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NAK SEALING TECHNOLOGIES CORPORATION

ANNUAL REPORT 2024



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<http://www.nak.com.tw/>

I. The Company's spokesperson

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Job title: Manager of the Finance Department

Tel: (049)2255-011

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Acting spokesperson

Name: Yu-Chin Chen

Job title: Manager of the Auditing Office

Tel: (049)2255-011

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II. Address and phone number of head office, branch offices and plants

Name	Address	Telephone
Headquarters	No. 336, Gongye Road, Nangang Industrial District, Nantou City	(049)2255-011
Plant #1	No. 19, Chenggong 1st Road, Nangang Industrial District, Nantou City	(049)2262-098
Plant #2	No. 336, Gongye Road, Nangang Industrial District, Nantou City	(049)2255-011
Plant #3	No. 21, Chenggong 1st Road, Nangang Industrial District, Nantou City	(049)2262-098
Plant #4	No. 338, Gongye Road, Nangang Industrial District, Nantou City	(049)2255-011
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Plant #6	No. 148, Chenggong 3st Road, Nangang Industrial District, Nantou City	(049)2255-011

III. Shareholder services

Name: Shareholder Services Department, Yuanta Securities Co., Ltd.

Address: B1., No. 67, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City

Tel: (02)2586-5859

Website: <http://www.yuanta.com.tw>

IV. Name of auditors of the latest audited financial report, and name, address, telephone and website of CPA firm

Accounting Firm: PricewaterhouseCoopers Taiwan

CPAs: Sung-Yuan Wu and Chih-Wei Lai

Address: 12F, No. 402, Shizheng Road, Xitun District, Taichung City

Tel: (04)2704-9168

Website: <http://www.pwcglobal.com.tw>

V. Name of overseas exchange where securities are listed, and the methods for inquiring the foreign-listed securities: NA.**VI. Corporate website: <http://www.nak.com.tw>**

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One. Letter to Shareholders

I. 2024 Business Report:

1. Achievements of business plan

The Company's consolidated revenue in 2024 is NT\$3,923,456 thousand, representing a decrease of 18.03% from NT\$4,786,526 thousand in 2023; the net profit before tax in 2024 is NT\$1,037,885 thousand, representing a decrease of 21.90% from NT\$1,328,902 thousand in 2023. This is mainly due to the decrease in the market demand for the current year, so that both net revenue and net profit before tax in 2024 decreased compared with the previous period.

Unit: In NT\$ thousand

General ledger account	2024	2023	Change in %
Net Operating Income	3,923,456	4,786,526	-18.03%
Gross profit	1,581,842	1,971,202	-19.75%
Operating Income	979,332	1,306,083	-25.02%
Pre-tax net income	1,037,885	1,328,902	-21.90%
Net income after tax	720,825	980,511	-26.48%

2. Budget execution:

The Company is not required to make public financial forecasts for 2024 under the prevailing laws. Business performance is generally in line with internal plans.

3. Analysis of revenue and expenditure and profitability:

Item		2024	2023
Financial structure (%)	Debt-to-total-assets ratio	21.38	25.08
	Long-term funds to fixed assets ratio (%)	242.75	240.53
Solvency (%)	Current ratio	476.25	376.65
	Quick ratio	330.14	255.45
Profitability (%)	Return on total assets	13.63	18.70
	Return on shareholders' equity	17.70	26.33
	Net margin	18.37	20.48
	Basic earnings per share	8.67	11.77

4. Status on research and development:

(1) Research and development results of 2024:

Item	Description
Technologies and products successfully developed	1. OEM products in the automotive industry, oil seals used in diesel pumps.
	2. OEM products in the automotive industry, oil seals used in vehicle axles.
	3. OEM products in the automotive industry, oil seals used in vehicle shock absorbers.
	4. OEM products for industrial applications, oil seals used in precision gearboxes.
	5. OEM products for industrial applications, oil seals used in hydraulic motors.
	6. OEM products for industrial applications, oil seals used in washing machines oil seals.
	7. OEM products for agricultural construction and mining industries, oil seals used in agricultural machinery axles.
	8. OEM products for agricultural construction and mining industries, oil seals used in agricultural hydraulic pumps.
	9. OEM products for agricultural construction and mining industries, oil seals used in axle cylinders of construction machinery.
	10. OES products in the automotive industry, oil seals used in vehicle shock absorbers.
	11. OES products in the automotive industry, oil seals used in vehicle axles.
	12. As for the AF products in the automotive industry, the following products have been developed in line with the sales department's strategy for the aftermarket segment: (1) Steering gearbox repair kit. (2) Steering pump repair kit. (3) Automatic transmission pistons repair kit.
	13. Development of injection molding-grade rubber compound.

(2) The research and development expenses of 2024 is NT\$77,979 thousand, accounting for 1.99% of the net revenue.

II. Summary of 2025 business plan

1. Operating principles:
 - (1) Maintain return on equity for shareholders.
 - (2) Improve market share.
 - (3) Information synchronization.
 - (4) Business globalization.
 - (5) Improve product mix.

2. Expected sales and its bases:

The 2025 revenue is still expected to come from oil seal products. The Company will expand the sales of strategic products to the existing customers to further cultivate the market, and at the same time actively develop OEM clients at home and abroad. It is expected that the European and American markets will account for 42% of the 2025 revenue. At the same time, we will continue to expand the strategic planning in the markets in Asia and emerging countries. It is expected that the revenue will increase from last year.

3. Important manufacturing and sales policies:

- (1) Key points for sales execution plan:
 - A. Develop large-scale OEM clients.
 - B. Develop medium-sized OEM clients.
 - C. Develop aftermarket business.
 - D. Reduce costs and increase profits.
- (2) Production strategies and important action plans:
 - A. Technical services for entire process.
 - B. High-efficiency manufacturing process.
 - C. International brands.
 - D. Convenient transactions.

III. Future development strategies

To achieve the Company's vision of building world-class brands and factories, and the long-term global development, the strategies include:

1. Develop eight major businesses in the automotive OEM industry.
2. Develop automotive AF components market.
3. Develop eight major businesses in the industrial OEM market.
4. Expand the industrial AF components market.
5. Develop agricultural construction and mining OEM businesses.
6. Expand the agricultural construction and mining AF components market.

Looking forward to improving the Company's performance with on-time delivery, quick sample delivery, sealing solutions, product enhancements, consistent quality, and customer satisfaction.

IV. Influence of external competition

The rapid rise of manufacturers in emerging countries in recent years has led to intensified price competition and increased fluctuations in raw material costs. In response to these trends, the Company has relevant countermeasures which include (1) Reducing costs and improving efficiency; (2) Developing high value-added products and enhancing product differentiation; (3) Expanding OEM/ODM markets; (4) Providing convenient transaction services; (5) Adjusting pricing strategies in a flexible manner to enhance long-term competitiveness.

V. Impact of the regulatory environment and macroeconomic environment

The Company pays close attention to changes in domestic and international regulations, especially emerging regulations related to sustainable development and carbon emission management, in order to ensure operational compliance and safeguard corporate reputation.

In 2025, the global economy will continue to be affected by multiple factors, including geopolitical risks such as the Russia-Ukraine war and the Israeli-Palestinian conflict, as well as trade tensions between China and the U.S. and tariff measures, which will create uncertainties in supply chain stability, energy prices and market demand.

In addition to continuing to control costs, optimize processes and improve quality, the Company has also strengthened its differentiated services and product R&D, and actively expanded into new markets and new products in order to respond to external changes and steadily improve its operating performance.

Finally, we give all valued shareholders our best wishes.

We wish everyone good health, good luck, and prosperity.

Chairman

Cheng-Fu Shih

Two. Corporate Governance Report

I. Profile of directors, president, vice presidents, assistant vice presidents, and supervisors of departments and branches:

(I) Directors:

Director information (I)

March 30, 2025

Job title (Note 1)	Nationality or registration place	Name	Gender Age (Note 2)	Election / Appointment Date	Term duration	Date first elected (Note 3)	Number of shares owned at time of election		Number of shares currently held		Shareholding of spouse and minor children		Shares held in the name of others		Main work experience or education background (Note 4)	Concurrent position in the Company or other companies	Other managers, directors or supervisors who are spouse or blood relatives within the second degree			Remarks (Note 5)
							Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio			Job title	Name	Relationship	
Chairman	ROC	Cheng-Fu Shih	Male 71-80	2022.06.09	3	1976.07.23	6,913,348	8.31%	4,500,000	5.41%	84,929	0.10%	-	-	Master of Business Administration, Dominican University of California, USA Chairman of Lian-Shun Company Chairman of Yi-Cheng Company Elected as one of the members of Ten Outstanding Young Persons	Representative of SMOOTH TRACK ASSOCIATES LIMITED Chairman of Fu Mao Mei Investment	Vice Chairman President	Chun-Tang Hsu Ming-Yao Shih	In-Law Father-son	Note 5
Vice Chairman	ROC	Chun-Tang Hsu	Male 71-80	2022.06.09	3	1980.07.29	1,653,427	1.99%	1,412,427	1.70%	1,130,000	1.36%	-	-	Tung Der Vocation School Chairman or Long-Tu Automation Company Manager of Production Department, President of NAK Sealing Technologies Corporation	Chairman of Kunshan Maoshun Sealing Products Industrial Co., Ltd. Chairman of NAK Sealing Products (Thailand) Co., Ltd.	Chairman	Cheng-Fu Shih	In-Law	None
Director	ROC	Ming-Yao Shih	Male 41-50	2022.06.09	3	2010.06.15	3,087,402	3.71%	1,637,402	1.97%	-	-	-	-	Lansbridge University MBA Department of Physics of Chung Yuan Christian University Manager of Production Technology Department and Production Department at NAK Sealing	General manager of the Company	Chairman	Cheng-Fu Shih	Father-son	None
Director	ROC	Hsi-Hu Nian	Male 61-70	2022.06.09	3	First time elected as a supervisor on 1982.02.01, and first time elected as a director on 1999.04.08.	350,000	0.42%	275,000	0.33%	1,300,000	1.56%	-	-	Tung Der Vocation School Manager of Production Department and Procurement Department at NAK Sealing Technologies Corporation	None	None	—	—	None
Director	ROC	Ren-An Chen	Male 71-80	2022.06.09	3	2001.05.24	963,533	1.16%	887,533	1.07%	924,035	1.11%	-	-	Overseas Chinese University Manager of Management Department at Hota Industrial	None	None	—	—	None

Job title (Note 1)	Nationality or registration place	Name	Gender Age (Note 2)	Election / Appointment Date	Term duration	Date first elected (Note 3)	Number of shares owned at time of election		Number of shares currently held		Shareholding of spouse and minor children		Shares held in the name of others		Main work experience or education background (Note 4)	Concurrent position in the Company or other companies	Other managers, directors or supervisors who are spouse or blood relatives within the second degree			Remarks (Note 5)
							Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio			Job title	Name	Relationship	
Independent director	ROC	Kuo-Ko Chen	Male 51-60	2022.06.09	3	2016.06.29	-	-	-	-	-	-	-	-	Master of Business Administration, National Yunlin University of Science and Technology Adjunct lecturer of Department of Business Administration at Nan Kai University of Technology Lead consultant at Taiwan Management Consulting Industry Association	None	None	—	—	None
Independent director	ROC	Su-Ying Lee	Female 51-60	2022.06.09	3	2016.06.29	-	-	-	-	-	-	-	-	Department of Business Administration at National Central University Vice President of Investment Banking Department, Yuanta Securities Assistant Manager in the Underwriting Department of Grand Cathay Securities	Independent director at Koan-Hao Technology Independent director at Sunspring Metal Independent director at Cayman Gourmet Master Co. Ltd. Responsible person of Ying-Chi-An Investment	None	—	—	None
Independent director	ROC	Chih-Hung Wu	Male 41-50	2022.06.09	3	2022.06.09	-	-	-	-	-	-	-	-	Department of Accounting Information at National Taichung University of Science and Technology Auditor at I-Hao Chang CPA Office	CPA Chi-Hung Wu and Associates	None	—	—	None
Independent director	ROC	Chin-Lung Lin	Male 61-70	2022.06.09	3	2022.06.09	3,000	0%	3,000	0%	-	-	-	-	Department of Law, Soochow University Prosecutor of Yunlin and Changhua District Prosecutor's Office Attorney-at-Law, Chang-De Law Firm	Practicing lawyer at Cheng-Chun Law Firm	None	—	—	None

Note 1: Corporate shareholders should be listed by their names and representatives (representatives should indicate the name of corporate shareholders for whom they represent), filled in Table 1 below.

