional capital expenditure and incur additional costs on equipment acquisition and employee training, thereby increasing the costs of the Company.

Risk impact assessment	1. Domestic and foreign carbon taxes: Carbon pricing systems are taking shape at increasing rates at home and abroad. The Company may incur additional carbon taxes and see costs rise over time. 2. Energy management requirements: New energy regulations demand higher energy efficiency from production equipment, for which the Company is required to invest in energy conservation and carbon reduction equipment, and the additional expenditures incurred on fixed assets, talent development, or certification will ultimately increase product costs.
Evaluation of financial impact	Increase in operating costs

- Risk 003 - Increasing severity of typhoons, floods, and extreme events

Impact scenario:

Increasing severity of extreme weather causes weather conditions such as typhoons to occur at stronger intensities, which results in prolonged floods and power outages that affect factory operations. Bad weather has the potential to disrupt production activities, reduce capacity, damage equipment, hinder transportation, disrupt raw material supply, decrease revenue, and increase costs.

Risk impact assessment	1. Delayed delivery: Extreme weathers affect factory operations and cause disruptions to production activities, raw materials supply, and transportation. Delivery may be delayed by several days to one week. 2. Impacts to the upstream/downstream: Extreme weather affects the number of parts delivered by suppliers and causes Kaori to underdeliver and delay the shipment of goods to customers. Customers' production activities may be halted as a result.
Evaluation of financial impact	Increased operating costs, reduced revenue, loss of credibility

List of identified climate change opportunities

Opportunity ranking	Opportunity No.	Opportunity category	Opportunity factor	Estimated time of occurrence
1	001	Opportunities - Markets	Entry into new markets	Short-term
2	002	Opportunities - Products and services	Development and expansion of low-carbon products and services	Medium-term
3	003	Opportunities - Products and services	Changes in consumers' preferences	Short-term

- Opportunity 001- Entry into new markets

Impact scenario:

The need to meet energy and carbon reduction requirements presents the Company with exposure to new markets and different customers, such as the application of fuel cells on ships, hydrogen generation and energy storage for thermal reactors, and recycling of residual hydrogen for power generation. Kaori will actively explore the potential of the new markets and expand the range of products offered as well as customers served for improved revenue and reputation.

Opportunity impact assessment	1. Access to new opportunities: In light of the carbon reduction trends around the world, Kaori will engage customers in greater depth to expand the applications of plate heat exchangers, such as in heat pumps. Exposure to new customers and new markets offers the potential for increased revenue and improved reputation. 2. Entry into the hydrogen power market: Kaori invests persistently into the development of hydrogen power products and has been assisting customers with their entry into the hydrogen power market. In light of customers' needs for hydrogen power products, the Company has assigned its Fuel Cell Business to work with customers on the development of production procedures for SOECs, hydrogen power solutions, and fuel cells for ships, and to make samples as deemed necessary. Given the significant increase in shipments and revenue, Kaori is optimistic about the prospect of hydrogen power. 3. Development of immersion cooling modules/systems: As servers/data centers draw more power, liquid cooling presents a viable solution over the long term. Kaori's immersion cooling modules/systems offer the potential to increase energy efficiency, and their persistent development efforts have increased the level of sophistication of the products, bringing them closer to mass production, which will benefit new markets and customers.
Financial impact assessment	Increased revenue and new collaborative opportunities

- Opportunity 002 - Development and expansion of low-carbon products and services

Impact scenario:

The Company continues to expand its low-carbon product lines to include new products such as SOFCs, carbon capture solutions, and new fuel cells in line with global carbon reduction trends. This additional offering of low-carbon products will improve market competitiveness, increase market share, and raise revenue in the future.

Opportunity impact assessment	1. Exploration of low-carbon opportunities: Kaori's heat exchanger and fuel cell businesses have begun introducing low-carbon products to the market, whereas other businesses are also actively developing new products and new green solutions for customers. 2. Development of low-carbon technology: By integrating green design into product manufacturing and technology, we reduce product carbon footprints and enhance market competitiveness. 3. Investment opportunities: Some of the hydrogen power technologies have matured and are ready for mass production. Given their high relevance to green energy and international trends, these technologies are very likely to attract capital from the banking sector and government agencies.
Financial impact assessment	Cost reduction, increased revenue, and attraction of capital

- Opportunity 003 - Changes in consumers' preferences

Impact scenario:

The escalating energy crisis and carbon reduction requirements have increased consumers' preference for energy conservation products, such as heat pumps. This change in market trend and consumers' preference increases demand for the Company's products, which ultimately contributes to revenue and business growth.

Opportunity impact assessment	Increased product demand: Carbon reduction trends around the world have turned the market's attention to energy conservation solutions. Kaori is in a good position to capitalize on the increasing demand due to the energy and carbon reduction potential of the products offered and due to the early market advantage it has secured to date.
Financial impact assessment	Increased revenue

The types of climate change risks, potential operational impacts, and adaptation methods are as follows:

Risk Type		Potential operational impacts	Adaptation methods
Substantial risks	Floods, typhoons, sewage discharge	• Affect production capacity, increase in operating costs, and decrease in revenue • Unable or interrupted delivery, deducted by customer for non-delivery as scheduled • Fines for violation of laws and regulations	• Establish and improve water resource regulation • Increase water storage capacity to support 3-5 days (3 days during severe drought) • Water tankers to support plants experiencing water shortages • Inspect process equipment at each plant regularly • Wastewater management policy complies with environmental regulations
	Drought or water shortages, power outages, water supply interruptions, power outage		• Water tankers to support plants experiencing water shortages • IT systems are supported by an Uninterruptible Power Supply (UPS) • Generators are automatically activated to supply emergency power for fire safety needs
	Rising temperatures	• Increased electricity consumption leads to an increase in GHG emissions	• Promote energy-saving practices and measures; replace lights with energy-efficient bulbs
Transition risk	Emissions control	• Increase in operating costs • Increase in emissions	• Replacement of outdated and high-energy-consuming equipment • Evaluate the production process to monitor and control gas emissions
	Distribute the production of green products across different locations	• Develop trend-aligned green products and diversify production locations in response to customer concerns about earthquake and geopolitical risks.	• ESG Committee's decision-making to develop green products • Strengthen the implementation of green processes with energy-saving and water-conserving facilities

6.3 Response Strategies to Climate Change Risks and Opportunities

Risk Response Strategies

- Response strategies for the cost of transitioning to low-carbon technology:
  - Diversity of suppliers:
    Kaori maintains relationships with several suppliers to reduce uncertainties associated with the cost of and access to low-carbon materials.
  - Acquisition of green loans/financing:
    Kaori will negotiate with banks and source green financing at preferential rates to lower costs.
  - Cover risky businesses with consistent product revenue:
    If Kaori's low-carbon products fail, other departments that generate consistent revenue from OEM services, such as the Fuel Cell Business, will try to increase revenue in an attempt to cover the potential loss of revenue associated with transition risks.
- Response strategies to changes in domestic/foreign regulations:
  - Monitoring of regulations and trends:
    A dedicated team will be assembled to keep track of new product regulations and trends on a regular basis. Regular training will be organized to discuss current trends and to evaluate the needs for product re-modification and re-certification.
  - Introduction of energy-saving equipment:
    A comprehensive energy management system will be developed to monitor equipment energy efficiency, so as to facilitate the replacement of energy-intensive equipment. Additional investments will also be made for the installation of green power generation and storage equipment at plant sites and offices. Furthermore, the Company will introduce automated production equipment as a way to improve production and energy efficiency, which in turn will reduce the frequency of equipment renewal and allow digital solutions to be used for the optimization of production procedures.
  - Termination of high-carbon emission production processes and services:
    In the first quarter of 2023, two sets of high energy-consuming brazing processing production equipment were taken out of operation.
- Response and strategy to increasing severity of typhoons, floods, and extreme events:
  - Reducing the risk of supply chain disruption:
    Kaori engages a diversified group of suppliers to secure the sources of its raw materials and the consistency of supply. Negotiations are made to have suppliers increase the level of inventory and turnover and store inventory near customers' locations to minimize the risk of transport disruption.
  - Compensating production capacity with efficiency:
    If work is suspended due to typhoons, Kaori will evaluate the extent of the delay and ask suppliers to increase production efficiency to make up for capacity shortfall, thereby averting production halt due to supply disruption.

Cost of Risk Response

1. Increased operating costs
2. Adjustment to capital expenditure and capital allocation

Execution Strategies for Opportunities

- Execution strategies for entry into new markets:
  - Development of exclusive products:
    Exclusive products will be developed for heat pumps to capitalize on the current market trend and increase market share, whereas exclusive heat exchangers for air dryers will be developed to expand product lines and engage customers in broader, more frequent interactions.
  - Development of hydrogen power:
    Kaori continues to develop hydrogen power products and engage technology partners in various innovations to bring technologies to broader applications, thereby satisfying the needs of customers and markets.
  - Ongoing development of immersion cooling modules/systems:
    Kaori continues to make modular designs and obtain technological certification for its liquid cooling and immersion products, while at the same time maintaining the flexibility needed to customize products according to the needs of different markets. By accumulating data on product design, the Company aims to stay competitive in the market.
- Execution strategies for development and expansion of low-carbon products and services:
  - Developing products with low carbon footprints:
    Kaori will improve production procedures by incorporating green designs such as the use of low-carbon materials, designs with low material requirements, adoption of product recycling mechanisms, reuse of raw materials or parts, and adoption of low-carbon transport and packaging materials to lower product carbon footprints.
  - Development of new low-carbon solutions:
    Hydrogen power technology will be incorporated into carbon neutral solutions and new forms of fuel will be developed to capitalize on new opportunities associated with climate mediation.
  - -
    Investment into the circular economy: Technologies relating to the circular economy, such as treatment of waste organic solvents and reuse of waste/residual hydrogen from production activities, will be developed in the future.
- Execution strategies for changes in consumers' preferences:
  - Establishment of marketing plans:
    Plans will be made to have business units engage existing as well as new customers on a regular basis to ensure that product features do satisfy customers' requirements and are adjusted at appropriate times. Attention will also be directed toward exploring new markets and customers, such as tier-A customers in Europe.
  - Consistent supply in response to the market's needs:
    Kaori will increase the number of stamped plate and stainless steel suppliers for capacity expansion. An ERP system will be used to monitor all stages of the production process for improved product quality and delivery timing.

Cost of Opportunity Response

1. Increased operating costs
2. Adjustment to capital expenditure and capital allocation

Goals and Indicators

Kaori has implemented the ISO 14064-1:2018 Greenhouse Gas Inventory Standard and has obtained third-party verification certificates. The inventory boundary covers all plants in Taiwan. The Company plans to conduct annual inventories to monitor emission levels and trends. For details on Kaori's greenhouse gas emissions over the past two years, please refer to Section 6.4.2 Greenhouse Gas Management. In 2024, the Ningbo subsidiary in China was included in the inventory boundary, and the Company has now obtained a full picture of the Group's overall greenhouse gas emissions, enabling the review of emission volumes and the setting of short-, medium-, and long-term carbon reduction targets.

In 2023, the first product carbon footprint ISO 14067:2018 inventory verification was completed (right figure). Since 2024, the Company has started to promote product carbon footprint inventory operations and has completed the carbon footprint inventory of 12 products, so as to keep abreast of the greenhouse gas emission situations at various stages of the product life cycle, thus responding to overall market and international carbon reduction trends and related requirements. In the future, we will also continue to invest R&D personnel and resources to develop products and emerging technologies with lower-carbon benefits to gradually increase the proportion of low-carbon products to expand new markets and strengthen overall market competitiveness.

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Opinion Statement

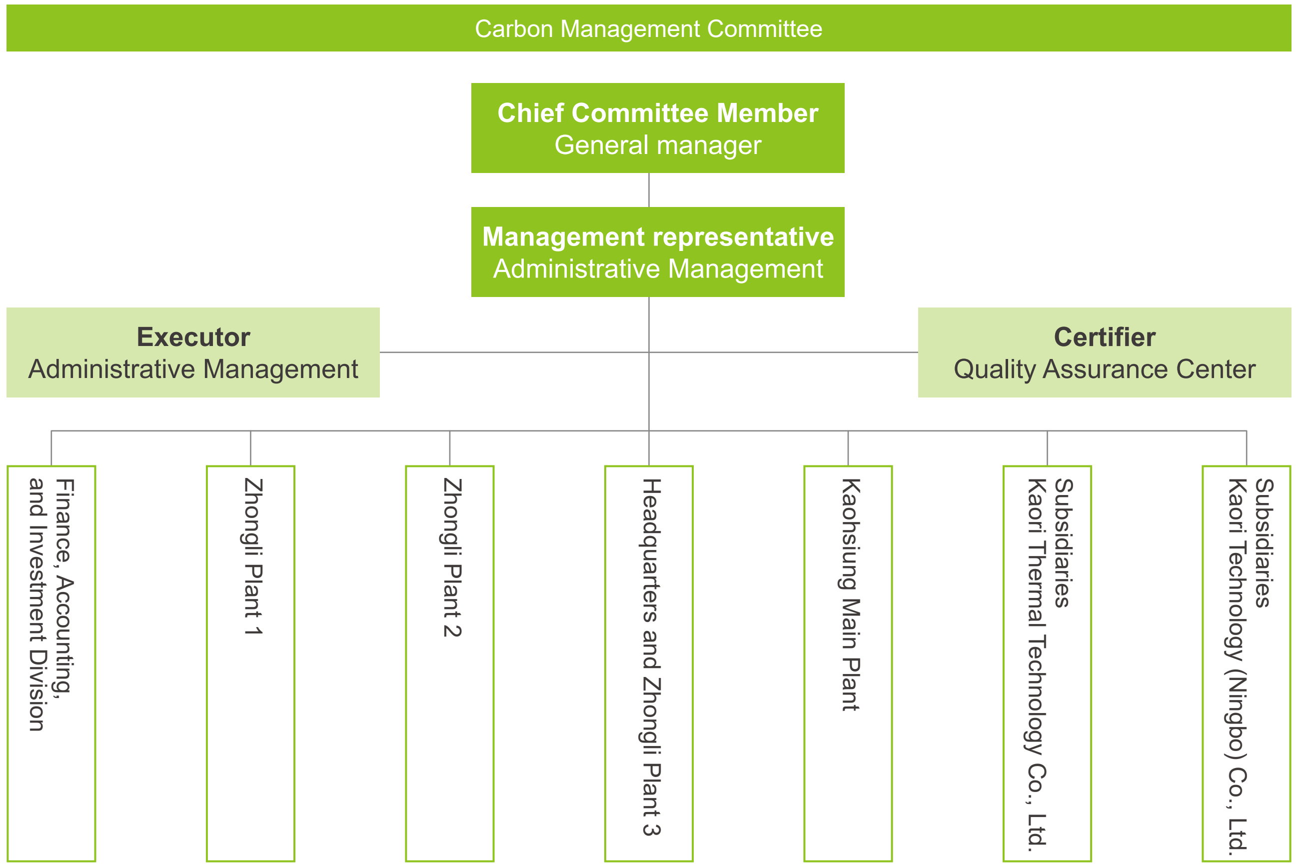
Product Carbon Footprint
Verification Opinion Statement

6.4 Environmental and Energy Management

Climate change has become one of the most pressing global issues of the 21st century. In recent years, extreme weather events have frequently occurred worldwide, such as high-temperature heatwaves, heavy rainstorms and floods, and long-term droughts, which not only affect the ecological environment but also bring impacts to industry supply chains and the social economy. Under the trend of the global move toward Net Zero and various countries gradually promoting carbon pricing, carbon disclosure, and climate governance systems, enterprises are no longer merely passive responders but are active leaders spearheading the low-carbon transition.

Facing climate risks and carbon reduction pressures, Kaori starts from its own corporate operations to gradually establish energy and carbon management mechanisms and incorporate climate issues into corporate business and management thinking. In addition to continuously investing in material R&D and process technology optimization to reduce energy consumption and environmental impacts, the Company has established a Carbon Management Committee to promote greenhouse gas management and reduction work, while implementing measures such as energy efficiency improvements, water resource conservation, and waste recycling to lower the impact of operational processes on the environment.

Furthermore, Kaori continues to invest in environmental protection equipment and management systems and gradually integrates green management and energy-saving and carbon-reduction actions into daily operations and decision-making processes. Through institutionalized management and continuous improvement, the Company expects to respond to global climate change challenges while enhancing corporate operational resilience and competitiveness to advance steadily toward the long-term goals of low-carbon transition and environmental sustainability.



6.4.1 Environmental Management and Energy Conservation

Kaori (Kaohsiung Plant) passed certification for ISO 14001:2015 Environmental Management System in 2019. From greenhouse gases, air pollution, and effluent discharge to waste treatment, Kaori is fully committed to making improvements and minimizing environmental impact. As a result, no major violations of environmental regulations have occurred in the year of the report.

Through the introduction of ISO 14001:2015 Environmental Management System, Kaori has been able to implement environmental management policies along with effective management processes at plant sites to enforce environmental compliance, order, safety, training, and so on to lessen the impact of organizational activities on the environment, while at the same time ensuring the safety of products and services offered as well as employees' health and safety at work.

In the early stages of ISO 14001:2015 adoption, Kaori requested a series of reviews to ensure compliance with environmental protection laws (including air, water, waste, soil, and noise). After making improvements in accordance with the opinions of the Environmental Protection Bureau, Kaohsiung City Government, the Company was deemed to have fully complied with legal requirements.

Environmental Policy

- Execution of Environmental Tests, Methods of Environmental Risk Assessment, and Outcomes

1. Drinking fountains in plant areas are tested for quality every 3 months
2. Kaori reports effluent volume to Benzhou Service Center every 6 months, and engages a certified environmental protection service provider to conduct tests
3. Effluent values and reporting
4. The effluents meter is calibrated (by certified service providers) on a regular basis each year

- In 2024 and 2025, all the above-mentioned items complied with regulations and are being continuously implemented.

Energy Management and Goals

- Energy management

The Company introduces new energy conservation measures on a yearly basis, such as purchasing energy-efficient models, replacing outdated machinery, and optimizing production schedules. Kaori draws on the wisdom of many to achieve energy and carbon reduction goals. In the future, more attention will be directed toward improving production procedures and reducing energy consumption and promoting Kaori as a green, sustainable business. Energy intensity was lowered significantly by 30.40% in 2025 compared to 2024.

Energy Usage

Kaori continues to examine the energy consumption status of various equipment and improves energy use efficiency through equipment improvement and replacement operations to achieve the goals of energy conservation, waste reduction, and overall consumption minimization. This includes the phased retirement of diesel forklifts and assessing the feasibility of introducing electric alternatives, thereby lowering carbon emissions and reducing air pollution in the workplace to deliver on our commitment to energy management and sustainable development goals.

- Energy Efficiency and Energy Intensity Performance Over the Past Three Years

Year	2023	2024	2025
Energy intensity (GJ/Consolidated Revenue)	15.17	13.09	9.11
Energy efficiency value (NTD/GJ)	65,919.63	76,408.62	109,782.05

Reporting Boundary:

2023 and 2024: Headquarters, Zhongli Plant 1, Zhongli Plant 2, Zhongli Plant 3, Kaohsiung Plant, Ziqiang Plant, Kaori Technology (Ningbo) Co., Ltd.

Year 2025: Headquarters, Zhongli Plant 1, Zhongli Plant 2, Zhongli Plant 3, Kaohsiung Plant, Ziqiang Plant, Kaori Thermal Technology Co., Ltd. (Ziqiang Plant), Kaori Technology (Ningbo) Co., Ltd.

Types of Energy / Year		2023	2024	2025
Fuel Purchased for Company Vehicles (kL)	Gasoline	35.2504	33.3975	26.5659
	Diesel	11.6922	12.5457	7.9289
Fuel Purchased for Stationary Sources (kL)	Diesel	0.2200	0.6703	4.5264
Natural Gas (m³)		1.2600	0.0000	0.0000
Liquefied Petroleum Gas (kL)		0.0960	1.0835	0.6358
Purchased Electricity (kWh)		17,677,480.0000	14,113,334.1200	16,280,297.0000
Total Energy Consumption (GJ)		65,625.3679	52,389.3834	59,936.9381

Descriptions:

1. Restatements of Information:	The newly established subsidiary, Kaori Thermal Technology Co., Ltd., officially commenced operations in 2025.
2. Types of Energy:	Types of Energy: Gasoline, diesel, natural gas (piped), liquefied petroleum gas (bottled LPG), and purchased electricity
3. Calculation of Calorific Value:	2023: Adopted the "Energy Product Unit Calorific Value Table" published by the Bureau of Energy. In 2024, the calorific values for gasoline, diesel, and natural gas were calculated based on the standards announced by the Ministry of Environment, while those for liquefied petroleum gas and purchased electricity were based on the “Energy Product Unit Calorific Value Table” published by the Bureau of Energy 2025: Adopted the “2025 Greenhouse Gas Inventory Fuel Calorific Values" published by the Ministry of Environment.
4. Reporting Boundary:	2023 and 2024: Headquarters, Zhongli Plant 1, Zhongli Plant 2, Zhongli Plant 3, Kaohsiung Plant, Ziqiang Plant, Kaori Technology (Ningbo) Co., Ltd. Year 2025: Headquarters, Zhongli Plant 1, Zhongli Plant 2, Zhongli Plant 3, Kaohsiung Plant, Ziqiang Plant, Kaori Thermal Technology Co., Ltd. (Ziqiang Plant), Kaori Technology (Ningbo) Co., Ltd.
5. Annual Report Revenue:	2023: Consolidated revenue of NTD 4,326 million. 2024: Consolidated revenue of NTD 4,003 million. 2025: Consolidated revenue of NT$6,581 million.

Energy Conservation Targets

Short-term (within 1 to 2 years)	- Replace diesel forklifts with electric forklifts - Replace mercury vapor lamps with LED lights at the Zhongli Plant 1 - Replace conventional air compressors with variable-frequency air compressors at the Zhongli Plant 1 - Replace air conditioners with variable-frequency models for heat pumps at the Zhongli Plant 2
Medium-term (3 to 5 years)	- Progressively replaced 7.5-horse power reciprocating air compressors - with energy-saving, variable-frequency air compressors at plant sites - Replace air conditioners with variable-frequency models at plant sites - Implementation of solar power system
Long-term (over 5 years)	- Implementation of energy storage systems

Progress of Energy Conservation and Improvement Solutions in 2025

Kaori is actively engaged in energy-saving and carbon reduction initiatives, consistently promoting projects focused on electricity conservation, energy efficiency, and carbon reduction. In 2025, a total of four energy-saving measures were implemented, resulting in electricity savings of 59,480.53 kWh (equivalent to 214.130 MJ), with a financial benefit of NTD 280,961.

Item No.	Energy Saving Measures	Execution Outcome	Before improvement	After improvement	Energy Saved (GJ)	Energy Conservation Benefits (NT$)
I	Improvement of vacuum furnace scheduling	- Zhongli Plant 1 - Brazing Production Line	- 16 units produced per furnace	- 24 units produced per furnace - Total power saved: 12,833.33 kWh	46.20	NT$ 60,573
II	Energy Efficiency Improvement of the Vacuum Furnace Water System	- Location: Kaohsiung Plant 2 - Equipment: Cooling Tower/New Water System for Vacuum Furnace - Practices: Uses the water tank temperature to control the start and stop of both the internal and external water pumps, as well as the cooling tower fan. (per single unit)	- Annual Power Consumption Before Improvement: 78,883.2 kWh	- Total power saved: 13,147.2 kWh	47.33	NT$ 64,553
III	Improvement of vacuum furnace scheduling	- Ningbo Plant - Brazing Production Line	- 128 units produced per furnace	- 160 units produced per furnace - Total power saved: 4,900 kWh	17.64	NT$ 22,794
IV	Improvement of vacuum furnace scheduling	- Ningbo Plant - Brazing Production Line	- 60 units produced per furnace	- Increased per furnace to 75 units - Increased per furnace to 90 units - Increased per furnace to 102 units - Total power saved: 28,600 kWh	102.96	NT$ 133,041

Note: Items 1 and 2 are records filed to the Bureau of Energy, Ministry of Economic Affairs, Taiwan; items 3 and 4 are autonomous calculations made by Kaori Technology (Ningbo) Co., Ltd.

Power Conservation Rate by Plant

All plant sites comply with the laws of the Bureau of Energy, Ministry of Economic Affairs. As a major energy user that Taiwan Power Company has signed a contract with to supply at least 800 kW of power, the Company reports annual energy performance and improvement plans in accordance with Article 9 of the Energy Administration Act. The Company has set goals to achieve an "annual power conservation rate" or "average annual power conservation rate" of more than 1%. The Zhongli Plant 1 and Kaohsiung Plant have appointed dedicated energy management officers to enforce energy conservation plans and achieve an average annual power conservation rate of more than 1%.

Plant/Year	Power conservation rate 2023 (%)	Power conservation rate 2024 (%)	Power conservation rate 2025 (%)	Average power conservation rate 2015 - 2025 (%)
Zhongli Plant 1	6.08	0.76	0.30	2.15%
Kaohsiung Plant	6.19	8.18	0.92	4.01%

Note: Due to production structure adjustments, Zhongli Plant 2 no longer qualifies as an energy user with a contracted electricity capacity of 800 kW or above, and therefore currently does not require disclosure of energy-saving related data.

6.4.2 GHG management

Since 2021, Kaori has been implementing the ISO 14064-1:2018 greenhouse gas inventory standard. Kaori has passed third-party inspection and verification with a 100% achievement rate for four consecutive years. Furthermore, the subsidiary in Ningbo, China, completed its inventory and verification process in 2024, following the same procedures as the parent company.

- 2025 greenhouse gas inventory operation status

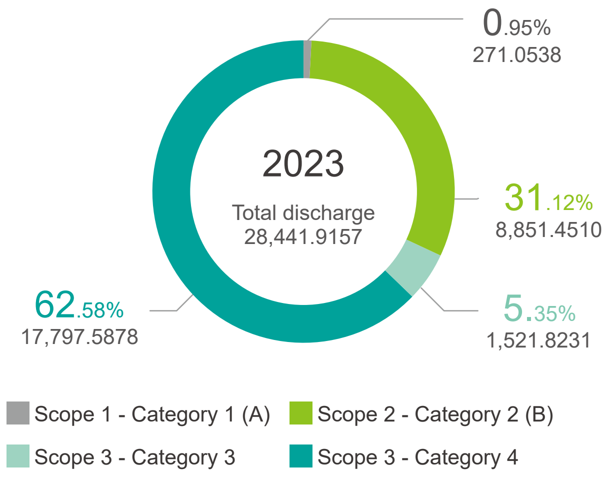
  The inventory is conducted in accordance with the ISO 14064-1:2018 Greenhouse Gas Inventory Standard. The boundary scope covers all factories and two subsidiaries in Taiwan, with a total of six sites. The Company passed the audit by the third-party verification institution, British Standards Institution (BSI), on May 4, 2026. According to the verification statistics, the total greenhouse gas emissions in 2025 were 23,218.6685 metric tons of carbon dioxide equivalent (tCO2e), of which: Scope 1 (Direct Emissions): 307.4891 tCO2e, Scope 2 (Energy Indirect Emissions): 7,766.1695 tCO2e, and Scope 3 (Other Indirect Emissions): 15,145.0099 tCO2e. Compared with 2024, the greenhouse gas emissions intensity in 2025 decreased by 31.28%, showing preliminary achievements in carbon reduction.

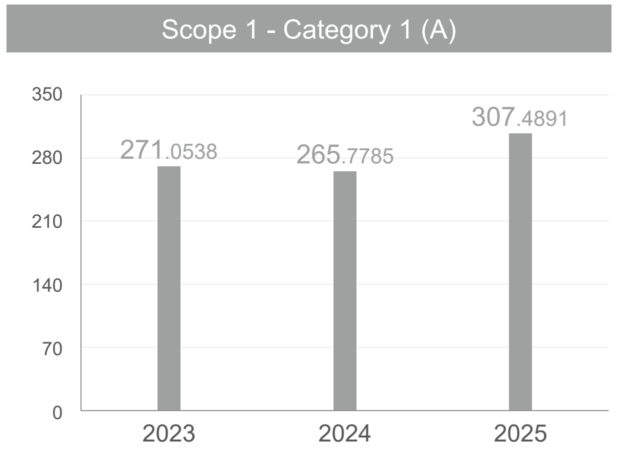
Unit: tCO_2e

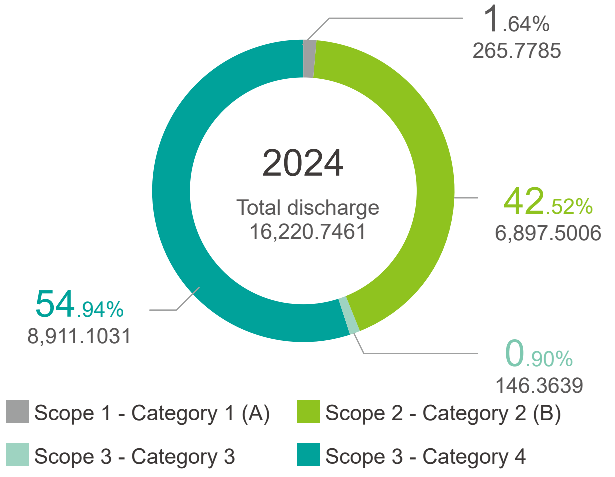
Category\Year		2023		2024		2025	
Scope 1	Category 1 (A)	271.0538	0.95%	265.7785	1.64%	307.4891	1.32%
Scope 2	Category 2 (B)	8,851.4510	31.12%	6,897.5006	42.52%	7,766.1695	33.45%
Scope 3	Category 3	1,521.8231	5.35%	146.3639	0.90%	707.2208	3.05%
	Category 4	17,797.5878	62.58%	8,911.1031	54.94%	14,437.7891	62.18%
Total volume		28,441.9157	100%	16,220.7461	100%	23,218.6685	100%
Consolidated Revenue (D)		4,326		4,003		6,581	
Greenhouse Gas Emission Intensity (A + B) / D		2.11		1.79		1.23	

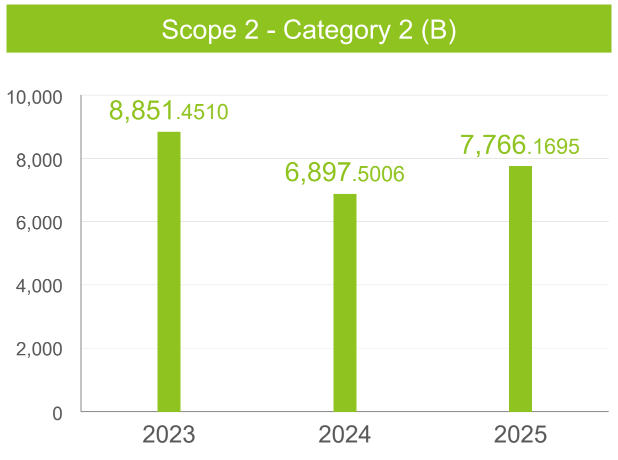
Note: 1. Inventory Boundary: Years 2023 and 2024: Headquarters and Zhongli Plant 3, Zhongli Plant 1, Zhongli Plant 2, Kaohsiung Plant, Ziqiang Plant, Kaori Technology (Ningbo) Co., Ltd.
Year 2025: Headquarters and Zhongli Plant 3, Zhongli Plant 1, Zhongli Plant 2, Kaohsiung Plant, Ziqiang Plant, Kaori Technology (Ningbo) Co., Ltd.

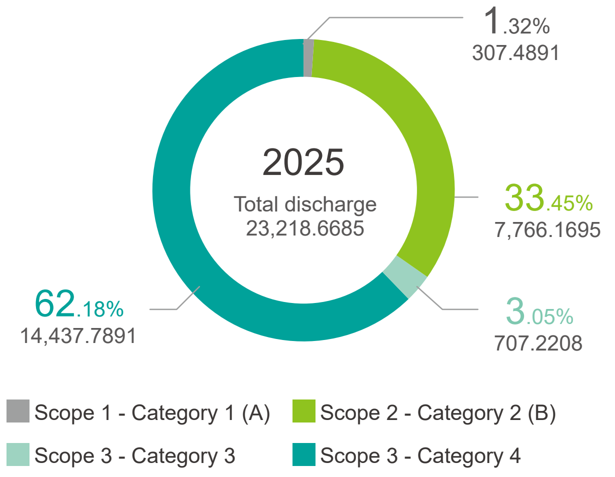
2. Annual Revenue: 2023: Consolidated revenue of NTD 4,326 million. 2024: Consolidated revenue of NTD 4,003 million. 2025: Consolidated revenue of NTD 6,581 million.