Note 2: Actual age is listed and also expressed in range, such as 41 to 50 years old or 51 to 60 years old.

Note 3: Please note any interruption to those who serve as a director or supervisor for the first time. Note 3: Previous experience related to the current position. If the person in the most recent year has held a position at the accounting firm of the certified public accountant or an affiliated company, please state the position name and the tasks the person is responsible for.

Note 4: Previous experience related to the current position. If the person in the most recent year has held a position at the accounting firm of the certified public accountant or an affiliated company, please state the position name and the tasks the person is responsible for.

Note 5: In the event that the Company's chairman and president or a position of the same level (top-level manager) are the same person, spouse or a first-degree relative, relevant information such as the reasons, rationality, necessity and future improvement measures must be disclosed (such as adding the seat number of independent directors, and there should be ways for majority directors who are not taking concurrent positions as employees or managers): 1. Ming-Yao Shih, the general manager of the Company, is a first-degree relative of the chairman for the purpose of the Company's overall operating policy. The re-election of the 18th session of the Board of Directors has increased the seat number of independent directors by one to strengthen the supervisory function of the Board of Directors. The current four independent directors are specialized in the areas of finance, accounting and law, and are able to perform their supervisory function effectively. 2. The independent directors can fully discuss and make recommendations for the Board of Director's reference in all functional committees in order to implement corporate governance. 3. A majority of the members of the Board of Directors are not taking concurrent positions as employees or managers. 4. Each director shall pursue continuing education for at least 6 hours (inclusive) per year according to his/her expertise in order to continuously enrich knowledge and improve the operation of the Board of Directors.

Director information (II)

I. Disclosure of professional qualifications of directors and independence of independent directors:

Criteria Name	Professional qualifications and experience	Independence	Concurrently serving as an independent director in other publicly listed companies
Cheng-Fu Shih	<p>Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</p> <p>Currently the chairman of NAK Sealing Technologies Corporation and representative of SMOOTH TRACK ASSOCIATES LIMITED.</p> <p>Has served as the Company's chairman and director.</p> <p>Not been a person of any conditions specified in Article 30 of the Company Act.</p>	<p>(1) Not a director, supervisor or employee of another company or institution in which the majority of board seats or voting rights are controlled by the same person in the Company.</p> <p>(2) Not a director, supervisor or employee of another company or institution, who is also the chairman, president or equivalent position, or a spouse of these personnel, of the Company.</p> <p>(3) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.</p> <p>(4) Not a professional individual or an owner, partner, director, supervisor or managerial officers of a sole proprietorship, partnership, company or institution that, provides auditing or commercial, legal, financial, accounting services, which receive less than NT\$500,000 in accumulated remuneration the most recent two years, to the Company or to any affiliate of the Company, or a spouse thereof.</p> <p>(5) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</p>	None

Criteria Name	Professional qualifications and experience	Independence	Concurrently serving as an independent director in other publicly listed companies
Chun-Tang Hsu	<p>Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</p> <p>Currently Chairman of Kunshan NAK Sealing Technologies Corporation and NAK Sealing Products (Thailand) Co., Ltd.</p> <p>Has served as the Company's director. Not been a person of any conditions specified in Article 30 of the Company Act.</p>	<p>(1) Not a director, supervisor or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or ranks as of its top five shareholders, or appointed as a representative in accordance with Paragraph 1 or 2 of Article 27 of the Company Act.</p> <p>(2) Not a director, supervisor or employee of another company or institution in which the majority of board seats or voting rights are controlled by the same person in the Company.</p> <p>(3) Not a director, supervisor or employee of another company or institution, who is also the chairman, president or equivalent position, or a spouse of these personnel, of the Company.</p> <p>(4) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.</p> <p>(5) Not a professional individual or an owner, partner, director, supervisor or managerial officers of a sole proprietorship, partnership, company or institution that, provides auditing or commercial, legal, financial, accounting services, which receive less than NT\$500,000 in accumulated remuneration the most recent two years, to the Company or to any affiliate of the Company, or a spouse thereof.</p> <p>(6) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</p>	None

Criteria Name	Professional qualifications and experience	Independence	Concurrently serving as an independent director in other publicly listed companies
Ming-Yao Shih	<p>Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</p> <p>Currently serving as the president of NAK Sealing Technologies Corporation.</p> <p>Has served as the Company's director.</p> <p>Not been a person of any conditions specified in Article 30 of the Company Act.</p>	<p>(1) Not a director, supervisor or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or ranks as of its top five shareholders, or appointed as a representative in accordance with Paragraph 1 or 2 of Article 27 of the Company Act.</p> <p>(2) Not a director, supervisor or employee of another company or institution in which the majority of board seats or voting rights are controlled by the same person in the Company.</p> <p>(3) Not a director, supervisor or employee of another company or institution, who is also the chairman, president or equivalent position, or a spouse of these personnel, of the Company.</p> <p>(4) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.</p> <p>(5) Not a professional individual or an owner, partner, director, supervisor or managerial officers of a sole proprietorship, partnership, company or institution that, provides auditing or commercial, legal, financial, accounting services, which receive less than NT\$500,000 in accumulated remuneration the most recent two years, to the Company or to any affiliate of the Company, or a spouse thereof.</p> <p>(6) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</p>	None

Criteria Name	Professional qualifications and experience	Independence	Concurrently serving as an independent director in other publicly listed companies
Ren-An Chen	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company. Has served as the Company's director. Not been a person of any conditions specified in Article 30 of the Company Act.	(1) Not an employee of the Company or any of its affiliates. (2) Not a director, supervisor or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or ranks as of its top five shareholders, or appointed as a representative in accordance with Paragraph 1 or 2 of Article 27 of the Company Act. (3) Not a director, supervisor or employee of another company or institution in which the majority of board seats or voting rights are controlled by the same person in the Company.	None
Hsi-Hu Nian	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company. Has served as the Company's director. Not been a person of any conditions specified in Article 30 of the Company Act.	(4) Not a director, supervisor or employee of another company or institution, who is also the chairman, president or equivalent position, or a spouse of these personnel, of the Company. (5) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company. (6) Not a professional individual or an owner, partner, director, supervisor or managerial officers of a sole proprietorship, partnership, company or institution that, provides auditing or commercial, legal, financial, accounting services, which receive less than NT\$500,000 in accumulated remuneration the most recent two years, to the Company or to any affiliate of the Company, or a spouse thereof. (7) Not having a marital relationship or a relative within the second degree of kinship to any other director of the Company. (8) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.	None

Criteria Name	Professional qualifications and experience	Independence	Concurrently serving as an independent director in other publicly listed companies
Kuo-Ko Chen	<p>Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</p> <p>Currently serving as the lead consultant at Chung-Ke Management Consulting.</p> <p>Served as the lead consultant at Taiwan Management Consulting Industry Association.</p> <p>Not been a person of any conditions specified in Article 30 of the Company Act.</p>	<p>(1) Not an employee of the Company or any of its affiliates.</p> <p>(2) Not a director or supervisor of the Company or any of its affiliates.</p> <p>(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.</p>	None
Su-Ying Lee	<p>Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</p> <p>Concurrently serving as an independent director of Sunspring Metal, Cayman Gourmet Master Co. Ltd. and Koan-Hao Technology.</p> <p>Had served as the vice President of Investment Banking Department, Yuanta Securities.</p> <p>Not been a person of any conditions specified in Article 30 of the Company Act.</p>	<p>(4) Not a spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship, of any of the above persons listed in Subparagraph (2) and (3) or of the manager listed in (1).</p> <p>(5) Not a director, supervisor or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or ranks as of its top five shareholders, or appointed as a representative in accordance with Paragraph 1 or 2 of Article 27 of the Company Act.</p>	3
Chih-Hung Wu	<p>A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company.</p> <p>Has work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</p> <p>Currently a CPA in CPA Chi-Hung Wu and Associates</p> <p>Former auditor at I-Hao Chang CPA Office</p> <p>Not been a person of any conditions specified in Article 30 of the Company Act.</p>	<p>(6) Not a director, supervisor or employee of another company or institution in which the majority of board seats or voting rights are controlled by the same person in the Company.</p> <p>(7) Not a director, supervisor or employee of another company or institution, who is also the chairman, president or equivalent position, or a spouse of these personnel, of the Company.</p> <p>(8) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.</p>	None
Chin-Lung Lin	<p>A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company.</p> <p>Current practicing lawyer at Cheng-Chun Law Firm.</p> <p>Former attorney-at-law of Chang-De Law Firm and prosecutor of Yunlin and Changhua District Prosecutor's Office.</p> <p>Not been a person of any conditions specified in Article 30 of the Company Act.</p>	<p>(9) Not a professional individual or an owner, partner, director, supervisor or managerial officers of a sole proprietorship, partnership, company or institution that, provides auditing or commercial, legal, financial, accounting services, which receive less than NT\$500,000 in accumulated remuneration the most recent two years, to the Company or to any affiliate of the Company, or a spouse thereof.</p> <p>(10) Not having a marital relationship or a relative within the second degree of kinship to any other director of the Company.</p> <p>(11) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</p>	None

II. Board diversity and independence:

(I) Diversity of the Board:

In order to promote board diversity, corporate governance and the development of board composition and structure, the nomination of candidates for the Company's board members abides by the Company's Articles of Incorporation and adopts a candidate nomination method. The education qualifications, professional background, ethics and other relevant qualifications of the candidates are first reviewed and approved by the board before being presented to the shareholder meeting for election. The Company's goal for board diversity is to have more than one-third of the board seats taken by a gender and no more than one-third of board members concurrently serving as employees. It is expected to be achieved in the 19th (2025) term of the Board of Directors. There are currently 9 directors, and the implementation of board diversity is described as follows:

- * 11% of the Board members are females, and 89% are males.
- * 33% of directors hold positions as employees, 44% of independent directors concurrently hold positions as employees, and 67% of directors do not hold positions as employees.
- * Three directors are over 70 years old, two directors are 60 to 69 years old, two are 50 to 59 years old, and two are under 50 years old.
- * Five have more than 10 years of experience serving as directors, and four have 3 to 9 years of experience serving as directors.

Core items for board diversity are as follows:

1. Basic composition

Diversity items	Basic composition							
	Gender	Concurrent serving as an employee of the Company	Age distribution (years old)			Service tenure of directors		
Name of Director			Under 60	61 to 69	More than 70	Less than 3 years	3 to 9 years	Over 9 years
Cheng-Fu Shih	Male	v			v			v
Chun-Tang Hsu	Male	v			v			v
Ming-Yao Shih	Male	v	v					v
Hsi-Hu Nian	Male			v				v
Ren-An Chen	Male				v			v
Kuo-Ko Chen	Male		v				v	
Su-Ying Lee	Female		v				v	
Chih-Hung Wu	Male		v			v		
Chin-Lung Lin	Male			v		v		

2. Professional background

Diversity items		Professional background				Professional knowledge and skills				
		Accounting	Industry	Finance	Legal	Business administration	Leadership and decision-making	Industry knowledge	Financial accounting	Crisis management
Name of Director										
Director	Cheng-Fu Shih		V			V	V	V		V
Director	Chun-Tang Hsu		V			V	V	V		V
Director	Ming-Yao Shih		V			V	V	V		V
Director	Hsi-Hu Nian		V			V	V	V		V
Director	Ren-An Chen	V	V	V		V		V	V	V
Independent director	Kuo-Ko Chen		V			V		V		V
Independent director	Su-Ying Lee	V		V		V			V	V
Independent director	Chih-Hung Wu	V		V		V			V	V
Independent director	Chin-Lung Lin				V	V				V

(II) Independence of the Board:

The election and appointment procedures for all directors are transparent and fair, and comply with the Company's "Articles of Incorporation", "Rules for Election of Directors", "Corporate Governance Best-Practice Principles", "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and "Article 14-2 of the Securities and Exchange Act"; the current Board consists of four independent directors (44%) and five non-independent directors (56%).

The Company's board guides the Company's strategy and supervises the management, and is responsible to the Company and shareholders. In terms of the operation and arrangement of the corporate governance system, the board exercises its powers in accordance with laws and regulations, the Articles of Incorporation or the resolutions of the shareholder meetings. The board of the Company emphasizes the functioning of independent operation and transparency. Directors and independent directors are independent individuals and exercise their powers independently. The four independent directors also abide by the relevant laws and regulations, and, combined with the functions and powers of the audit committee, review the control of the Company's existing or potential risks, so as to supervise the effective implementation of the Company's internal control, the selection (dismissal) of certified accountants and their independence and the adequate preparation of financial statements. In addition, the selection and appointment of directors and independent director adopt the candidate nomination approach according to the Rules for Election of Directors, and shareholders are encouraged to participate in the voting. Shareholders who have a certain number of shares may propose their list of candidates. The review of candidates' qualifications and whether they have violated the clauses listed in Article 30 of the Company Act are subject to the laws and regulations in order to protect the rights and interest of shareholders, maintain independence, and prevent excessive facilitation of nomination rights.

The Company has established a performance appraisal system for the Board of Directors, and conducts internal self-evaluation of the Board and each Board member once a year. After reporting to the Board, the evaluation results are disclosed in the Company's annual report and on its website.

(II) President, vice presidents, assistant vice presidents, and supervisors of departments and branches:

Profile of president, vice presidents, assistant vice presidents, heads of departments and branches

March 30, 2025

Job title	Nationality	Name	Gender and age	Election / Appointment Date	Shareholding		Shareholding of spouse and minor children		Shares held in the name of others		Main work experience or education background	Concurrent position in other companies	Managers who are spouse or blood relatives within the second degree			Remarks
					Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio			Job title	Name	Relationship	
President	ROC	Ming-Yao Shih	Male 41~50	2010 03.01	1,637,402	1.97%	-	-	-	-	Lansbridge University MBA Department of Physics of Chung Yuan Christian University Manager of Production Technology Department and Production Department at NAK Sealing	None	Chairman	Cheng-Fu Shih	Father-son	Note 1
President at Kunshan	ROC	Chiang-Ling Chien	Male 51~60	2010 03.01	74,497	0.09%	34,007	0.04%	-	-	Master of Mechanical and Automation Engineering at Dayeh University President of NAK Sealing Technologies Corporation	President of Kunshan NAK Sealing Products Industrial	-	-	-	None
Vice president of operation	ROC	Shu-Min Wu	Male 51~60	2009 01.01	45,108	0.05%	12,000	0.01%	-	-	National Taipei University of Business Manager of Operations Management Department at NAK Sealing Technologies Corporation	None	-	-	-	None
Vice president of production	ROC	Hsien-Te Shih	Male 51~60	2009 11.01	12,370	0.01%	45,835	0.06%	-	-	Chaoyang University of Technology Manager of Production Department at NAK Sealing Technologies Corporation	None	-	-	-	None

Note 1: In the event that the Company's president or a position of the same level (top-level manager) and the chairman are the same person, spouse or a first-degree relative, relevant information such as the reasons, rationality, necessity and future improvement measures must be disclosed (such as adding the seat number of independent directors, and there should be ways for majority directors who are not taking concurrent positions as employees or managers):

1. Ming-Yao Shih, the general manager of the Company, is a first-degree relative of the chairman for the purpose of the Company's overall operating policy. The re-election of the 18th session of the Board of Directors has increased the seat number of independent directors by one to strengthen the supervisory function of the Board of Directors. The current four independent directors are specialized in the areas of finance, accounting and law, and are able to perform their supervisory function effectively. 2. The independent directors can fully discuss and make recommendations for the Board of Director's reference in all functional committees in order to implement corporate governance. 3. A majority of the members of the Board of Directors are not taking concurrent positions as employees or managers. 4. Each director shall pursue continuing education for at least 6 hours (inclusive) per year according to his/her expertise in order to continuously enrich knowledge and improve the operation of the Board of Directors.

II. Remuneration paid during the most recent fiscal year to directors of the Board, the president, and vice presidents

(I)

(1) Remuneration paid to directors and independent directors

December 31, 2024
Unit: NTD in thousands

Job title	Name	Directors' remuneration								Total Remuneration (A+B+C+D) as a % of the Net Income (Note 10)		Remuneration for concurrent position as an employee								Total Compensation (A+B+C+D+E+F+G) as a % of the Net Income (Note 10)		Whether receive remuneration from non-consolidated affiliates or the parent company (Note 11)
		Base Compensation (A) (Note 2)		Severance Pay and Pensions (B)		Directors' remuneration (C) (Note 3)		Allowances for Operations (D) (Note 4)				Base Compensation, Bonuses, and Allowances (E) (Note 5)		Severance Pay and Pensions (F)		Employees' Profit Sharing Bonus (G) (Note 6)						
		The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company		From All Consolidated Entities (Note 7)		The Company	From All Consolidated Entities (Note 7)			
														Cash	Stock	Cash	Stock					
Chairman	Cheng-Fu Shih	-	-	-	-	1,000	1,000	56	56	0.15%	0.15%	2,845	2,845	-	-	544	-	544	-	0.62%	0.62%	None
Vice Chairman	Chun-Tang Hsu	-	-	27	27	1,000	1,000	16	16	0.14%	0.14%	487	5,231	-	-	-	-	2,410	-	0.21%	1.20%	None
Director	Ming-Yao Shih	-	-	112	112	1,000	1,000	48	48	0.16%	0.16%	3,265	3,265	-	-	503	-	503	-	0.68%	0.68%	None
Director	Hsi-Hu Nian	-	-	-	-	1,000	1,000	40	40	0.14%	0.14%	-	-	-	-	-	-	-	-	0.14%	0.14%	None
Director	Ren-An Chen	-	-	-	-	1,000	1,000	56	56	0.15%	0.15%	-	-	-	-	-	-	-	-	0.15%	0.15%	None
Independent director	Kuo-Ko Chen	360	360	-	-	-	-	56	56	0.06%	0.06%	-	-	-	-	-	-	-	-	0.06%	0.06%	None
Independent director	Su-Ying Lee	360	360	-	-	-	-	56	56	0.06%	0.06%	-	-	-	-	-	-	-	-	0.06%	0.06%	None
Independent director	Chih-Hung Wu	360	360	-	-	-	-	56	56	0.06%	0.06%	-	-	-	-	-	-	-	-	0.06%	0.06%	None
Independent director	Chin-Lung Lin	360	360	-	-	-	-	56	56	0.06%	0.06%	-	-	-	-	-	-	-	-	0.06%	0.06%	None

- Please state the policy, system, standards and structure of remuneration payments to independent directors, and describe the relationship between the responsibility, risk, time committed to the organization and other factors and the amount of remuneration paid to them: The remuneration paid to independent director is subject to the results of board performance appraisal and the review conducted by the salary and remuneration committee on each director's participation in the Company's operation and value of contribution. The performance risks, reasonableness and fairness are linked with the remuneration, and the Company's performance and the pay level of other industry peers are included in the recommendations to be submitted to the board for resolution.
- In addition to as disclosed in the above table, the remuneration received by the directors for their services provided (such as serving as a non-employee consultant for the parent company and all companies/re-investment listed in the financial reports) in the most recent fiscal year: None.

Director Remuneration Scale Table

Scale of Remuneration Paid to Directors	Name of Director			
	Total Remuneration (A+B+C+D)		Total Compensation (A+B+C+D+E+F+G)	
	The Company (Note 8)	From All Consolidated Entities (Note 9) H	The Company (Note 8)	From All Consolidated Entities (Note 9) I
Below NT\$1,000,000	Kuo-Ke Chen, Su-Ying Li Chi-Hung Wu, Chin-Lung Lin	Kuo-Ke Chen, Su-Ying Li Chi-Hung Wu, Chin-Lung Lin	Kuo-Ke Chen, Su-Ying Li Chi-Hung Wu, Chin-Lung Lin	Kuo-Ke Chen, Su-Ying Li Chi-Hung Wu, Chin-Lung Lin
NT\$1,000,000 (included) - NT\$2,000,000 (excluded)	Cheng-Fu Shih, Chun-Tang Hsu Ming-Yao Shih, Hsi-Hu Nian Ren-An Chen	Cheng-Fu Shih, Chun-Tang Hsu Ming-Yao Shih, Hsi-Hu Nian Ren-An Chen	Chun-Tang Hsu, Hsi-Hu Nian, Ren-An Chen	Hsi-Hu Nian, Ren-An Chen
NT\$2,000,000 (included) - NT\$3,500,000 (excluded)	-	-	-	-
NT\$3,500,000 (included) - NT\$5,000,000 (excluded)	-	-	Cheng-Fu Shih, Ming-Yao Shih	Cheng-Fu Shih, Ming-Yao Shih
NT\$5,000,000 (included) - NT\$10,000,000 (excluded)	-	-	-	Chun-Tang Hsu
NT\$10,000,000 (included) - NT\$15,000,000 (excluded)	-	-	-	-
NT\$15,000,000 (included) - NT\$30,000,000 (excluded)	-	-	-	-
NT\$30,000,000 (included) - NT\$50,000,000 (excluded)	-	-	-	-
NT\$50,000,000 (included) - NT\$100,000,000 (excluded)	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	9 seats	9 seats	9 seats	9 seats

- Note 1: The names of directors should be separately listed (corporate shareholder should list the name of the legal person and the representative separately), and the payment to each director and independent director should be summarized and disclosed. If a director takes a concurrent position as the president or vice president, please fill out Table 3.
- Note 2: Refers to the remuneration of directors in the most recent year (including the salary, differential pay for the job, severance pay, various rewards, bonuses and others).
- Note 3: Fill in the remuneration amount allocated to directors approved by the board meeting in the most recent year.
- Note 4: Refers to the related business implementation expenses of directors in the most recent years (including transportation, special disbursement, various allowance, housing, cars and other tangibles). In the case of provision of housing, cars and other forms of transportation or personal expenditure, disclose the nature and cost of the assets provided and the rent, gasoline and other payments paid at the actual or the fair market price. If a driver is assigned to the executive, please note the Company's payment to the driver, which is not included in the remuneration here.
- Note 5: Refers to the salary, differential pay for the job, severance pay, various rewards, bonuses, transportation, special disbursement, various allowances, housing, cars and other tangibles for the directors taking concurrent positions as employees (including as the general manager, assistant general manager, other department managers or employees). In the case of provision of housing, cars and other forms of transportation or personal expenditure, disclose the nature and cost of the assets provided and the rent, gasoline and other payments paid at the actual or the fair market price. If a driver is assigned to the executive, please note the Company's payment to the driver, which is not included in the remuneration here. The salary expenses recognized in accordance with IFRS 2 "Share-based Payment", including obtaining employee stock options, restricted stock awards, participation in new share issuance through cash capital increase, should be included in the remuneration.
- Note 6: Refers to those directors taking concurrent positions as employees (including as the general manager, assistant general manager, other department managers or employees) and receiving employee compensation (including stocks and cash) in the most recent year, of whom the allocated employee compensation approved by the board shall be disclosed. If the amount cannot be estimated, calculate the amount for this year based on the actual allocated amount last year and then fill out Table 1-3.
- Note 7: The total amount of remunerations paid to directors of the Company by all companies (including the Company) shall be disclosed in the consolidated report.
- Note 8: The total amount of remunerations paid to each director by the Company, and disclose the names in the specified range.
- Note 9: The total amount of various types of remunerations paid by all companies (including the Company) in the consolidated report to each director should be disclosed.
- Note 10: The net income after tax refers to the number in the standalone and individual financial reports.
- Note 11: a. This field should clearly state the amount of remuneration paid to directors from non-consolidated affiliates or the parent company. (Please fill in "None", if there is none).
b. If a director of the Company receives a remuneration from a non-consolidated affiliates or the parent company, the amount shall be included in Field I of the appropriate range grade, and the field name should be changed to "Parent company and all non-consolidated affiliates".
c. Remunerations refer to remuneration, compensation (including employee, director and supervisor compensation) and allowance for business operations received by the supervisors of the Company who serve as directors, supervisors or managing executives of the other non-consolidated affiliates that are not subsidiaries or the parent company.

* The remunerations disclosed here in this Table are different from the incomes defined by the Income Tax Act. This Table is for the purpose of information disclosure and not for tax matters.