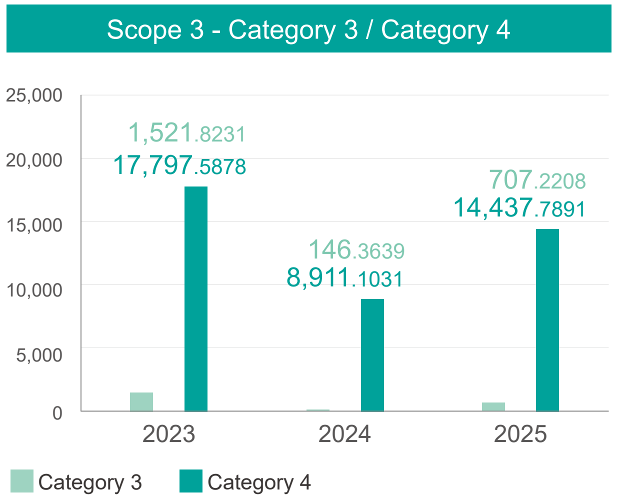












Carbon Management Planning in Response to International and Domestic Carbon Tariffs

International

In 2025, the European Union adjusted and optimized the CBAM system design, and proposed partial "relaxation of levy standards" and supporting measures to reduce the impact of the system on enterprises during its initial stage. Kaori completed its first product carbon footprint inventory and verification under ISO 14067:2018 (see right figure) in 2023, and added 12 more product carbon footprints in 2024. Based on the carbon emissions across the product life cycle, the Company will establish carbon footprint reduction plans to comply with CBAM requirements and enhance international competitiveness under the global Net Zero emissions trend.

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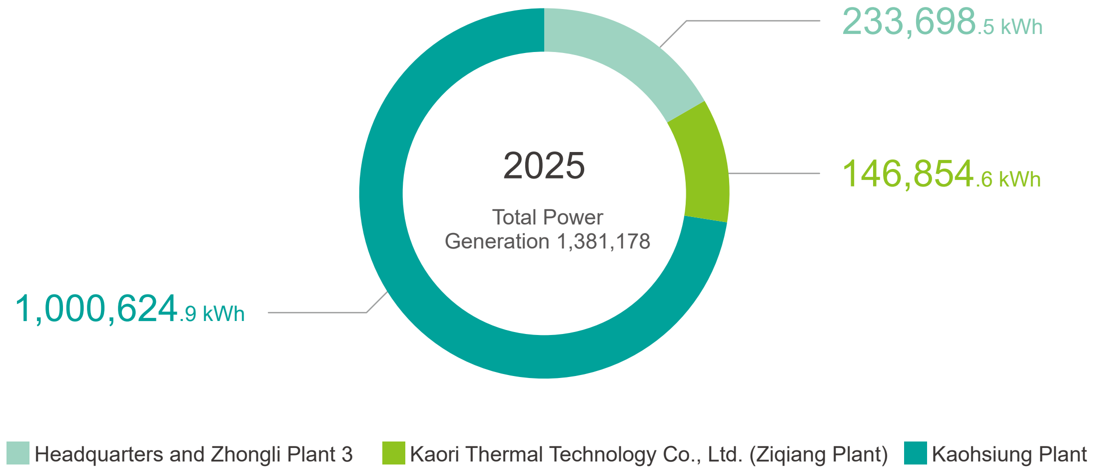
Opinion Statement

Domestic

On August 29, 2024, the Ministry of Environment announced the “Carbon Fee Collection Regulations,” “Voluntary Emissions Reduction Plan Management Regulations,” and the “Designated Greenhouse Gas Reduction Targets for Entities Subject to Carbon Fee Collection.” In the initial phase, the carbon fee applies to entities in the power supply, gas supply, and manufacturing sectors with annual emissions of 25,000 metric tons of CO_2e or more. Starting from the year following the implementation of the carbon fee, the payable amount will be calculated annually based on the previous year’s greenhouse gas emissions and must be submitted by the end of May each year. In 2025, Kaori’s total Scope 1 and Scope 2 emissions amounted to 8,073.6586 tCO_2e, which falls below the domestic carbon fee threshold.

Plans for Green and Renewable Energy Sources

Kaori actively responds to global Net Zero emissions actions and regards the adoption of green power as an important beginning for implementing environmental sustainability. Up to the present, Kaori has completed the installation of a 1.216 MW solar power generation system, with the total power generated in 2025 totaling 1,381,178 kWh. All power generated was sold back to Taipower. This demonstrates that the Company has made significant progress in expanding the scale of renewable energy.



Kaori Solar Power System Sites

Headquarters and Zhongli Plant 3

Solar Power System

294.3kW

2025 Power Generation

233,698.5 kWh May–December 2025

Kaori Thermal Technology Co., Ltd. (Ziqiang Plant)

Solar Power System

177.75kW

2025 Power Generation

146,854.6 kWh May–December 2025

Kaohsiung Plant

Solar Power System

744.51kW

2025 Power Generation

1,000,624.9 kWh

Air Pollution Management

Kaori did not emit any nitrogen oxide (NOx), sulfur oxide (SOx), or other legally regulated hazardous gases.

6.5 Water resource management

Kaori has developed an environmental management system along with water resource management practices based on ISO 14001. Through data monitoring, the Company keeps track of water used as well as the water resource management practices adopted at various plant sites on a daily basis. Any abnormal change in water volume is met with appropriate inspection and response. Meanwhile, Kaori organizes campaigns from time to time to promote employees' awareness of the conservation and use of water.

All major operating sites draw water entirely from the municipal water supply system (i.e., tap water). Most of the water drawn is used for employees' living activities and kitchen equipment, and any effluents generated from living activities are either treated using appropriate treatment facilities or discharged into the municipal water treatment system, and therefore should have no significant impact on the local water body. Furthermore, Kaohsiung Benzhou Plant has installed its own water treatment facilities to treat wastewater in a legal manner. No incidents of illegal pollution occurred in 2024 and 2025, and the Company's business activities had no significant impact on water sources.

Risk Type	Category	Potential operational impacts	Adaptation methods
Water Resource Risks	Drought or water shortage Flood risk Discharge of untreated wastewater	• Affected production capacity, increased in operating costs, and decreased in revenue • Unscheduled or interrupted delivery	• Establish and improve water resource regulation • Increase water storage capacity to support 3-5 days (3 days during severe drought) • Water tankers to support plants experiencing water shortages • Inspect process equipment at each plant regularly • Wastewater management policy complies with environmental regulations

6.5.1 Water Resource Management Across Plants

I. Headquarters: Zhongli Plant 1, Zhongli Plant 2, Zhongli Plant 3, Kaohsiung Plant

- Total water withdrawal: The Company uses tap water without surface water or seawater.

Unit: million liters

Year\Region		2024		2025	
Category		All locations	Locations prone to water stress	All locations	Locations prone to water stress
Water withdrawal by source	Surface water (total volume)	0	0	0	0
	Fresh water (total dissolved solids ≤1,000 mg/L)	0	0	0	0
	Other water sources (Total dissolved solids >1,000 mg/L)	0	0	0	0
	Water from third parties (total volume)	0	0	0	0
	Fresh water (total dissolved solids ≤1,000 mg/L)	28.33	0	31.06	0
	Other water sources (Total dissolved solids >1,000 mg/L)	0	0	0	0
Total water drawn	Surface water (total) + groundwater (total) + water from third parties (total volume)	28.33	0	31.06	0

Inventory Boundary: 2024: Headquarters & Zhongli Plant 3, Zhongli Plant 1, Zhongli Plant 2, Ziqiang Plant, Kaohsiung Plant
2025: Headquarters and Zhongli Plant 3, Zhongli Plant 1, Zhongli Plant 2, Kaohsiung Plant
Boundary Changes: Ziqiang Plant was spun off into the subsidiary Kaori Thermal Technology Co., Ltd. in 2025.

- Water Discharge

Unit: million liters

Year\Region		2024		2025	
Category		All locations	Locations prone to water stress	All locations	Locations prone to water stress
Water discharge by destination	Surface water	21.76	0	26.61	0
	Groundwater	0	0	0	0
	Seawater	0	0	0	0
	Water from third parties (total volume)	0	0	0	0
	Water from third parties supplied to other organizations	0	0	0	0
Total water discharge	Surface water + groundwater + seawater + water from third parties (total)	21.76	0	26.61	0
Water discharge by fresh water and others	Fresh water (total dissolved solids ≤1,000 mg/L)	21.76	0	0	0
	Other water sources (Total dissolved solids >1,000 mg/L)	0	0	0	0
Water discharge by level of treatment	Untreated	21.76	0	26.61	0
	Level 1 treatment	0	0	0	0
	Level 2 treatment	0	0	0	0
	Level 3 treatment	0	0	0	0

Inventory Boundary: 2024: Headquarters & Zhongli Plant 3, Zhongli Plant 1, Zhongli Plant 2, Ziqiang Plant, Kaohsiung Plant
2025: Headquarters and Zhongli Plant 3, Zhongli Plant 1, Zhongli Plant 2, Kaohsiung Plant
Boundary Changes: Ziqiang Plant was spun off into the subsidiary Kaori Thermal Technology Co., Ltd. in 2025.

- Water Consumption

Unit: million liters

Year	2024		2025	
Location	All locations	Locations prone to water stress	All locations	Locations prone to water stress
Total water consumption	6.57	N/A	4.45	N/A
Change in water storage	N/A	N/A	N/A	N/A

Note: The water consumption in the above table is for vacuum furnace cooling.

Inventory Boundary: 2024: Headquarters & Zhongli Plant 3, Zhongli Plant 1, Zhongli Plant 2, Ziqiang Plant, Kaohsiung Plant
2025: Headquarters and Zhongli Plant 3, Zhongli Plant 1, Zhongli Plant 2, Kaohsiung Plant
Boundary Changes: Ziqiang Plant was spun off into the subsidiary Kaori Thermal Technology Co., Ltd. in 2025.

II. Kaori Thermal Technology Co., Ltd. (Commenced official operations in 2025)

- Total water withdrawal: The Company uses tap water without surface water or seawater.

Unit: million liters

Category \ Year\Region		2025	
		All locations	Locations prone to water stress
Water withdrawal by source	Surface water (total volume)	0	0
	Fresh water (total dissolved solids ≤1,000 mg/L)	0	0
	Other water sources (Total dissolved solids >1,000 mg/L)	0	0
	Water from third parties (total volume)	0	0
	Fresh water (total dissolved solids ≤1,000 mg/L)	1.30	0
	Other water sources (Total dissolved solids >1,000 mg/L)	0	0
Total water drawn	Surface water (total) + groundwater (total) + water from third parties (total)	1.30	0

- Water Discharge

Unit: million liters

Category \ Year\Region		2025	
		All locations	Locations prone to water stress
Water discharge by destination	Surface water	1.04	0
	Groundwater	0	0
	Seawater	0	0
	Water from third parties (total volume)	0	0
	Water from third parties supplied to other organizations	0	0
Total water discharge	Surface water + groundwater + seawater + water from third parties (total)	1.04	0
Water discharge by fresh water and others	Fresh water (total dissolved solids ≤1,000 mg/L)	0	0
	Other water sources (Total dissolved solids >1,000 mg/L)	1.04	0
Water discharge by level of treatment	Untreated	1.04	0
	Level 1 treatment	0	0
	Level 2 treatment	0	0
	Level 3 treatment	0	0

- Water Consumption

Unit: million liters

Year	2025	
Location	All locations	Locations prone to water stress
Total water consumption	0.26	N/A
Change in water storage	N/A	N/A

Note: The water consumption in the above table is for vacuum furnace cooling.

6.6 Waste management

Kaori observes the ISO 14001 standard and has created a dedicated unit to track the sources and volumes of waste. Adhering to the principles of maximizing resource use and minimizing waste generation, the Company promotes "Waste Management Measures." All departments are committed to minimizing waste volumes from production activities, increasing the life cycles of raw materials used, and promoting the circulation and reuse of resources and waste for total waste reduction. Kaori engages qualified service providers to dispose of waste and uses appropriate forms to audit waste handlers, thereby ensuring the appropriateness of waste treatment and that the waste generated does not pose a significant impact on the nearby environment.

Requirements for suppliers	Reusable packaging containers and non-reusable containers must be recyclable and reusable materials. Waste generated during the supply process must also be recyclable or declared as reusable waste items.
Production requirements	In the plant's production processes, materials are controlled at the source to avoid using raw materials and equipment materials that current environmental technologies cannot manage. Additionally, raw materials/waste from the production process are reviewed for potential recycling and reuse. Reduce the waste of necessary resources and increase recycling.
Requirements for employees	Environmental safety and health education and training are held for employees on their first day of employment to teach them how to classify waste, improve their environmental safety and health concepts and literacy, and enable them to independently classify recyclable waste. Each area maintains at least five categories of waste sorting categories, contributing to the planet's environmental sustainability and social responsibility.
Recycling requirements for waste disposal	Review the suitability of waste disposal channels every year and select waste disposal contractors with more environmentally friendly treatment methods, especially the legal disposal of hazardous waste, to avoid causing environmental impact. There were no violations of waste treatment laws in 2025.

Waste Reduction Measures

Kaori reduces the volume of waste by recycling waste iron, carton boxes, and waste glass and reusing waste pallets. Waste pallets are handed over to qualified service providers for reuse, thereby minimizing environmental impact. Upholding the principle of responsibility, Kaori duly reports how waste generated from plant sites is handled and retains complete documents to ensure that waste is properly treated.

1. Establishment of employee cafeterias and use of environment-friendly tableware
2. Total recycling of paper containers
3. Use of kitchen waste recycling bins
4. No hazardous waste; domestic wastes are disposed of in accordance with the law

6.6.1 Waste Management Across Plants

I. Headquarters: Zhongli Plant 1, Zhongli Plant 2, Zhongli Plant 3, Kaohsiung Plant

- Total Amount of Waste

Unit: tonnes

Year/Disposal / Waste composition	2024			2025		
	Waste Generated	waste Disposal Transfer	Direct Waste Disposal	Waste generated	Waste Disposal Transfer	Waste Directed to Disposal
General Waste	92.83	0	92.83	97.049	0	97.049
Scrap - Waste stainless steel	0	0	0	18.458	18.458	0
Scrap - Waste black steel	126.1	126.1	0	15.31	15.31	0
Scrap - Waste INCO601	0.522	0.522	0	0	0	0
Scrap - Waste INCO625	19.497	19.497	0	0.089	0.089	0
Scrap - Waste HS230	0	0	0	0	0	0
Scrap - Waste INCO800	20.17	20.17	0	0	0	0
Scrap - Waste mix	1.262	1.262	0	0	0	0
Scrap - Waste inco600	0.171	0.171	0	0	0	0
Scrap - Waste sus446	0	0	0	0	0	0
Scrap - Swarf from machining	0	0	0	0	0	0
Scrap - Waste 304 + copper	56.387	56.387	0	65.382	65.382	0
Scrap - Waste 316 + copper	148.79	148.79	0	154.524	154.524	0
Scrap - Waste aluminum	0.136	0.136	0	0	0	0
Scrap - Waste copper	13.91	13.91	0	14.59	14.59	0
Scrap - Pure 304	75.509	75.509	0	57.406	57.406	0
Scrap - Pure 316	73.206	73.206	0	77.761	77.761	0
Scrap - Waste 304 swarf	112.571	112.571	0	109.325	109.325	0
Scrap - Waste 316 swarf	32.88	32.88	0	27.234	27.234	0
Waste INCO800+SUS316	0.011	0.011	0	0	0	0
Waste INCO800+625 Scrap	0.023	0.023	0	0	0	0
Waste ceramic INCO800+625	0	0	0	0	0	0
Waste ceramics + INCO625	0.868	0.868	0	0	0	0
Waste heat exchangers	21.309	21.309	0	15.827	15.827	0
Scrap nickel foil	0	0	0	0	0	0
Waste ceramics	0	0	0	0	0	0
Blade waste	0	0	0	0.089	0.089	0
Waste cables	0	0	0	0	0	0
Waste paper	14.21	14.21	0	16.285	16.285	0
Waste wooden materials (R-0701)	79.98	79.98	0	46.1	46.1	0
Waste oil mixture (D-1799)	10.86	10.86	0	22.8	22.8	0
Night soil (D-0104)	0	0	0	0	0	0
Waste plastic (R-0201)	42.03	42.03	0	4.46	4.46	0
Total volume	943.232	850.402	92.83	742.689	645.64	97.049

Note: (1) The waste materials listed in the table above can be sold externally.
(2) Domestic waste category statistics in waste components cover the entire plant area; statistics for other categories are limited to the Kaohsiung Plant.
(3) Inventory Boundary: 2024: Headquarters & Zhongli Plant 3, Zhongli Plant 1, Zhongli Plant 2, Ziqiang Plant, Kaohsiung Plant
2025: Headquarters and Zhongli Plant 3, Zhongli Plant 1, Zhongli Plant 2, Kaohsiung Plant
(4) Boundary Changes: Ziqiang Plant was spun off into the subsidiary Kaori Thermal Technology Co., Ltd. in 2025.

- Waste diverted from disposal

Unit: tonnes

Year / Waste composition		2024			2025		
		On-site	Off-site	Total volume	On-site	Off-site	Total volume
Hazardous waste	Preparation for reuse	0.00	0.00	0.00	0.00	0.00	0.00
	Recycling	0.00	0.00	0.00	0.00	0.00	0.00
	Other recovery	0.00	0.00	0.00	0.00	0.00	0.00
	Total volume	0.00	0.00	0.00	0.00	0.00	0.00
Non-hazardous waste	Preparation for reuse	0.00	0.00	0.00	0.00	0.00	0.00
	Recycling	0	850.402	850.402	0	645.64	645.64
	Other recovery	0	0	0	0	0	0
	Total volume	0	850.402	850.402	0	645.64	645.64

Inventory Boundary: 2024: Headquarters & Zhongli Plant 3, Zhongli Plant 1, Zhongli Plant 2, Ziqiang Plant, Kaohsiung Plant
2025: Headquarters and Zhongli Plant 3, Zhongli Plant 1, Zhongli Plant 2, Kaohsiung Plant
Boundary Changes: Ziqiang Plant was spun off into the subsidiary Kaori Thermal Technology Co., Ltd. in 2025.

- Waste directed to disposal

Unit: tonnes

Year / Waste composition		2024			2025		
		On-site	Off-site	Total volume	On-site	Off-site	Total volume
Hazardous waste	Incineration (including recycling of energy sources)	0.00	0.00	0.00	0.00	0.00	0.00
	Incineration (excluding recycling of energy sources)	0.00	0.00	0.00	0.00	0.00	0.00
	Landfill	0.00	0.00	0.00	0.00	0.00	0.00
	Other methods of disposal	0.00	0.00	0.00	0.00	0.00	0.00
	Total volume	0.00	0.00	0.00	0.00	0.00	0.00
Non-hazardous waste	Incineration (including recycling of energy sources)	0.00	92.83	92.83	0.00	97.049	97.049
	Incineration (excluding recycling of energy sources)	0.00	0.00	0.00	0.00	0.00	0.00
	Landfill	0.00	0.00	0.00	0.00	0.00	0.00
	Other methods of disposal	0.00	0.00	0.00	0.00	0.00	0.00
	Total volume	0.00	92.83	92.83	0.00	97.049	97.049

Inventory Boundary: 2024: Headquarters & Zhongli Plant 3, Zhongli Plant 1, Zhongli Plant 2, Ziqiang Plant, Kaohsiung Plant
2025: Headquarters and Zhongli Plant 3, Zhongli Plant 1, Zhongli Plant 2, Kaohsiung Plant
Boundary Changes: Ziqiang Plant was spun off into the subsidiary Kaori Thermal Technology Co., Ltd. in 2025.

II. Kaori Thermal Technology Co., Ltd. (Commenced official operations in 2025)

- Total Amount of Waste

Unit: tonnes

Year\ Disposal / Waste composition	2025		
	Waste Generated	Waste Disposal Transfer	Waste Directed to Disposal
General Waste	11.75	0	11.75
Scrap - Waste stainless steel	0	0	0
Scrap - Waste black steel	0	0	0
Scrap - Waste INCO601	0	0	0
Scrap - Waste INCO625	0	0	0
Scrap - Waste HS230	0	0	0
Scrap - Waste INCO800	0	0	0
Scrap - Waste mix	0	0	0
Scrap - Waste inco600	0	0	0
Scrap - Waste sus446	0	0	0
Scrap - Swarf from machining	0	0	0
Scrap - Waste 304 + copper	0	0	0
Scrap - Waste 316 + copper	0	0	0
Scrap - Waste aluminum	0	0	0
Scrap - Waste copper	0	0	0
Scrap - Pure 304	0	0	0
Scrap - Pure 316	0	0	0
Scrap - Waste 304 swarf	0	0	0
Scrap - Waste 316 swarf	0	0	0
Waste INCO800+SUS316	0	0	0
Waste INCO800+625 Scrap	0	0	0
Waste ceramic INCO800+625	0	0	0
Waste ceramics + INCO625	0	0	0
Waste heat exchangers	0	0	0
Scrap nickel foil	0	0	0
Waste ceramics	0	0	0
Blade waste	0	0	0
Waste cables	0	0	0
Waste paper	0	0	0
Waste wooden materials (R-0701)	74.86	74.86	0
Waste oil mixture (D-1799)	0	0	0
Night soil (D-0104)	0	0	0
Waste plastic (R-0201)	0	0	0
Total volume	86.61	74.86	11.75

Note: The waste materials can be sold externally.

- Waste diverted from disposal

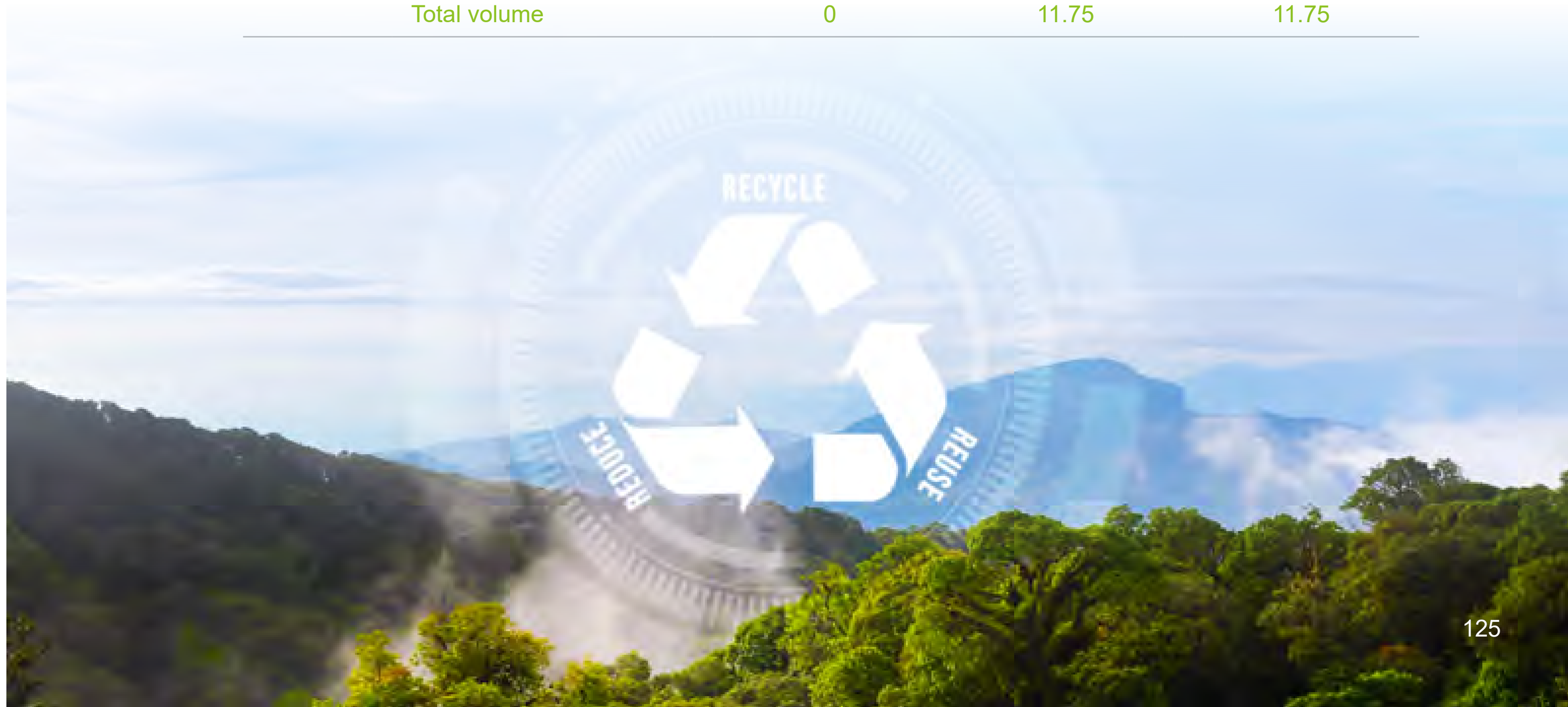
Unit: tonnes

Year / Waste composition		2025		
		On-site	Off-site	Total volume
Hazardous waste	Preparation for reuse	0	0	0
	Recycling	0	0	0
	Other recovery	0	0	0
	Total volume	0	0	0
Non-hazardous waste	Preparation for reuse	0	0	0
	Recycling	0	74.86	74.86
	Other recovery	0	0	00
	Total volume	0	74.86	74.86

- Waste directed to disposal

Unit: tonnes

Year / Waste composition		2025		
		On-site	Off-site	Total volume
Hazardous waste	Incineration (including recycling of energy sources)	0	0	0
	Incineration (excluding recycling of energy sources)	0	0	0
	Landfill	0	0	0
	Other methods of disposal	0	0	0
	Total volume	0	0	0
Non-hazardous waste	Incineration (including recycling of energy sources)	0	11.75	11.75
	Incineration (excluding recycling of energy sources)	0	0	0
	Landfill	0	0	0
	Other methods of disposal	0	0	0
	Total volume	0	11.75	11.75



7

Friendly Workplace

4 Quality Education
5 Gender Equality
8 Employment and Economic Development
10 Reduced Inequality

To establish a sustainable development enterprise, one of Kaori's sustainability missions is to create a friendly workplace. This includes talent attraction and retention (salary and benefits), employee training and development, labor-management relations, training and development, human rights protection. The short-, medium-, and long-term targets for managing these material issues are outlined in the table below:

Timeline	Short-term metrics (2025 - 2026)	Medium-term metrics (2027 - 2030)	Long-term metrics (after 2031)
Labor/ management relations	Total attrition rate≤ 5%	Total attrition rate≤ 5%	Total attrition rate≤ 5%
	Retention rate during unpaid leave≥ 80%	Retention rate during unpaid leave≥ 80%	Retention rate during unpaid leave≥ 80%
Training and development	Retention rate for Taiwanese new hires (at least 3 months)≥ 80%	Retention rate for Taiwanese new hires (at least 3 months)≥ 80%	Retention rate for Taiwanese new hires (at least 3 months)≥ 80%
	• Average training hours: ≥ 15H • New employee training pass rate: 100%	• Average training hours: ≥ 20H • New employee training pass rate: 100%	• Average training hours: ≥ 20H • New employee training pass rate: 100%
Human rights protection	0 cases of workplace abuse/bullying	0 cases of workplace abuse/bullying	0 cases of workplace abuse/bullying
	Employee complaint/Mediation cases: 1 case	Employee complaint/Mediation cases: 1 case	Employee complaint/Mediation cases: 1 case

Material issue objectives and performance

Kaori is committed to building a friendly workplace and complying with GRI standards: We are committed to creating a caring and nurturing environment for employees, fulfilling the responsibility of talent cultivation and retention as the driving force for the sustainable development and growth of the Company. Kaori has developed short-term targets and related implementation plans based on key areas such as labor relations, training and development, human rights protection, ethics, and health and safety. The performance goals and achievement levels over the past two years (as shown in the table below) aim to retain suitable and high-potential talent, thereby enhancing the Company's sustainable competitiveness.

- Labor/management relations

	2025 Performance Targets	Achieved in 2025	2025 Performance Targets
Parent Company	Total attrition rate≤ 5%	10.06% → Not achieved	Total attrition rate≤ 5%
	Retention rate during unpaid leave≥ 80%	100% → Achieved	Retention rate during unpaid leave≥ 80%

The annual target for total turnover rate was not met (actual was 10.06%, higher than the target of 5%). The main reason was that on January 1, 2025, the subsidiary Kaori Thermal Technology Co., Ltd. was officially established through a spinoff, and 96 employees were transferred to the subsidiary due to the spinoff project. Additionally, in mid-May 2025, part of the product manufacturing processes at the Zhongli Plant were relocated south to Kaohsiung. After agreement with the Company, 21 employees in relevant departments resigned from the Company and transferred to continue their service at the Zhongli Plant (subsidiary) while retaining their seniority.

	2025 Performance Targets	Achieved in 2025	2025 Performance Targets
Kaori Thermal Technology Co., Ltd.	Total attrition rate≤ 5%	7.21% → Not achieved	Total attrition rate≤ 5%
	Retention rate during unpaid leave≥ 80%	100% → Achieved	Retention rate during unpaid leave≥ 80%

The annual target for total turnover rate was not met (actual was 7.21%, higher than the target of 5%). The main reason was that Thermal Technology was spun off and established from the parent company on January 1, 2025. The initial stage of establishment coincided with high growth and rapid organizational expansion, where some new hires had not yet fully adapted to the working environment, thereby affecting the overall turnover rate performance.

- Training and development

	2025 Performance Targets	Achieved in 2025	2025 Performance Targets
Parent Company	Retention rate for Taiwanese new hires (at least 3 months)≥ 80%	Retention rate 87.1 % → Achieved	Retention rate for Taiwanese new hires (at least 3 months)≥ 80%
	• Average training hours per person≥ 15H • New employee training pass rate: 100%	• 15 H→ Achieved • 100% → Achieved	• Average training hours: ≥ 15H • New employee training pass rate: 100%
Kaori Thermal Technology Co., Ltd.	Retention rate for Taiwanese new hires (at least 3 months)≥ 80%	Retention rate 96 % → Achieved	Retention rate for Taiwanese new hires (at least 3 months)≥ 80%
	• Average training hours per person≥ 15H • New employee training pass rate: 100%	• 20 H→ Achieved • 100% → Achieved	• Average training hours: ≥ 15H • New employee training pass rate: 100%

- Human rights protection

	2025 Performance Targets	Achieved in 2025	2025 Performance Targets
Parent Company	0 cases of workplace abuse/ bullying	0 cases of workplace unlawful infringement→ Achieved	0 cases of workplace abuse/ bullying
	Employee complaint/Mediation cases: 1 case	Employee complaint/Mediation cases: 0 case→ Achieved	Employee complaint/Mediation cases: 1 case
Kaori Thermal Technology Co., Ltd.	0 cases of workplace abuse/ bullying	0 cases of workplace unlawful infringement→ Achieved	0 cases of workplace abuse/ bullying
	Employee complaint/Mediation cases: 1 case	Employee complaint/Mediation cases: 0 case→ Achieved	Employee complaint/Mediation cases: 1 case

7.1 Talent Management Policy and Commitment

Kaori complies with labor-related regulations by establishing the "Employee Work Rules" and the "Occupational Safety and Health Work Code, including the Safety and Health Organization and Personnel Structure," which have been submitted to the relevant government authorities for approval. These rules legally ensures labor conditions and protecting employees' safety and health rights. The Company provides a healthy and safe working environment, fosters diverse and open labor-management communication channels, and offers fair compensation and promotion opportunities. Additionally, a comprehensive training and development system is in place to cultivate employee professionalism and protect trade secrets. Kaori also ensures a robust benefits system and creates a warm and harmonious work atmosphere. Through a transparent incentive bonus and profit-sharing system, employees are encouraged to contribute their skills and performance confidently, growing and developing alongside the Company, thereby laying a strong foundation for sustainable operations.

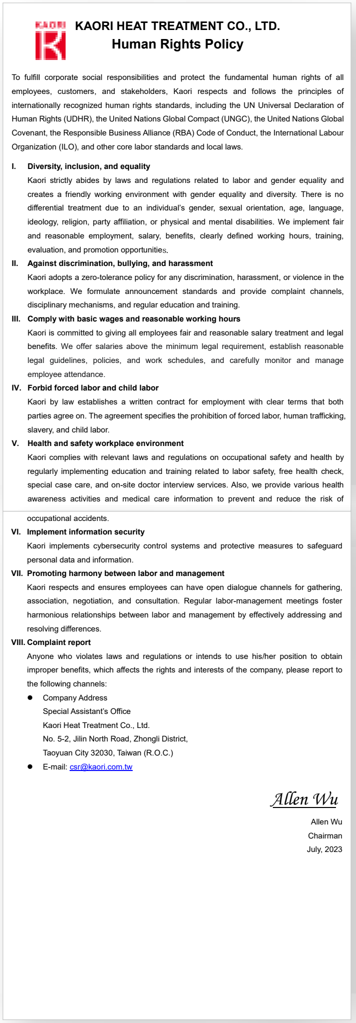
The Company's talent management policy is as follows:

Talent Selection Policy	• Prohibit child labor and underage labor, provide mechanisms to attract and retain outstanding talents, hire suitable talents, diversify career development opportunities, and respect employees' freedom of employment.
Talent Education Policy	• Establish a sound training and development system to cultivate professional or management talents in different fields, improve employees' engineering professionalism, communication and management skills, and strengthen teamwork performance.
Human Rights Policy	• Comply with Taiwan's labor laws and regulations and prohibit any form of forced or compulsory labor; we will never discriminate against any employee based on gender, race, region, age, disability, nationality, etc.
Employment Policy	• Provide a competitive remuneration and benefit system, fair evaluation, and reasonable opportunities for transfer and promotion, so that employees can actively contribute their abilities and performance. • Valuing Employee Feedback and Enhancing Labor Relations
Talent Retention Policy	• Establish a healthy and safe work environment for employees, and diverse and open communication channels between labor and management; set up effective communication channels for employees to collect employees' opinions and improve the Company's internal operations.

Corporate Sustainable Human Rights Policy

Kaori adheres to the principle of business integrity by providing reasonable working conditions and comprehensive employee benefits, ensuring the physical and mental well-being of employees so they can focus on their work and enjoy work. We strive to implement sustainable development policies that emphasize "environmental protection, employee care, a friendly workplace, co-prosperity in society, business integrity, and general participation."

To improve labor rights, in addition to complying with Taiwan's "Labor Standards Act" and related laws and regulations, we have also formulated internal regulations for the record of work rules, sexual harassment prevention, anti-corruption and bribery, and grievance procedures. A management mechanism has also been set up to protect employee rights. To allow employees to fully express their opinions, each plant has set up a "grievance mailbox and posted grievance hotline information" and established a personal data protection mechanism to comply with the principle of anti-retaliation to prevent unfair treatment of the parties concerned. The Company is committed to maintaining good labor-management relations and implementing various personnel management systems that promote a friendly workplace and employee care. In compliance with the employee-friendly and friendly workplace policies, we are committed to implementing the eight human rights policies (shown on the right).



KAORI HEAT TREATMENT CO., LTD.
Human Rights Policy

To fulfill corporate social responsibilities and protect the fundamental human rights of all employees, customers, and stakeholders, Kaori respects and follows the principles of internationally recognized human rights standards, including the UN Universal Declaration of Human Rights (UDHR), the United Nations Global Compact (UNGC), the United Nations Global Covenant, the Responsible Business Alliance (RBA) Code of Conduct, the International Labour Organization (ILO), and other core labor standards and local laws.

I. Diversity, inclusion, and equality

Kaori strictly abides by laws and regulations related to labor and gender equality and creates a friendly working environment with gender equality and diversity. There is no differential treatment due to an individual's gender, sexual orientation, age, language, ideology, religion, party affiliation, or physical and mental disabilities. We implement fair and reasonable employment, salary, benefits, clearly defined working hours, training, evaluation, and promotion opportunities.

II. Against discrimination, bullying, and harassment

Kaori adopts a zero-tolerance policy for any discrimination, harassment, or violence in the workplace. We formulate announcement standards and provide complaint channels, disciplinary mechanisms, and regular education and training.

III. Comply with basic wages and reasonable working hours

Kaori is committed to giving all employees fair and reasonable salary treatment and legal benefits. We offer salaries above the minimum legal requirement, establish reasonable legal guidelines, policies, and work schedules, and carefully monitor and manage employee attendance.

IV. Forbid forced labor and child labor

Kaori by law establishes a written contract for employment with clear terms that both parties agree on. The agreement specifies the prohibition of forced labor, human trafficking, slavery, and child labor.

V. Health and safety workplace environment

Kaori complies with relevant laws and regulations on occupational safety and health by regularly implementing education and training related to labor safety, free health check, special case care, and on-site doctor interview services. Also, we provide various health awareness activities and medical care information to prevent and reduce the risk of occupational accidents.

VI. Implement information security

Kaori implements cybersecurity control systems and protective measures to safeguard personal data and information.

VII. Promoting harmony between labor and management

Kaori respects and ensures employees can have open dialogue channels for gathering, association, negotiation, and consultation. Regular labor-management meetings foster harmonious relationships between labor and management by effectively addressing and resolving differences.

VIII. Complaint report

Anyone who violates laws and regulations or intends to use his/her position to obtain improper benefits, which affects the rights and interests of the company, please report to the following channels:

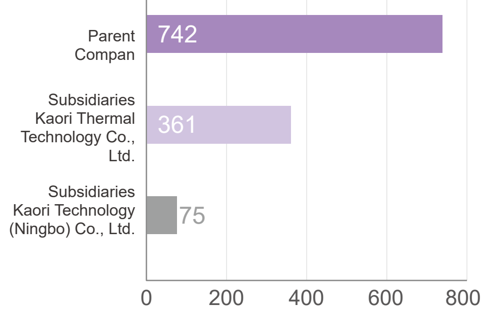
- Company Address
  Special Assistant's Office
  Kaori Heat Treatment Co., Ltd.
  No. 5-2, Jilin North Road, Zhongli District,
  Taoyuan City 32030, Taiwan (R.O.C.)
- E-mail: csr@kaori.com.tw

Allen Wu

Allen Wu
Chairman
July, 2023

7.2 Manpower structure

Kaori recognizes employees as important partners for building global first-rate organization and sustainable practice. We are committed to creating a friendly and healthy workplace, one that is free of discrimination and inequality. Kaori provides employees with comprehensive compensation and benefits and offers diverse training programs to help employees grow. By giving employees a safe and healthy place to work, we look forward to creating a sustainable corporate culture that is unique to Kaori. By the end of 2025, the total manpower of the parent company was 742 people, including 571 regular employees, 104 foreign migrant workers, 1 foreign white-collar worker, 58 dispatched personnel, and 8 contractor personnel. In accordance with the People with Disabilities Rights Protection Act, the Company actively promotes equal employment and employs a total of seven persons with disabilities. By the end of 2025, the total manpower of the subsidiary Kaori Thermal Technology Co., Ltd. was 361 people, including 193 regular employees, 1 foreign white-collar worker, 7 short-term part-time employees, 157 dispatched personnel, and 3 contractor personnel. Likewise, 1 person with disabilities was employed in accordance with relevant regulations. In addition, by the end of 2025, the total manpower of the subsidiary Kaori Technology (Ningbo) Co., Ltd. was 75 people, all of whom were regular employees, and no persons with disabilities were employed yet.



7.2.1 Employee structure

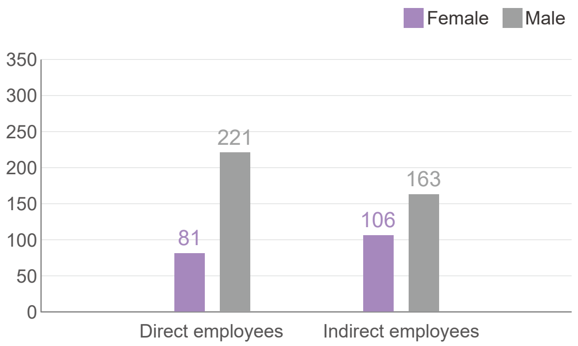
I. Headquarters: Zhongli Plant 1, Zhongli Plant 2, Zhongli Plant 3, Kaohsiung Plant

1. Distribution by category and gender is shown in the table below:

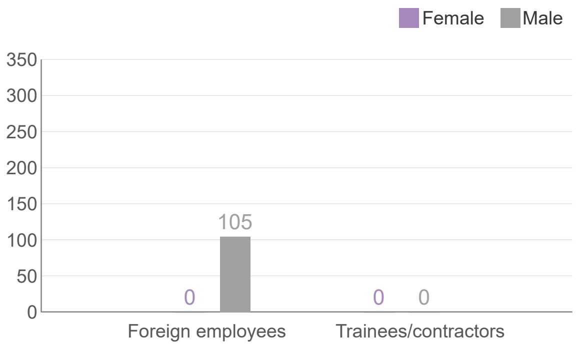
Category	Year \ Gender Item	2024				2025			
		Female		Male		Female		Male	
		Head count	Percentage	Head count	Percentage	Head count	Percentage	Head count	Percentage
Indefinite contract	Direct employees	68	9.77%	251	36.06%	81	11.98%	221	32.69%
	Indirect employees	97	13.94%	170	24.43%	106	15.68%	163	24.11%
Term contract	Foreign employees	0	0.00%	60	8.62%	0	0.00%	105	15.53%
	Trainees/ Contract Staff	0	0.0%	0	0.0%	0	0.00%	0	0.00%
	Total	696				676			
Domestic (by age)	30 and below	14	2.4%	45	7.7%	23	4.0%	41	7.2%
	Aged 31 - 50	123	21.0%	316	53.9%	134	23.5%	281	49.2%
	51 and above	27	4.6%	61	10.4%	30	5.3%	62	10.9%
Job Rank distribution	Managerial role	20	3.4%	74	12.6%	22	3.9%	72	12.6%
	Non-managerial role	144	24.6%	348	59.4%	165	28.9%	312	54.6%
	Total	586				571			

Remarks:
1. Direct personnel: production line or process personnel
2. Indirect personnel: administrative or managerial personnel
3. Trainees: refers to the students employed under a contractual relationship through school-industry cooperation or internships.
4. Managers: Section chiefs and above

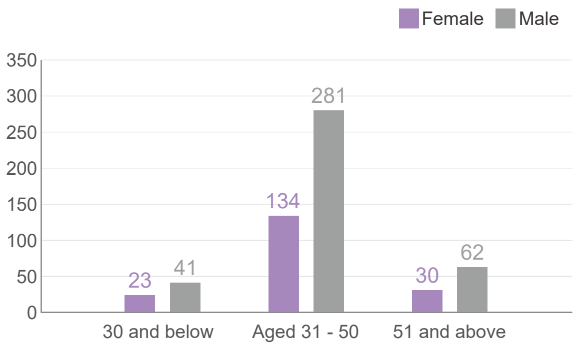
2025 - Indefinite contract



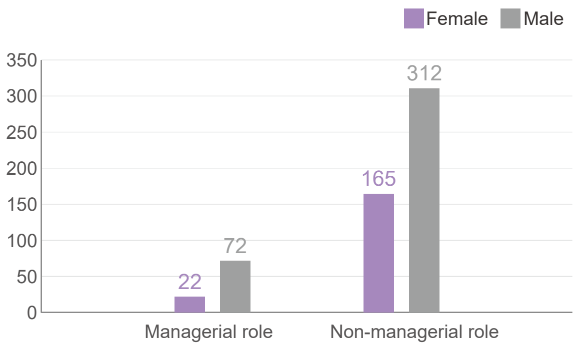
2025 - Term contract



2025 - Domestic (by age)



2025 - Job Rank distribution

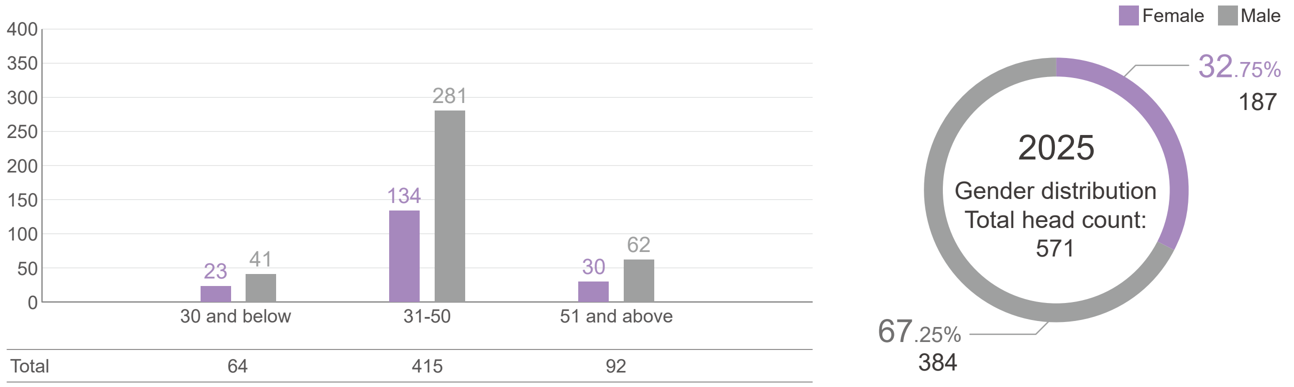


2. Distribution by age group and job level as shown in the table below:

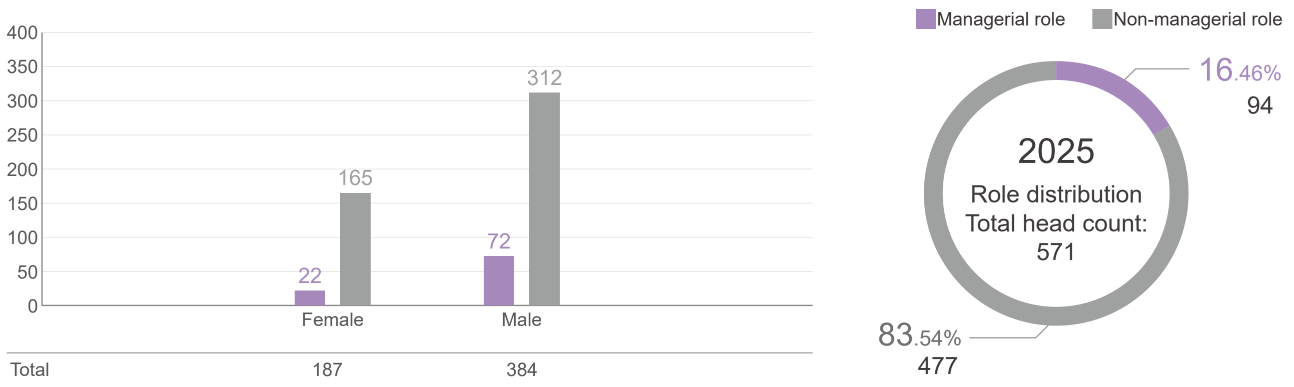
Statistical item	2024					2025				
	Managerial role		Non-managerial role		Total	Managerial role		Non-managerial role		Total
	Female	Male	Female	Male		Female	Male	Female	Male	
30 and below	0	0	14	45	59	0	0	23	41	64
Percentage	0%	0%	2.39%	7.68%	10.07%	0.0%	0.0%	4.0%	7.2%	11.2%
Aged 31 - 50	9	46	114	270	439	12	42	122	239	415
Percentage	1.54%	7.85%	19.45%	46.08%	74.91%	2.1%	7.4%	21.4%	41.9%	72.7%
51 and above	11	28	16	33	88	10	30	20	32	92
Percentage	1.88%	4.78%	2.73%	5.63%	15.02%	1.8%	5.3%	3.5%	5.6%	16.1%
Total head count	20	74	144	348	586	22	72	165	312	571

Remarks:
1. Statistics are primarily based on employees of local nationality
2. Managers: Section chiefs and above
3. Age ratio calculation method: Sum of male and female employees of a given job rank/total employees of that given job rank

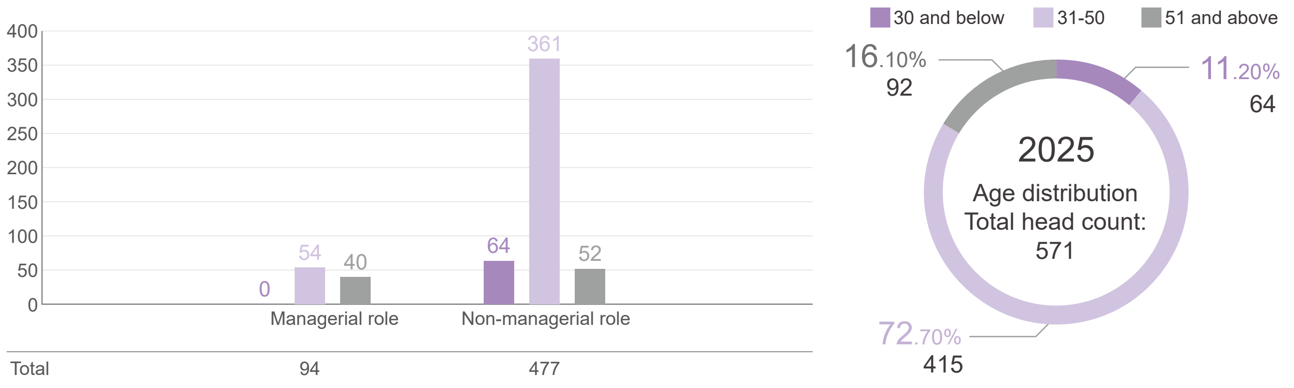
2025 - Employees' Age Distribution



2025 - Employee Counted by Grade and Gender



2025 - Employee Counted by Grade and Age



3. Statistics by non-employee workers are shown in the table below:

Category / Item (Year \ Gender)	2024				2025			
	Female		Male		Female		Male	
	Head count	Percentage	Head count	Percentage	Head count	Percentage	Head count	Percentage
Temporary workers	29	58.0%	13	26.0%	36	54.5%	22	33.3%
Contractor Personnel	3	6.0%	5	10.0%	4	6.1%	4	6.1%
Total	50				66			

Note: Non-employees usually refer to personnel employed by external units (such as dispatch companies, contractors) but executing work within the Company under our supervision.

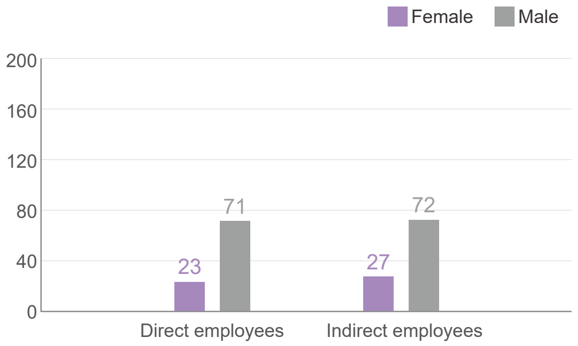
II. Kaori Thermal Technology Co., Ltd. (Commenced official operations in 2025)

1. Distribution by category and gender is shown in the table below:

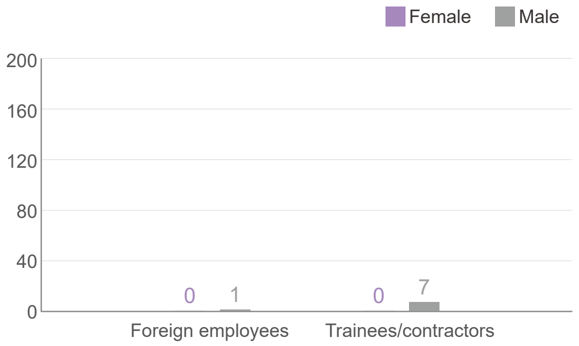
Category	Item (Year \ Gender)	2025			
		Female		Male	
		Head count	Percentage	Head count	Percentage
Indefinite contract	Direct employees	23	11.4%	71	35.3%
	Indirect employees	27	13.4%	72	35.8%
Term contract	Foreign employees	0	0.0%	1	0.5%
	Trainees/ Contract Staff	0	0.0%	7	3.5%
Total		201			
Domestic (by age)	30 and below	20	10.0%	29	14.5%
	Aged 31 - 50	25	12.5%	107	53.5%
	51 and above	5	2.5%	14	7.0%
Job Rank distribution	Managerial role	3	1.5%	22	11.0%
	Non-managerial role	47	23.5%	128	64.0%
Total		200			

Remarks:
1. Direct personnel: production line or process personnel
2. Indirect personnel: administrative or managerial personnel
3. Trainees: refers to the students employed under a contractual relationship through school-industry cooperation or internships.
4. Managers: Section chiefs and above

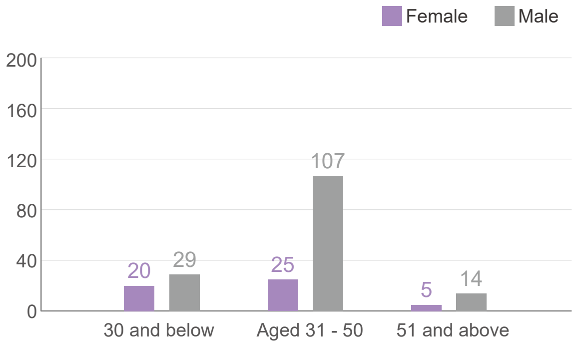
2025 - Indefinite contract



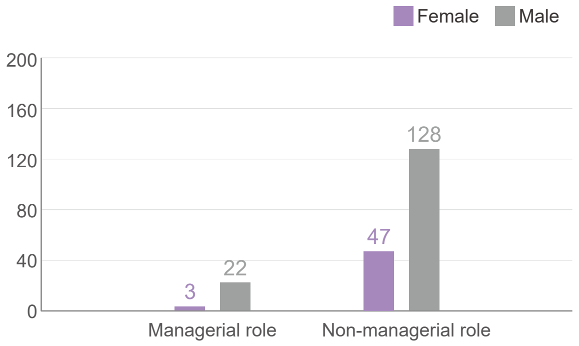
2025 - Term contract



2025 - Domestic (by age)



2025 - Job Rank distribution

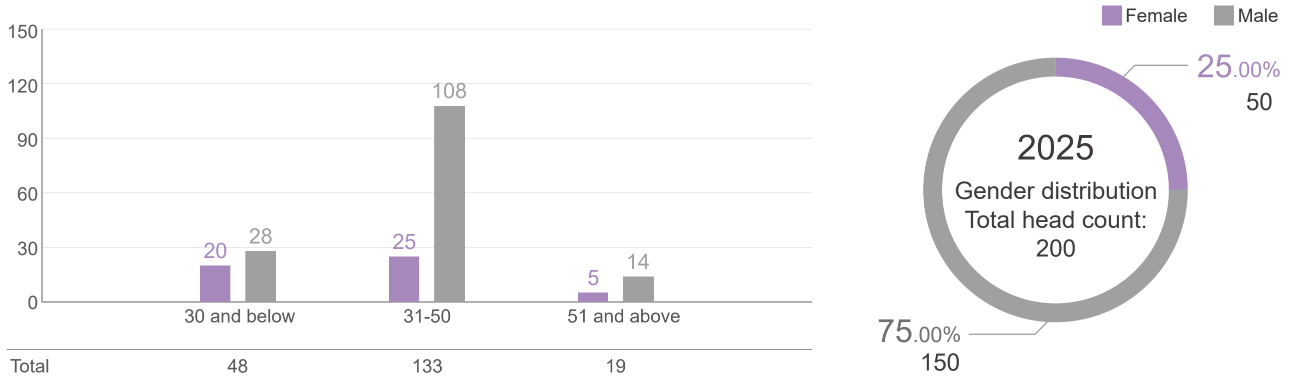


2. Distribution by age group and job level as shown in the table below:

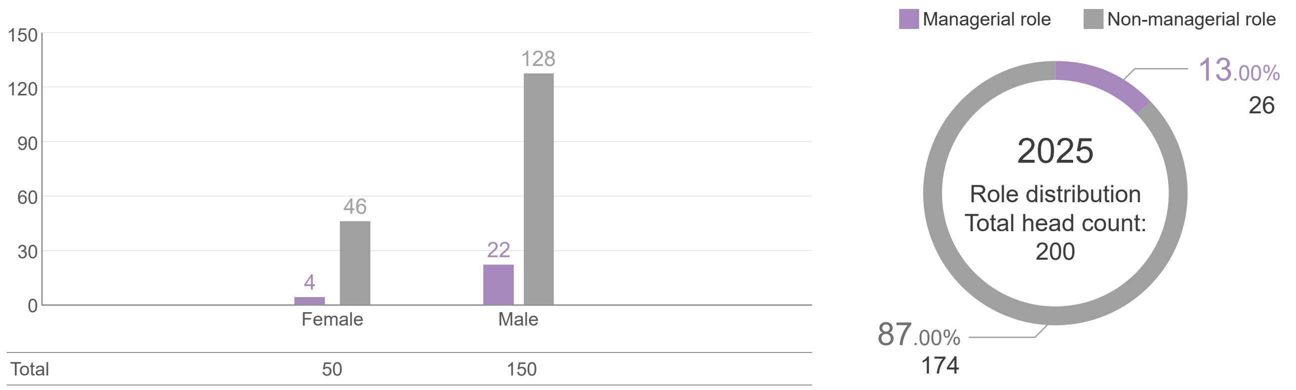
Year	2025				
Statistical item	Managerial role		Non-managerial role		Total
	Female	Male	Female	Male	
30 and below	0	0	20	28	48
Percentage	0.0%	0.0%	10.0%	14.0%	24.0%
Aged 31 - 50	1	15	24	93	133
Percentage	0.5%	7.5%	12.0%	46.5%	66.5%
51 and above	3	7	2	7	19
Percentage	1.5%	3.5%	1.0%	3.5%	9.5%
Total head count	4	22	46	128	200

Remarks:
1. Statistics are primarily based on employees of local nationality
2. Managers: Section chiefs and above
3. Age ratio calculation method: Sum of male and female employees of a given job rank/total employees of that given job rank

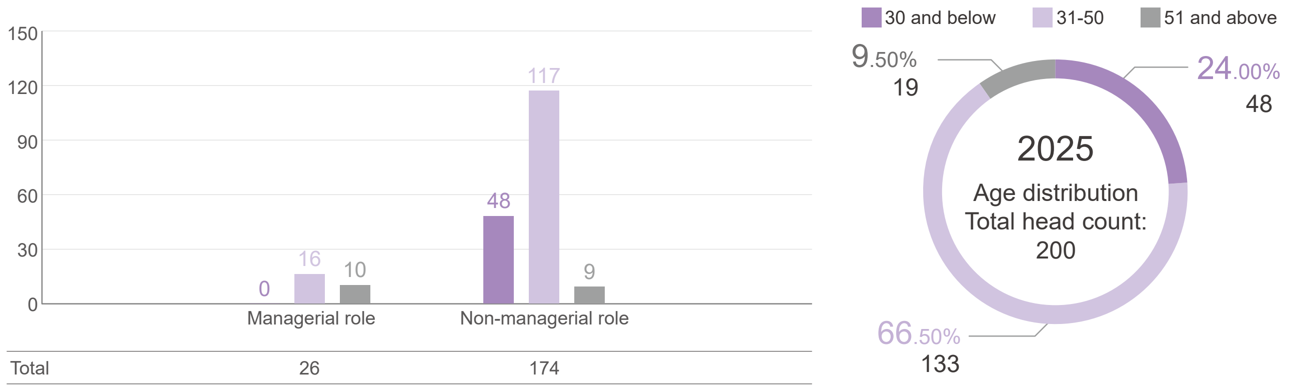
2025 - Employees' Age Distribution



2025 - Employee Counted by Grade and Gender



2025 - Employee Counted by Grade and Age



3. Statistics by non-employee workers are shown in the table below:

Category \ Item / Year \ Gender	2025			
	Female		Male	
	Head count	Percentage	Head count	Percentage
Temporary workers	68	42.5%	89	55.6%
Contractor Personnel	1	0.6%	2	1.3%
Total	160			

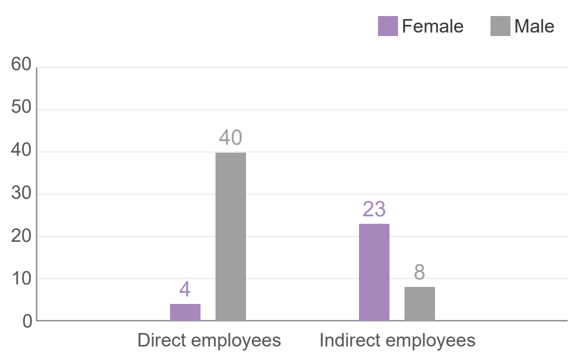
Note: Non-employees usually refer to personnel employed by external units (such as dispatch companies, contractors) but executing work within the Company under our supervision.

III. Kaori Technology (Ningbo) Co., Ltd.

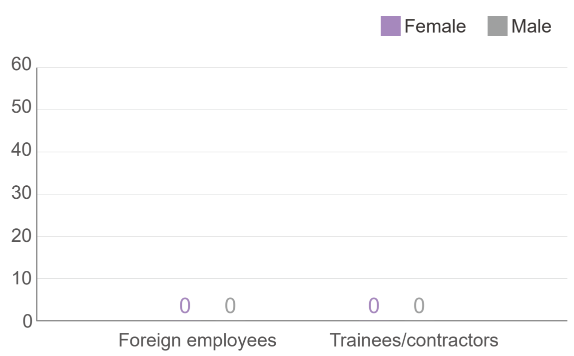
1. The distribution of the manpower structure is as follows

Category	Item / Year \ Gender	2024				2025			
		Female		Male		Female		Male	
		Head count	Percentage	Head count	Percentage	Head count	Percentage	Head count	Percentage
Indefinite contract	Direct employees	4	5.26%	42	55.26%	4	5.33%	40	53.33%
	Indirect employees	22	28.95%	8	10.53%	23	30.67%	8	10.67%
Term contract	Foreign employees	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	Trainees/Contract Staff	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Total		76				75			
Domestic (by age)	30 and below	0	0.00%	10	13.16%	0	0.00%	10	13.33%
	Aged 31 - 50	26	34.21%	36	47.37%	27	36.00%	36	48.00%
	51 and above	0	0.00%	4	5.26%	0	0.00%	2	2.67%
Job Rank distribution	Managerial role	7	9.21%	8	10.53%	8	10.37%	8	10.67%
	Non-managerial role	19	25.00%	42	55.26%	19	25.33%	40	53.33%
Total		76				75			

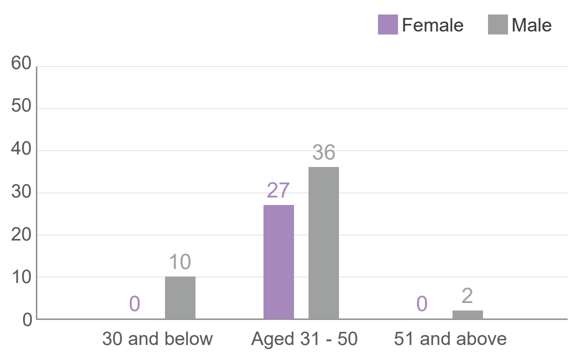
2025 - Indefinite contract



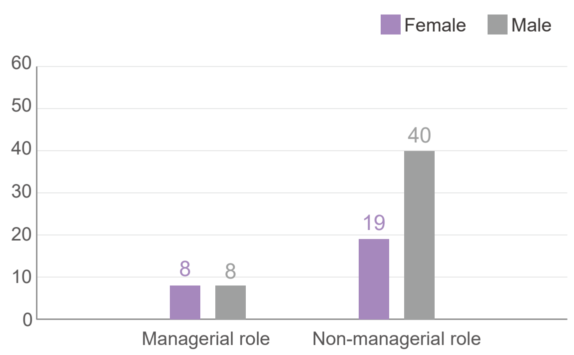
2025 - Term contract



2025 - Domestic (by age)



2025 - Job Rank distribution

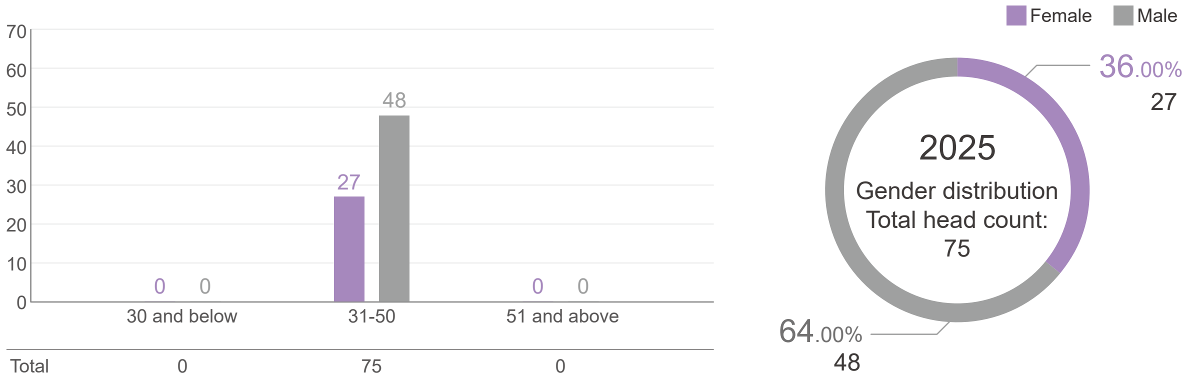


2. Distribution by age group and job level as shown in the table below:

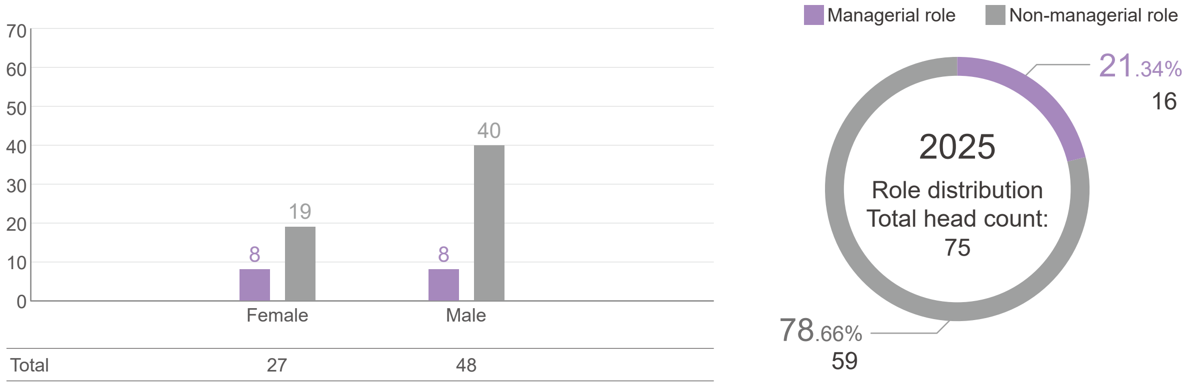
Statistical item	2024					2025				
	Managerial role		Non-managerial role		Total	Managerial role		Non-managerial role		Total
	Female	Male	Female	Male		Female	Male	Female	Male	
30 and below	0	0	0	0	0	0	0	0	0	0
Percentage	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Aged 31 - 50	7	8	19	42	76	8	8	19	40	75
Percentage	9.21%	10.53%	25.00%	55.26%	100.00%	10.67%	10.67%	25.33%	53.33%	100.00%
51 and above	0	0	0	0	0	0	0	0	0	0
Percentage	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total head count	7	8	19	42	76	8	8	19	40	75

Remarks:
1. Statistics are primarily based on employees of local nationality
2. Managers: Section chiefs and above
3. Age ratio calculation method: Sum of male and female employees of a given job rank/total employees of that given job rank

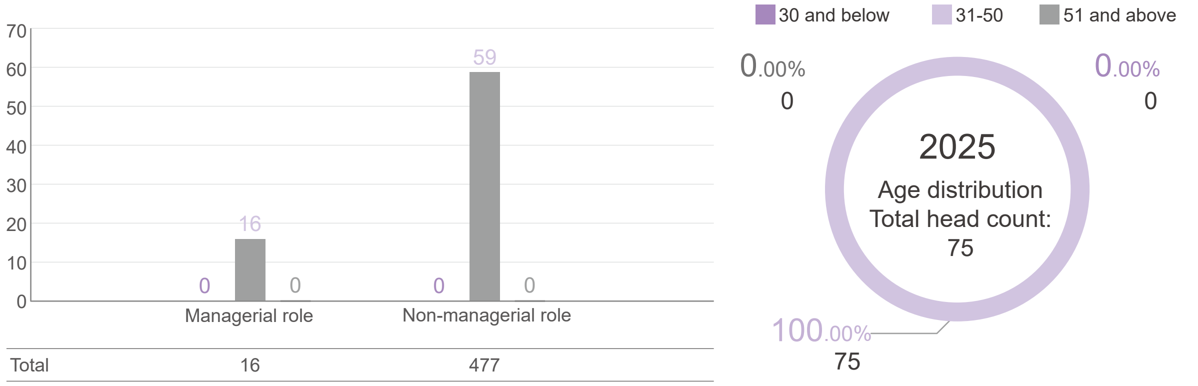
2025 - Employees' Age Distribution



2025 - Employee Counted by Grade and Gender



2025 - Employee Counted by Grade and Age



3. Statistics by non-employee workers are shown in the table below:

Category \ Year \ Gender / Item	2024				2025			
	Female		Male		Female		Male	
	Head count	Percentage	Head count	Percentage	Head count	Percentage	Head count	Percentage
Temporary workers	0	0%	0	0%	0	0%	0	0%
Contractor Personnel	1	25%	3	75%	1	25%	3	75%
Total	4				4			

Note: Non-employees usually refer to personnel employed by external units (such as dispatch companies, contractors) but executing work within the Company under our supervision.