(2) Remuneration to president and vice presidents

December 31, 2024
Unit: NTD in thousands

Job title	Name	Salary (A) (Note 2)		Severance Pay and Pensions (B)		Bonuses and Allowances (C) (Note 3)		Employees' Profit Sharing Bonus (D) (Note 4)				Total Remuneration (A+B+C+D) as a (%) of the Net Income (Note 8)		Whether receive remuneration from non-consolidated affiliates or the parent company (Note 9)
		The Company	From All Consolidated Entities (Note 5)	The Company	From All Consolidated Entities (Note 5)	The Company	From All Consolidated Entities (Note 5)	The Company		From All Consolidated Entities (Note 5)		The Company	From All Consolidated Entities (Note 5)	
								Cash	Stock	Cash	Stock			
President	Ming-Yao Shih	2,666	2,666	112	112	599	599	503	-	503	-	0.54%	0.54%	None
President at Kunshan	Chiang-Ling Chien	3,199	5,531	112	112	-	2,405	-	-	2,405	-	0.46%	1.45%	None
Vice president of operation	Shu-Min Wu	2,225	2,225	200	200	418	418	382	-	382	-	0.45%	0.45%	None
Vice president of production	Hsien-Te Shih	2,288	2,288	112	112	439	439	385	-	385	-	0.45%	0.45%	None

President and Vice Presidents Remuneration Scale Table

Range of Remuneration Paid to the President and Vice Presidents	Name of President and Vice Presidents	
	The Company (Note 6)	From All Consolidated Entities (Note 7)
Below NT\$1,000,000	-	-
NT\$1,000,000 (included) - NT\$2,000,000 (excluded)	-	-
NT\$2,000,000 (included) - NT\$3,500,000 (excluded)	Chiang-Ling Chien, Hsien-Te Shih, Shu-Min Wu	Hsien-Te Shih, Shu-Min Wu
NT\$3,500,000 (included) - NT\$5,000,000 (excluded)	Ming-Yao Shih	Ming-Yao Shih
NT\$5,000,000 (included) - NT\$10,000,000 (excluded)	-	-
NT\$10,000,000 (included) - NT\$15,000,000 (excluded)	-	Chiang-Ling Chien
NT\$15,000,000 (included) - NT\$30,000,000 (excluded)	-	-
NT\$30,000,000 (included) - NT\$50,000,000 (excluded)	-	-
NT\$50,000,000 (included) - NT\$100,000,000 (excluded)	-	-
Over NT\$100,000,000	-	-
Total	4	4

- Note 1: The names of president and vice presidents should be separately listed and summarized to disclose the payment for each person. If a director takes a concurrent position as the president or vice president, please fill out this Table (1).
- Note 2: Refers to the salary, differential pay for the job, retirement pension and severance of president and vice presidents in the most recent year.
- Note 3: Refers to the various rewards, bonuses, transportation, special disbursement, various allowances, housing, cars and other tangibles and other remunerations of general manager and assistant general managers in the most recent year. In the case of provision of housing, cars and other forms of transportation or personal expenditure, disclose the nature and cost of the assets provided and the rent, gasoline and other payments paid at the actual or the fair market price. If a driver is assigned to the executive, please note the Company's payment to the driver, which is not included in the remuneration here. The salary expenses recognized in accordance with IFRS 2 "Share-based Payment", including obtaining employee stock options, restricted stock awards, participation in new share issuance through cash capital increase, should be included in the remuneration.
- Note 4: Refers to the employee remuneration (including stocks and cash), approved by the board, to be allocated to the president and vice presidents in the most recent year. If the amount cannot be estimated, calculate the amount for this year based on the actual allocated amount last year and then fill out Table 1-3.
- Note 5: The total amount of remunerations paid to the Company's president and vice presidents by all companies (including the Company) shall be disclosed in the consolidated report.
- Note 6: The total amount of various types of remunerations paid by the Company to the president and each vice president, and disclose the names in the specified range grades.
- Note 7: The amount of various types of remunerations paid by all companies (including the Company) in the consolidated report to each one of president and vice presidents should be disclosed. Disclose their names in the specified range grades.
- Note 8: The net income after tax refers to the number in the standalone and individual financial reports.
- Note 9:
- This field should clearly state the amount of remuneration paid to the president and vice presidents from non-consolidated affiliates or the parent company. (Please fill in "None", if there is none).
 - If the president or vice presidents of the Company receive remuneration from a non-consolidated affiliates or the parent company, the amount shall be included in Field E of the appropriate grade range, and the field name should be changed to the "parent company and all non-consolidated affiliates".
 - Remunerations refer to remuneration, compensation (including employee, director and supervisor compensation) and allowance for business operations received by the president and vice presidents of the Company who serve as directors, supervisors or managing executives of the other non-consolidated affiliates that are not subsidiaries or the parent company.
- * The remunerations disclosed here in this Table are different from the incomes defined by the Income Tax Act. This Table is for the purpose of information disclosure and not for tax matters.

(3) The remuneration of the supervisors with top five highest remuneration

December 31, 2024
Unit: NTD in thousands

Job title	Name	Salary (Note 2)		Severance Pay and Pensions (B)		Bonuses and Allowances (C) (Note 3)		Employees' Profit Sharing Bonus (D) (Note 4)				Total Remuneration (A+B+C+D) as a (%) of the Net Income (Note 6)		Whether receive remuneration from non-consolidated affiliates or the parent company (Note 7)
		The Company	From All Consolidated Entities (Note 5)	The Company	From All Consolidated Entities (Note 5)	The Company	From All Consolidated Entities (Note 5)	The Company		From All Consolidated Entities (Note 5)		The Company	From All Consolidated Entities (Note 5)	
								Cash	Stock	Cash	Stock			
President	Ming-Yao Shih	2,666	2,666	112	112	599	599	503	-	503	-	0.54%	0.54%	None
President at Kunshan	Chiang-Ling Chien	3,199	5,531	112	112	-	2,405	-	-	2,405	-	0.46%	1.45%	None
Vice president of operation	Shu-Min Wu	2,225	2,225	200	200	418	418	382	-	382	-	0.45%	0.45%	None
Vice president of production	Hsien-Te Shih	2,288	2,288	112	112	439	439	385	-	385	-	0.45%	0.45%	None
Manager of Manufacturing Department	Hao-Wei Huang	1,503	1,503	85	85	407	407	342	-	342	-	0.32%	0.32%	None

Note 1: The "supervisors with top five highest remuneration" refer to the Company's managers; the criteria for identifying relevant managers is subject to the application scope of "managers" stated in the Letter Tai-Cai-Zheng-San-Zi No. 0920001301 dated March 27, 2003 issued by the former Securities and Futures Management Commission, Ministry of Finance. Regarding the principle for determining the "supervisors with top five highest remuneration", the sum of salary, severance pay and pensions, bonuses and allowances, and employees' profit sharing bonus (A + B + C + D) received from all consolidated entities is used to determine the supervisors with top five highest remuneration after sorting. If a director concurrently a supervisor mentioned above, please fill out this Table and the above table (1-1).

Note 2: Refer to the salary, differential pay for the job, and severance of supervisors with top five highest remuneration in the most recent year.

Note 3: Refers to the various rewards, bonuses, transportation, special disbursement, various allowances, housing, cars and other tangibles and other remunerations of supervisors with top five highest remuneration, in the most recent year. In the case of provision of housing, cars and other forms of transportation or personal expenditure, disclose the nature and cost of the assets provided and the rent, gasoline and other payments paid at the actual or the fair market price. If a driver is assigned to the executive, please note the Company's payment to the driver, which is not included in the remuneration here. The salary expenses recognized in accordance with IFRS 2 "Share-based Payment", including obtaining employee stock options, restricted stock awards, participation in new share issuance through cash capital increase, should be included in the remuneration.

Note 4: Refers to the employee remuneration (including stocks and cash), approved by the Board, to be allocated to the supervisors with top five highest remuneration in the most recent year. If the amount cannot be estimated, calculate the amount for this year based on the actual allocated amount last year and then fill out Table 1-3.

Note 5: The total amount of remunerations paid to the Company's supervisors with top five highest remuneration by all companies (including the Company) shall be disclosed in the consolidated report.

Note 6: The net income after tax refers to the number in the standalone and individual financial reports.

Note 7: a. This field should clearly state the amount of remuneration paid to supervisors with top five highest remuneration, from non-consolidated affiliates or the parent company. (Please fill in "None", if there is none).
b. Remunerations refer to remuneration, compensation (including employee, director and supervisor compensation) and allowance for business operations received by supervisors with top five highest remuneration of the Company who serve as directors, supervisors or managing executives of the other non-consolidated affiliates that are not subsidiaries or the parent company.

* The remunerations disclosed here in this Table are different from the incomes defined by the Income Tax Act. This Table is for the purpose of information disclosure and not for tax matters.

Names of managerial officers who are assigned employee remuneration and the status of assignment

December 31, 2024
Unit: NTD in thousands

	Job title	Name	Stock	Cash	Total	Total as % of the Net Income
Officers	Chairman	Cheng-Fu Shih	-	9,345	9,345	1.30%
	Chairman at Kunshan	Chun-Tang Hsu				
	President	Ming-Yao Shih				
	President at Kunshan	Chiang-Ling Chien				
	Vice president of operation	Shu-Min Wu				
	Vice president of production	Hsien-Te Shih				
	Manager of Auditing Office	Yu-Chin Chen				
	Manager at the President's Office	Shu-Tse Shih				
	Manager of Procurement Department	Fu-Chieh Huang				
	Manager of Development Department I	Hsueh-Chi Chiu				
	Manager of Development Department II	Yen-Lin Tseng				
	Manager of Development Department III	Kai-Yin Shih				
	Manager of Development Department V	Shu-Chun Hsu				
	Manager of Research and Development Department	Ming-Chen Weng				
	Manager of Quality Assurance Department	Yen-Ting Li				
	Manager of Production Planning Department	Ming-Ho Shih				
	Manager of Production Technology Department	Chih-Chao Hsu				
	Manager of Mixing Department	Li-Chung Lin				
	Manager of Manufacturing Department	Hao-Wei Huang				
	Manager of Finance Department	Ju-Ching Hsueh				
	Manager of Human Resources Department	Po-Wen Hsiao				

- (II) Analysis on the ratio taken by the gross total of profit sharing from earnings paid by the Company and all firms disclosed in the consolidated financial statements to the directors, supervisors, presidents and vice presidents of the Company to the net earnings after tax over the past two years, including a description of the policies, criteria and composition of profit sharing from earnings; the procedures to determine profit sharing from earnings, and their interrelations with business performance and future risks.

1. Analysis of total remuneration paid as % of the net income:

Unit: NTD in thousands

Year	Total remuneration to director, president and vice presidents (NT\$ in thousands)		Total as (%) of the Net Income (Note)	
	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities
2023	57,850	70,360	5.90%	7.18%
2024	23,430	37,845	3.25%	5.25%

Note: The Company's net income after tax in 2023 was NT\$980,511 thousand, and the net income after tax in 2024 was NT\$720,825 thousand

A. Description of changes in total remuneration:

a. For the rules on the Company's payment of remunerations to directors, supervisors and employees, please refer to the dividend policy on page 88.

b. Reasons for the decrease in remuneration paid by the Company in 2024:

Mainly due to the 2024 net income after tax decreasing compared with that in 2023.

B. Description of changes in remuneration as a percentage (%) of net income:

The remuneration paid by the Company as a proportion of net income after tax in 2024 (all companies in the consolidated statements) decreased slightly, mainly because the decrease in remuneration payment was greater than the decrease in net income after tax.

2. The policy, standard and package of remuneration

(1) Directors and independent directors:

A. Remuneration to the Chairman and general directors: It is divided into allowance for business operations and annual profit sharing bonus, and is distributed in accordance with the Company's Articles of Incorporation and the "Rules Governing the Remuneration of Directors and Independent Directors".

B. Remuneration to independent directors: It is divided into allowance for business operations and fixed remuneration, and is distributed in accordance with the scope specified in the "Rules Governing the Remuneration of Directors and Independent Directors" of the Company, except that independent directors do not participate in the annual profit sharing bonus.

(2) Presidents and vice presidents:

The Company's remuneration to the president (vice presidents) includes salary, allowances, bonuses and employees' profit sharing bonus. The remuneration policy is subject to the Company's "Rules Governing the Remuneration and Performance Appraisal of Key Managers".

3. Procedures for determining remuneration

(1) Directors (including independent directors):

For the remuneration of the Company's directors (including independent directors), the Remuneration Committee considered the operating achievements of the Company throughout the year and the evaluation results in accordance with the "Board Performance Appraisal Measures" to recommend a reasonable remuneration paid to directors (including independent directors), and reported it to the Board for discussion; the remuneration is distributed after being approved.