7.3 Talent attraction and retention

Material issues	Management Approach	
Talent Attraction and Retention	Policy	Implement ability-oriented recruitment, competitive compensation, and systematic training policies.
	Goals	Annual voluntary employee turnover rate below 15%; retention rate for unpaid leave ≥ 80%.
	Commitment	Provide an equal and non-discriminatory work environment, attach importance to colleagues' career development and physical and mental health, and build a learning organization.
	Measures 1. Technological transformation training: Plan professional courses to assist colleagues in technological upgrading. 2. Competitive benefits: Provide performance bonuses and profit sharing linked to business results, and establish an employee reward system. 3. Diverse recruitment: Recruit high-end R&D talent in AI servers and liquid cooling technology through industry-academic cooperation and associations' platforms. 4. Transparent communication: Convene all-staff monthly meetings to establish two-way communication channels; incorporate employee feedback into business considerations.	

Kaori adopts a fair, open, just, and efficient recruitment system that emphasizes recruiting the best and most suitable talent. The recruitment system pays attention to basic human rights, including equal employment opportunities, and is supported by talent selection, education, and retention measures to ensure the quality of new recruits, the stability of the workforce, and that competent talent is assigned to suitable roles. Kaori places great emphasis on unity. Aside from recruiting people that share common values, the Company offers favorable compensation, comprehensive benefits, and open communication channels to create a friendly, harmonious, safe, and mutually beneficial work environment that attracts and retains talent.

Equal Employment Opportunities

The Company values workers' rights and assigns employees to suitable positions depending on their skill sets and competence. In terms of recruitment, salary, performance, promotion, training, and benefits, the Company does not discriminate by gender, religion, nationality, or ethnicity. In addition to prohibitions against child labor, Kaori adopts a fair recruitment principle that discourages all forms of unreasonable restriction (such as withholding ID cards/passports or collecting inappropriate gains). Furthermore, employment contracts are drafted in languages and texts that employees can easily understand.

Recruitment Channels

Kaori continued to recruit employees primarily using online platforms, and it empowered the heads of various recruiting departments to set up interviews with potential candidates as needed. Kaori also sourced talent through other channels such as employment service stations, campus recruitment programs, the Workforce Development Agency, and professional training institutions.

7.3.1 Percentage of New Permanent Employees and Attrition Rate

In 2025, the parent company had a total of 108 new hires, with an annual average new hire rate of 15.98%; 70 male new hires and 38 female new hires. A total of 68 employees resigned during the year, representing an annual attrition rate of 10.06%; 64 of the resigned employees were male and 4 were female. The subsidiary Kaori Thermal Technology Co., Ltd. had a total of 95 new hires in 2025, with an annual average new hire rate of 47.3%; 59 male new hires and 36 female new hires. A total of 15 employees resigned during the year, representing an annual attrition rate of 7.46%; 11 of the resigned employees were male and 4 were female.

By analyzing data on new recruits and resignees, the Company evaluates the appropriateness of its existing salaries and benefits and determines whether it has met its goal of creating a friendly workplace. For resignees, the Company surveys the cause of resignation and take their responses into consideration for future improvements. Employees' resignation requests are handled strictly in accordance with the Labor Standards Act; employees who wish to terminate their employment contract are required to serve advance notice of no more than 30 days depending on seniority, which complies with prevailing laws.

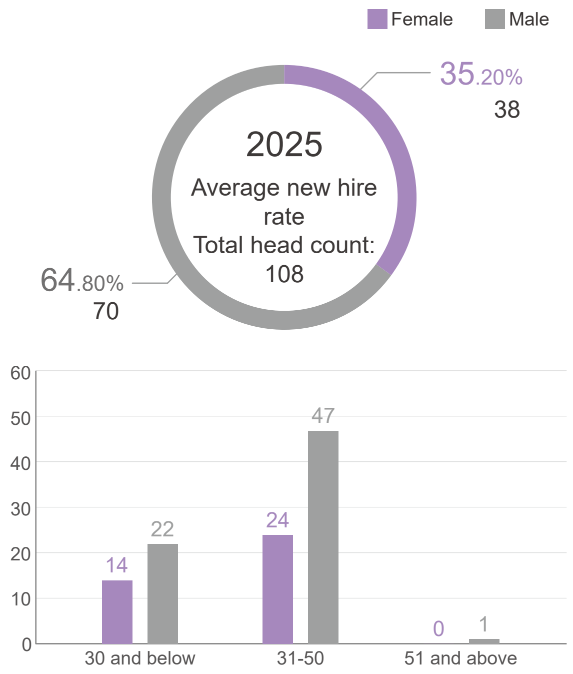
I. Headquarters: Zhongli Plant 1, Zhongli Plant 2, Zhongli Plant 3, Kaohsiung Plant

- The table below shows the ratios of male and female employees' new hires and resignations:

Category	Year	2024				2025			
		Male to Female Ratio				Male to Female Ratio			
	Item	Female	Percentage	Male	Percentage	Female	Percentage	Male	Percentage
New hires	30 and below	2	5.26%	10	26.32%	14	13.0%	22	20.4%
	Aged 31 - 50	3	7.89%	21	55.26%	24	22.2%	47	43.5%
	51 and above	2	5.26%	0	0%	0	0.0%	1	0.9%
Rate of New Recruitment by Male or Female		18.42%		81.58%		35.2%		64.8%	
Total		38 people / 100%				108 people / 100%			
Annual Average New Recruitment Rate		5.88%				15.98%			
Resignations	30 and below	2	5.00%	9	22.50%	2	2.94%	14	20.59%
	Aged 31 - 50	6	15.00%	20	50.00%	2	2.94%	45	66.18%
	51 and above	0	0.00%	3	7.50%	0	0.00%	5	7.35%
Male or Female Attrition Rate		20.00%		80.00%		5.88%		94.12%	
Total		40 people / 100%				68 people / 100%			
Annual Average Attrition Rate		6.19%				10.06%			

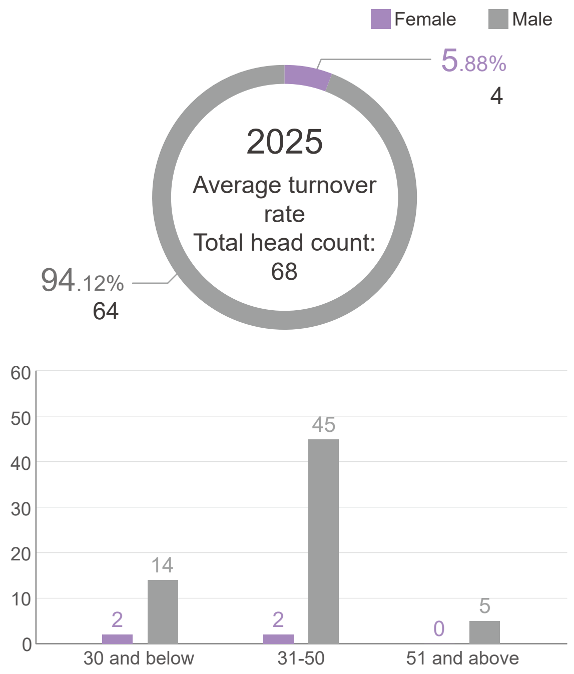
Remarks:
1. New employees are defined as those who arrived on the job in 2025 and have been on the job for at least 3 months.
2. Calculation of the percentage of new recruits by age: Take the proportion of employees under 30 years old as an example, it is calculated as the number of new employees under the age of 30 / the number of employees of the corresponding gender in the year
3. Calculation of the percentage of resigned employees by age: Take the proportion of employees under 30 years old as an example, it is calculated as the number of resigned employees under the age of 30 / the number of employees of the corresponding gender in the year
4. Calculation formula for subtotal ratio by gender: Take new employees as an example, the calculation method is the total number of new employees male or female in the year/the number of employees of the gender in the year
5. Calculation formula for the new recruitment or attrition of women and men: Calculated as the number of new or resigned female or male employees in the year/number of the age of the female or male employees in the year
6. Calculation formula for total ratio: Take new employees as an example, the calculation method is: total number of new employees in the year/total number of employees in the year.

New Recruitment Rate in 2025



Total	36	71	1

Attrition Rate in 2025



Total	16	47	5

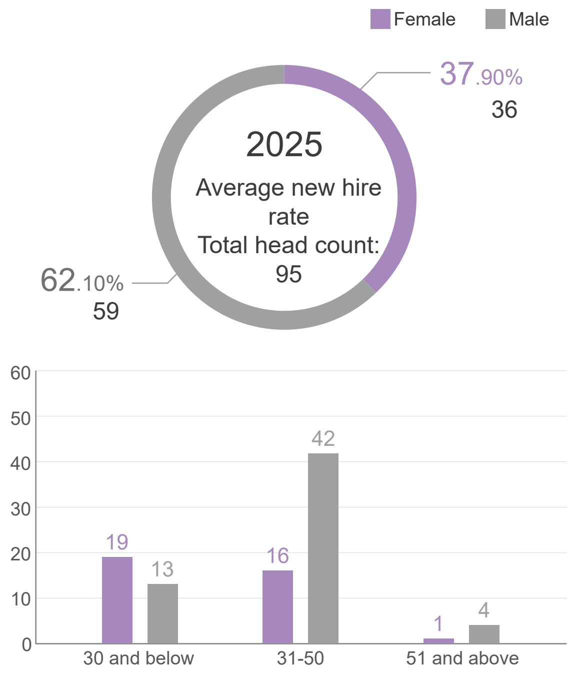
II. Kaori Thermal Technology Co., Ltd. (Commenced official operations in 2025)

- The table below shows the ratios of male and female employees' new hires and resignations in 2025:

Category	Year	2025			
		Male to Female Ratio			
	Item	Female	Percentage	Male	Percentage
New hires	30 and below	19	20.0%	13	13.7%
	Aged 31 - 50	16	16.8%	42	44.2%
	51 and above	1	1.1%	4	4.2%
Rate of New Recruitment by Male or Female		37.9%		62.1%	
Total		95 people / 100%			
Annual Average New Recruitment Rate		47.3%			
Resignations	30 and below	2	13.33%	3	20.00%
	Aged 31 - 50	2	13.33%	8	53.33%
	51 and above	0	0.00%	0	0.00%
Male or Female Attrition Rate		26.67%		73.33%	
Total		15 people / 100%			
Annual Average Attrition Rate		7.46%			

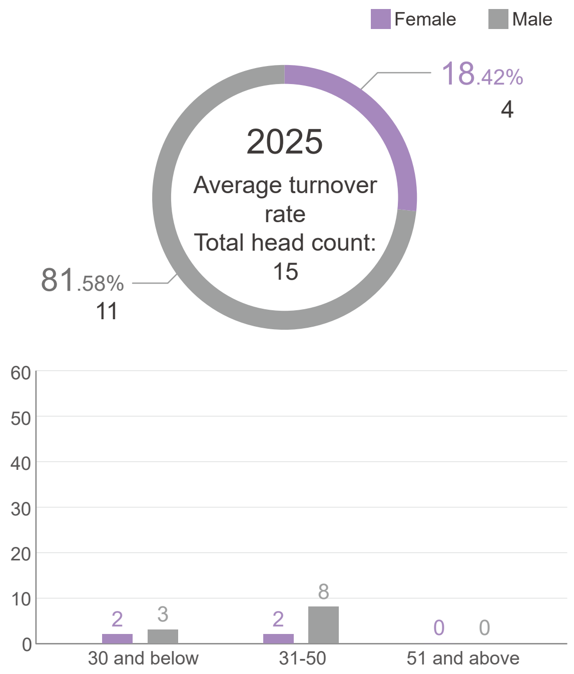
Remarks:
1. New employees are defined as those who arrived on the job in 2025 and have been on the job for at least 3 months.
2. Calculation of the percentage of new recruits by age: Take the proportion of employees under 30 years old as an example, it is calculated as the number of new employees under the age of 30 / the number of employees of the corresponding gender in the year
3. Calculation of the percentage of resigned employees by age: Take the proportion of employees under 30 years old as an example, it is calculated as the number of resigned employees under the age of 30 / the number of employees of the corresponding gender in the year
4. Calculation formula for subtotal ratio by gender: Take new employees as an example, the calculation method is the total number of new employees male or female in the year/the number of employees of the gender in the year
5. Calculation formula for the new recruitment or attrition of women and men: Calculated as the number of new or resigned female or male employees in the year/number of the age of the female or male employees in the year
6. Calculation formula for total ratio: Take new employees as an example, the calculation method is: total number of new employees in the year/total number of employees in the year.

New Recruitment Rate in 2025



Total	32	58	5

Attrition Rate in 2025



Total	5	10	0

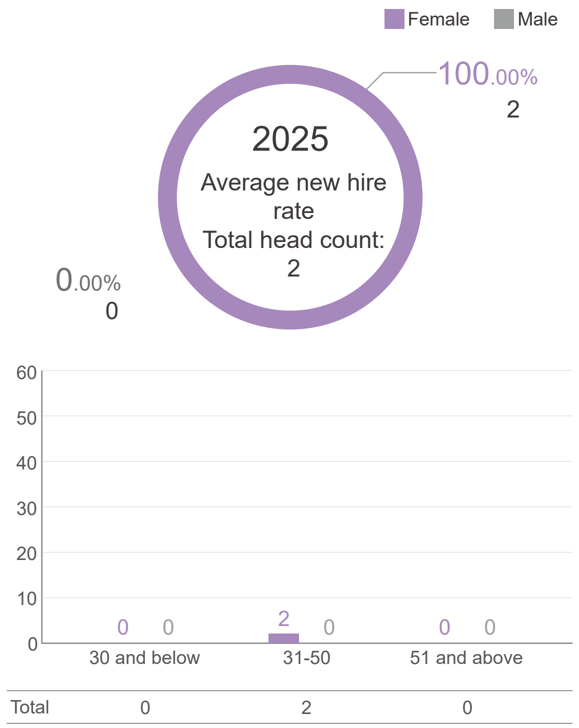
III. Kaori Technology (Ningbo) Co., Ltd.

- The table below shows the ratios of male and female employees' new hires and resignations:

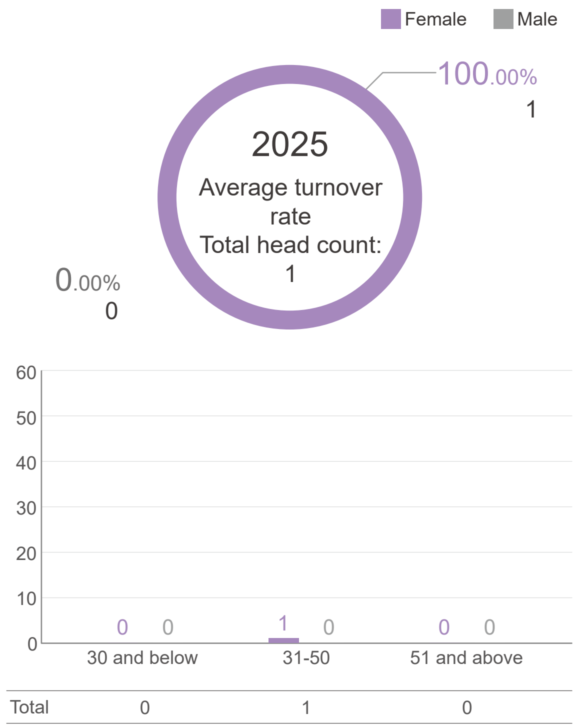
Category	Year / Item	2024				2025			
		Male to Female Ratio				Male to Female Ratio			
		Female	Percentage	Male	Percentage	Female	Percentage	Male	Percentage
New hires	30 and below	0	0.00%	1	2.00%	0	0.00%	0	0.00%
	Aged 31 - 50	1	3.85%	1	2.00%	2	7.41%	0	0.00%
	51 and above		0.00%	0	0%	0	0.00%	0	0.00%
Rate of New Recruitment by Male or Female		33.30%		66.70%		100.00%		0.00%	
Total		3 people / 100%				2 people / 100%			
Annual Average New Recruitment Rate		4%				3%			
Resignations	30 and below	0	0.00%	1	2.00%	0	0.00%	0	0.00%
	Aged 31 - 50	0	0.00%	0	0.00%	1	3.70%	0	0.00%
	51 and above	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Male or Female Attrition Rate		0.00%		100.00%		100.00%		0.00%	
Total		1 people / 100%				1 people / 100%			
Annual Average Attrition Rate		1.00%				1.00%			

Remarks:
1. New employees are defined as those who arrived on the job in 2025 and have been on the job for at least 3 months.
2. Calculation of the percentage of new recruits by age: Take the proportion of employees under 30 years old as an example, it is calculated as the number of new employees under the age of 30 / the number of employees of the corresponding gender in the year
3. Calculation of the percentage of resigned employees by age: Take the proportion of employees under 30 years old as an example, it is calculated as the number of resigned employees under the age of 30 / the number of employees of the corresponding gender in the year
4. Calculation formula for subtotal ratio by gender: Take new employees as an example, the calculation method is the total number of new employees male or female in the year/the number of employees of the gender in the year
5. Calculation formula for the new recruitment or attrition of women and men: Calculated as the number of new or resigned female or male employees in the year/number of the age of the female or male employees in the year
6. Calculation formula for total ratio: Take new employees as an example, the calculation method is: total number of new employees in the year/total number of employees in the year.

New Recruitment Rate in 2025



Attrition Rate in 2025



7.3.2 Employment of Persons with Disabilities

According to Taiwan's "People with Disabilities Rights Protection Act," the number of employees with disabilities who have employability in a company shall not be less than 1% of the total number of employees. If the weighted total value does not meet the standard, the Company shall pay the shortfall allowance to the Employment Foundation for Persons with Disabilities of the labor authority on a regular basis.

We provide full-time employment opportunities to people with disabilities. As of the end of 2025, the parent company employed a total of 7 persons with disabilities: four with mild disabilities, two with moderate disabilities, and one with severe or very severe disabilities, which legally counts as 2 individuals. This totals 8 employees, meeting the requirement of employing 1 person with a disability for every 100 employees. With a total workforce of 676 employees and 8 employees with disabilities, the Company is not required to pay the disability employment fund difference subsidy fee according to law. The subsidiary Kaori Thermal Technology Co., Ltd. has a total of 201 employees and employs 1 person with a mild disability, while the subsidiary Kaori Technology (Ningbo) Co., Ltd. employs 0 persons with disabilities.

In the future, we will continue to open up job opportunities for people with disabilities. We also work with colleges and universities to prioritize the hiring of students with disabilities. We prioritize the welfare of our employees and establish a win-win concept for co-existence between employees and employers to ensure harmonious labor-management relations. In 2025, there were no losses caused by labor disputes.

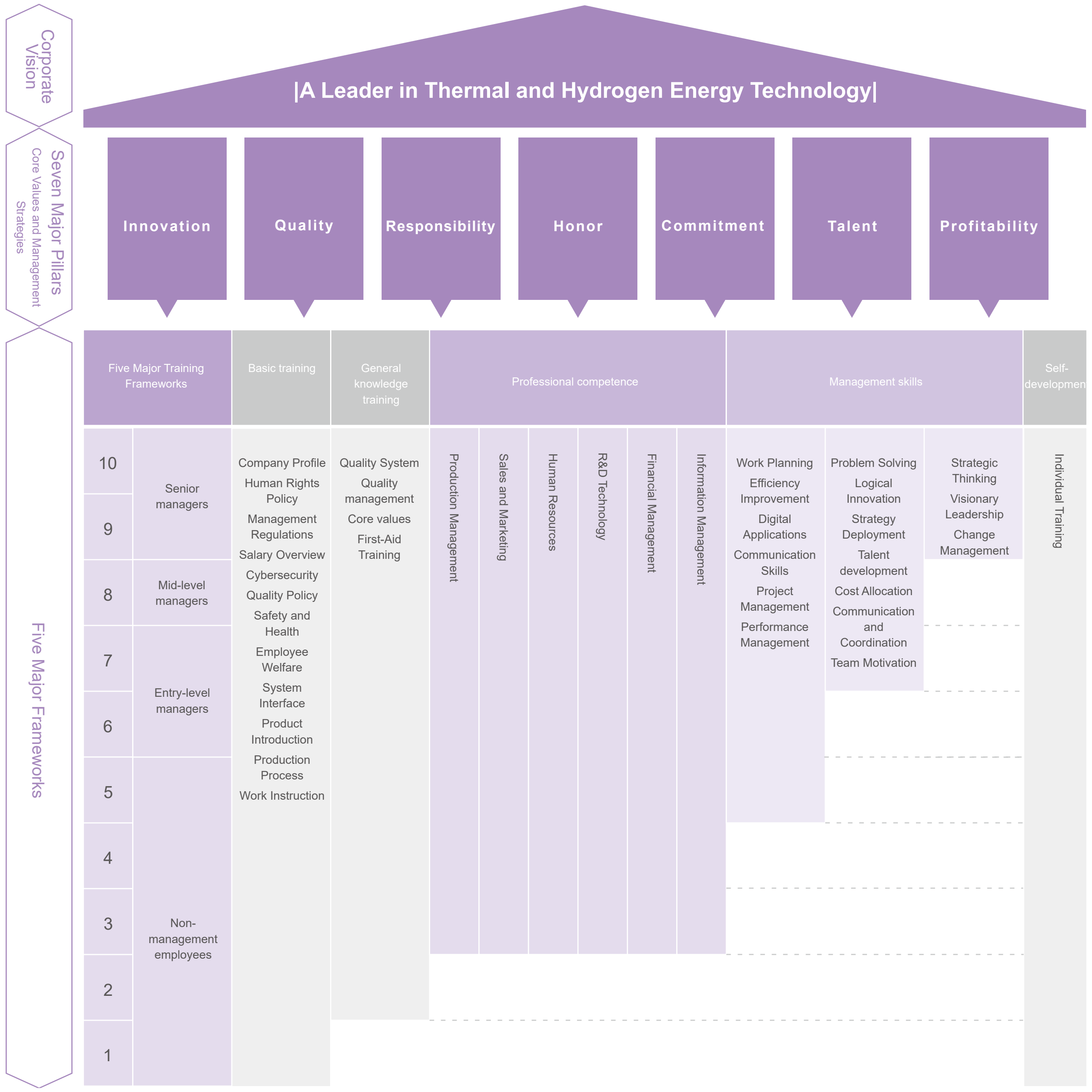
7.4 Talent development and cultivation

Material issues	Management Approach	
Talent development and cultivation	Policy	Talent is the driving force of the Company's growth and strength, and we continuously nurture and develop employees' professional and management skills
	Goals	Retention rate for Taiwanese new hires (reaching 3 months) ≥80%; average training hours per person 15H; passing rate for new hire training tests is 100%.
	Commitment	Implement the education and training procedures and the annual professional and management training plan formulated by the Company, using due diligence and early warning communication to effectively improve the skills required for employees' work.
	Measures	1. Established the "Education and Training Management Procedures" and "Annual Performance Evaluation Implementation Regulations" for managers at all levels to follow. 2. Formulate and implement the "Annual Talent Cultivation and Development Plan" according to the strategic development and needs of the enterprise

The Company has “Training Management Procedures” in place to help employees expand knowledge and skills in ways that contribute to the organization's competitiveness. Kaori strongly believes knowledge and skills to be the key to improving work efficiency and quality, which in turn contributes to the Company's sustainable development goals.

The Company offers various ways and opportunities for further education based on core competencies. Training activities and talent development programs are promoted, starting from the Company's operational strategies and linking them to the professional skills training blueprint. Employees are subsidized for taking on-the-job training and external training to improve professional and language skills. It is the Company's intention to support employees with the training resources needed.

Department heads and employees have the opportunity to take part in company or department-level training courses and seminars to prepare themselves for future trends and projects. Employees are encouraged to take advantage of the complete range of training options the Company has to offer to grow their professional capacity and competitiveness. All new recruits are required to undergo general knowledge training and orientation when commencing duty. Through a combination of manuals, practices, and exams, new employees are quickly brought up to speed and readied for the tasks on hand. We provide all permanent employees with a training blueprint that they can follow to advance their careers within their respective departments and make persistent improvements to training resources within and outside the organization. By having managers participate in various meetings, we help them develop adequate understanding of how each department functions and applicable company policies, so that they may grow to undertake greater responsibilities in the future.



7.4.1 Employee training priority planning

Kaori has implemented different training durations based on employees' performance evaluation:

Short-term	In addition to comprehensive briefings provided by HR, occupational safety, quality, and IT in their respective areas, each business unit also provides specific pre-employment training to help new employees understand the products, technologies, and application scope of their assigned unit.
Medium-term	Kaori has established a training blueprint and an annual training plan. Through competency gap analysis and performance evaluations, appropriate employees are selected to participate in internal and external training programs to enhance their core professional skills
Long-term	Kaori provides subsidies for further education to support employees' career development, enabling them to engage in self-directed learning, strengthen their professional competencies, and enhance work performance. In addition, the internal lecturer mechanism transforms individual knowledge into corporate resources, aiming to improve overall personnel quality and drive continuous improvement and progress

In order to maintain competitiveness, we continue to plan various training activities every year, including management communication series and professional skill improvement courses. Kaori provides learning resources through multiple channels to enhance employees' capabilities. Employees have expressed that the courses arranged by the company meet their job requirements, improve their work efficiency, and achieve the goal of aligning training with job needs.

Employee training hours: The Company continuously strengthens employees' professional capabilities through systematic education and training mechanisms to elevate human capital quality and organizational competitiveness. While the organizational scale continues to grow, the Company increases education and training investments and learning opportunities, and enhances training benefits and resource utilization efficiency through the internal instructor system and integrated training resources.

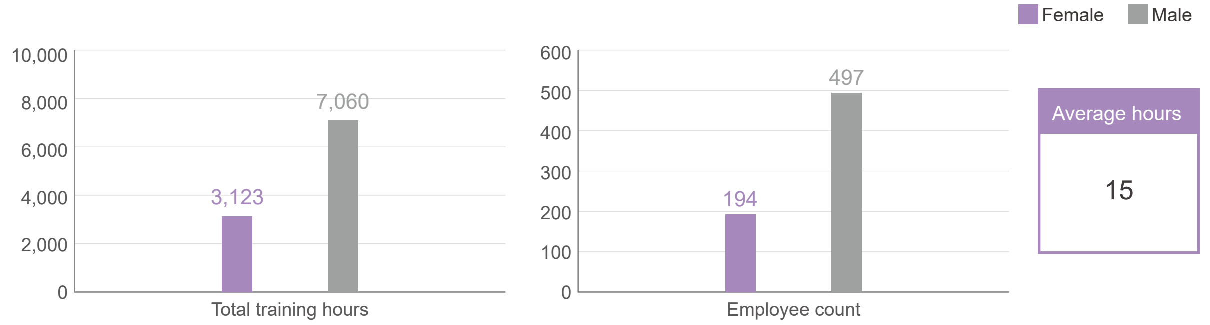
I. Headquarters: Zhongli Plant 1, Zhongli Plant 2, Zhongli Plant 3, Kaohsiung Plant

In 2025, the total training hours for employees reached 10,182 hours, with a total of 676 employees on staff that year, resulting in an average of 15 training hours per employee annually. Additionally, the expenditure on education and training in 2025 was NTD 707,068, with an average training cost of NTD 1,046 per employee.

- Training Overview for 2025

Classification	Category	Total training hours	No. of participants	Employee count	Average training hours
Employee gender	Female	3,123	1,125	194	16.10
	Male	7,060	3,054	497	14.20
Employee category	Direct	5,462	2,373	415	13.16
	Indirect	4,720	1,806	276	17.10
All employees	Managerial role	2,397	912	98	24.46
	Non-managerial role	7,785	3,267	593	13.13
Annual average training hours		15 hour(s)			

Note: Annual average training hours = total training hours / number of employees in the year = 10,182/ 676 hours per employee.



- Outcomes of Training Conducted in 2025

Item	Item	Course sessions	Total training hours	No. of participants	Total expenses
1	Specialist training	212	3,276	1,609	444,220
2	Worker safety and health	51	2,730	1,146	91,570
3	Training of managerial skills	6	407	77	98,428
4	General knowledge training	99	2,932	662	-
5	Cybersecurity management	2	51	2	11,650
6	Corporate Sustainable Development	27	718	624	61,200
7	Climate Environmental Protection	4	69	59	-
Total		401	10,182	4,179	707,068

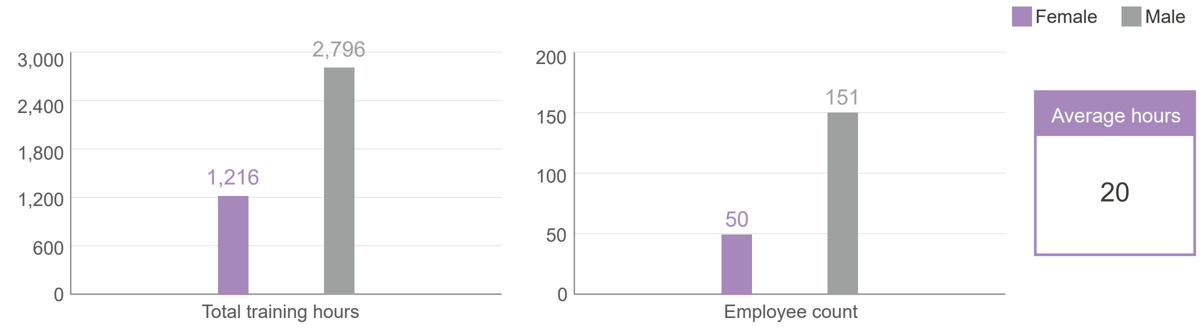
II. Kaori Thermal Technology Co., Ltd. (Commenced official operations in 2025)

In 2025, the total training hours for employees reached 4,011 hours, with a total of 201 employees on staff that year, resulting in an average of 20 training hours per employee annually. Additionally, the expenditure on education and training in 2025 was NTD 60,648, with an average training cost of NTD 301.7 per employee.

- Training Overview for 2025

Classification	Category	Total training hours	No. of participants	Employee count	Average training hours
Employee gender	Female	1,216	387	50	24.3
	Male	2,796	949	151	18.5
Employee category	Direct	1,948	678	100	19.5
	Indirect	2,064	658	101	20.4
All employees	Managerial role	370	135	29	12.7
	Non-managerial role	3,642	1,201	172	21.2
Annual average training hours		20 hour(s)			

Note: Annual average training hours = total training hours / number of employees in the year = 4,011/ 201 hours per employee.



- Outcomes of Training Conducted in 2025

Item	Item	Course sessions	Total training hours	No. of participants	Total expenses
1	Specialist training	28	677.5	402	44,518
2	Worker safety and health	11	785	338	2430
3	Training of managerial skills	3	78	14	13,700
4	General knowledge training	74	2,168.5	278	0
5	Cybersecurity management	-	-	-	-
6	Corporate Sustainable Development	4	302	302	0
7	Climate Environmental Protection	-	-	-	-
Total		120	4,011	1,334	60,648

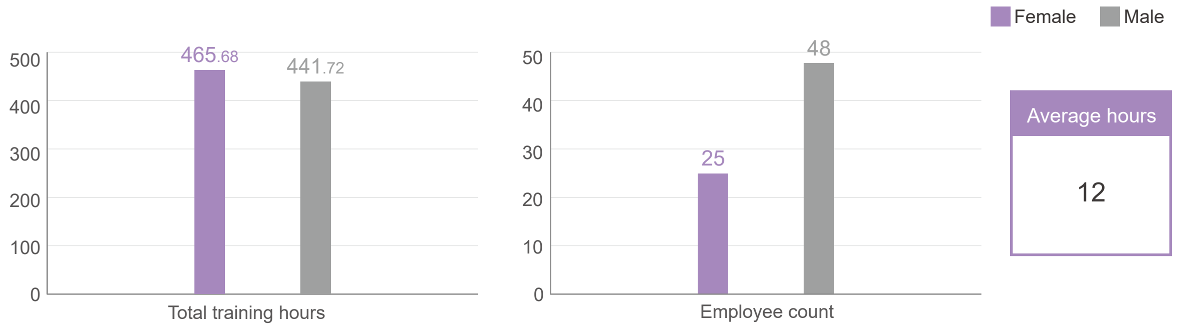
III. Kaori Technology (Ningbo) Co., Ltd.

In 2025, the total training hours for employees reached 907.4 hours, with a total of 73 employees on staff that year, resulting in an average of 12 training hours per employee annually. Additionally, the expenditure on education and training in 2025 was RMB 18,193, with an average training cost of RMB 249 per employee.

- Training Overview for 2025

Classification	Category	Total training hours	No. of participants	Employee count	Average training hours
Employee gender	Female	465.68	226	25	18.63
	Male	441.72	416	48	9.20
Employee category	Direct	328.17	328	34	9.65
	Indirect	579.23	314	39	14.85
All employees	Managerial role	265.13	137	15	17.68
	Non-managerial role	642.27	505	58	11.07
Annual average training hours		12 hour(s)			

Note: Annual average training hours = total training hours / number of employees in the year = 907.40/73 = 12.43 hours per employee.



- Outcomes of Training Conducted in 2025

Item	Item	Course sessions	Total training hours	No. of participants	Total expenses (RMB)
1	Specialist training	6	72.00	7	2,543
2	Worker safety and health	4	108.00	148	2,950
3	Training of managerial skills	2	264.13	136	3,700
4	General knowledge training	61	452.27	347	9,000
5	Cybersecurity management	1	8.00	1	0
6	Corporate Sustainable Development	1	3.00	3	0
7	Climate Environmental Protection	0	0.00	0	0
Total		75	907.40	642	18,193

Kaori's education and training system is structured to cater to both new employee training and on-the-job training. The training framework and system are designed to evolve with the Company's operations and employee development, taking into account the broader environment and future company development, as well as shifts in personnel roles.

New Employee Training Mechanism

To enable new employees to familiarize themselves with the environment, understand their job roles, and quickly assimilate into the corporate culture, pre-employment training courses are regularly conducted. The frequency and duration of these courses are adjusted flexibly based on actual needs. The pre-employment training courses for new employees include both general knowledge courses and specialized pre-employment training. General education courses include: Company introduction, human rights policy, management regulations, salary overview, cybersecurity, quality safety, labor safety and health, and employee benefits. Except for the 3-hour quality safety course and 6-hour labor safety and health course, the remaining courses are scheduled flexibly, with a total of 12 training hours. Pre-employment training for specific business units is arranged and determined by each unit individually.

7.4.2 Performance evaluation and career functions

Employees undergo performance evaluation two times a year and are entitled to promotional opportunities and rewards according to the performance evaluation policy. The Company hopes to see every employee realize their full potential and have the best talent lead the teams in taking responsibility, making decisions, coordination, execution, and collaboration toward accomplishing corporate goals.

Employee Career Development

Performance evaluation helps to improve the Company's human resources system and further improve the overall management system. New employees of Kaori are required to be evaluated after three months of employment. This process guides supervisors and colleagues to understand the company's expectations regarding behavior, results, and personality traits. It also evaluates the employee's work abilities and attitudes during the probationary period to determine whether they meet the expectations of their supervisor, colleagues, and team, as well as how well they have integrated into the corporate culture.

Supervisors conduct fair, reasonable, and objective performance evaluations in accordance with operational guidelines, ensuring that every team member clearly understands the role they are expected to play in their position. This process encourages employees to strive to meet performance expectations across various roles, while also providing them with clear work objectives and guidance for future performance improvements, all aimed at achieving the overall business objectives.

The parent company had 124 Taiwanese new hires eligible for evaluation in 2025. A total of 108 employees participated in the probationary evaluation, and 37 participated in the annual evaluation, regardless of gender. In addition to emphasizing reaching a consensus on work goals between employees and supervisors, its purpose is to adjust its functions into two major goals of "focus on developing employee capabilities, with performance evaluations as a secondary support," hoping to nurture and develop employees' personal capabilities to enable them to master their roles proficiently, thereby enhancing the Company's competitiveness and overall organizational effectiveness, with the expectation that they will become key contributors to the Company.

- Parent company's Taiwanese new hire evaluation:

Annual assessment Category	Parent company's 2025 Taiwanese new hire evaluation			
	New Taiwanese employees: 124			
	Number of people evaluated		Percentage %	
Job position	Male	Female	Male	Female
Indirect employees	58	21	46.8%	16.9%
Direct employees	27	18	21.8%	14.5%
Total	85	39	68.5%	31.5%

- Kaori Thermal Technology Co., Ltd.'s Taiwanese new hire evaluation:

In 2025, 99 new employees were required for evaluation (the number of Taiwanese new recruits). A total of 95 employees participated in the probationary evaluation, and 61 participated in the annual evaluation, regardless of gender.

Annual assessment Category	Subsidiary - Kaori Thermal Technology Co., Ltd.'s 2025 Taiwanese new hire evaluation			
	New Taiwanese employees: 99			
	Number of people evaluated		Percentage %	
Job position	Male	Female	Male	Female
Indirect employees	45	22	45.5%	22.2%
Direct employees	17	15	17.2%	15.2%
Total	62	37	62.6%	37.4%

Employee Performance Evaluation and Career Development

In addition to new hires, the Company conducts performance evaluations every six months based on job grade to assess work performance and serve as a basis for bonus issuance, achieving an overall evaluation rate of 100%. In addition, managers at all levels nominate high-performing employees for promotion based on supervisory evaluations, attendance records, and individual performance. In 2025, the parent company promoted a total of 42 people, of which management roles accounted for 43% and non-management roles accounted for 57%; the subsidiary Kaori Thermal Technology Co., Ltd. promoted a total of 23 people, of which management roles accounted for 48% and non-management roles accounted for 52%. Additionally, the subsidiary Kaori Technology (Ningbo) Co., Ltd. had an evaluation rate of 97% in 2025. Based on supervisor evaluation, attendance records, and individual performance, a total of 2 people were promoted in that year, of which technical roles accounted for 20%, administrative roles accounted for 9%, and direct personnel accounted for 0%.

7.5 Remuneration and benefits

7.5.1 Salary Policy

The Company sets salaries at levels that reflect employees' skills, professional capacity, experience, and individual performance. The promotion system has also been designed to be fair and open to employees. The Company strives to maintain equality between genders and offer equal compensation for employees with the same job role. The Company does not differentiate by gender, ethnicity, religion, political association, or marital status. Kaori regularly examines the salaries offered by industry peers to ensure that its compensation and welfare policy remains competitive at attracting and retaining talent. For new recruits, salary is determined based on professional capacity, technical know-how, experience, and work-related skills. Existing employees, also have salary levels and benefits determined according to performance. The Company calculates compensation and benefits in accordance with the laws of Taiwan, and entry-level employees are offered salaries that are higher than the local minimum wage on average. For senior employees, the Company has a talent retention program that offers special benefits such as life insurance and full health checkups. Employees that exhibit outstanding performance are entitled to extraordinary salary adjustment as encouragement. In response to the expansion of the Company's operation scale, the "Remuneration Policy" has been formulated.

In 2025, the salaries of entry-level employees were verified based on their educational backgrounds, and there was no difference based on gender. The ratio of salaries of entry-level employees in 2025 to the legal wage ratio and the gender ratio of general employees to mid-level and senior supervisors in the past two years are as follows:

Year	Personnel item	Average Starting Salary for Fresh Graduates	Ratio of Starting Salary for Fresh Graduates to the Statutory Minimum Wage	Remarks
2024	Direct employees	34,000	1.24	• Calculation basis as a technician on the following basis: Base salary + position allowances + attendance bonus + meal allowance + technical allowance + certification allowance (shift allowance is calculated separately)
	Indirect employees	34,600	1.26	• Calculation basis as an administrative assistant (8H): Basic salary + attendance bonus + meal allowance
2025	Direct employees	35,000	1.22	• Operators, calculation basis: Base salary + attendance bonus + meal allowance.
	Indirect employees	35,000	1.22	• Administrative assistants, calculation basis: Base salary + attendance bonus + meal allowance.

Note: The above table reflects statistics for local workers in Taiwan. The statutory minimum wage was NTD 27,470 in 2024 and NTD 28,590 in 2025.

- 2025 Annual total compensation ratio

Highest compensation ÷ Median employee compensation = 3.09

Note: The above employee data excludes the Chairperson, Honorary Chairperson, Vice Chairperson, and President.

- 2024–2025 Salary Increase Rate

Item	Annual Salary Change Percentage (2024 → 2025)	Remarks
Highest executive compensation increase rate	2%	Based on actual salary adjustments
Increase rate of median compensation for all other employees (excluding the highest-paid individual)	-6.56%	Calculation Formula: (Total Annual Salary in 2025 - Total Annual Salary in 2024) ÷ Total Annual Salary in 2024
Annual Compensation Increase Rate	-0.3	

- Average and Median Salaries of Full-Time Employees Not Holding Managerial Positions, and Their Changes Over the Past Two Years

Job Rank/Year	2024	2025	Changes
Average salaries of non-managerial role (NTD thousand)	904	1,104	22.12%
Median salaries of non-managerial role (NTD thousand)	814	910	11.79%

- Ratio of average annual salary between male and female employees in non-managerial positions in 2025

Average annual salary of male employees ÷ Average annual salary of female employees = 1.2

Note 1: The percentage change in annual salary for all other employees was negative (-6.56%), which was due to the official spinoff and establishment of the subsidiary Kaori Thermal Technology Co., Ltd. on January 1, 2025, where 96 employees were transferred to the subsidiary due to the spinoff project. Additionally, in mid-May 2025, part of the product manufacturing processes at the Chungli Plant were relocated south to Kaohsiung. After agreement with the Company, 21 employees in relevant departments resigned from the Company and transferred to continue their service at the Zhongli Plant (subsidiary) while retaining their seniority. Thus, the total annual salary of all other employees in 2025 decreased compared to the previous year.

Note 2: Non-managerial positions refer to all employees excluding the Chairperson, Honorary Chairperson, Vice Chairperson, President, Vice Presidents, Assistant Vice Presidents, Chief Financial Officer, Chief Accounting Officer, and Corporate Governance Officer.

Note 3: Thermal Technology was established in 2025, so there is no comparison information for 2024.

7.5.2 Retirement protection

The pension system planning is based on the "Labor Standards Act" and the "Labor Pension Act" to protect the rights and interests of employees to claim pensions in the future.

- Retirement eligibility:

An employee may apply for voluntary retirement under any of the following circumstances:

1. Those who have served for 15 years or more and are at least 55 years of age.
2. Those who have served for more than 25 years.

An employee may be forced to retire under any of the following circumstances:

1. Those who are 65 years of age.
2. Those who are mentally incapacitated or physically disabled and incapable of performing work.

- Benefit standard (pension under the old scheme):

For each year of service less than 15 years, two base figures are given for each year of service. Those with more than 15 years of service experience are given a base number for each year of service. The maximum total is 45 bases. Any portion less than half a year is to be counted as half a year; any portion more than half a year is to be counted as one year. An employee who has been forced to retire and suffers from mental or physical disability attributable to duty shall be subject to an additional 20% of the amount specified in the preceding two paragraphs.

- Base calculation (pension under the old scheme):

The pension base conversion standard is the average salary for the six months prior to the approved retirement.

- Payment period:

Retirees who meet the requirements for voluntary retirement shall be paid pension in full within 30 days from the date of retirement. If payment cannot be made all at once, the Company may report to the competent authority for approval and make payment in installments.

- Other regulations:

Retirees shall fill out the Retirement Application Form and proceed with approval. After each unit signs off for employees subject to mandatory retirement, they notify the retirees to complete the formalities. The employee's right to claim pension shall be extinguished if not exercised within five years from the month following the date of retirement.

- Contributions to pensions under the new pension scheme:

The Company makes contributions according to the monthly salary grading table, with a contribution rate of 6% to the individual pension account held with the Bureau of Labor Insurance.

According to the Labor Standards Act, Kaori makes monthly contributions to a "retirement reserve fund," which is held in a trust account at the Bank of Taiwan. In response to the implementation of the new labor pension system in 2005, we also completed the selection between the old and new pension schemes for all employees. The Company's monthly contribution for employees choosing the old system is 6% of the total salaries of employees under the old system. In addition, based on the actuarial report from the previous year, we calculate the total annual retirement contribution for the following year. The accounting department then prorates this amount over 12 months. If the monthly contribution based on 6% falls short of the prorated amount, the accounting department will make up the shortfall to align with the actuarial estimate. For employees who have chosen the new pension system, the Company contributes 6% of their insured salary to their personal pension account every month.

Employees may also voluntarily contribute within 6% of their monthly wages to pension funds. The portion voluntarily contributed by laborers can be fully deducted from the total comprehensive personal income of the year. In addition, employees are entitled to various insurance benefits in accordance with relevant laws and regulations. Statutory insurances: labor insurance, national health insurance, and company group insurance.

7.5.3 Diverse welfare systems

Kaori arranges Labor Insurance and National Health Insurance coverage for employees as required by laws and ensures that employees are paid the benefits they are entitled to. By promoting a harmonious labor-management relationship and catering to employees' wellbeing and health, the Company aims to help employees grow in life and at work. In 2025, maternity and childcare allowances for the parent company reached NT$ 1 million; subsidies for the subsidiary Kaori Thermal Technology Co., Ltd. reached NT$ 190,000.

Parent company's expenses of benefits for the past two years

Unit: NTD

Benefits/year	2024	2025
Life insurance	2,448,626	5,247,512
Health checkup	1,277,437	3,033,936
Childbirth and childcare subsidies	1,580,000	1,000,000
Wedding subsidies	447,020	89,850

Expenses for Welfare Items of Subsidiary Kaori Thermal Technology Co., Ltd. in 2025

Unit: NTD

Benefits/year	2025
Life insurance	676,774
Health checkup	111,180
Childbirth and childcare subsidies	190,000
Wedding subsidies	74,450

Key Benefit Measures

Benefit Category	Benefit details
Life insurance	Life insurance, accident insurance, medical insurance, cancer insurance, occupational hazard insurance
Health insurance	Health insurance
Health checkup	Health checkups once a year
Employee catering	Establishment of employee cafeterias (subsidized 50%)

Pension Plan

Contribution Plan	Description
Pension fund contribution plan	• Old scheme: The employer makes contributions equal to 2% of workers' monthly salaries into a labor pension fund account • New scheme: Contributions equal to 6% of employees' monthly compensations are made into their individual accounts held with the Bureau of Labor Insurance
Contribution as a percentage of remuneration	7%

Other Benefit Measures

The Company's Employee Welfare Committee ensures that 0.15% of the operating revenue and 20% of the income from the sale of scrap are contributed to the benefits pool on a monthly basis. The Employee Welfare Committee continues to organize activities that aim to relieve stress and promote interactions between employees. Below are some of the benefits arranged by the committee:

1. Domestic and foreign group trips
2. Childbirth, wedding, funeral, hospitalization, and military service subsidies
    2.1 Childbirth subsidy:
        - Single birth: NT$50,000
        - Twins: NT$100,000
        - Triplets: NT$150,000
        - Additional births are calculated at a proportional rate

    2.2 Childcare subsidy:

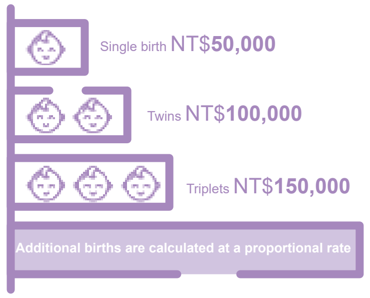
    Applicable to children below the age of 6 who are registered in the same household as the Company's employee; paid at NTD 10,000 per child per household per year.
3. Emergency relief
4. Children's scholarships
5. Festival bonuses
6. Sports and recreational equipment
7. Birthday celebrations: birthday cake, birthday cash


Club Activity: Boxing Aerobics


Club Activity: Yoga

Childcare benefits and unpaid parental leave

Employees who have childcare needs are entitled to apply for unpaid parental leave according to laws. Kaori not only offers childbirth subsidies in response to the government's birth incentives, but also tends to the needs of working mothers with the establishment of nursery rooms that cater to employees' individual and family needs. In 2025, 5 male employees and 1 female employees at the parent company applied for unpaid parental leave. During the same year, 5 male employees and 1 female employee returned to work upon completion of their leave, resulting in a reinstatement rate of 100%. In 2025, 0 male employees and 1 female employees at the subsidiary Kaori Thermal Technology Co., Ltd. applied for unpaid parental leave. During the same year, 0 male employees and 1 female employee returned to work upon completion of their leave, resulting in a reinstatement rate of 100%.



Reinstatement and retention of unpaid parental leave

Category Items	Gender	Parent Company (Note 3)		Subsidiaries (Note 4)
		2024	2025	2025
No. of employees qualified for parental leave in the current year	Male	14	7	3
	Female	1	1	3
	Total	15	8	6
No. of employees applied for parental leave in the current year	Male	3	5	0
	Female	0	1	1
	Total	3	6	1
No. of people due for reinstatement in the current year (A)	Male	3	5	0
	Female	7	1	1
	Total	10	6	1
No. of people reinstated in the current year (B)	Male	3	5	0
	Female	7	1	1
	Total	10	6	1
Reinstatement rate (B/A)	Male	100%	100%	0
	Female	100%	100%	100%
No. of reinstated employees due for reinstatement from unpaid parental leave in the previous year (C)	Male	3	3	-
	Female	2	5	-
	Total	5	8	-
No. of employees having worked for more than 12 months after reinstatement (D)	Male	3	3	0
	Female	2	3	0
	Total	5	6	0
Retention rate (D/C)	Male	-	100%	-
	Female	100%	75%	-

Note:
1. Reinstatement rate = actual total number of employees after parental leave (B) / total number of employees who should be reinstated after parental leave (A) * 100%.
2. Retention rate = Total number of employees who remained on the job for 12 months after completing the parental leave (D) / Total number of employees who were reinstated from the parental leave during the previous reporting period (C) * 100%
3. Parent Company: Headquarter, Zhongli Plant 1, Zhongli Plant 2, Zhongli Plant 3, Ziqiang Plant (spun off to subsidiary in 2025), Kaohsiung Plant
4. Subsidiary: Kaori Thermal Technology Co., Ltd.

7.6 Human rights and equality

Material issues	Management Approach	
Human Rights and Equality	Policy	Comply with the Labor Standards Act and internationally recognized human rights principles (such as the UN Guiding Principles on Business and Human Rights); formulated the "Human Rights Policy" and "Employee Code of Conduct".
	Goals	0 cases of workplace unlawful infringement; 1 case of employee complaint / mediation.
	Commitment	Commit to a zero-tolerance stance toward harassment, discrimination, forced labor, and illegal employment of child labor.
	Measures	1. Risk identification and audit: Regularly perform self-assessments of workplace unlawful infringement risks and employee satisfaction surveys; track internal control self-assessment results to ensure no violations of labor laws. 2. Comprehensive grievance channels: Establish physical, email, and diverse grievance channels on the official website, dedicatedly handled by the Special Assistant's Office. Implement anonymous protection mechanisms and standardized investigation procedures. 3. Workplace equality actions: Conduct human rights awareness sessions annually to strengthen employees' consensus on an equitable workplace. 4. Friendly work environment: Passed ISO 45001 Occupational Health and Safety Management System certification to provide a work environment that meets international standards.

7.6.1 Human rights promotion and management

Kaori values human rights and enforces labor policies and a proper work spirit in a fair and respectful manner. The Company is committed to creating a culture of fairness, inclusivity, and open communication as well as shaping a work environment that protects human rights; it goes to great lengths to incorporate relevant values into employees' work activities and corporate culture. In addition to complying with national laws, the Company protects workers out of respect for their human rights and observes international conventions regarding gender equality, prohibition against all forms of discrimination, forced labor, child labor, and avoidance of long work hours. We do not tolerate any form of harassment, discrimination, or any behaviors that are against employment laws. Kaori reported no human rights violations in 2025. The Company completed its third-party human rights due diligence during the year, in accordance with international human rights conventions, and continues to foster a culture of diversity, equality, and inclusion.

Introduction to the Background of Human Rights Due Diligence

The assessment period for this due diligence was from July 2023 to June 2024, and the Human Rights Due Diligence Results Report was published in the first quarter of 2025. The assessment covered all employees in Kaori's Taiwan operations. Based on their past experiences at Kaori, the survey participants completed a human rights risk assessment questionnaire, which was subsequently verified by Deloitte. This assessment was conducted in accordance with the following international guidelines, directives, sustainability ratings, and standard-based issue frameworks: the UN Global Compact, the International Bill of Human Rights, the UN Guiding Principles on Business and Human Rights (UNGPs), the ILO Declaration on Fundamental Principles and Rights at Work, the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (MNE Declaration), and the EU Corporate Sustainability Due Diligence Directive (CSDDD). Through this process, Kaori aims to respond to customer expectations regarding robust human rights management and to demonstrate the Company's proactive approach to addressing actual and potential human rights risks arising from its operations.

➲Human Rights Due Diligence Results Report:

Scope and Subjects of the Human Rights Due Diligence

- Assessment Scope:

  The scope of this human rights due diligence covers all members of Kaori Heat Treatment Co., Ltd.'s owned and operated facilities in Taiwan, including the Headquarters and Zhongli Plant 1, Zhongli Plant 2, Zhongli Plant 3, Ziqiang Plant, and the Kaohsiung Plant.

- Survey subjects:

  Kaori's business model involves directly selling products and services to other enterprises rather than end consumers. Its production sites in Taiwan are located within the Zhongli Industrial Park and the Gangshan Benzhou Industrial Park. Under this operating structure, the identification of stakeholders is relatively straightforward. Considering the progress of human rights management and its practical implementation, this assessment targeted all employees within Kaori's owned and operated facilities in Taiwan, including both local and foreign employees. The human rights risk assessment questionnaire was distributed to all staff, with an emphasis on factual accuracy and relevance to real conditions to ensure precise risk identification. This approach helps maximize the effectiveness of the due diligence process based on sound risk management principles.

Identification of Human Rights Risk Issues

Potential human rights risks in Kaori's operations were identified through interviews with senior management. Kaori identified a total of 23 human rights risk issues across four major categories, namely labor conditions, physical and mental health, diversity and inclusion, and ethical governance.

Labor Conditions

A. Forced labor
B. Talent Training and Development
C. Working Hours
D. Wages and Benefits
E. Child Labor and Protection of Minors

Physical and Mental Health

F. Physical and Mental Health
G. Work-Life Balance
H. Occupational Injuries and Diseases
I. Public Health, Food, and Accommodation
J. Safe Operating Guidelines
K. Occupational safety

Diversity and Inclusion

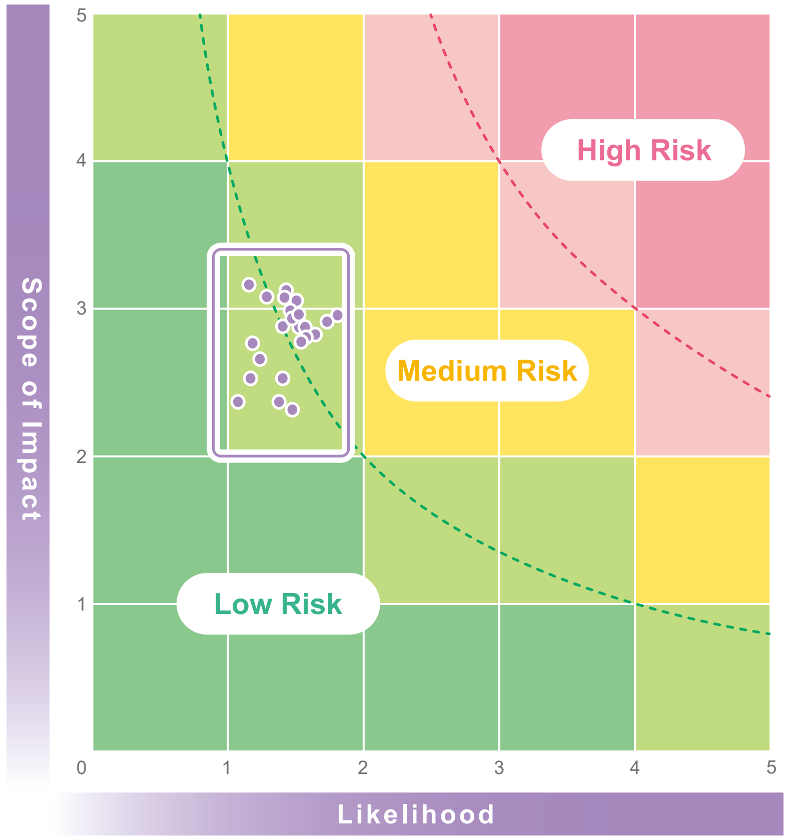
L. Maternity Protection
M. Diversity and Inclusion
N. Freedom of Speech and Expression
O. Rights of Persons with Disabilities
P. Freedom of Religion
Q. Gender Discrimination
R. Occupational Discrimination
S. Freedom of Association
T. Bullying and Harassment

Ethical Governance

U. Collective Bargaining
V. Personal Data and Privacy Protection
W. Human Trafficking

The results of the human rights risk analysis indicate a medium-low level of risk

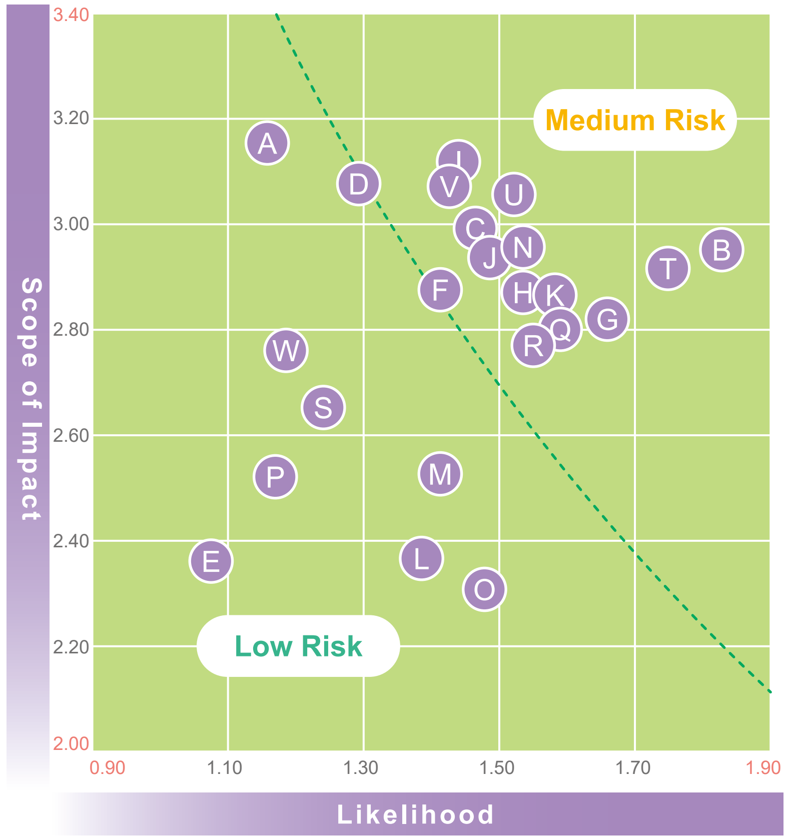
Human Rights Risk Matrix



- Overall

  Each topic is classified as high, medium, or low risk based on the risk score calculated from the likelihood of occurrence and the scope of impact. A risk score of ≤4 is considered low risk, located to the left of the green line in the chart on the left; a score of >4 and ≤12 is considered medium risk, located between the green and red lines; a score of >12 is considered high risk, located to the right of the red line.
  According to the results of the Human Rights Risk Assessment Questionnaire, the evaluation of 23 human rights topics falls within the low- to medium-risk range overall. This indicates that employees generally perceive a low likelihood of human rights violations occurring at Kaori and believe the potential impact to be limited.

🟥 High Risk > 12
🟨 Medium Risk ≤ 12, > 4
🟩 Low Risk ≤ 4



- Specific Scope

  Based on the questionnaire results, the likelihood scores for the 23 human rights risk topics ranged from 0.9 to 1.9, the impact scope scores ranged from 2 to 3.4, and the resulting risk scores ranged from 2.54 to 5.36. Of the 23 topics, 9 were classified as low risk and 14 as medium risk.