(2) Presidents and vice presidents:

For the Company's remuneration to the president (vice presidents) is adjusted according to the "Regulations Governing the Remuneration and Performance Appraisal of Key Managers", the achievement of the Company's annual business objectives, and the individual annual appraisal performance. The above shall be reported to the Remuneration Committee for review regarding the reasonableness and then reported to the Board for approval before distribution.

4. Correlation with business performance, responsibilities, and future risks:

According to Article 28 of the Company's Articles of Incorporation, if the Company is profitable in the fiscal year, no less than 3% of the profit shall be offered as employee remuneration, and no more than 3% of the profit shall be allocated as directors' remuneration. The remuneration of the Company's directors (including independent directors) and managers is based on market position of the overall remuneration of the Company and the results of the industry salary survey, taking the Company's internal fairness into account, and it is highly correlated with the Company's operating performance and the responsibilities, risks and liabilities they assumed, and the time they invested. The Company's management and the Remuneration Committee also regularly review the Company's salary policy and make appropriate adjustments, hoping to balance and ensure the Company's competitive advantage in human resources and risk control.

III. Implementation of corporate governance:

(I) Operation of the board of directors:

Information on the operation of the Board of Directors

The board of directors had 7 meetings(A) in the most recent fiscal year, and the attendance of directors is shown as follows:

Job title	Name (Note 1)	Actual Attendance in Person, B	Attendance by Substitution	Actual Attendance Rate(%) 【B/A】 (Note 2)	Remarks
Chairman	Cheng-Fu Shih	7	-	100%	Re-elected on 20220609
Director	Chun-Tang Hsu	2	5	29%	Re-elected on 20220609
Director	Ming-Yao Shih	6	1	86%	Re-elected on 20220609
Director	Hsi-Hu Nian	5	2	71%	Re-elected on 20220609
Director	Ren-An Chen	7	-	100%	Re-elected on 20220609
Independent director	Kuo-Ko Chen	7	-	100%	Re-elected on 20220609
Independent director	Su-Ying Lee	7	-	100%	Re-elected on 20220609
Independent director	Chih-Hung Wu	7	-	100%	Newly appointed on 20220609
Independent director	Chin-Lung Lin	7	-	100%	Newly appointed on 20220609

Other matters to be recorded:

- I. The date, session, proposal content, and resolution specified, and the opinion expressed by independent directors shall be specified under any one of the following circumstances:
 - (I) Matters specified in Article 14-3 of the Securities and Exchange Act: The Company has established an Audit Committee, which is not subject to the provisions of Article 14-3 of the Securities and Exchange Act. For related information, please refer to "Operation of the audit committee" in this annual report.
 - (II) Other BOD resolutions to which objections or qualified opinions for the record or in writing are expressed by independent directors: None.
- II. Implementation of directors' recusal for conflict of interest: The Company's directors have all recused themselves from motions with which they may have conflict of interest.
- III. Execution of board evaluation:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation methods	Evaluation contents
Once a year	2024.01.01-12.31	Board of Directors as a whole	Evaluation by the agenda working group	1. Participation in the operation of the Company. 2. Improvement of the quality of the board of directors' decision making. 3. Composition and structure of the board of directors. 4. Election and continuing education of the directors. 5. Internal control.
Once a year	2024.01.01-12.31	Each board member	Self-evaluation by board members	1. Understand the objectives and missions of the Company. 2. Awareness of the duties of a Board of Directors. 3. Participation in the operation of the Company. 4. Management of internal relationship and communication. 5. The director's expertise and continuing education. 6. Internal control.
Once a year	2024.01.01-12.31	Individual member of the Audit Committee	Self-evaluation by members of the Audit Committee	1. Participation in the operation of the Company. 2. Understanding of Audit Committee's duties. 3. Improvement of the quality of the Audit Committee members' decision making. 4. Makeup of the Audit Committee and election of members. 5. Internal control.

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation methods	Evaluation contents
Once a year	2024.01.01-12.31	Information member of the Remuneration Committee	Self-evaluation by members of the Remuneration Committee	1. Participation in the operation of the Company. 2. Understanding of Remuneration Committee's job responsibilities. 3. Improvement of the quality of the Remuneration Committee members' decision making. 4. Makeup of the Remuneration Committee and election of members. 5. Internal control.
Once a year	2024.01.01-12.31	Individual member of the Ethics Committee	Self-evaluation by members of the Ethics Committee	1. Participation in the operation of the Company. 2. Understanding of Ethics Committee's job responsibilities. 3. Improvement of the quality of the Ethics Committee members' decision making. 4. Makeup of the Ethics Committee and election of members. 5. Internal control.

The Company's performance appraisal results of the Board of Directors in 2024 ranged from 5 “strongly agree” to 4 “agree,” with the majority of directors strongly agreeing with the operation of the various evaluation indicators. The appraisal results showed that the Board of Directors and the functional committees in general operated well, complied with the requirements of corporate governance, and were effective in strengthening the functions of the Board of Directors and protecting the rights and interests of shareholders.

On March 13, 2025, the agenda working group of the Board of Directors reported the performance appraisal results of the Board of Directors for 2024 at the Board meeting.

IV. The goal of improving the performance of Board of Directors in this year and latest fiscal year (including the establishment of audit committee and improvement of the information transparency, etc.) and the analysis of implementation:

- (I) The Company established an audit committee in 2016.
- (II) In compliance with relevant laws and regulations, the Company discloses directors' attendance at board meetings on the official website and annual reports for shareholder meetings. The information on important resolutions of the board and election and appointment of independent directors shows the Company's emphasis on corporate governance.
- (III) On March 23, 2020, the board approved the Board Performance Appraisal Measures, and internal performance appraisal of the board is carried out at least once a year.
- (IV) The Company has assigned personnel responsible for the disclosure of monthly revenue announcements and material information which is also entered into the Market Observation Post System (MOPS) in accordance with regulations.
- (V) Improve operation and decision-making effectiveness of the board:
The Company has formulated the Board Meeting Rules of Procedures, which strengthen functions of the board and promote the healthy development of the board's participation in decision-making.
- (VI) Actively establish communication with stakeholders: We have established positions of spokesperson and acting spokesperson, and stakeholders can communicate with us through the spokespersons. The shareholders meetings accept shareholder proposals according to the schedule every year. Shareholders who have the right to make proposals may apply to the Company during the acceptance period, and the Company will convene a board meeting for review in accordance with regulations.
- (VII) Strengthen professional knowledge: We proactively provide information on various training courses, and also encourages the Board members to participate in various corporate governance courses, or arrange lecturers to teach classes from time to time to strengthen the functions of Board members. In 2024, a total of 9 directors attended a total of 63 hours of classes.

Note 1: For directors who are legal entities, the name of the corporate shareholders and their representatives shall be disclosed.

Note 2: (1) If a director leaves before the year ends, the resignation date, the rate of actual attendance or attendance as a non-voting participant shall be calculated based on the number of board meetings and the actual attendance in person or attendance as a non-voting participant.

(2) If there is a re-election of directors before the year end, the newly elected and incumbent directors shall be listed. Their status of being the current, newly elected or re-elected and the re-election date shall be described in the remark field. The percentage of actual attendance or attendance as a non-voting participant shall be calculated based on the number of board meetings and the number of actual attendance in person or attendance as a non-voting participant.

(II) Operation of the audit committee:

Information on the operation of the Audit Committee

1. Professional qualifications and experience of independent directors

Job title	Name	Professional qualifications and experience
Convener	Su-Ying Lee	Former Vice President of Investment Banking Department, Yuanta Securities, with practical experience in securities management and finance; now concurrently serving as an independent director of Sunspring Metal, Cayman Gourmet Master Co. Ltd. and Koan-Hao Technology.
Member	Kuo-Ko Chen	Has served as the lead consultant at Taiwan Management Consulting Industry Association, once served as a human resources consultant to Howard Hotels, Te Chang Construction, Yao-I Fabric and Yong-Lun Co., Ltd. Currently serving as the lead consultant at Taiwan Management Consulting Industry Association.
Member	Chih-Hung Wu	Qualified as an accountant in Taiwan and specializes in financial and tax planning. Currently a practicing accountant at CPA Chih-Hong Wu and Associates, and has education background and practical experience in financial accounting.
Member	Chin-Lung Lin	Qualified as a lawyer in Taiwan and a former prosecutor of Yunlin District Court and Changhua District Court Prosecutor's Office. Currently the lead attorney of Cheng-Chun Law Firm.

2. Work highlight

The Audit Committee consists of four independent directors. The purpose of the Committee is to assist the board to fulfill its supervision of the quality and integrity involved in performing accounting, financial reporting and auditing to improve the corporate governance performance, and communicate with CPAs and audit personnel on key matters of the Company's financial position and business. Work highlights of the 2024 audit are as follows:

- (1) Deliberation on/review of the financial report.
- (2) Evaluation of the effectiveness of the internal control protocols.
- (3) Establish or amend procedures for significant financial or operating activities, such as acquisition or disposal of assets, engaging in derivatives trading, lending funds to others, endorsements or guarantees to others.
- (4) Deliberation on material monetary loan, endorsement or provision of guarantee.
- (5) Deliberation on the hiring or dismissal of an attesting CPA or the compensation given thereto.
- (6) Audit plan

3. The Audit Committee had six meetings (A) in the most recent fiscal year, and the attendance of independent directors is shown as follows:

Job title	Name	Actual Attendance in Person (B)	Attendance by Substitution	Actual Attendance Rate (%) (B/A) (Note 1 and Note 2)	Remarks
Independent director	Kuo-Ko Chen	6	-	100%	Re-elected on 20220609
Independent director	Su-Ying Lee	6	-	100%	Re-elected on 20220609
Independent director	Chih-Hung Wu	6	-	100%	Newly appointed on 20220609
Independent director	Chin-Lung Lin	6	-	100%	Newly appointed on 20220609

Other matters to be recorded:

- I. The date, session and proposal content of audit committee meetings, objection, qualified opinions and content of significant recommendations of independent directors, the Audit Committee's resolutions and the Company's handling of the audit committee's comments shall be specified under any one of the following circumstances.
- (I) Matters specified in Article 14-5 of the Securities and Exchange Act.
- Date of Audit Committee meeting: 2024.01.30 Session: 11th meeting of the 3rd session Content of motion:
 - Amendment to provisions of the "Board Meeting Rules of Procedures".
 - Assessment of the independence and competency of CPAs.

Results of audit committee resolutions: Unanimous approval by the committee members after consultation by the chairperson.

The Company's handling of the opinions of the audit committee: Proposed to the 12th meeting of the 18th session of Board for resolution and is to be implemented in accordance with the Board resolution.
 - Date of Audit Committee meeting: 2024.03.13 Session: 12th meeting of the 3rd session Content of motion:
 - Lending of funds to overseas subsidiary Kish NAK Oil seal MFG. Co., Ltd.
 - 2023 business report, parent-only financial reports and consolidated financial reports.
 - 2023 profit distribution.
 - Amendment of provisions of the "Articles of Incorporation".
 - Conduct the evaluation of the 2023 effectiveness of internal control protocols and issue the "Statement on Internal Control".

Results of audit committee resolutions: Unanimous approval by the committee members after consultation by the chairperson.

The Company's handling of the opinions of the audit committee: Proposed to the 13th meeting of the 18th session of Board for resolution and is to be implemented in accordance with the Board resolution.
 - Date of Audit Committee meeting: 2024.05.09 Session: 13th meeting of the 3rd session Content of motion:
 - Lending of funds to overseas subsidiary Kish NAK Oil seal MFG. Co., Ltd.
 - Q1 2024 consolidated financial report.
 - Application for line of credit from Chang Hwa Bank.

Results of audit committee resolutions: Unanimous approval by the committee members after consultation by the chairperson.

The Company's handling of the opinions of the audit committee: Proposed to the 14th meeting of the 18th session of Board for resolution and is to be implemented in accordance with the Board resolution.
 - Date of Audit Committee meeting: 2024.08.09 Session: 14th meeting of the 3rd session Content of motion:
 - Q2 2024 consolidated financial report.
 - Line of credit from Mega International Commercial Bank.
 - Line of credit from Taishin International Bank.
 - Line of credit from CTBC Bank Co., Ltd.

Results of audit committee resolutions: Unanimous approval by the committee members after consultation by the chairperson.

The Company's handling of the opinions of the audit committee: Proposed to the 16th meeting of the 18th session of Board for resolution and is to be implemented in accordance with the Board resolution.