A Forced labor
B Talent Training and Development
C Working Hours
D Wages and Benefits
E Child Labor and Protection of Minors
F Physical and Mental Health
G Work-Life Balance
H Occupational Injuries and Diseases
I Public Health, Food, and Accommodation
J Safe Operating Guidelines
K Occupational safety
L Maternity Protection
M Diversity and Inclusion
N Freedom of Speech and Expression
O Rights of Persons with Disabilities
P Freedom of Religion
Q Gender Discrimination
R Occupational Discrimination
S Freedom of Association
T Bullying and Harassment
U Collective Bargaining
V Personal Data and Privacy Protection
W Human Trafficking

Risk Mitigation and Remedy Measures for Human Rights Issues

Talent Training and Development

Stakeholders

All employees

Preventive and Mitigation Measures

- Propose the following year's training plan in the fourth quarter each year and implement internal and external training programs accordingly to enhance employee skills.
- Assign mentors to new employees to strengthen on-the-job training.
- Provide internal transfer opportunities based on business needs, employees' competencies, and individual preferences.
- Incorporate training and talent development into performance reviews. Department heads are required to conduct self-assessments and evaluate the competency development and training outcomes of their team members during the appraisal process.
- Foster a corporate culture that encourages employees to learn new technologies and methods to improve individual work efficiency.

Follow-up Remedy Measures

- The Human Resources unit provides each department with the implementation results of the annual training plan, which serve as the basis for improving and adjusting the talent development plan for the following year.
- Based on performance evaluation results, the Company identifies the professional or managerial competencies that need to be strengthened in each department and organizes relevant training programs accordingly.

Bullying and Harassment

Stakeholders

All employees

Preventive and Mitigation Measures

- Establish a code of conduct for employees that explicitly prohibits all forms of bullying and harassment, and regularly promote awareness of the policy.
- Organize regular anti-bullying and anti-harassment training sessions to enhance employees' understanding of these issues. Help employees learn how to identify, prevent, and respond to bullying behaviors.

Follow-up Remedy Measures

- Multiple grievance channels are available within the organization, with the privacy of complainants fully protected to ensure employees have adequate and trustworthy means of seeking redress.
- Upon receiving a complaint, an investigation procedure must be initiated immediately. During the investigation, temporary protective measures should be taken, such as appropriate separation between the alleged offender and the victim.
- Victims of bullying or harassment should be provided with necessary support and protection, including legal assistance, psychological counseling, and job reassignment if needed. Regular employee care and follow-up should be conducted.
- Disciplinary actions should be taken against the offender, and legal liability should be pursued where applicable.

Work-Life Balance

Stakeholders

All employees

Preventive and Mitigation Measures

- In accordance with the Labor Standards Act, flexible working hour options are provided to help employees balance work and family life.
- Designated occupational safety and health personnel are assigned to offer health and psychological counseling services, supporting employees in addressing personal and family-related issues.
- Annual assessments of employee workload are conducted to prevent overwork and ensure appropriate adjustments to assigned tasks.
- Health seminars on time management and stress management are held to help employees improve work efficiency and strengthen their ability to cope with pressure.

Follow-up Remedy Measures

- Communicate and coordinate with affected employees to understand their needs and difficulties, and adjust working hours or job assignments based on their feedback.

7.6.2 Human Rights Management Implementation Status

Kaori's "Personnel Management Regulations" clearly prohibit all forms of forced labor, imprisonment, bonded labor, prison labor, debt bondage (including labor in repayment of debt), human trafficking, and slavery. All employment must be based on the free will of the employee. In addition to complying with labor laws, the Company has established specific regulations for the management of migrant workers to protect their labor rights and interests. Kaori is committed to 100% compliance with relevant labor laws and regulations. In accordance with RBA standards, we publicly disclose our labor policies and require our suppliers to sign a Corporate Social Responsibility Code of Conduct Statement, which strictly prohibits the employment of child labor, the assignment of hazardous work to young workers, and all forms of forced labor.

Implementation Status of the Eight Key Human Rights Indicators in 2025

Management Policy	Implementation Status
Diversity, inclusion, and equal opportunity	1. We value the diversity of all employees and ensure equal treatment. Regardless of position, age, gender, or nationality, all team members are entitled to equal opportunities. 2. Menstrual leave is better than the one under the Gender Equality in Employment Act. 3. Full compliance in employing the legally required number of employees with disabilities. 4. Home leave provided for migrant workers.
Against discrimination, bullying, and harassment.	1. Issue a statement against unlawful conduct, promote it through emails and the official LINE account, and display it on bulletin boards across all plant locations. 2. Install anonymous suggestion boxes at each plant site. 3. Invite psychologists or legal professionals to hold lectures or seminars. 4. Upon identifying relevant issues, the Occupational Safety and Health Department will immediately initiate an investigation. 5. Provide promotional materials in multiple languages.
Comply with basic wage and reasonable working hours	1. The working hours for mid-day and night shifts are reduced by 0.5 hours, which is more favorable than the daily working hour requirements stipulated by the Labor Standards Act. 2. Entry-level employees are offered starting salaries that exceed the minimum wage requirements set by local regulations. 3. Meal allowances are provided based on overtime hours.
Prohibition of forced labor and child labor	1. Comprehensive explanations of Company policies and job responsibilities are provided during interviews to reduce issues arising from information asymmetry. 2. Comply with all relevant laws and regulations by strictly prohibiting the use of child labor, and implement a comprehensive review mechanism to prevent any misuse. 3. Dispatch contracts explicitly prohibit the use of child labor.
Healthy and Safe Workplace Environment	1. Obtained the ISO 45001:2018 Occupational Health and Safety Management System certification. 2. Fully equipped nursing rooms and medical rooms are available. 3. Clean and well-lit office environment. 4. Company facilities include heating and air conditioning, warm water sinks, and bidet toilet seats. 5. Rest areas feature a coffee bar and massage chairs. 6. Irregular health seminars are held and health information is provided. 7. Doctors are stationed at the plants to provide health education and health consultations regularly. 8. Employee health is managed, with follow-up and health guidance provided to those with abnormal health examination results. 9. Provide a variety of club activities. 10. Free physical health examinations are provided to employees annually.
Implementation of Cybersecurity	1. Obtained the 27001 - Cybersecurity Management System certification. 2. Employees undergo regular cybersecurity testing. 3. Computer security updates are performed on a regular basis. 4. Cybersecurity awareness campaigns are regularly conducted to enhance all employees' cybersecurity awareness. 5. Signed the "Computer Software Usage Agreement (Consent to Information Security Compliance)".

Management Policy	Implementation Status
Promoting Harmonious Employment Relations	1. Regularly hold labor-management meetings. 2. Hold seminars for migrant workers from time to time.
Grievance and Reports	1. Set up grievance mailboxes and telephone numbers. 2. Install anonymous suggestion boxes at each plant site.
Others	1. Recognized as an outstanding enterprise in the “Active Evaluation of Occupational Health and Safety Performance Disclosure in Corporate Sustainability Reports” by the Occupational Safety and Health Administration, Ministry of Labor. 2. Customer satisfaction surveys 3. Regarding the annual “Human Rights Policy” training, Kaori and the subsidiary Thermal Technology recorded 600 and 211 participants, respectively. 4. Held "Occupational Safety and Health Education and Training," with 1,146 participants and 594 participants for Kaori and Thermal Technology, respectively.

Continuous Strengthening of Human Rights Concept

Human rights awareness training enhances employees’ understanding of their rights and helps establish proper values. It supports the Company in reducing legal risks, strengthening brand image, increasing employee loyalty, and improving its capacity for diversity management in the context of international development.

In 2025, the parent company held a total of 4 human rights-related education and training sessions with a total of 600 participants. The training status is as shown in the table below:

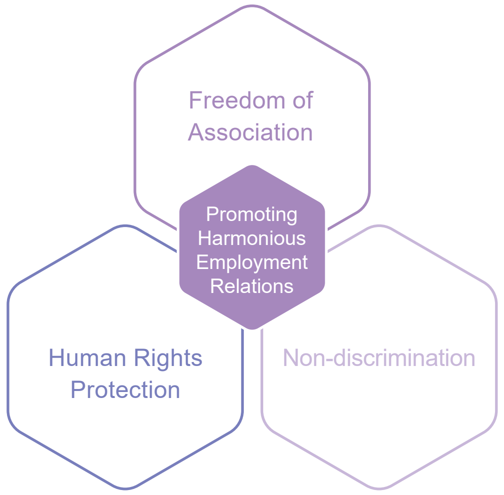
Courses: Human Rights Policy, Unlawful Infringement, and Employee Code of Conduct Advocacy			
Date	Training group	Hours	Number of participants
September 17	R&D Center, Information Technology Division, General Affairs Department, Engineering Department, Fuel Cell Engineering Department, Finance Department, Procurement Center	1	54
	Audit Office, Engineering Department, Fuel Cell Quality Assurance Department, Fuel Cell Manufacturing Department I (Brazing), Fuel Cell Manufacturing Department I (Argon Welding), PHE Sales, Finance Department		50
	General Affairs Department, Accounting Department, Fuel Cell Production Control Department, Fuel Cell Manufacturing Department I (Argon Welding), Fuel Cell Manufacturing Department III, Procurement Center, Fuel Cell Sales Department, Information Technology Department		52
September 18	Accounting Department, Fuel Cell R&D Department, PHE Sales Department, Fuel Cell Manufacturing Department II, Procurement Center, PHE Management Department	1	52
	Corporate Department, Fuel Cell Production Control Department, PHE Sales Department, Hydrogen Energy Sales Department		26
September 23	Fuel Cell Quality Assurance Department, PHE Quality Assurance Department, Fuel Cell Production Control Department, Fuel Cell Manufacturing Department III, Quality Assurance Center, Fuel Cell Manufacturing Department II	1	49
	PHE Sales Department, PHE PM Product Department, Hydrogen Energy R&D Department, Hydrogen Energy Manufacturing Department		27
	PHE Sales Department, PHE Quality Assurance Department, Corporate Department, Fuel Cell Manufacturing Department II		28
October 7	PHE Biotechnology Department (Kaohsiung)	1	4
	Engineering and Automation Development Department, PHE Quality Assurance Department (Kaohsiung), PHE Vacuum Furnace Section, PHE Stamping Section, PHE Lathe Section, PHE Milling Section, PHE Production Control Department		178
	Kaohsiung General Affairs Department, Kaohsiung Information Technology Department, Kaohsiung Accounting Department, Kaohsiung PHE Sales Department		10
October 13	PHE Vacuum Furnace Section	1	17
October 14	AHE Maintenance and Production Department	1	6
December 17	Fuel Cell Manufacturing Department I (Brazing), Fuel Cell Manufacturing Department I (Argon Welding), Fuel Cell Quality Assurance Department	1	47

In 2025, the subsidiary Kaori Thermal Technology Co., Ltd. held a total of 3 human rights-related education and training sessions with a total of 211 participants. The training status is as shown in the table below:

Courses: Human Rights Policy, Unlawful Infringement, and Employee Code of Conduct Advocacy			
Date	Training group	Hours	Number of participants
November 20	Materials Department	1	27
December 08	Corporate Department	1	3
December 09	Materials Department	1	17
	Project Department I, Project Department II		9
	Customer Service Department		3
	Customer Service Department, Domestic Department, International Department		17
	R&D Department I, R&D Department II		39
	Quality Assurance Department		27
	Production Department		69

Human rights and anti-discrimination

Kaori prohibits any form of sexual harassment, sexual abuse, corporal punishment, mental or physical coercion, or verbal abuse or inhumane treatment of employees. If employees have doubts about the Company's system or the management of officers, they can file a grievance in writing. The Administrative Management Division will handle the discrimination against the employee in accordance with the "Employee Reporting and Grievance Handling Procedures." With an independent and objective attitude, we seek to understand as soon as possible. If the investigation results are true, the Company will punish the discriminator and inform the complainant of the outcome.



Under the control of the effective mechanism, there were no related discrimination cases in 2025. In addition, we also conduct human rights communication and training, such as getting new employees to sign documents through new employee training courses, electronic official document reminders, requiring on-site personnel to sign, requiring suppliers to sign an ethical commitment, and customer confirmation during audits.

7.6.3 Labor-Management Communication

Good labor-management communication helps the Company improve weaknesses and develop the solid foundation needed to raise competitiveness. The Company provides a broad diversity of communication channels that employees can use to express opinions. Kaori believes that effective communication and bilateral interaction between labor and management is a useful way of uniting employees. Employees who have physical or mental disabilities are offered assistance from a variety of sources; meanwhile, efforts are made to learn and adjust their workload and to provide care, support, and assistance where possible.

Employees are able to express opinions through the Employee Welfare Committee, labor-management meetings, the grievance mailbox, and the grievance hotline. Kaori has the “Regulations for Implementing Labor-Management Meeting” in place to support a harmonious work environment. Labor-management meetings are held once every three months to facilitate communication and cooperation between labor and management for the benefit of both sides. The Company also ensures that all of the employees' opinions, suggestions, and feedback are handled by dedicated personnel. Meanwhile, systems have been implemented to protect employees from all forms of retaliation and threat. Although the Company does not have a labor union or collective bargaining agreement, it holds regular labor-management meetings and has transparent communication channels in place.

Matters to be discussed in labor-management meetings:

- Regular announcements and reminders of various bonus distribution matters
- Employee annual physical examination and employee health consultation services
- Distribution of employee remuneration
- Promote various employee activities and organize publicity, including annual year-end parties
- Annual calendar publication
- Establish online employee communication channels, such as various social networking sites, to increase two-way communication with employees without time difference

The parent company held a total of four such meetings in 2025, with 8 participants per meeting. No grievance were raised internally and no misconduct report was raised externally during the year. Kaori handled the report according to relevant policies and will continue following up on subsequent progress while taking preventive measures.

The subsidiary Kaori Thermal Technology Co., Ltd. Held a total of four such meetings, with 10 participants per meeting. No grievance were raised internally and no misconduct report was raised externally during the year. Kaori handled the report according to relevant policies and will continue following up on subsequent progress while taking preventive measures.

Grievance Channels

Grievance mailbox: jocelyn@kaori.com.tw

Grievance hotline: 03-4527005 #236

All-round communication channels, diverse, two-way, and open response mechanism, through the implementation of employee communication and feedback, so that colleagues' voices can be effectively handled and responded to, and colleagues' doubts are resolved through a fair, confidential, and expedited handling process to build a good labor-management relationship.

Diversification of Labor-management Communication Channels

The Company respects employees' legal rights to freedom of assembly and association. Establish labor-management meetings, occupational safety and health committees, and employee welfare committees in accordance with the following table:

Meeting name	Meeting chairperson	Frequency of meetings	2025 Feedback issues
Labor-management meetings	Labor-employer rotation	Once a quarter	No material issues
Occupational Safety and Health Committee	Labor-employer rotation	Once a quarter	No material issues
Employee Welfare Committee	Chairperson	Once a quarter	No material issues
Grievance/Whistleblowing Evaluation Committee	Committee rotation	According to actual needs	No material issues
Sexual Harassment Review Committee	Committee rotation	According to actual needs	No material issues

We adhere to the principle of information confidentiality. Employees or potential employees raise any questions, suggestions, complaints or grievances to their supervisors or managers in good faith, or participate in the investigation or handling of any of them in any way. No employee will be subjected to dismissal, blacklisting, discrimination, harassment, intimidation, retaliation, or any other adverse employment decision for doing so.

7.6.4 Employee Satisfaction Survey

The Company periodically conducts annual employee satisfaction questionnaires to collect employee feedback and disclose feedback analysis. The content covers employee opinions regarding the work environment, management systems, and benefit measures. For instance, managers are expected to take a more proactive role in cross-departmental communication and in addressing staff's needs. Accordingly, the Company has planned future management effectiveness enhancement initiatives and communication optimization measures to continuously improve employees’ satisfaction and workplace quality.

- Coverage Scope: Kaori’s Headquarters
- Survey Respondents: All employees
- Survey Time: May 7, 2025 – May 26, 2025
- Survey Result: Average score of 71 points
- Improvement Tracking Execution Status: At the all-staff meeting on November 3, 2025, responses were provided regarding improvement measures and feedback for various topics to strengthen two-way communication.

➲Survey Report

7.6.5 Freedom of Association

Kaori respects and protects the legal rights of employees to form or join organizations, as well as their rights to collective bargaining and peaceful assembly. Furthermore, we undertake not to inflict unequal treatment on employees who participate in the above association activities, nor to use rewards or intimidation to control or attempt to control employees. The Company shall not interfere with employees in establishing their own charters and rules, freely choosing their representatives, managing their organization and activities, and creating their own plans. Under the open association system, employees are not subject to retaliation, threats, or harassment, and they can openly communicate with the Company about work and management issues. Although Kaori does not have a collective agreement, employee rights are protected through mechanisms such as labor-management meetings.

7.6.6 Minimum notice periods regarding operational changes

Should the Company encounter a major change of operation that affects employees' rights or terms of employment, we comply with the "Labor Standards Act" regarding the minimum notice period for terminating labor contracts, as outlined below:

- If the individual has served at the Company for more than three months but less than one year, the notice shall be given ten days in advance.
- If the individual has served at the Company for more than one year but less than three years, the notice shall be given twenty days in advance.
- If the individual has served at the Company for more than three years, the notice shall be given thirty days in advance.

7.7 Workplace Safety and Health

In order to establish a corporate safety culture, Kaori is committed to providing employees, customers, business partners and other stakeholders with a safe, comfortable and healthy workplace environment. In 2023, Kaori successfully implemented the ISO 45001:2018 Occupational Health and Safety Management System and obtained third-party international certification. With the management system framework, we implement the PDCA cycle concept focusing on safety and health to continuously improve the safety of the working environment in each factory, reduce and eliminate workplace hazards and related illness, and aims to achieve sustainable operations while fulfilling our social responsibility.

Awarded in 2025 as an outstanding enterprise in the “Active Evaluation of Occupational Health and Safety Performance Disclosure in Corporate Sustainability Reports” by the Occupational Safety and Health Administration, Ministry of Labor, in recognition of the Company’s performance in occupational health and safety management and its contribution to enhancing the sustainable value of a healthy workforce.

To guide enterprises in practicing the Sustainable Development Goals (SDGs) and promote the mainstreaming of occupational health and safety across supply chains, the Occupational Safety and Health Administration, Ministry of Labor encourages companies to disclose their sustainability performance in accordance with the GRI 403: Occupational Health and Safety standards. By using leading indicators to demonstrate their performance in occupational health and safety management, companies are able to create dignified, friendly, healthy, and joyful workplaces. These indicators are widely applicable to all enterprises for disclosing relevant performance, showcasing their resource investment and quantifiable outcomes in occupational health and safety, thereby enhancing both a healthy workforce and corporate competitiveness.


勞動部職業安全衛生署
獎　狀
高力熱處理工業股份有限公司
署長 林毓堂

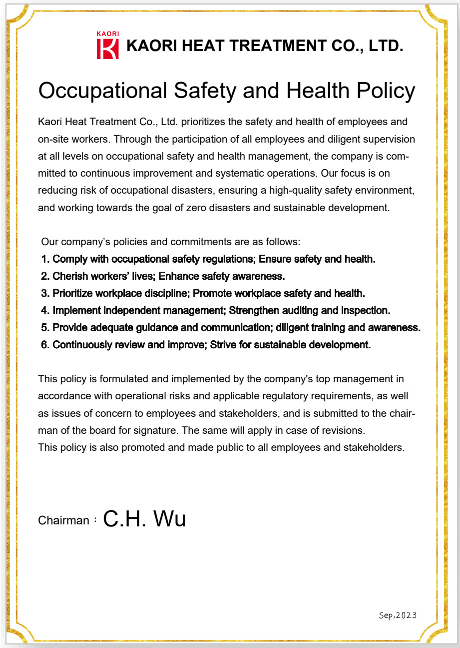
Receiving this award once again highlights Kaori’s long-term planning and commitment to sustainable development. Looking ahead, Kaori will continue to promote more innovative and concrete measures to further enhance its occupational health and safety standards, strengthen corporate social responsibility, and build a safe and sustainable workplace.

7.7.1 Occupational Safety and Health Policy and System

Kaori's occupational health and safety policy has taken into account the following considerations:

Organizational Characteristics	Including the organization's mission, scale, the nature of its products or services, and the complexity of the workplace.
Occupational Health and Safety Risks and Opportunities	Understand the occupational health and safety risks and opportunities faced by the organization through hazard identification and risk assessment.
Legal and other requirements	Comply with all legal and other requirements applicable to the occupational health and safety of the organization.
Stakeholders' expectations	Consider the expectations of the organization's stakeholders, including employees, customers, investors, and regulatory authorities.

With the above considerations in mind, Kaori has redefined appropriate occupational safety and health policies to ensure a safe and healthy work environment, prevent work-related injuries and diseases, and continuously improve occupational safety and health performance.


KAORI
KAORI HEAT TREATMENT CO., LTD.

Occupational Safety and Health Policy

Kaori Heat Treatment Co., Ltd. prioritizes the safety and health of employees and on-site workers. Through the participation of all employees and diligent supervision at all levels on occupational safety and health management, the company is committed to continuous improvement and systematic operations. Our focus is on reducing risk of occupational disasters, ensuring a high-quality safety environment, and working towards the goal of zero disasters and sustainable development.

Our company’s policies and commitments are as follows:

1. Comply with occupational safety regulations; Ensure safety and health.
2. Cherish workers’ lives; Enhance safety awareness.
3. Prioritize workplace discipline; Promote workplace safety and health.
4. Implement independent management; Strengthen auditing and inspection.
5. Provide adequate guidance and communication; diligent training and awareness.
6. Continuously review and improve; Strive for sustainable development.

This policy is formulated and implemented by the company's top management in accordance with operational risks and applicable regulatory requirements, as well as issues of concern to employees and stakeholders, and is submitted to the chairman of the board for signature. The same will apply in case of revisions.
This policy is also promoted and made public to all employees and stakeholders.

Chairman：C.H. Wu

Sep,2023

2025 Benchmark Implementation Results

Parent Company's Implementation Results		Subsidiaries’ Implementation Results	
Headquarters, Zhongli Plant 1, Zhongli Plant 2, Zhongli Plant 3, Kaohsiung Plant		Ziqiang Plant	
Hazard identification	Total Identified at the Plants 1,262 Cases Risk and Opportunities 46 Cases	Hazard identification	Total Identified at the Plants 620 Cases Risk and Opportunities 8 Cases
Accident investigation	Occupational Incidents 6 Cases	Accident investigation	Occupational Incidents 4 Cases
Goals and Management Plans	No. of Regulations: 18 Cases	Goals and Management Plans	No. of Regulations: 5 Cases
Regulatory Audits	No. of Regulations: 151	Regulatory Audits	No. of Regulations: 194
Internal Safety and Health Audits	No. of Audit Items 285 Cases No. of Non-Conformances 13 Cases	Internal Safety and Health Audits	No. of Audit Items 458 Cases No. of Non-Conformances 18 Cases

Implementation of safety and health indicators in 2025

I. Headquarters: Zhongli Plant 1, Zhongli Plant 2, Zhongli Plant 3, Kaohsiung Plant

	Occupational safety and health indicators	Scoring criteria	Target value	Actual value
	Proactive performance indicators			
1	Target management program achievement rate (%)	[1 - (Number of overdue cases/total cases)] *100%	100%	100%
2	Operational control achievement rate (%)	[1 - (Number of overdue cases/total cases)] *100%	100%	100%
3	Improvement rate of risks and opportunities (%)	(Number of risk improvement cases/Number of discovered cases) *100%	100%	100%
4	Total Recordable Incident Rate (TRIR)	(Number of recordable occupational injuries / Total working hours *200,000)	<0.39	0.435
5	Occupational Injury Fatality Rate per Thousand Employees	(Number of occupational injury fatalities / Average number of employees per year)	0	0
6	Near Miss Frequency Rate (NMFR)	(Number of near miss incidents / Total hours worked) × 1,000,000	-	0
7	Compliance rate of the actual values with legal standards for the operating environment monitoring (%)	[1 - (Number of cases exceeding the legal standard value/Total measured cases)] *100%	100%	100%
8	Education and training efficiency (%)	[1 - (Number of outstanding cases/total cases)] *100%	100%	100%
9	Readiness rate of personnel with recognized certifications (%)	[1 - (Number of employees without recognized certificates/Number of employees required to have recognized certificates)] *100%	100%	100%
10	Compliance rate with regulations and other requirements (%)	(Number of action plans taken/Total number of nonconformities) *100%	100%	100%
11	Automated inspection implementation rate (%)	(Items implemented/items to be implemented) *100%	100%	100%
12	Health checkup implementation rate (%)	(Number of people who underwent the check / Number of people required to undergo the check) *100%	100%	100%
13	Occupational safety and health committee participation rate (%)	(Number of participants/total number of participants required) *100%	100%	91%
	Passive performance indicators			
1	Disabling injury frequency rate (FR)	(Number of disabling injuries x 1,000,000)/Total working hours	<1.92	2.18
2	Disabling injury severity rate (SR)	(Number of days lost due to disabling injuries x 1,000,000)/Total working hours	<65	1.09
3	Fragile States Index (FSI)	√(F.R.ÍS.R./1,000)	<0.35	0.07
4	Annual health checkup abnormality rate (%)	(Number of people with abnormality/total number of people undergoing annual health checkup) *100%	<85%	74%
5	Contractor disabling injury frequency rate (FR)	(Number of disabling injuries x 1,000,000)/Total working hours	<1.92	0
6	Percentage of false alarms, ill health, and property damage cases investigated and analyzed (%)	[1 - (Number of cases not investigated and analyzed/Number of cases to be investigated and analyzed)] *100%	100%	100%

Note:
1. The FR and SR targets are based on the data of "Machinery and Equipment Manufacturing Industry" according to the statistics of the Ministry of Labor in 2024 (peers reference)
2. The TRIR target is estimated based on the data of "Machinery and Equipment Manufacturing Industry" according to the statistics of the Ministry of Labor in 2024 (peers reference)
3. No target value is defined for the Near Miss Frequency Rate (NMFR), as the number of near miss incidents is often closely related to employees' willingness to report rather than the actual level of risk. To prevent data distortion caused by over-reporting or selective reporting, no target value is set.
4. Number of people with abnormal health checkup: Personnel classified as Levels 3-4 according to the health checkup report in 2024

II. Kaori Thermal Technology Co., Ltd. (Commenced official operations in 2025)

	Occupational safety and health indicators	Scoring criteria	Target value	Actual value
	Proactive performance indicators			
1	Target management program achievement rate (%)	[1 - (Number of overdue cases/total cases)] *100%	100%	100%
2	Operational control achievement rate (%)	[1 - (Number of overdue cases/total cases)] *100%	100%	100%
3	Improvement rate of risks and opportunities (%)	(Number of risk improvement cases/Number of discovered cases) *100%	100%	92%
4	Compliance rate of the actual values with legal standards for the operating environment monitoring (%)	[1 - (Number of cases exceeding the legal standard value/Total measured cases)] *100%	100%	100%
5	Education and training efficiency (%)	[1 - (Number of outstanding cases/total cases)] *100%	100%	100%
4	Readiness rate of personnel with recognized certifications (%)	[1 - (Number of employees without recognized certificates/Number of employees required to have recognized certificates)] *100%	100%	100%
6	Compliance rate with regulations and other requirements (%)	(Number of action plans taken/Total number of nonconformities) *100%	100%	100%
7	Automated inspection implementation rate (%)	(Items implemented/items to be implemented) *100%	100%	100%
8	Health checkup implementation rate (%)	(Number of people who underwent the check / Number of people required to undergo the check) *100%	100%	-
9	Occupational safety and health committee participation rate (%)	(Number of participants/total number of participants required) *100%	100%	100%
	Passive performance indicators			
1	Disabling injury frequency rate (FR)	(Number of disabling injuries x 1,000,000)/Total working hours	<1.92	14.78
2	Disabling injury severity rate (SR)	(Number of days lost due to disabling injuries x 1,000,000)/Total working hours	<65	0
3	Fragile States Index (FSI)	√(F.R.ÍS.R./1,000)	<0.35	0
4	Annual health checkup abnormality rate (%)	(Number of people with abnormality/total number of people undergoing annual health checkup) *100%	<85%	-
5	Contractor disabling injury frequency rate (FR)	(Number of disabling injuries x 1,000,000)/Total working hours	<1.92	0
6	Percentage of false alarms, ill health, and property damage cases investigated and analyzed (%)	[1 - (Number of cases not investigated and analyzed/Number of cases to be investigated and analyzed)] *100%	100%	100%

Note: The FR and SR targets are based on the data of "Machinery and Equipment Manufacturing Industry" according to the statistics of the Ministry of Labor in 2024 (peers reference)

Number of people with abnormal health checkup: Personnel classified as Levels 3-4 according to the health checkup report in 2024

Occupational accident incidents or corrective actions proposed for occupational injuries

Occupational disasters this year consisted of pinch injuries and commuting traffic accidents. In response to pinch injury incidents, workplace safety standards were re-issued to mandate strict employee compliance with operational protocols and participation in safety training. For commuting traffic accidents, defensive driving educational training was conducted to advocate road safety for cars, scooters, and pedestrians, as well as how to protect oneself. Annual ISO 45001 hazard identification and risk assessment are continuously conducted across all sites for various activities to list high- and medium-risk activities for management plan improvements to achieve continuous risk reduction.

Worker involvement

Safety and health are an eternal issue for enterprises and the basic right of every worker. Worker participation in safety and health is a key factor in improving occupational safety and health performance. According to the ISO 45001 occupational safety and health management system standard, worker participation refers to the participation of workers at all stages of the planning, implementation, evaluation, and review of an occupational safety and health management system.

In order to encourage workers to participate in the PDCA, Kaori expects to:

Raise safety and health awareness	By participating in safety and health management, workers can raise their awareness of and attention to safety and health.
Improve safety and health performance	Workers can provide first-line information and advice to help enterprises effectively identify and control hazards.
Improve job satisfaction	By participating in safety and health management, workers can feel the Company's respect and care for them, thereby improving work satisfaction.

Consultation and Communication

Workers have the right to offer opinions and suggestions on safety and health matters.

Create a Kaori's dedicated safety, health, and wellness area, leveraging the convenience, immediacy, and privacy of LINE to lower the threshold for workers to participate in safety and health management.

Education and Training

Workers shall receive necessary safety and health education and training.

Occupational Safety and Health Training Implementation Results in 2025

I. Parent Company

Plant		Zhongli Plant				Kaohsiung Plant			
Safety and Health		Total training hours		No. of participants		Total training hours		No. of participants	
		Female	Male	Female	Male	Female	Male	Female	Male
Employee category	Direct	1,089.4	1,498.5	226	373	164.0	871.5	66.0	405.0
	Indirect	1,517.2	2,295.1	635	888	76.0	212.0	24.0	57.0
Job Classification	Managerial role	401	823.8	168	302	13.0	70.0	4.0	21.0
	Non-managerial role	2,205.7	2,969.8	693	959	221.0	1019.5	91.0	436.0
Nationality Classification	Domestic	2,606.6	3,793.6	860	1,260	231.0	884.5	96.0	363.0
	Foreign	-	80.5	-	23	-	208.0	-	93.0
Age Classification	30 and below	548.3	775.1	122	177	14.0	163.0	4.0	75.0
	30-50	1,691.1	2,523.8	600	885	154.0	793.5	59.0	326.0
	50 and above	367.3	557.3	140	216	63.0	136.0	26.0	62.0
Total		6,400.1		2,122		1,323.5		552.0	
Average training hours		3.01				2.40			

Note: Zhongli Plant covers Headquarters, Zhongli Plant 3, Zhongli Plant 1, and Zhongli Plant 2.

II. Subsidiaries:

Plant		Ziqiang Plant			
Safety and Health		Total training hours		No. of participants	
		Female	Male	Female	Male
Employee category	Direct	51.5	199.5	26	98
	Indirect	58	128	25	59
Job Classification	Managerial role	4.5	35.5	3	17
	Non-managerial role	47	164	23	81
Nationality Classification	Domestic	66.5	238.5	32	115
	Foreign	-	-	-	-
Age Classification	30 and below	24.5	71.5	11	31
	30-50	37	158.5	19	80
	50 and above	5	8.5	2	4
Total		305		147	
Average training hours		2.1			

2025 Occupational Safety Committee Operations

Number of labor and management representatives on the Occupational Safety Committee						Attendance and participation rate
Parent Company Kaori Heat Treatment Co., Ltd.				Subsidiaries Kaori Thermal Technology Co., Ltd.		
Zhongli Plant		Kaohsiung Plant				
Labor	Employer	Labor	Employer	Labor	Employer	100%
6	11	4	6	5	2	

Note: Zhongli Plant covers Headquarters, Zhongli Plant 3, Zhongli Plant 1, and Zhongli Plant 2.

7.7.2 Occupational Safety and Health Committee

In order to listen to the opinions of employees and their representatives and encourage them to actively participate in all activities of interest in the occupational safety and health management system, we are committed to continuously eliminating the chance of hazards and achieving the effect of disaster prevention through continuous improvement. The Company has also assembled an Occupational Safety and Health Committee that consists of plant managers, occupational safety personnel, and worker-elected representatives. The number of committee members for the parent company was 17 for the Zhongli Plant area and 10 for the Kaohsiung Plant area, totaling 27 members; the subsidiary Kaori Thermal Technology had a total of 7 committee members.