5. Date of Audit Committee meeting: 2024.11.12 Session: 15th meeting of the 3rd session Content of motion:

- (1) Q3 2024 consolidated financial report.
- (2) Capital increase of reinvested subsidiary Song Quan International Co., Ltd.

Results of audit committee resolutions: Unanimous approval by the committee members after consultation by the chairperson.

The Company's handling of the opinions of the audit committee: Proposed to the 17th meeting of the 18th session of Board for resolution and is to be implemented in accordance with the Board resolution.

6. Date of Audit Committee meeting: 2024.12.25 Session: 16th meeting of the 3rd session Content of motion:

- (1) Amendments to the Company's "Operating Procedures for Preparation and Validation of Sustainability Report".
- (2) Amendments to the Company's "Accounting System".
- (3) Application for line of credit from First Commercial Bank of Taiwan.

Results of audit committee resolutions: Unanimous approval by the committee members after consultation by the chairperson.

The Company's handling of the opinions of the audit committee: Proposed to the 18th meeting of the 18th session of Board for resolution and is to be implemented in accordance with the Board resolution.

- II. When there is avoidance of conflicts of interest by a director, state the name of that director, the involved proposal(s), the cause(s) of the avoidance of conflicts of interest, and the participation in voting of that director: None.

- III. Communication between independent directors and internal auditing managers and accountants (communicate materiality, methods and results of the Company's financial and business conditions).

- (I) The Audit Committee of the Company maintains good communication with head of internal audit, and the key matters of communication and interactions are as follows:

1. The internal auditor compiles the audit report of the previous month before the end of each month and submits it to the independent directors who may raise questions.
2. The auditors track the deficiencies of internal control and the improvement of abnormal matters, and prepare a follow-up report to be submitted to the independent directors.
3. The audit supervisor attends the Audit Committee meetings and provides independent directors with relevant information. There were no significant anomalies in the audit results in 2024 and the independent directors did not raise any object to the audit results. There were a total of five communication during the year, the respective status of which is summarized in the table below:

Date	Key points	Results
March 13, 2024	The 1st communication in 2024 between the independent directors and head of internal auditor covered the execution of audit works between December 2023 and February 2024.	Inquire for details
May 9, 2024	The 2nd communication in 2024 between the independent directors and head of internal auditor covered the execution of audit works between March and April 2024.	Inquire for details
August 9, 2024	The 3rd communication in 2024 between the independent directors and head of internal auditor covered the execution of audit works between May and June 2024.	Inquire for details
November 12, 2024	The 4th communication in 2024 between the independent directors and head of internal auditor covered the execution of audit works between July and September 2024.	Inquire for details
December 25, 2024	The 5th communication in 2024 between the independent directors and head of internal auditor covered (1) the execution of audit works between October and November 2024.	Inquire for details
	(2) 2025 annual audit plan report.	Report to the board after review and approval

(II) In addition to reporting to the independent directors on the audit or review of the financial report, the certified accountants hold at least one promotion session at the Company every year to disseminate new knowledge of financial and tax laws and measures to deal with related impacts. Independent directors and the accountants may contact one another by email, telephone or meeting at any time as needed. The communication between the independent directors and the accountants is considered good. The previous communication in 2024 is summarized in the following table:

Date	Key points	Results
March 13, 2024	<ol style="list-style-type: none"> 1. The accountant explained the audit results of the 2023 financial report and the consolidated financial report, and discussed the audit findings. 2. Accountants discussed and communicated the questions raised by the meeting participants. 3. Communication of key audit matters in the audit report. 4. Explanation of recent financial reporting-related statutes and amendments to the Securities and Exchange Act. 	The annual financial report is approved by the audit committee and submitted to the board for approval, and then publicly announced and reported to the competent authority as scheduled.
August 9, 2024	<ol style="list-style-type: none"> 1. The accountant explained the audit results of the Q2 2024 consolidated financial report, and discussed the audit findings. 2. Accountants discussed and communicated the questions raised by the meeting participants. 3. Communication on key audit matters. 4. Explanation of recent financial reporting-related statutes and amendments to the Securities and Exchange Act. 	The Q2 financial report is approved by the audit committee and submitted to the board for approval, and then publicly announced and reported to the competent authority as scheduled.
December 25, 2024	<ol style="list-style-type: none"> 1. The accountants explained the new audit report format applicable to the 2024 annual financial report, and explained and discussed the regulations that may be of great concern to the governance unit and may have an impact on the Company. 2. Accountants discussed and communicated the questions raised by the meeting participants. 3. 2024 financial statement audit matters and audit plan report. 	Unanimous approval by all audit committee members.

(III) Status of corporate governance implementation and the difference from the Corporate Governance Best-Practice Principles for TWSE/ TPEX Listed Companies and the reasons:

Issues to be Assessed	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
I. Does the Company follow the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies to establish and disclose its corporate governance practices?	V		The 17th meeting of the 17th board held on November 9, 2021 resolved to approve the formulation of the Corporate Governance Best-Practice Principles. The board meeting on March 16, 2023 then resolved to amend the Principles in order to reinforce the internal control system, improve information transparency and protect rights and interests of shareholders and stakeholders, and disclosed them on the Company's website and the information reporting website designated by the securities competent authority.	Complies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
II. Shareholding structure and shareholders' equity (I) Does the Company have internal operating procedures for handling shareholders' suggestions, concerns, disputes and litigation matters? If yes, have these procedures been implemented accordingly?	V		(I) Based on compliance with laws and regulations and in accordance with the Company's Articles of Incorporation, we respect shareholders' proposals and assess and handle the proposals in a prudent manner in order to protect shareholders' rights and interests. We have established positions of spokesperson and acting spokesperson and a Corporate Relations Department to communicate with shareholders and protect their interests. Our website also has an investor contact platform to respond to shareholders' suggestions, concerns, disputes or inquiries. There were no litigation cases with shareholders during the year.	(I) Complies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Issues to be Assessed	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
(II) Does the Company possess a list of principal shareholders and beneficial owners of these principal shareholders?	V		(II) The Company keeps track of any increase or decrease in shareholding or changes in pledge of shareholders holding more than 5% of shares, and directors and managerial officers, and discloses information on shareholders holding more than 5% of shares in quarterly financial reports in accordance with regulations. The shareholding of directors and managerial officers and shareholders with more than 5% shareholding is entered into the information reporting website designated by the securities authority every month for disclosure.	(II) Complies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(III) Has the Company built and implemented a risk management system and "firewall" between the Company and its affiliates?	V		(III) The internal control covers company-level risk management and operation-level operating activities, and has the Supervision and Management Rules for Subsidiaries to implement risk control measures for subsidiaries. We have established the Management Rules for Related-Party Transactions to regulate matters such as purchase and sales transactions, acquisition or disposal of assets, endorsement and guarantees, and lending of funds to others among related companies.	(III) Complies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Issues to be Assessed	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
(IV) Has the Company established internal rules prohibiting insider trading of negotiable securities on undisclosed information?	V		<p>(IV) Our employees, officers and directors shall comply with the Securities and Exchange Act and the Company's Code of Ethics and Conducts, the Procedures for Handling Material Inside Information and the Procedures for Ethical Management and Guidelines for Conduct, and relevant personnel shall not use the undisclosed information they know to engage in insider trading, and shall not disclose such information to others so as to prevent them from using the information to engage in insider trading.</p> <p>In response to the competent authority's amendment to Article 11 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, we also amended Article 11 of the Corporate Governance Best-Practice Principles on May 5, 2022, adding that directors shall not trade the Company's stocks during the close period within 30 days before the release date of the annual financial report and 15 days before the release date of the quarterly financial report. Comply with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>	(IV) Complies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Issues to be Assessed	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
<p>III. Composition and responsibilities of the board of directors</p> <p>(I) Has the board established a policy on diversity and specific management objectives, and have they been implemented accordingly?</p>	V		<p>(I) Article 23 of the Company's Corporate Governance Best-Practice Principles has clearly stipulated that the composition of the board should take into account diversity, gender equality and nationality, and that the board as a whole should have capabilities in judgment on operations, accounting and financial analysis, business management, crisis management, industry knowledge, perspectives on international markets, leadership and decision-making. There are nine Board members, of which four are independent directors and one is female (accounting for 11.11% of the Board seats). The goal is to have more than 50% of directors with different industry experience or expertise. For the implementation of Board diversity, please refer to P.5- 13 of the annual report and the Company's website.</p>	<p>(I) Complies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>
<p>(II) Other than the salary and remuneration committee and the audit committee which are required by law, does the Company plan to set up other functional committees?</p>		V	<p>(II) In addition to the salary and remuneration committee, we have established the audit committee in 2016 and the ethical management committee in 2021.</p>	<p>(II) In the future, it will be decided whether to add other functional committees as needed.</p>

Issues to be Assessed	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
(III) Has the Company established its Board Performance Appraisal Measures and the evaluation methods, conducted the performance appraisal regularly every year and provided the results to the board as the reference for directors' remuneration and nomination and renewal?	V		<p>(III) Others are not required at this point. The board resolved to formulate the Board Performance Appraisal Measures on March 23, 2020, which require the board to conduct at least one performance appraisal of the board as a whole, Board of Directors, board members, Remuneration Committee, Audit Committee and Ethics Committee per year. The internal evaluation for the current year should be conducted according to the Measures before the end of the fiscal year.</p> <p>The 2024 performance evaluation of the Board, Remuneration Committee, Audit Committee and Ethics Committee is described as follows:</p> <p>The scope of the performance evaluation of the board as a whole includes the following five dimensions with 45 evaluation items:</p> <ol style="list-style-type: none"> 1. Participation in the operation of the Company. 2. Improvement of the quality of the board of directors' decision making. 3. Composition and structure of the board of directors. 4. Election and continuing education of the directors. 5. Internal control. <p>The scope of the self-evaluation of the board members includes the following six dimensions</p>	(III) Complies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Issues to be Assessed	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
			<p>with 23 evaluation items:</p> <ol style="list-style-type: none"> 1. Understand the objectives and missions of the Company. 2. Awareness of the duties of a director. 3. Participation in the operation of the Company. 4. Management of internal relationship and communication. 5. The director's expertise and continuing education. 6. Internal control. <p>The scope of the performance evaluation of the Remuneration Committee includes the following five dimensions with 19 evaluation items:</p> <ol style="list-style-type: none"> 1. Participation in the operation of the Company. 2. Understanding of the Remuneration Committee's duties. 3. Improvement of the quality of the Remuneration Committee' decision making. 4. Makeup of the Remuneration Committee and election of members. 5. Internal control. <p>The scope of the performance evaluation of the Audit Committee includes the following five dimensions with 22 evaluation items:</p> <ol style="list-style-type: none"> 1. Participation in the operation of the Company. 	

Issues to be Assessed	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
			<ol style="list-style-type: none"> 2. Understanding of Audit Committee's duties. 3. Improvement of the quality of the Audit Committee' decision making. 4. Makeup of the Audit Committee and election of members. 5. Internal control. <p>The scope of the performance evaluation of the Ethics Committee includes the following five dimensions with 17 evaluation items:</p> <ol style="list-style-type: none"> 1. Participation in the operation of the Company. 2. Understanding of Ethics Committee's duties. 3. Improvement of the quality of the Ethics Committee' decision making. 4. Makeup of the Ethics Committees and election of members. 5. Internal control. <p>The head and specialists of corporate governance carry out the evaluation of the board, Remuneration Committee, Audit Committee and Ethics Committee. Board members carry out their self-evaluation and turn the results to the governance personnel for compilation. The evaluation uses internally distributed questionnaires. The results of the abovementioned performance evaluation are provided to the directors, and can be used as reference for decision-making by directors, the Remuneration Committee, Audit Committee and Ethics Committee members to improve the quality of the decisions made, and used as reference for the nomination of directors or selection of Remuneration</p>	

Issues to be Assessed	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
			Committee, Audit Committee and Ethics Committee members. The results of the overall evaluation of the board performance are excellent, indicating that the board can properly perform its functions.	
(IV) Does the Company regularly assess its external auditors' independence?	V		<p>The average score is 4.84 (out of 5). The results of the evaluation of the Remuneration Committee are excellent, indicating that the Committee can properly perform its functions. The average score is 4.30 (out of 5). The results of the evaluation of the Audit Committee are excellent, indicating that the Committee can properly perform its functions. The average score is 4.30 (out of 5). The results of the evaluation of the Ethics Committee are excellent, indicating that the Committee can properly perform its functions. The average score is 4.30 (out of 5). Board members, Remuneration Committee members, Audit Committee and Ethics Committee members have not provided any other recommendations in 2024. The results of the abovementioned performance appraisal have been submitted to the Board meeting on March 13, 2025.</p> <p>(IV) The Audit Committee evaluates the independence and competency of certified accountants every year. In addition to requiring the certified accountants to provide their statement of independence and report of audit quality indicators (AQIs), assessment is conducted based on the five main dimensions and 13 audit quality indicators (AQI). It has been confirmed that except for fees for audit and taxation</p>	(IV) Complies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Issues to be Assessed	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences												
	Yes	No	Summary Description													
			<p>projects, the CPAs and the Company have no other financial interests or business relation, and that the family members of CPAs do not violate the requirements of independence. The AQIs information shows that the audit experience and number of hours for training received of the CPAs and the accounting firm are better than that of that other industry peers. Digital audit tools will also be continuously incorporated into the audit work within the next three years to improve the audit quality. The evaluation results of the most recent year have been discussed and approved by the Audit Committee on January 14, 2025 and then reported to the Board on January 14, 2025 for the resolution on approving the assessment of independence and competency of the CPAs.</p> <p>Note 1: CPA Independence Assessment Form</p> <table><tr><th>Issues to be Assessed</th><th>Assessment Results</th></tr><tr><td>1. As of the latest audit, there has been change of CPAs taking place in the last seven years.</td><td>■Yes □ No</td></tr><tr><td>2. No material financial interest relationship with the client.</td><td>■Yes □ No</td></tr><tr><td>3. Avoid any inappropriate relationship with the Company.</td><td>■Yes □ No</td></tr><tr><td>4. The appointed accountants ensure that the assistants maintain honesty, impartiality and independence.</td><td>■Yes □ No</td></tr><tr><td>5. Not auditing or verifying the financial statements</td><td>■Yes □ No</td></tr></table>	Issues to be Assessed	Assessment Results	1. As of the latest audit, there has been change of CPAs taking place in the last seven years.	■Yes □ No	2. No material financial interest relationship with the client.	■Yes □ No	3. Avoid any inappropriate relationship with the Company.	■Yes □ No	4. The appointed accountants ensure that the assistants maintain honesty, impartiality and independence.	■Yes □ No	5. Not auditing or verifying the financial statements	■Yes □ No	
Issues to be Assessed	Assessment Results															
1. As of the latest audit, there has been change of CPAs taking place in the last seven years.	■Yes □ No															
2. No material financial interest relationship with the client.	■Yes □ No															
3. Avoid any inappropriate relationship with the Company.	■Yes □ No															
4. The appointed accountants ensure that the assistants maintain honesty, impartiality and independence.	■Yes □ No															
5. Not auditing or verifying the financial statements	■Yes □ No															

Issues to be Assessed	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
			<div>of the organization within two years prior to the practice.</div> <div>6. The name of the appointed accountants shall not be used for other purposes. <input checked="" type="checkbox"/>Yes <input type="checkbox"/>No</div> <div>7. Not holding shares of the Company or its affiliates. <input checked="" type="checkbox"/>Yes <input type="checkbox"/>No</div> <div>8. Not having loaning or borrowing transactions with the Company or its affiliates. <input checked="" type="checkbox"/>Yes <input type="checkbox"/>No</div> <div>9. Not having a joint investment or benefits sharing with the client. <input checked="" type="checkbox"/>Yes <input type="checkbox"/>No</div> <div>10. Not holding a concurrent position in the Company or its affiliates to receive a fixed salary. <input checked="" type="checkbox"/>Yes <input type="checkbox"/>No</div> <div>11. Not involving in the management function setting policies in the Company or its affiliates. <input checked="" type="checkbox"/>Yes <input type="checkbox"/>No</div> <div>12. Not operating other businesses that may cause the loss of independence. <input checked="" type="checkbox"/>Yes <input type="checkbox"/>No</div> <div>13. Not having a marital relationship and not being a relative within the second degree of kinship to any other executive officers of the Company. <input checked="" type="checkbox"/>Yes <input type="checkbox"/>No</div> <div>14. Not requesting any commission related to the tasks. <input checked="" type="checkbox"/>Yes <input type="checkbox"/>No</div> <div>15. Having not been punished or suffering from incidents that damage the principle of independence so far. <input checked="" type="checkbox"/>Yes <input type="checkbox"/>No</div> <div>16. The assessment of the independence and competency of the appointed accounts are <u>based on the audit quality indicators (AQIs)</u>. <input checked="" type="checkbox"/>Yes <input type="checkbox"/>No</div>	
IV. Has the Company allocated qualified and sufficient number of personnel and appointed managers in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, assisting directors and supervisors to comply with laws, handling matters relating to board meetings and shareholder meetings	V		<div>1. The board meeting held on November 9, 2021 appointed the manager of the Finance Department, Mr. Jul-Ching Hsueh, as the head of the corporate governance, and also selected specialists in the Finance Department responsible for handling matters relevant to corporate governance.</div> <div>2. The head of corporate governance is responsible for handling matters relating to board meetings, audit committee meetings, salary and remuneration committee meetings and shareholders' meetings according to laws; assisting in onboarding and</div>	Complies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Issues to be Assessed	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
			issues or other related issues to stakeholders. To respond to the important issues of concern of stakeholders, departments divided the work to be responsible for stakeholder communication and regularly compile and report the data to the Board. The Company communicates with stakeholders and understands their needs by adopting the spirit of sustainable corporate management and continuous improvement to serves as a reference for the formulation of the Company's policies and plans. It also listens to stakeholders' feedback during the course of policy planning and plan execution at all times to serve as topics for subsequent improvement.	
VI. Has the Company designated an agent specializing in shareholder services to handle shareholder meeting matters?	V		"Shareholder Services Department of Yuanta Securities" handles matters relevant to the Company's shareholder meetings.	Complies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
VII. Information disclosure				
(I) Has the Company established a public website to disclose operational, financial, and corporate governance information?	V		(I) We have set up a company website , and relevant information is disclosed on the site (http://www.nak.com.tw).	(I) Complies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Has the Company adopted other methods of information disclosure (e.g., setting up an English website, designating a specialist responsible for gathering and disclosing Company information, setting up a spokesperson system, uploading	V		(II) We adopt a variety of information disclosure methods, and assigned dedicated personnel responsible for reporting information on the MOPS and related websites. In 2024, we had one institutional investor conferences (2024.09.11), and the meeting contents are on our website. We have also implemented a spokesperson system.	(II) Complies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Issues to be Assessed	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
recordings of investor conferences onto the Company website)?				
(III) Has the Company published and reported its annual financial report within two months after the end of a fiscal year, and published and reported its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?		V	(III) The annual financial reports, the Q1, Q2 and Q3 financial reports and the operational status of each month are announced and reported before the specified statutory deadlines, and they are not announced and reported in advance.	(III) We will actively improve the issuance time of the annual financial report so that we can announce and report it on time.
VIII. Does the Company have other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to the current status of employee rights, employee care, investor relations, supplier relations, stakeholder rights, director and supervisor training regimes, risk management policies, and risk measurement standards as well as the implementation of client policies and the Company's purchase of liability insurance for its directors and supervisors)?	V		<p>(I) Continuing education of directors: We have disclosed the information on the directors' continuing education (P.75-76) and their attendance at Board meetings (P.23) on the MOPS.</p> <p>(II) Employee rights: Employees are the Company's most important asset. Internally, we have a labor-management meeting organization which holds quarterly meetings to review labor-management relations. We also value employees' opinions and hope that by providing a good workplace environment, employees will be able to work to their full potential. Employees of NAK can voice their opinions on personal rights, welfare, management and work environment to the Company at any time. The feedback can be forwarded through e-mail or</p>	<p>(I) Complies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p> <p>(II) Complies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>

Issues to be Assessed	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
			<p>in-writing to the immediate supervisors or the Human Resources Department, or delivered to the physical suggestion box.</p> <p>(III) Employee care: Based on the philosophy of "Living worry-free and working happily", we have implemented a welfare system and education and training system to build a harmonious relationship of mutual benefit and trust with employees. For example: Regular physical examination, doctor visits from time to time, subsidies for employee trips, wedding gifts, condolences gifts for bereavement, professional capacity improvement courses and industry-academia collaboration courses.</p> <p>(IV) Implementation of risk management policies and risk measurement standards: In addition to the internal control system that is implemented by the audit office according to the audit plan, major policies related to operations, investment projects, bank financing, etc., are all assessed and analyzed by responsible units before the board resolution approves the implementation. We also have purchased property insurance, product liability insurance and recycling insurance policies to avoid risks.</p> <p>(V) In terms of consumer protection or implementation of customer policy:</p>	<p>(III) Complies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p> <p>(IV) Complies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p> <p>(V) Complies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>

Issues to be Assessed	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
			<p>Quality first is the core value we have always emphasized. The Company obtained the ISO 14001 certification in 2008 and the ISO 50001 certification in 2018. Through measures such as pollution prevention, process waste reduction and continuous improvement, we adopt “green process” to manufacture “green products”, and improve environmental performance and business efficiency. The measures cover environmental protection design for products, waste water discharge, waste gas discharge, waste removal and treatment, efficient use of natural resources, energy conservation and waste reduction efficiency, etc., to establish the basis for sustainable business operations and protect the rights and interests of consumers.</p> <p>(VI) Investor relations:</p> <p>NAK has set up an investor service section on the official website to provide the Company’s financial and business-related information for shareholders and the general public. The Company has assigned personnel to maintain and update the website content to ensure that the information which may affect shareholders’ or stakeholders’ decision can be disclosed in a timely, complete, fair and transparent manner. In addition to making various announcements on the Taiwan Stock Exchange on time, the website has the Company’s annual reports, financial reports, monthly revenue, stock price quotation, dividend history and future</p>	<p>(VI) Complies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>

Issues to be Assessed	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
			<div>dividend and bonus stock information readily available, so that investors can quickly understand the Company's operations.</div> <div>(VII) Status of directors liability insurance: The Company has purchased a directors liability insurance policy with an insured amount of US\$5 million, and the important contents of the insurance have been reported at the Board meeting on August 9, 2024.</div>	(VII)Complies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

- IX. Please explain improvements that have been made as well as priorities to improve the results of the Corporate Governance Evaluation issued by the Taiwan Stock Exchange Corporate Governance Center:
1. The Company expects to add two new female directors during the reelection of directors in 2025 in order to implement director diversity policy.
 2. In 2025, the Company expects to revise its website to disclose internal rules prohibiting insiders such as directors or employees from trading in securities using unpublished information in the market, which includes, but is not limited to, the prohibition of directors from trading in shares during the closure periods of 30 days prior to the announcement of the annual financial report and 15 days prior to the announcement of the quarterly financial report, and explain the implementation status.
 3. In 2025, the Company expects to formulate and report to the Board of Directors on specific measures to enhance corporate value, and disclose the relevant information in the "Corporate Value Enhancement Plan Section" on the MOPS.
 4. In 2025, the Company expects to revise its Chinese and English websites to disclose the list of major shareholders, financial, business and corporate governance information.
 5. The Company will continue to evaluate and consider possible improvement plans for the items that have not yet been scored.