The Occupational Safety and Health Committee convenes meetings regularly to discuss, promote, review, supervise, and resolve issues concerning occupational safety, health, and environmental protection. Through regular supervision and execution of improvement plans, the committee is able to promote work safety awareness among plant workers and take steps toward reducing the injury rate and contributing to the Company's zero hazard vision.

Number of Occupational Safety Committee members in each plant		
Kaori Heat Treatment Co., Ltd.		Kaori Thermal Technology Co., Ltd.
Zhongli Site	Kaohsiung Plant	
17	10	7
Totaling 34 members		

Note: Zhongli Plant covers Headquarters, Zhongli Plant 3, Zhongli Plant 1, and Zhongli Plant 2.

Overview of Occupational Safety and Health Committee Meetings in 2025:

Safety and health committee meetings	Meetings are held quarterly/four meetings per year according to law
Key resolutions and actions	• Stakeholder needs and expectations. • Ensuring compliance with legal and other requirements • Planning, establishing, implementing, and maintaining audit programs. • Implementation plan for safety and health education and training. • Work environment monitoring plans, monitoring results, and corresponding actions. • Health management, occupational disease prevention, and health promotion measures. • Safety and health proposals. • Self-inspections and safety and health audit matters. • Preventive measures for hazards related to machinery, equipment, raw materials, or substances. • Occupational incident investigation reports. • Assessment of on-site safety and health management performance. • Safety and health management for contracted operations.

Organizational Chart of the Occupational Safety and Health Committee

Professional Certification and Training

Parent Company — Zhongli Plant (covering Headquarters, Zhongli Plant 3, Zhongli Plant 1, and Zhongli Plant 2)

Certified occupational safety and health officers: 11

- Class-C occupational safety and health managers: 2
- Class-A occupational safety and health managers: 4
- Class B occupational safety and health officers: 2
- Class A occupational safety and health officers: 2
- Professional nurses: 1

*The above licenses are in compliance with the laws and regulations and are valid and have completed the retraining.

Employees subjected to relevant safety and health training: 233

- Fire safety managers: 9
- Organic solvent operations managers: 3
- Dust operations supervisors: 1
- Hypoxia operations supervisors: 2
- Pressurized gas supply and consumption supervisors: 2
- Pressurized gas production safety officers: 2
- Special chemical substances supervisors: 4
- 1-tonne+ forklift operators: 34
- First-aid personnel: 22
- Oxy-fuel welding operators: 2
- Crane operators: 80
- Crane operators for loads of 2 (5) tonnes or more: 3
- Stationary crane operators (for loads less than 3 tonnes): 55
- Radiation protection training in place of Radiation Safety Certificate: 3
- Pressurized gas equipment operators: 12

Parent Company — Kaohsiung Plant

Certified occupational safety and health officers: 2

- Class-A occupational safety and health managers: 1
- Class B occupational safety and health officers: 1

*The above licenses are in compliance with the laws and regulations and are valid and have completed the retraining.

Employees subjected to relevant safety and health training: 34

- Forklift operators: 7
- Stationary crane operators: 18
- Pressurized gas equipment operators: 3
- Retraining for first-aid personnel: 4
- Fire safety managers: 1

- Subsidiaries' Professional Certification and Training

Subsidiary — Ziqiang Plant	
Certified occupational safety and health officers: 2	
• Class-A occupational safety and health managers: 1	• Class B occupational safety and health officers: 1
Employees subjected to relevant safety and health training: 75	
• 1-tonne+ forklift operators: 19 • Special chemical substances supervisors: 1 • Stationary crane slinging personnel: 24 • Stationary crane operators: 18	• Pressurized gas supply and consumption supervisors: 1 • Pressurized gas production safety officers: 1 • First-aid personnel: 8 • Fire safety managers: 3

7.7.3 Labor health services

- Nurse (occupational health) primary tasks:

1. Complete employee health checkups (for general and special operations).
2. Apply tier-based management for general and special health checkups and offer health guidance and knowledge.
3. Suitability assessment and reinstatement of new recruits and existing employees.
4. Implement and evaluate the four main programs (abnormal workload, ergonomic factors, maternity, and unlawful infringement).
5. Implement and evaluate the senior program, respiratory protection program, and hearing protection program.
6. Organize first-aid personnel training programs.
7. Maintain the Company's LINE health promotion fan group. Through the fan group's functions, establish occupational safety and health-related reporting content (including occupational hazard reports, false alarm incident reports, maternity protection reports, and unlawful harassment reports). This platform not only provides employees with more accessible health consultations and promotion channels but also enables real-time reporting, allowing occupational safety personnel to intervene and address issues promptly.

2025 Promotion Highlights:

Kaori values the health and safety of its employees. In addition to annual health checkups, the Company is progressively enhancing health management and skill training for employees through the following measures:

1. Improve and prevent occupational illness at plant sites:

   By leveraging the expertise and knowledge of both general practitioners and medical specialists, Kaori aims to identify hazards associated with the workplace and operations and provide employees with the knowledge and recommendations needed to avoid occupational hazards and accidents.

2. Enhance emergency response and first-aid skills at plant sites:

   Kaori will train first aid personnel from time to time and organize courses that other employees may take part in from time to time. These training efforts will help improve emergency response and crisis awareness of plant workers, and strengthen employees' knowledge on emergency aid.

3. Promote employees' health awareness: Distribute health-related articles to enhance employees' knowledge of health.

4. Fulfill ESG and corporate social responsibility: Organize blood donation events in line with the Company's sustainability philosophy, with employees actively participating in the initiative.

5. Organize health promotion activities:
   A three-month small-group weight loss program was held, featuring courses led by dietitians and fitness coaches. The initiative aimed to help employees learn how to choose healthy and nutritious foods and manage their weight effectively.

健康職場認證
健康促進標章
高力熱處理工業股份有限公司

署長 吳昭軍

AED

CPR + AED

6. Actively promoted workplace health promotion activities and measures, and obtained the "Badge of Accredited Healthy Workplace" from the Health Promotion Administration, Ministry of Health and Welfare. The certification is valid from January 1, 2025 to December 31, 2027. (As shown in Figure 1 on the left)

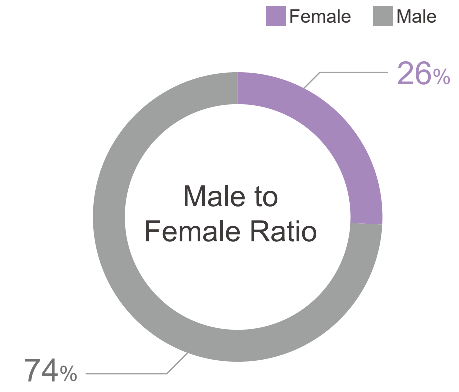
7. AED Friendly Workplace Certification: Over 70% of the Company's employees received CPR+AED training and obtained the "AED Friendly Workplace" certification from the Public Health Bureau of Taoyuan City Government, with a certification validity period from September 5, 2025 to September 4, 2027. (As shown in Figure 2 on the left)

Employee health checkups

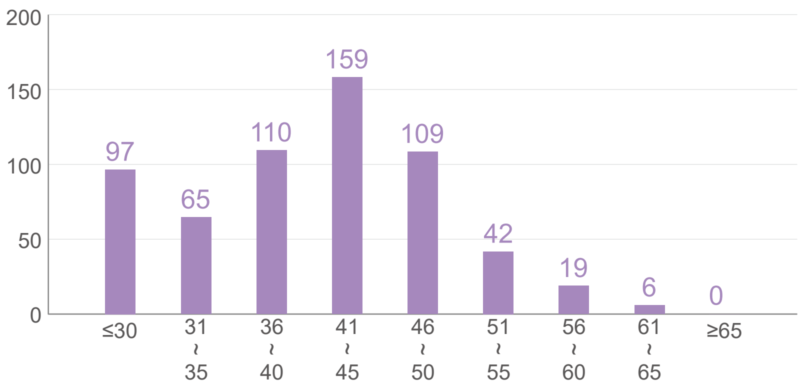
Kaori has long been committed to “protecting the safety, health, and welfare of workers and stakeholders, preventing occupational hazards, and promoting employees' physical and mental health”, and has implemented policies that are more stringent than what the laws require. The Company organizes employee health checkups once a year. An organization-wide health risk assessment is conducted after each checkup report to highlight high-risk employees for consultation and regular follow-up with physicians and to identify medium-risk employees for health-related discussions.

- Execution of employee care programs in 2025:

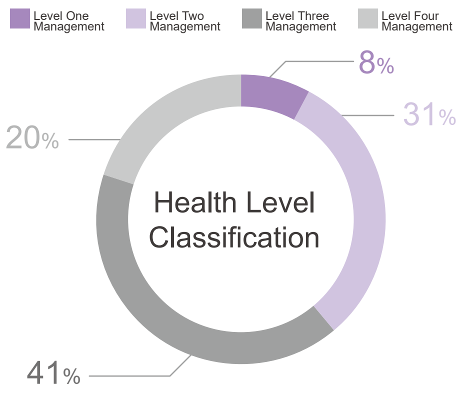
Male to Female Ratio



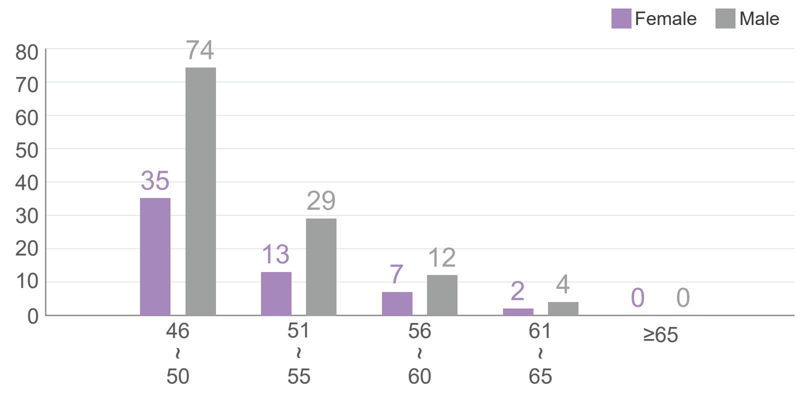
Age distribution



Health Level Classification



Distribution Chart of Middle-aged and Older Male and Female Employees



Data boundary: Headquarters, Zhongli Plant 1, Zhongli Plant 2, Zhongli Plant 3, Kaohsiung Plant, Kaori Thermal Technology Co., Ltd.

- Five Major Protection Programs

Maternity health protection program	No. of people the medical staff interviewed: 9
Respiratory protection plan	No. of people the doctors interviewed: 23
Middle-aged and elderly job suitability assessment plan	No. of people the doctors interviewed: 0 (no eligible cases required interviews this year)
Ergonomic hazard prevention plan	No. of people the medical staff interviewed: 58
Illness prevention program for abnormal workload	No. of people the medical staff interviewed: 26
Unlawful harassment prevention plan	No. of cases accepted this year: 0

- Health checkups risk management

New recruits	No. of people who received medical consultations and recommendations: 50
Annual health checkup	No. of people who received medical consultations and recommendations: 360

- Injury and illness care and support

General injury and illness health care follow-up:	25 persons
Occupational injury health care follow-up	A total of 19 persons (including commuting accidents)

- Regular follow-up and support

Health care follow-up for employees with chronic illnesses:	59 persons

The above statistical data covers Headquarters, Zhongli Plant 1, Zhongli Plant 2, Zhongli Plant 3, Kaohsiung Plant, Ziqiang Plant, and Kaori Thermal Technology Co., Ltd.

- Measures taken for promoting employees' health in 2025

1. Sports Clubs:
   Kaori has established a yoga club and a fitness boxing club and hired professional instructors to teach and improve employees' state of health.
2. The Company also engages qualified caterers to manage employee cafeterias and invites professional nutritionists to design menus that correct the irregular, high-fat, high-salt, and high-sugar diets of the modern population, thereby improving employees' state of health.
3. Health-related articles are disseminated on a weekly basis.
4. Psychological Counseling:
   To care for employees' mental health and work stress adjustment, the Company specially hires professional psychological counselors to provide one-on-one psychological counseling services to assist employees in establishing a good psychological support mechanism.

No. of applicants
26

Actual Number of Participants
24

Consultation duration per session
1 Hours

7.7.4 Occupational Safety and Health Training and Promotion

In order to reduce occupational hazards and establish a safety culture at Kaori, we first emphasize safety and health education and training. Only by instilling safety awareness in everyone can we unite the entire team to create a safe working environment together.

Themes and focuses of occupational safety-related training in 2025:

1. Occupational Safety and Health Training at the Plant:

   Safety and health awareness is promoted irregularly during monthly meetings. The topics covered include recent plant safety issues, current social events, and themed training sessions.

2. Occupational Incident Investigator Training:

   Employees received training to become occupational incident investigators, enabling them to identify the root causes of workplace accidents and implement corrective measures to reduce the incidence of occupational injuries.

3. Safety and Health Training for Contractors:

   As contractor operations are often a source of safety vulnerabilities within the plant, Kaori conducted a safety and health training session specifically for all outsourced contractors on April 18, 2025. This initiative aimed not only to strengthen overall plant safety and hygiene but also to foster shared growth and address potential safety gaps.

4. Prevention of Unlawful Infringement in the Workplace:

   Workplace violence is not limited to physical assaults; it also includes verbal abuse, exclusion, and sexual harassment. Since most incidents stem from inappropriate verbal expressions, Kaori invited a counseling psychologist to use their professional knowledge and experience to guide employees on how to communicate effectively and express their thoughts and emotions in a kind and respectful manner.

5. New employee education and training, occupational safety and health management personnel training, fire management personnel training, plant fire drills, forklift operator training, training for pressurized gas equipment operators, first aid personnel training, training for stationary crane operators, training for pressurized gas equipment operators, hypoxic work supervisor training, respiratory gear fit test training, acetylene welding equipment operator training.

6. Ergonomic Hazard Prevention Training

   Repetitive tasks are often a primary cause of musculoskeletal injuries. To address this, Kaori specially invited a physical therapist to visit the plant workplaces, helping employees identify the ergonomic risks associated with their jobs. The therapist also provided preventive measures and self-directed musculoskeletal exercises to alleviate physical discomfort caused by prolonged work.

7. Fire Self-Defense Fire BrigadeTraining:

   The main purpose of fire self-defense fire brigade training is to enable on-site employees to respond proficiently according to their assigned roles (notification, fire suppression, and evacuation) during the initial stages of a fire before the fire department arrives, thereby fulfilling the initial disaster response capability of "protecting one's own property". This training aims to elevate members' alertness and response capabilities, ensuring timely fire suppression and effective evacuation guidance under safe conditions to minimize casualties and property damage.

Occupational Safety and Health Training at the Plant

Safety and Health Training for Contractors

Education and Training

Ergonomic Hazard Prevention Training

7.7.5 Promotion of Work Injury Prevention

The following measures have been taken to promote employees' awareness of work injury prevention:

- Unscheduled promotion during monthly meetings
- Occupational hazard awareness at plant sites
- Training for first-aid personnel
- Training for supervising personnel:
- Training on hazard identification

7.7.6 System for statistical recording of work-related injuries and reporting of false alarms

Kaori investigates each incident of occupational hazard according to its accident reporting, resolution, and investigation procedures (SH-P-00-0017). Findings have been reported in the 2025 In-plant Hazard Report. The report not only records the occurrence of occupational incidents, but also includes detailed analysis of statistical data. Meanwhile, occupational hazard data is reported on the Ministry of Labor's safety and health resume intelligent cloud website on a yearly basis. The Company will continue promoting awareness and enhance safety training and audits to prevent accidents.

Annual Occupational Injury Statistics Table by Plant

Plant	Zhongli Plant		Kaohsiung Plant		Ziqiang Plant
Year	2024	2025	2024	2025	2025
No. of reported cases	3	2	3	1	4
Disabling injury frequency rate (FR)	5.46	2.18	10	2.44	13.5
Disabling injury severity rate (SR)	7	1.09	185	61	33.76
Fragile States Index (FSI)	0.195	0.07	1.36	0.349	0.675
Occupational injury fatality rate	0	0	0	0	0

Note: Occupational accident statistics excluding traffic accidents

Disabling injury frequency rate (FR) = Total No. of disabling injuries/Working hours x 1,000,000

Disabling severity rate (SR) = total days lost due to disabling injuries (excluding deaths)/working hours x 1,000,000

Fragile States Index (FSI) = √ (frequency of disabling injuries x severity of disabling injuries/1000)

Rate of fatalities due to occupational injuries = Number of fatalities due to occupational injuries/working hours x 1,000,000

Zhongli Plant covers Headquarters, Zhongli Plant 3, Zhongli Plant 1, and Zhongli Plant 2.

Ziqiang Plant belongs to the subsidiary Kaori Thermal Technology Co., Ltd., which commenced operations in 2025.

Regarding the occupational safety performance of the Ningbo Plant, in response to differences in statistical indicators between the two sides of the strait, the Company is actively integrating management systems and converting data. We are committed to enhancing information transparency and will gradually include the Ningbo Plant's occupational disaster statistics in subsequent reports.

7.7.7 Occupational safety and health management review

To ensure that the occupational safety and health management system can continue to maintain its appropriateness and effectiveness, and comply with national and international standards, all occupational safety and health management-related operations, activities, and services are compliant with occupational safety standards through the leadership commitment of the senior management and all occupational safety and health management-related operations, activities, and services. The 2025 review meeting was held on January 22, 2026, with a total of 37 participants.

8

Co-prosperity in Society

8 Employment and Economic Development

10 Reduced Inequality

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Co-prosperity in Society
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8.1 Policy and Management System

Based on the corporate commitment to social responsibility, Kaori promotes various social responsibility activities in accordance with the standards of the "Responsible Business Alliance (RBA) Code of Conduct." This includes the establishment of an "ESG Committee" and the presentation of performance data related to sustainable operations and social responsibility achievements in the company's sustainability report.

Corporate Social Responsibility Policy

Kaori’s overall ESG Social Responsibility policy is structured around six key focus areas: “environmental protection, friendly workplace, employee care, social co-prosperity, business integrity, and full participation”:

Environmental protection	Fulfill social responsibilities and achieve the concept of corporate/environmental sustainability through process optimization, waste management, air/water pollution prevention, and continuous promotion of various energy-saving initiatives. We attach importance to the protection of environmental resources, actively promote greening of the factory area as well as energy conservation and environmental protection, adopt green and harmless substances in the production process, and classify and legally dispose of waste to reduce the generation of large amounts of waste and harm the environment of green Earth.
Friendly workplace	Create a safe and healthy work environment, attract and retain key talents. Implement the establishment of a safe and friendly workplace by hiring persons with disabilities/enhancing talent training and persistent education and training. Regional evacuation and disaster prevention drills in scenarios such as fire and chemical leakage are arranged irregularly every year to reduce the impact of disasters.
Care for employees	Comply with laws and regulations and establish a grievance mechanism to protect the personal safety of complainants. To enhance labor rights, Kaori not only complies with relevant laws and regulations but has also established and filed work rules, internal policies for sexual harassment prevention, grievance procedures, and management mechanisms to protect employee rights. To ensure that employees can fully express their opinions, each plant has a designated "mailbox" for feedback, and a whistleblower protection mechanism has been established to safeguard personal information and prevent unfair treatment of those involved. Kaori is committed to maintaining good labor-management relations.
Co-prosperity in society	Promote social welfare activities. We continue to communicate with internal and external public welfare organizations, donate and sponsor disadvantaged groups, arrange regular environmental education, beach cleanup activities, and blood donations, encourage employees to actively participate, build consensus among employees, and comply with relevant corporate social responsibility regulations.
Business integrity	Ethical employees and supervisors. The Company's corporate governance mechanism and operational information are open and transparent to fulfill its corporate citizenship responsibilities. To enforce our business integrity policy and establish a sound governance system, we have implemented policies such as "Anti-Corruption and Bribery," "Fair Trade," and the "Code of Business Integrity and Whistleblower Procedures."
General participation	Encourage all employees to participate in the operation of external public welfare organizations, such as donating to disadvantaged groups and other public welfare activities, to fulfill corporate social responsibility; and to participate in various safety supervision and management operations within the enterprise to reduce the impact of disasters.

Kaori is committed to shared social prosperity and constructing sustainable value starting from academic exchanges, environmental education, and social welfare. In terms of management measures, we foster the transfer of academic and industrial technical knowledge by opening up our plants for campus visits, while combining hands-on education with charitable donations to society. We not only cultivate industry talent but also actively participate in social issues, thus fulfilling corporate civic responsibility through actions.

8.2 Academic Exchanges

Campus Visits

Campus company visits serve as an important bridge between academia and industry. These activities not only help students gain insights into industry trends and enhance workplace skills, but also support companies in brand building and talent recruitment, creating long-term value for both sides.

November 2025 - Department of Mechanical Engineering, Chung Yuan Christian University

8.3 Environmental education

Kaori Holds "ESG Team Creativity Competition" to implement four core business values and foster consensus among the management team.

Kaori is committed to deeply rooting the four core business values of "Innovation, Quality, Responsibility, and Honor" into the corporate culture. Recently, a unique outdoor "ESG Team Creativity Competition" was held for mid-to-high-level managers. In the form of combining field investigation with creative practice, the event stimulated team creativity, deepened consensus on the values, and further enhanced team cohesion across departments.

Embodying the spirit of co-creating ESG sustainability, the event invited managers to step into nature and produce creative content in teams. Utilizing locally sourced materials from the natural environment on-site, the entries were brainstormed around the Company's four core values to concretely demonstrate the teams' understanding and practice of “Innovative Thinking,” “Quality Commitment,” “Social Responsibility,” and “Corporate Honor.” "This was not just an outdoor activity, but a refining of culture and a reaffirmation of value. Through the inspiration of the natural environment and the dynamic discussions during the creative process, each manager not only reinterpreted the Company’s core values, but also built cross-departmental trust and seamless collaboration along the way.

Team creative performances were evaluated in five dimensions: environmental friendliness, diversity, innovativeness, completeness, and impact. The event concluded on a high note by awarding the top three “ESG Team Innovation Awards” and honorable mentions, including the “ESG Green Creation Award”. These recognitions provided participating managers with fresh growth perspectives and leadership inspiration.

On the day of the event, many executives stepped out of their offices—not only reconnecting with nature, but also building mutual understanding and trust with one another. Multiple managers shared in their feedback: “I never thought I could create art in the wild and present it on-site, nor did I realize that colleagues from [Department X] were so creative!” The activity successfully renewed and deepened the leadership team's commitment to the Company's core values.

8.4 Charity

Implementation and promotion of social welfare activities

As a Taiwanese business, Kaori is grateful for the opportunities that have been bestowed upon it by Taiwan, and it has made a commitment to exert social influence by sharing this positive energy with more people. Driven by care for society, Kaori gives back by making charity donations and providing aid to underprivileged organizations. The Company will continue committing resources to supporting local cultural activities, such as promoting or sponsoring events of local performance groups or arts/cultural activities. A sum of NTD 197,000 was committed to this cause in 2025 (The details are shown in the table below). By providing appropriate support to parties in need, Kaori hopes to contribute what it can to create a better, more friendly environment.

Donations and sponsorships

Donee	Donation Amount NTD$
The Taiwan Society for Metal Heat Treatment	107,000
National Central University	90,000

Blood Donation with Love and the Fulfillment of Corporate Social Responsibility

Kaori actively fulfills its corporate social responsibility and has organized blood donation drives for four consecutive years. All employees are encouraged to participate, spreading love through action and fostering a culture of kindness and compassion within society. During the blood donation events on February 7 and August 8, 2025, employees responded enthusiastically, collecting a total of 290 units of blood to bring life-saving hope to patients in need.

感謝狀

高力熱處理工業股份有限公司

於114年2月7日募捐血液128袋

感謝狀

高力熱處理工業股份有限公司

於114年8月8日募捐血液162袋

Appendices

Appendix I: ESG Performance

Category	Sustainability indicators	Unit	2023	2024	2025
Corporate governance	The Company's corporate governance evaluation ranking is in the 6th to 20th percentile among all listed companies.	%	36~ 50	51~ 65	36~ 50
	Board Meeting Attendance Rate≥ 95%	%	97.78	98.61	100
Risk management	Examine the completion rate of hazard risk assessment by department	%	100	100	100
	Evacuation and fire drills≥ 1 times a year	time(s)	1	1	1
Customer satisfaction	Customer Satisfaction ≥ 80 points → Heat Exchanger Business Division	Minute(s)	87	81	88
	Customer satisfaction≥ 80 points → Fuel Cell Business Division	Minute(s)	91	98	99
	Customer satisfaction≥ 80 points→ New Energy Division	Minute(s)	84	98	98
	Customer satisfaction≥ 80 points→ Kaori Thermal Technology Co., Ltd.	Minute(s)	-	-	93
	Customer satisfaction≥ 80 points→ Kaori Technology (Ningbo) Co., Ltd.	Minute(s)	-	90	90
Compliance	Violation of product or fair trade laws and regulations	Cases	0	0	0
	Violation of customer privacy or cybersecurity laws and regulations	Cases	0	0	0
	Non-compliance with product laws or patent regulations	Cases	0	0	0
	Non-compliance with air pollution laws and regulations	Cases	0	0	0
	Non-compliance with wastewater discharge regulations	Cases	0	0	0
	Non-compliance with waste management regulations	Cases	0	0	0
	Violation of labor, safety, and health regulations	Cases	0	0	0
Product quality	Pass the ISO 9001 Quality Management System certification every year	Passed	Passed	Passed	Passed
	Pass the Aerospace Quality Management System AS9100 every year	Passed	Passed	Passed	Passed
Supply chain management	Maintained average rating of qualified suppliers≥ 85 points	Minute(s)	93.6	86	92
	All suppliers have signed the code of conduct, achieving a 100% completion rate.	%	100	100	100
	Compliance rate of non-procurement of hazardous substances and conflict minerals	%	100	100	100
Energy conservation & carbon reduction.	Carbon inventory and third-party verification passed	Passed	Passed	Passed	Passed
	Zhongli Plant 1: Average annual electricity saving rate ≥ 1%	%/Year	1.85	2.33	2.15
	Kaohsiung Plant: Average annual electricity saving rate ≥ 1%	%/Year	3.67	4.32	4.01
	Strengthening of climate resilience: Production interruption caused after climate disasters	0 day(s)	0	0	0
Water resource management	Production loss due to water restrictions: 0 PCS	PCS	0	0	0
Waste treatment	Resource recycling rate≥ 80%	%	81.88	91.1	86.9
	100% of waste is disposed of by legal operators	%	100	100	100
Labor/management relations	Retention rate for Taiwanese new hires (at least 3 months)≥ 80%	%	73.4	93.6	87.1
	Total attrition rate≤ 5%	%	2	6.19	10.06
	Unpaid parental leave reinstatement rate≥ 90%	%	100	100	100
	New employee training pass rate: 100%	%	100	100	100
	Average annual employee training hours≥ 15 hours	Hours	23.3	15.84	15
Human rights and equality	0 cases of workplace abuse/bullying	Cases	0	0	0
	Employee complaint/Mediation cases: 1 case	Cases	0	0	0

Category	Sustainability indicators	Unit	2023	2024	2025
Health and safety	Passed ISO 45001 occupational safety and health system certification	Passed	Passed	Passed	Passed
	New employees' participation in safety and health education training reached 100%	%	100	100	100
	Health checkup participation rate≥ 80%	%	82	100	100
	Completion rate for high-risk operator training reached 100%	%	100	100	100
	Major occupational accidents ≤ 5 cases/year (excluding deaths)	Cases/Year	0	2	1
	Improvement rate for risks and opportunities reached 100%	%	100	100	100
	Contractor disabling injury frequency rate <1.77	Cases/Year	0	0	0
	Disabling injury frequency rate (FR) <1.77	%/Year	4.08	4.95	2.18
	Disabling injury severity rate (SR)≤ 35	%/Year	4.08	49	1.09
	Fragile States Index (FSI) < 0.249	%/Year	0.129	0.49	0.07

Appendix II: Comparison of GRI: 2021

Statement of Use	Reported in accordance with GRI Universal Standards 2021
Reporting period	January 1 to December 31, 2025

General disclosure (2-1 ~ 2-30)				
GRI indicators		Corresponding ESG chapters	Page	Remarks
Organization and Reporting Practices	2-1 Details of the organization	2.1 Company Profile		
	2-2 Entities included in the organization's sustainability reports	• Report Overview and Scope • Scope and boundaries		
	2-3 Reporting period, frequency, and contacts	• Reporting period • Frequency of issuance • Contact window		
	2-4 Restatement of information	• Changes in reporting		
	2-5 External assurance/verification	• Ensuring the accuracy of public information • External verification		
Events and Workers	2-6 Activities, value chain and other business relationships	3.2 Operating Performance 3.3 Customer Relations Management		
	2-7 Employees a. Total number of employees, and the total number by gender and region b. Report the total number of different categories of employees	7.2 Workforce Structure The distribution of the manpower structure in the last two years		
	2-8 Workers Who Are Non-Employees	The distribution of the manpower structure in the last two years		
Governance	2-9 Governance structure and composition	2.2 Corporate Governance 2.2.2 Operations of the Board of Directors • Powers of the Board of Directors		The Company has established a Sustainable Development Committee
	2-10 Nomination and Selection of the Highest Governing Body	2.2.2 Operations of the Board of Directors • Board of directors nomination and election procedures • Annual general meetings • Powers of the Board of Directors		The candidate nomination system is adopted for the election of directors.

	General disclosure (2-1 ~ 2-30)			
	GRI indicators	Corresponding ESG chapters	Page	Remarks
Governance	2-11 Chair of the highest governance body	• Educational experiences of Board members • Powers of the Board of Directors		The Company's Chairman serves as the Chair.
	2-12 Role of the highest governance body in overseeing the management of impacts a. The role of the highest governance unit and the role of senior management in the organization's purpose, values or vision, and strategy b. The role of the highest governance body in overseeing organizational due diligence and reviewing the effectiveness of organizational procedures	• Powers of the Board of Directors 2.3 Business Integrity 2.4 Legal Compliance • Improve the grievance mechanism, channels and investigation process • Investigation process 2.7 Internal Audit and Management Verification System		The vision, strategy, and verification timeline for promoting sustainable management The Company reports the state of communication with shareholders, employees, customers, communities, competent authorities, and suppliers, to the Board of Directors every year.
	2-13 Delegation of responsibility for managing impacts a. How the highest governance body delegates responsibility for managing the organization's economic, environmental, and population impacts b. Management procedures for the economic, environmental, and population impacts of senior management or other employees on the highest governance unit	1.1.1 ESG organization and responsibilities • Responsibilities of the ESG Committee 2.1.2 Organizational Structure and Responsibilities 1.2 Major stakeholder communication and grievance channels 2.6 Risk Management		
	2-14 Role of the highest governance body in sustainability reporting a. The highest governance unit shall review and approve the reported information b. If the highest governance body does not have the responsibility for reviewing and approving reported information (including the organization's material topics), explain the reasons	0 Message from the Chairman Promote the vision and strategy for sustainable operations (including the progress of initiatives, such as verification timelines). • ESG Vision and Strategy • Responsibilities of the ESG Committee • Regularly report the ESG implementation plan and results to the Board of Directors every year.		
	2-15 Conflicts of interest a. Describe the process by which the highest governance body ensures that conflicts of interest are avoided and mitigated b. Whether the report discloses conflicts of interest to stakeholders	2.3 Business Integrity • Business and Ethical Code of Conduct • Implementation Effectiveness • Reporting/Grievance system		Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies
	2-16 Communication on key major incidents a. How to communicate key material events with the highest governance unit	2.2.2 Operations of the Board of Directors 1.1.1 ESG organization and responsibilities		The Company did not have any major incidents that needed to be reported to the Board of Directors this year.
	2-17 Collective knowledge of highest governance body a. Group knowledge, skills, and experience of the highest governance unit in sustainable development	2.2.2 Operations of the Board of Directors • Educational experiences of Board members 2.2.3 Continuing education and performance of Board members • Board diversity		`Continuing education of Board members
	2-18 Evaluation of the performance of the highest governance body a. Procedures for the highest governance body to oversee the organization's performance in managing economic, environmental, and population-related impacts	• Board performance evaluation procedures and frequency		
	2-19 Remuneration policy	2.2.2 Operations of the Board of Directors • Director remuneration 7.4.1 Salary policy		
	2-20 Remuneration determination process a. The organization designs its compensation policy and compensation decision process	2.2.2 Operations of the Board of Directors • Director remuneration 7.5.1 Salary policy		
	2-21 Annual total compensation ratio	Ratio of highest executive annual salary to median employee annual salary The ratio of entry-level employee salary to the legal salary in 2025, and the ratio of general employees to middle and senior managers in the past two years		

	General disclosure (2-1 ~ 2-30)			
	GRI indicators	Corresponding ESG chapters	Page	Remarks
Strategies, policies and practices	2-22 Statement on sustainable development strategy a. A statement of the relationship between the highest governance unit or top management and sustainable development strategies.	0 Message from the Chairman		
	2-23 Policy commitments a. Describe the policy commitments related to responsible business conduct b. Describe a specific policy commitment to respect human rights	7.1 Talent Management Policy and Commitment • Corporate Sustainable Human Rights Policy 7.6 Human Rights and Equality		Commit to the implementation of the eight human rights policies
	2-24 Incorporation of policy commitments a. How to integrate each Responsible Business Conduct policy commitment into its activities and business relationships	1.4.1 Responses to material and secondary issues • 10 material issues list management		"Appendix 2-1"
	2-25 Procedures for remediating negative impacts a. Negative impacts that the organization believes caused or contributed to b. Describe the method for identifying and handling grievances	1.2 Major stakeholder communication and grievance channels 6.4 Environmental and Energy Management 6.4.2 Greenhouse Gas Management		
	2-26 Mechanisms for seeking advice and raising concerns	1.2 Major stakeholder communication and grievance channels		Stakeholder communication on issues of concern and grievance channels
	2-27 Legal compliance a. Total number of major violations during the reporting period	2.4.2 Legal compliance		No violations in the past two years (2024-2025)
	2-28 Membership of associations	2.8 Participation in External Organizations and Initiatives		
Stakeholder engagement	2-29 Stakeholder engagement policy a. Describe the approach to stakeholder engagement	1.2.1 Identifying major stakeholders 1.2.2 Major stakeholder communication and grievance channels		
	2-30 Collective bargaining agreements a. Percentage of total employees covered by collective agreements	7.6.3 Labor-management communication 7.6.5 Freedom of association		The Company does not have a collective bargaining agreement, but conducts labor-management meetings.
Material issues	• Guidelines for determining material issues 3-1 Process for determining material issues	1.1.1 ESG organization and responsibilities 1.2.1 Identifying major stakeholders 1.2.2 Major stakeholder communication and grievance channels 1.3 Communication on Issues of Concern to Stakeholders and the Process of Identifying Material Issues 1.4 Identification and Ranking of Material Issues and Responses		
	3-2 a. List of material issues b. Changes to the list of material topics	1. Implement sustainable management 1.4 Identification and Ranking of Material Issues and Responses • Description of Differences in Material Topics 1.5 Impact of Sustainable Management 1.5.1 Value chain relationships of material issues in Kaori		
	3-3 Management of Material Issues	1.5.2 Risk management of material issues • List and management of 10 material issues		"Appendix 2-1"

List of 10 Material Issues and Management and ESG Responses "Appendix 2-1"

NO	Provisions	Highlights of the GRI Provisions	Corresponding ESG chapters	Page	Remarks
1 Product Quality		Custom topic	4.5 Product Quality and Product Safety • Quality management procedures • Promotion of quality awareness • Quality assurance		The Company encountered zero instances of product recalls due to safety concerns or otherwise in 2025 and suffered no financial losses from lawsuits concerning product quality.
2 Operating Performance	201	Management and disclosure of material topics	3.1 Operation Performance Management Approach and Policies		Units produced by product category as a percentage of revenue
	201-1	Direct economic value generated by the organization	3.2 Operating Performance • Operating strategies and management guidelines • The operational results of the generation and distribution of direct economic value over the past three years.		
	201-2	Financial impacts and risks of climate change	6.2 Management of Climate Change Risks and Opportunities • The types of climate change risks, potential operational impacts, and adaptation methods.		Climate Change Governance, Strategies, Risks, and Target Indicators
	201-3	Defined benefit plan obligations and retirement plans	7.5 Remuneration and benefits 7.5.2 Retirement protection 7.5.3 Diversified welfare system		
	201-4	Financial subsidies received from the government	2.2.5 Tax management approach • Tax policy		No government financial subsidies
3 Product safety	416	Management and disclosure of material topics	4.5 Product Quality and Product Safety		The Company encountered zero instances of product recalls due to safety concerns or otherwise in 2025 and suffered no financial losses from lawsuits concerning product safety.
	416-1	Assessment of the health and safety impacts of product and service categories	4.5 Product Quality and Product Safety • Quality management procedures • Promotion of quality awareness • Quality assurance		
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services			
4 Talent Attraction and Retention	3	Management and disclosure of material topics	7.3 Talent Attraction and Retention		
	401-1	New employee hires and employee turnover	7.3.1 Percentage of New Permanent Employees and Attrition Rate		
	401-2	Benefits provided	7.5 Remuneration and benefits 7.5.3 Diversified welfare system • Reinstatement and retention of unpaid parental leave		
	401-3	Parental leave			
	402	Labor/management relations	7.6.3 Labor-management communication		
	405-1	Diversity of governance bodies and employees	7.2 Workforce Structure		
	405-2	Ratio of basic salary and remuneration of women to men	7.5 Remuneration and benefits Year-over-year percentage change in total compensation from 2024 to 2025		
5 Risk Management	3	Management and disclosure of material topics	2.6 Risk Management		
	201-2	Financial impacts and risks of climate change	2.6.2 Risk management process and countermeasures • Risk analysis outcome and response/management measures for 2025		
	308	Supply chain risk			
	205	Compliance risk			
	TCFD	Financial Impacts of Climate Change on Businesses	6. Sustainable Environment 6.2 Management of Climate Change Risks and Opportunities 6.3 Response Strategies to Climate Change Risks and Opportunities		Climate Change Governance, Strategies, Risks, and Target Indicators

List of 10 Material Issues and Management and ESG Responses "Appendix 2-1"

NO	Provisions	Highlights of the GRI Provisions	Corresponding ESG chapters	Page	Remarks
6 Corporate Governance	3	Management and disclosure of material topics	2.2.1 Management approach and policies		
	2-9 | 2-20	Corporate governance structure	2.2.2 Operations of the Board of Directors 2.2.3 Continuing education and performance of Board members 2.2.4 Corporate Governance Practices and Future Plans		
	2-26	Whistleblowing System	2.3 Business Integrity • Improve the grievance mechanism, channels and investigation process		
	205	Business Ethics	2.3 Business Integrity • Anti-bribery and anti-corruption		
7 Talent Development and Cultivation	404	Management and disclosure of material topics	7.4. Talent development and cultivation		
	404-1	Average hours of training per year per employee	7.4.1 Employee training priority planning • Training overview for 2025 7.4.2 Performance evaluation and career functions (1) Employee career development (2) Employee performance evaluation and career development		
	404-2	Programs for upgrading employee skills and transition assistance programs			
	404-3	Percentage of employees receiving regular performance and career development reviews			
8 Business Integrity	3	Management and disclosure of material topics	2.3 Business Integrity		
	205	Anti-corruption	• Anti-bribery and anti-corruption		
	2-23	Integrity Policy	• Integrity Management Approach		
	2-26	Whistleblowing System	2.3 Business Integrity • Improve the grievance mechanism, channels and investigation process		
	2-27	Compliance	2.4 Legal Compliance		
9 Sustainable Products	3 3-3	Management and disclosure of material topics Life Cycle Assessment (LCA)	4.2 Strategic Objectives for Future Technology Development 4.1. Sustainable products		Four core business units: See 1.6 Fulfill the UN Sustainable Development Goals (SDGS) for details.
10 Human Rights and Equality	3	Management and disclosure of material topics	7.6 Human Rights and Equality		Published the Human Rights Due Diligence Results Report in the first quarter of 2025.
	2-23	Human Rights Policy	7.6.1 Human rights promotion and management • The implementation status of human rights-related training in 2025		
	406	Non-discrimination			
	405	Diversity and equal opportunity			
	408	Child labor			
	409	Forced labor			

Appendix III: SASB Comparison Table

Industrial Machinery & Goods: Sustainability Accounting Standards Board (SASB) Sustainable Industry Classification System® (SICS®) RT-IG Sustainability Topics and Metrics and 2025 Disclosure Status

Topic	Code	Metric	Category	Measurement unit	2025 Disclosure Status
Energy management	RT-IG-130a.1	(1) Total energy consumption	Quantitative	Gigajoules (GJ)	59,936.9381
		(2) Percentage of grid electricity	Quantitative	Percentage (%)	97.7846
		(3) Percentage of renewable energy	Quantitative	Percentage (%)	0
Employee health and safety	RT-IG-320a.1	(a) Direct employees and (b) Contract employees (1) Total Recordable Incident Rate (TRIR)	Quantitative	Rate	0.99
		(2) Fatality Rate	Quantitative	Rate	0
		(3) Near Miss Frequency Rate (NMFR)	Quantitative	Rate	0
Fuel economy and use-phase emissions	RT-IG-410a.1	Sales-Weighted Fuel Efficiency of Medium- and Heavy-Duty Vehicle Fleet	Quantitative	Per 100 tons kilometers liters	0
	RT-IG-410a.2	Sales-Weighted Fuel Efficiency of Non-Road Equipment	Quantitative	Liters per Hour	0
	RT-IG-410a.3	Sales-Weighted Fuel Efficiency of Stationary Generators	Quantitative	Kilojoules per Liter	0
	RT-IG-410a.4	Sales-weighted emissions of (1) nitrogen oxides (NOx) and (2) particulate matter (PM) from (a) marine diesel engines, (b) railroad locomotive diesel engines, (c) on-road medium- and heavy-duty diesel engines, and (d) other non-road diesel engines1	Quantitative	Grams per Kilojoule	0
Materials Sourcing	RT-IG-440a.1	Description of Risk Management Related to the Use of Critical Materials	Discussion/ Analysis	Not applicable	• Diversity supply sources and secure the supply of raw materials by making purchases from suppliers in different regions. • Sign long-term supply contracts with suppliers to control cost, given the volatility of raw material prices. • Make localized purchases of raw material where possible to shorten the supply chain and minimize risk of shipment delay caused by logistics shortage.
Remanufacturing Design and Services	RT-IG-440b.1	Revenue from Remanufactured Products and Remanufacturing Services 2	Quantitative	Currency Expression	0

Topic	Code	Metric	Category	Measurement unit	2025 Disclosure Status
Table 2: Activity indicators					
	RT-IG-000.A	Production Volume, Categorized by Product Type 7	Quantitative	Count	The Company has always placed great importance on compliance with regulations set by competent authorities and has established a comprehensive internal data control system. However, the Company's metal products are highly diversified and produced in small, customized batches. Production and sales are heavily dependent on customer demand, and the relevant information involves specific client details and the Company's business strategy considerations. Due to confidentiality agreements signed with clients and the necessity of protecting the Company's operational information, we are unable to provide the aforementioned data and kindly ask for your understanding.
	T-IG-000.B	Number of employees	Quantitative	Count	The total manpower of the parent company was 742 people, including 571 regular employees, 104 foreign migrant workers, 1 foreign white-collar worker, 58 dispatched personnel, and 8 contractor personnel. The total manpower of the subsidiary Kaori Thermal Technology Co., Ltd. was 361 people, including 193 regular employees, 1 foreign white-collar worker, 7 short-term part-time employees, 157 dispatched personnel, and 3 contractor personnel. The total manpower of the subsidiary Kaori Technology (Ningbo) Co., Ltd. was 75 people, all of whom were regular employees.

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1 Note to RT-IG-410a.4 – The entity should discuss how it manages risks and opportunities related to fleet fuel economy and emissions.

2 Note to RT-IG-440b.1 – Disclosure should include a discussion of efforts to source end-of-life products and components for remanufacturing.

3 Note to RT-IG-000.A – The entity should, at a minimum, report the number of units produced for the following product categories: (1) Vehicles and agricultural and construction equipment, (2) Engines and power generation equipment, and (3) Components.

Appendix IV: Climate-Related Information Disclosure Checklist Required by the Taiwan Stock Exchange

<table>
<tr><th>Item</th><th>Implementation Status</th></tr>
<tr><td>1.
Describe the Board of Directors' and management's oversight and governance of climate-related risks and opportunities.</td><td>
The Company has established the "ESG Steering Committee," chaired by the Chairman, to lead the formulation of Kaori's ESG vision and long-term strategies. Sustainability execution and performance are regularly reviewed, tracked, and revised during monthly management meetings, and material matters are reported to the Board of Directors in accordance with the principle of materiality. Headed by the Chairman, the ESG Steering Committee comprises senior executives from various fields and is organized into four focus areas: environmental management, social management, corporate governance, and sustainability information disclosure. The Committee maintains close interaction with customers, government agencies, and broader society to enhance corporate transparency and comprehensively advance the Company's commitment to sustainability. In line with the "Sustainability Development Roadmap for TWSE and TPEx Listed Companies," Kaori has implemented the ISO 14064-1 Greenhouse Gas Inventory for four consecutive years and successfully passed third-party verification.
Implementation Status of the 2025 Sustainable Development Committee Meetings: A total of 2 meetings were held, with summaries as follows:
<table>
<tr><th>Sustainable Development Committee</th><th>Agenda Items and Resolutions</th><th>Any objections or reservations from committee members regarding the resolutions, recorded or submitted in writing</th><th>Any cases where the Board of Directors did not adopt or amended the Committee's recommendations</th></tr>
<tr><td>The 4th meeting of 1st term 114.08.07</td><td>Reporting Items:
(I) Report on the Company's stakeholder engagement activities in 2024.
(II) Implementation status of the Company's sustainability initiatives for the first half of 2025.
Discussion Items:
(I) Submission of the Company's 2024 Sustainability Report.
(II) Submission of the Company's 2024 Human Rights Due Diligence Report.</td><td>None</td><td>None</td></tr>
<tr><td>The 5th meeting of 1st term 114.12.18</td><td>Reporting Items:
(I) Implementation status of the Company's sustainability initiatives for the second half of 2025.
(II) Report on the identification and confirmation results of material topics for the Company's 2025 Sustainability Report.
(III) Report on the Company's 2026 sustainability initiative implementation targets.
Discussion Items:
(I) Amendments to the Company's "Sustainable Development Best Practice Principles".</td><td>None</td><td>None</td></tr>
</table>
</td></tr>
<tr><td>2.
Describe how the identified climate-related risks and opportunities affect the Company's business, strategy, and financial planning in the short, medium, and long term.</td><td>
The Company is actively developing solutions to reduce the operational and financial impact caused by climate change and to enhance organizational climate resilience. The Company defines the short term as within 1 year, the medium term as 2 to 3 years, and the long term as over 3 to 5 years. Climate-related risks and opportunities are assessed based on their potential impact on operations and finances, serving as the basis for planning appropriate response actions.
<table>
<tr><th colspan="2">Risk Categories and Opportunities</th><th>Short-term (1 - 2 years)</th><th>Medium-term (2 - 3 years)</th><th>Long-term (3 - 5 years)</th></tr>
<tr><td rowspan="2">Risks</td><td>Transition risk
Risks arising from the transition to a low-carbon economy. Transition risks include policy, legal, technological, market, and reputational risks</td><td>Changes in domestic/ foreign regulations: Greenhouse gas cap-and-trade systems, carbon taxes, and carbon fees</td><td>Cost of transition to low-carbon technology</td><td>Net-Zero Emissions Trend</td></tr>
<tr><td>Physical risks
Increasing severity of extreme weather causes weather conditions such as typhoons to occur at stronger intensities, which results in prolonged floods and power outages that affect factory operations. The Company may face situations such as production interruptions, reduced capacity, equipment damage, transportation difficulties, and disruptions in raw material supply due to severe weather events</td><td>Increasing severity of typhoons, floods, and extreme events</td><td>Increased droughts impacting the supply chain</td><td>Rising average temperatures</td></tr>
<tr><td>Opportunities</td><td>Positive impacts that climate change may have on the entity. Efforts in climate change mitigation and adaptation can create climate-related opportunities for the entity</td><td>Entry into new markets</td><td>Development and expansion of low-carbon products and services</td><td>Enhancing corporate reputation</td></tr>
</table>
</td></tr>
</table>

<table>
<tr><th>Item</th><th>Implementation Status</th></tr>
<tr><td>2.
Describe how the identified climate-related risks and opportunities affect the Company's business, strategy, and financial planning in the short, medium, and long term.</td><td>
Assessment of the above risks has been conducted to identify climate-related risks and opportunities that may result in significant financial impacts, along with corresponding response and implementation strategies.
The details are as follows:
<table>
<tr><th colspan="3">Transition Risks / Climate Opportunities</th></tr>
<tr><th>R Risk / O Opportunities</th><th>Financial impact - / +</th><th>Response Strategy / Implementation Strategy</th></tr>
<tr><td>R:
Cost of transition to low-carbon technology</td><td>- Increased investment in R&D
- Decrease in operating revenue</td><td>• Supplier Diversification: Kaori maintains relationships with several suppliers to reduce uncertainties associated with the cost of and access to low-carbon materials.
• Obtain Green Loans/Financing: Kaori will negotiate green loan projects with banks to secure preferential interest rates or funding, thereby reducing operational costs.
• Offset Revenue Shortfalls with Stable Product Income: If Kaori's low-carbon products fail to transition, other departments that generate consistent revenue from OEM services, such as the Fuel Cell Business, will try to increase revenue in an attempt to cover the potential loss of revenue associated with transition risks.</td></tr>
<tr><td>R:
Domestic and foreign carbon taxes</td><td>- Increase in operating costs due to carbon fee payments
- Penalties incurred for non-compliance with regulatory requirements</td><td>• Monitoring of regulations and trends: A dedicated team will be assembled to keep track of new product regulations and trends on a regular basis. Regular training will be organized to discuss current trends and to evaluate the needs for product re-modification and re-certification.
• Implement energy-efficient equipment: A comprehensive energy management system will be established to monitor equipment energy performance and support the replacement of high-energy-consuming equipment. Investments will also be made in green energy and energy storage systems at plant sites and offices. Furthermore, the Company will introduce automated production equipment as a way to improve production and energy efficiency, which in turn will reduce the frequency of equipment renewal and allow digital solutions to be used for the optimization of production procedures.
• Phase out high-carbon emission production services: In Q4 2022, two high-energy-consuming copper brazing machines were sold, and they were removed from the plant in Q1 2023.</td></tr>
<tr><td>R:
Net-Zero Emissions Trend</td><td>- Increased installation and operational costs for carbon reduction equipment</td><td>• Continue implementing greenhouse gas reduction actions
• Install solar power systems and obtain green energy certificates
• Encourage suppliers to adopt climate change mitigation and adaptation measures</td></tr>
<tr><td>O:
Entry into new markets</td><td>+ Increase in operating revenue
+ New collaborative opportunities</td><td>• Develop dedicated products: Exclusive products will be developed for heat pumps to capitalize on the current market trend and increase market share, whereas exclusive heat exchangers for air dryers will be developed to expand product lines and engage customers in broader, more frequent interactions.
• Develop hydrogen energy products: Kaori continues to develop hydrogen power products and engage technology partners in various innovations to bring technologies to broader applications, thereby satisfying the needs of customers and markets.
• Continue developing immersion liquid cooling modules/systems: Kaori continues to make modular designs and obtain technological certification for its liquid cooling and immersion products, while at the same time maintaining the flexibility needed to customize products according to the needs of different markets. By accumulating data on product design, the Company aims to stay competitive in the market.</td></tr>
<tr><td>O:
Development and expansion of low-carbon products and services</td><td>+ Reduced costs
+ Increased revenue
+ Attraction of capital</td><td>• Develop low carbon footprint products: Kaori will improve production procedures by incorporating green designs such as the use of low-carbon materials, designs with low material requirements, adoption of product recycling mechanisms, reuse of raw materials or parts, and adoption of low-carbon transport and packaging materials to lower product carbon footprints.
• Develop emerging low-carbon solutions: Hydrogen power technology will be incorporated into carbon neutral solutions and new forms of fuel will be developed to capitalize on new opportunities associated with climate mediation.
• Investment into the circular economy: Technologies relating to the circular economy, such as treatment of waste organic solvents and reuse of waste/residual hydrogen from production activities, will be developed in the future.</td></tr>
<tr><td>O:
Changes in consumers' preferences</td><td>+ Increased revenue
+ Enhanced corporate visibility</td><td>• Establish marketing plans: Plans will be made to have business units engage existing as well as new customers on a regular basis to ensure that product features do satisfy customers' requirements and are adjusted at appropriate times. Attention will also be directed toward exploring new markets and customers, such as tier-A customers in Europe.
• Ensure stable supply to meet market demand: Kaori will increase the number of stamped plate and stainless steel suppliers for capacity expansion. An ERP system will be used to monitor all stages of the production process for improved product quality and delivery timing.</td></tr>
</table>
</td></tr>
</table>

Item	Implementation Status

2.
Describe how the identified climate-related risks and opportunities affect the Company's business, strategy, and financial planning in the short, medium, and long term.

Physical Risks / Climate Opportunities		
R Risk / O Opportunities	Financial impact - / +	Response Strategies
R: Increasing severity of typhoons, floods, and extreme events R: Supply chain disruption (drought)	- Increase in operating costs - Decrease in operating revenue - Company reputation (credit loss)	• Reduce supply chain disruption risk: Diversify supplier sources to stabilize raw material supply and meet demand. Negotiate with suppliers to increase inventory levels and turnover rates, and store inventory near customer locations to minimize the risk of transportation disruption. • Compensating production capacity with efficiency: If work is suspended due to typhoons, Kaori will evaluate the extent of the delay and ask suppliers to increase production efficiency to make up for capacity shortfall, thereby averting production halt due to supply disruption.
R: Rise in average temperature	- Increase in electricity consumption leading to higher operating expenses - Shortage of raw materials causing price increases (R) - Higher costs or reduced production volume resulting in decreased revenue	• Use renewable energy • Develop alternative raw materials • Procure energy-efficient equipment • Implement energy management systems

3.
Describe the financial impacts of extreme weather events and transition actions.

Financial impacts of extreme weather events

Increasing severity of extreme weather causes weather conditions such as typhoons to occur at stronger intensities, which results in prolonged floods and power outages that affect factory operations. Bad weather has the potential to disrupt production activities, reduce capacity, damage equipment, hinder transportation, disrupt raw material supply, decrease revenue, and increase costs.

Risk impact assessment	Delayed delivery: Extreme weathers affect factory operations and cause disruptions to production activities, raw materials supply, and transportation. Delivery may be delayed by several days to one week. Impacts to the upstream/downstream: Extreme weather affects the number of parts delivered by suppliers and causes Kaori to underdeliver and delay the shipment of goods to customers. Customers' production activities may be halted as a result.
Evaluation of financial impact	Increased operating costs, reduced revenue, loss of credibility

Financial impacts of transition actions

The need to meet energy and carbon reduction requirements presents the Company with exposure to new markets and different customers, such as the application of fuel cells on ships, hydrogen generation and energy storage for thermal reactors, and recycling of residual hydrogen for power generation. Kaori will actively explore the potential of the new markets and expand the range of products offered as well as customers served for improved revenue and reputation. At the same time, by increasing the offering of low-carbon products, the Company aims to enhance market competitiveness, expand market share, and boost revenue.

Opportunity impact assessment	Access to new opportunities: In light of the carbon reduction trends around the world, Kaori will engage customers in greater depth to expand the applications of plate heat exchangers, such as in heat pumps. Exposure to new customers and new markets offers the potential for increased revenue and improved reputation. Entry into the hydrogen power market: Kaori invests persistently into the development of hydrogen power products and has been assisting customers with their entry into the hydrogen power market. In light of customers' needs for hydrogen power products, the Company has assigned its Fuel Cell Business to work with customers on the development of production procedures for SOECs, hydrogen power solutions, and fuel cells for ships, and to make samples as deemed necessary. Given the significant increase in shipments and revenue, Kaori is optimistic about the prospect of hydrogen power. Development of immersion cooling modules/systems: As servers/data centers draw more power, liquid cooling presents a viable solution over the long term. Kaori's immersion cooling modules/systems offer the potential to increase energy efficiency, and their persistent development efforts have increased the level of sophistication of the products, bringing them closer to mass production, which will benefit new markets and customers.
Financial impact assessment	Increased revenue and new collaborative opportunities

Item	Implementation Status
4. Describe how the processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management framework.	The Kaori ESG Steering Committee continuously monitors climate policies and action plans across domestic and international industries, and identifies climate-related risks and opportunities from multiple aspects, including extreme weather, regulatory changes, and market dynamics. Based on historical experience and the estimated timing of future events, the likelihood of occurrence is assessed alongside the potential impact on operations, reputation, personnel, and financial performance. Each responsible unit is then required to propose appropriate response strategies. The results are used to adjust internal management mechanisms and to maintain open and transparent communication channels with all stakeholders.

5.
If scenario analysis is used to assess resilience in the face of climate change risks, the scenarios, parameters, assumptions, analytical factors, and major financial impacts applied in the analysis should be described.

Based on two climate change scenarios, Kaori conducts studies and discussions on climate change through risk and opportunity workshops, and carries out assessments of risks and opportunities. Procedures for identifying climate change-related risks and opportunities are shown below:

A. Set climate change scenarios	B. Evaluate impacts on the operating environment	C. Identify climate risks and opportunities
Two climate change scenarios have been constructed: SSP5-8.5: temperature increased to 6°C SSP1-2.6: temperature increased to 2°C	Evaluate how climate change affects and impacts the operating environment and stakeholders	Establish a risk and opportunity matrix, and identify climate change risks and opportunities

From the climate change risks and opportunities identified, Kaori further analyzed the “Likelihood” and “Degree of impact” and shortlisted three high-risk factors and three high-opportunity factors for 112.
Risk Identification and Key Financial Impacts:

Risk ranking	Risk category	Risk factor	Key financial impact
1	Transition risk - technology	Cost of transition to low-carbon technology	Increase in operating costs Decrease in revenue Loss of goodwill
2	Transition risk - policies and regulations	Changes in domestic/foreign regulations	
3	Physical risk - immediate	Increasing severity of typhoons, floods, and extreme events	

Opportunity Identification Summary and Key Financial Impacts:

Opportunity ranking	Opportunity category	Opportunity factor	Key financial impact
1	Opportunities - Markets	Entry into new markets	Increased revenue New collaborative opportunities Attraction of capital
2	Opportunities - Products and services	Development and expansion of low-carbon products and services	
3	Opportunities - Products and services	Changes in consumers' preferences	

Item	Implementation Status
6. If there are transition plans in place to manage climate-related risks, the content of such plans should be explained, along with the indicators and targets used to identify and manage physical and transition risks.	In response to climate change risks, the Company has formulated a low-carbon transition plan, which aims to reduce emissions across operational activities, specifically addressing direct emissions (Scope 1), indirect emissions from energy use (Scope 2), and indirect emissions from the value chain (Scope 3). Implementation includes: I. Active and Voluntary Low-Carbon Emission Reduction: Improve brazing process technology and replace energy-intensive production equipment to enhance energy productivity and efficiency, continuously reducing carbon emissions during the product manufacturing and processing stages. Simultaneously reduce waste generated from operational activities. II. Development of Green Renewable Energy: Install solar photovoltaic systems to increase the share of renewable energy and support the transition to low-carbon energy. III . Development of Low-Carbon and Zero-Carbon Technologies: Leverage immersion cooling and hydrogen technologies to proactively support sustainable development across the industrial value chain and build a comprehensive low-carbon transition framework.

Indicators and Targets for Managing Physical and Transition Risks

Timeline	Short-term goals: (2024 - 2025)	Medium-term metrics: (2026 - 2029)	Long-term metrics: (after 2030)
Climate change and energy conservation	Execute energy and carbon reduction strategy	Power saving 3%	Power saving 5%
	0 days of production disruption caused by the disaster	0 days of production disruption caused by the disaster	0 days of production disruption caused by the disaster
	Conduct greenhouse gas emissions inventory and verification	Set reduction targets	Internal carbon pricing
	Installation of renewable energy	Installation of renewable energy	Green energy certificate transaction
waste	0 cases of non-compliance with waste laws and regulations	0 cases of non-compliance with waste laws and regulations	0 cases of non-compliance with waste laws and regulations
	100% of waste is disposed of by legal operators	100% of waste is disposed of by legal operators	100% of waste is disposed of by legal operators
Air pollution	0 cases of non-compliance with air pollution regulations	0 cases of non-compliance with air pollution regulations	0 cases of non-compliance with air pollution regulations
Water resources	0 cases of non-compliance with wastewater discharge regulations	0 cases of non-compliance with wastewater discharge regulations	0 cases of non-compliance with wastewater discharge regulations
	0 cases of production loss due to water restrictions	0 cases of production loss due to water restrictions	0 cases of production loss due to water restrictions
Legal Compliance	0 cases of non-compliance with environmental laws and regulations	0 cases of non-compliance with environmental laws and regulations	0 cases of non-compliance with environmental laws and regulations

Item	Implementation Status
7. If internal carbon pricing is used as a planning tool, the basis for determining the price should be explained.	To strengthen climate risk management and internalize carbon emission costs, the Company is evaluating the implementation of an “internal carbon pricing” mechanism. This tool will support the planning of greenhouse gas reduction strategies and help departments incorporate carbon cost considerations into capital expenditures, equipment investments, and process improvements, thereby enhancing the economic incentives and decision-making sensitivity for carbon reduction actions. The internal carbon price is determined based on the following key references: 1. International Carbon Market Price Reference: The pricing range is evaluated with reference to carbon price trends in the EU Emissions Trading System (EU ETS), as well as carbon markets in South Korea, Canada, and China. 2. Domestic Policies and Regulatory Trends: Potential external costs are estimated by considering the expected carbon fee mechanism under Taiwan's Climate Change Response Act and the carbon fee range announced by the Ministry of Environment. 3. Assessment of Financial Impact and Affordability: Based on the carbon emission profiles of different departments and production lines, a carbon price sensitivity analysis is conducted to evaluate the impact of internal carbon pricing on operating costs and investment returns. A reasonable pricing range (e.g., NTD 300 - 800 per ton of CO_2e) is proposed to guide low-carbon transition efforts. 4. Effectiveness in Incentivizing Carbon Reduction: The internal carbon price must provide sufficient incentives to drive concrete actions such as phasing out high-emission equipment, adopting energy-saving technologies, and procuring low-carbon raw materials.

Item	Implementation Status
8. If climate-related targets have been set, the covered activities, greenhouse gas emission scopes, planned timeline, and annual progress should be disclosed. If carbon offsets or Renewable Energy Certificates (RECs) are used to meet these targets, the source and amount of carbon offsets or the number of RECs used should also be specified.	Meanwhile, Kaori contributes its part to environmental protection and social values by enforcing energy management throughout its operations and by investing into the research and development of new materials and production procedures. A Carbon Management Committee has also been assembled to oversee GHG reduction, energy/resource conservation, water conservation, waste recycling, and mitigation of environmental impact. At the same time, Kaori continues to invest into environmental protection facilities and incorporate green management and energy conservation practices into business activities for sustainable growth. Kaori (Kaohsiung Plant) passed certification for 14001 Environmental Management System in 2019. From greenhouse gases, air pollution, and effluent discharge to waste treatment, Kaori is fully committed to making improvements and minimizing environmental impact. As a result, no major violations of environmental regulations have occurred in the year of the report. Through the introduction of 14001 Environmental Management System, Kaori has been able to implement environmental management policies along with effective management processes at plant sites to enforce environmental compliance, order, safety, training, and so on to lessen the impact of organizational activities on the environment, while at the same time ensuring the safety of products and services offered as well as employees' health and safety at work. Since 2021, the Company has established a Carbon Management Committee and has conducted annual greenhouse gas emission inventories and verifications in accordance with ISO 14064-1. The implementation timeline and annual progress are detailed in Item 9, Sections 1-2 below. At the current stage, the Company adopts self-directed energy-saving measures as its primary approach to carbon reduction. Regarding renewable energy planning, Kaori actively responds to global Net Zero emissions actions and regards the adoption of green power as an important beginning for implementing environmental sustainability. Up to the present, Kaori has completed the installation of a 1.216 MW solar power generation system, with the total power generated in 2025 totaling 1,381,178 kWh. This demonstrates that the Company has made significant progress in expanding the scale of renewable energy.
9. Greenhouse gas inventory and assurance status, along with reduction targets, strategies, and concrete action plans (provided separately in Sections 1-1 and 1-2).	For details, please refer to Section 6.4.2 Greenhouse Gas Management of this report

(Based on Appendix 2 of the “Operational Guidelines for the Preparation and Filing of Sustainability Reports by TPEx-Listed Companies”)

Appendix V: Declaration of Independent Assurance Opinion

Independent
Assurance Statement

AA1000
Licensed Report
000-84/V3-5YVI1

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