Issues to be Assessed	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	

(IV) If the Company has established a salary and remuneration committee, please disclose its composition, responsibilities and operations:

1. Information on members of the Remuneration Committee

December 31, 2024

Title	Criteria Name	Professional qualifications and experience	Independence	Number of other public companies for which the director concurrently serving as committee member
Independent director	Kuo-Ko Chen	Has work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company. Currently serving as the lead consultant at Chung-Ke Management Consulting. Served as the lead consultant at Taiwan Management Consulting Industry Association. Not been a person of any conditions specified in Article 30 of the Company Act.	The independent director, the spouse, and second-degree relatives do not serve as directors, supervisors or employees of the Company or other affiliates; do not hold shares of the Company; do not serve as directors, supervisors or employees of the companies that have business relations with the Company. In the past two years, there has been no remuneration received for providing business, legal, financial, accounting and other services to the Company or other affiliates.	None
Independent director	Su-Ying Lee	Has work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company. Concurrently serving as an independent director and member of the salary and remuneration committee and audit committee of Sunspring Metal, Cayman Gourmet Master Co. Ltd., and Koan-Hao Technology. Vice President of Investment Banking Department, Yuanta Securities. Not been a person of any conditions specified in Article 30 of the Company Act.		3
Independent director	Chih-Hung Wu	A lecturer or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university. Has work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company. Currently a CPA in CPA Chi-Hung Wu and Associates Former auditor at Yi-Hao Chang CPA Office Not been a person of any conditions specified in Article 30 of the Company Act.		None
Independent director	Chin-Lung Lin	A lecturer or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university. Current practicing lawyer at Cheng-Chun Law Firm. Attorney-at-Law, Chang-De Law Firm Not been a person of any conditions specified in Article 30 of the Company Act.		None

2. Operations of the Remuneration Committee

- (1) The Remuneration Committee has four members.
- (2) Term of office: June 12, 2022 to June 11, 2025. The Committee has held 2 meetings (A) in the most recent fiscal year, and the qualifications and attendance of the members are shown as follows:

Job title	Name	Actual Attendance in Person (B)	Attendance by Substitution	Actual Attendance Rate (%) (B/A) (Note)	Remarks
Convener	Kuo-Ko Chen	2	0	100%	Re-elected on 20220612
Member	Su-Ying Lee	2	0	100%	Re-elected on 20220612
Member	Chih-Hung Wu	2	0	100%	Newly appointed on 20220612
Member	Chin-Lung Lin	2	0	100%	Newly appointed on 20220612

- (3) Authority of the Remuneration Committee

The Remuneration Committee shall faithfully perform the following duties with attention as a good administrator and shall submit its recommendations to the board of directors for discussion.

- A. Stipulate and regularly review the performance of the directors and managers; as well as the compensation policies, systems, standards and structure.
- B. Regularly evaluate and stipulate director and manager compensation.

- (4) The meeting dates, session, contents of motions and results of resolutions of the Remuneration Committee in the most recent fiscal year, as well as the Company's handling of the Remuneration Committee's opinions.

Salary and Remuneration Committee	Proposal Content and Follow-up Implementation	Resolutions	Company's handling of the remuneration committee's opinions
2024.01.30 1st of 2024	<ol style="list-style-type: none"> 1. Regularly review the reasonableness of directors' remuneration. 2. Distribution of the 2023 directors' remuneration of the Company. 3. Regularly review the reasonableness of the remuneration of key managers. 4. Appropriate the 2023 employee remuneration. 5. The Company's distribution of 2023 performance bonus. 6. 2023 year-end bonus for key managers. 	Unanimous approval by all committee members.	Submitted to the board for discussion, and unanimous approval by all directors attending the board meeting.
2024.08.09 2nd of 2024	<ol style="list-style-type: none"> 1. Distribution of 2023 remunerations to individual directors. 2. The individual allocation of remuneration to senior managers for 2023. 3. Salary adjustments for senior managers for 2024. 	Unanimous approval by all committee members.	Submitted to the board for discussion, and unanimous approval by all directors attending the board meeting.

Other matters to be recorded:

- I. If the board of directors does not adopt or amend the recommendations from the Remuneration Committee, it shall clarify the date, session, content of the motion and resolution of the board and how the Company handles the recommendations of the Committee (such as that the salary and remuneration approved by the board being better than what the Committee recommended, and the differences and reasons should be clarified): Not applicable.
- II. If the Committee members have objections or reservations and there are records or written statements from the meetings, the date, term, proposal content, opinions of all members and the handling of their opinions shall be clearly stated: Not applicable.

(V) 1. Status of promotion of sustainable development and its discrepancies from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons

Promotion Items	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary Description	
I. Has the Company established a governance structure to promote sustainable development, and set up a dedicated (or one holding concurrent positions) unit to promote sustainable development, with the board authorizing the senior management to manage the organization which is supervised by the board?	V		<p>In January 2023, we established the Sustainable Development Office, chaired by Kai-Yin Shih, designated by the Chairman. Based on the three aspects of Environment, Social, and Governance, the Office will be operated by the Manager at the President's Office, Manager of the Human Resources Department, and Manager of the Finance Department.</p> <p>After the Board of Directors has reviewed the direction and measures for implementation, the Company will continue to report to the Board of Directors on the progress of the greenhouse gas inventory and verification implementation. Other ESG implementation plans will be assigned to each unit for implementation in accordance with the plans. We have reported to the Board of Directors at least once a year from 2024 onward.</p> <p>The sustainability issues reported to the Board of Directors in the most recent year are as follows:</p> <p>2024/03/13: Report on the planning of the Company's greenhouse gas inventory and verification schedule.</p> <p>2024/06/20: Report on the promotion of the Company's greenhouse gas inventory and verification.</p> <p>2024/08/09: Report on the promotion of the Company's greenhouse gas inventory and verification.</p> <p>2024/12/25: Report on the promotion of the Company's greenhouse gas inventory and verification.</p>	No major differences

Promotion Items	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary Description	
II. Has the Company conducted risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulated relevant risk management policies and strategies?	V		<ol style="list-style-type: none"> 1. Boundary of risk assessment: Based on the Company's Taiwan plants, not including overseas subsidiaries. 2. Risk assessment standards, process, results, and risk management policies or strategies for identifying environmental, social, and corporate governance-related material issues: After the risk factors identified by each department head are categorized into risk levels, necessary internal and external communication will be conducted, and necessary planning and measures will be taken to control and reduce the risks of the risk factors that need to be addressed. For risk items that are judged to be high risk, the responsible units should focus on the possible impacts of the risk, and develop action plans to reduce or mitigate the risk. The Manager at the President's Office should create a "Risk Analysis and Measure Control Form" for control. In addition, the effectiveness of risk management measures is verified through annual internal and external audits in line with the ISO 45001 Occupational Safety and Health Management System, ISO 90001 Quality Management System, and ISO 14001 Environmental Management System. 	No major differences

Promotion Items	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary Description	
<p>III. Environmental issues</p> <p>(I) Has the Company set an environmental management system designed to industry characteristics?</p>	V		<p>(I) The Company passed ISO14001 environmental management system in 2008. The President's Office integrates all units to enhance environmental performance and operational efficiency through pollution prevention, process waste reduction, and continuous improvement measures. There are dedicated managers to promote the related systems, which are continuously certified by a third party United Registrar of Systems Taiwan Ltd. The latest certificate is valid from 2023/03/05~2026/03/06.</p> <p>From 2023, in accordance with the FSC's "Sustainable Development Roadmap", the Company has introduced ISO 14064-1:2018 greenhouse gas inventory standard and has implemented the greenhouse gas inventory of the Group's companies in phases. In 2023, the Company passed the greenhouse gas verification of the Metal Industries Research & Development Centre. The latest certificate is valid from 2023/01/05~2023/12/31. For 2024, it is expected to complete the verification in May 2025.</p>	No major differences

Promotion Items	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary Description	
<p>(II) Is the Company committed to improving energy efficiency and to the use of renewable materials with low environmental impact?</p> <p>(III) Has the Company assessed the current and future potential risks and opportunities from climate changes and taken measures to address climate-related issues?</p>	V		<p>(II) 1. In response to the low-carbon trend and government policies, the Company aims to achieve an annual power saving rate of 1%, and promotes various energy-saving projects. The Company also selects the latest energy-saving technologies and equipment at the design stage to enhance the energy efficiency of the equipment and save fuel.</p> <p>2. The R&D department also actively adopts material saving design, such as the use of recyclable materials (TPU - thermoplastic material). The remaining materials of its production refurbishment may be recycled and reused.</p> <p>(III) The global climate change and greenhouse effect have caused great impacts, and their intensity and scope of influence have gradually increased, causing potential risks to the sustainable operation of companies. We actively apply quality control of manufacturers for customers in the supply chain, and have established a relevant emergency response system, so that we can respond quickly in the event of a disaster to minimize the impact.</p>	

Promotion Items	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons																																																			
	Yes	No	Summary Description																																																				
(IV) Has the Company compiled the greenhouse gas emissions, water consumption and total weight of waste the past two years and established management policies for energy saving and reduction of greenhouse gas emission, water consumption and other wastes?		V	<div> <div> (IV) The Company has compiled the statistics of the water consumption and total weight of waste for the last two years, and incorporated the use of the ISO 14064 GHG inventory standards in 2023 to take inventory of the GHG emissions since 2022. We also actively plan and formulate management policies for energy conservation and reduction of greenhouse gas emission, water consumption and other wastes to meet the challenges of climate change. </div> <div> 1. Water consumption (cubic meters): <table> <tr> <th>By plant</th> <th>2023</th> <th>2024</th> </tr> <tr> <td>Plant 1</td> <td>636.55</td> <td>776.71</td> </tr> <tr> <td>Plant 2</td> <td>20,297.97</td> <td>27,259.39</td> </tr> <tr> <td>Plant 3</td> <td>18.99</td> <td>11.61</td> </tr> <tr> <td>Plant 4</td> <td>18,928.51</td> <td>22,111.04</td> </tr> <tr> <td>Plant 5</td> <td>4,191.60</td> <td>2,929.68</td> </tr> <tr> <td>Plant 6</td> <td>33,791.82</td> <td>31,583.14</td> </tr> <tr> <td>Leasing plant</td> <td>437.30</td> <td>282.43</td> </tr> <tr> <td>Total</td> <td>78,302.74</td> <td>84,954.00</td> </tr> </table> </div> <div> 2. Waste volume (tonnes): <div> (1) 2023 <table> <tr> <th>By plant</th> <th>Hazardous waste</th> <th>Non-hazardous waste</th> </tr> <tr> <td>Plant 1</td> <td>0.89</td> <td>26.05</td> </tr> <tr> <td>Plant 2</td> <td>1.77</td> <td>731.59</td> </tr> <tr> <td>Plant 3</td> <td>0</td> <td>40.44</td> </tr> <tr> <td>Plant 4</td> <td>0</td> <td>125.92</td> </tr> <tr> <td>Plant 5</td> <td>0</td> <td>211.78</td> </tr> <tr> <td>Plant 6</td> <td>13.91</td> <td>116.38</td> </tr> <tr> <td>Total</td> <td>16.57</td> <td>1,252.16</td> </tr> </table> </div> </div> </div>	By plant	2023	2024	Plant 1	636.55	776.71	Plant 2	20,297.97	27,259.39	Plant 3	18.99	11.61	Plant 4	18,928.51	22,111.04	Plant 5	4,191.60	2,929.68	Plant 6	33,791.82	31,583.14	Leasing plant	437.30	282.43	Total	78,302.74	84,954.00	By plant	Hazardous waste	Non-hazardous waste	Plant 1	0.89	26.05	Plant 2	1.77	731.59	Plant 3	0	40.44	Plant 4	0	125.92	Plant 5	0	211.78	Plant 6	13.91	116.38	Total	16.57	1,252.16	
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Promotion Items	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons																								
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			<div>(2) 2024<table><tr><th>By plant</th><th>Hazardous waste</th><th>Non-hazardous waste</th></tr><tr><td>Plant 1</td><td>1.39</td><td>14.89</td></tr><tr><td>Plant 2</td><td>2.48</td><td>778.79</td></tr><tr><td>Plant 3</td><td>0</td><td>9.00</td></tr><tr><td>Plant 4</td><td>0</td><td>231.39</td></tr><tr><td>Plant 5</td><td>0</td><td>230.40</td></tr><tr><td>Plant 6</td><td>7.19</td><td>79.72</td></tr><tr><td>Total</td><td>11.06</td><td>1,344.19</td></tr></table></div>	By plant	Hazardous waste	Non-hazardous waste	Plant 1	1.39	14.89	Plant 2	2.48	778.79	Plant 3	0	9.00	Plant 4	0	231.39	Plant 5	0	230.40	Plant 6	7.19	79.72	Total	11.06	1,344.19	
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Total	11.06	1,344.19																										
IV. Social Issues																												
(I) Does the Company establish policies and procedures in compliance with regulations and internationally recognized human rights principles?	V		(I) The Company complies with relevant labor laws and regulations, formulates relevant management regulations, and regularly holds labor-management meetings to communicate with employees about the business and management to protect the employees' rights and interests.	No major differences																								
(II) Has the Company established and implemented reasonable employee welfare measures (including remuneration, vacation and other benefits) and appropriately reflected the business performance or results in the employee remuneration policy?	V		(II) The Company provides various employee benefits and has set up an Employee Welfare Committee to organize related activities. The Company allocates a fixed percentage of profit as employee bonuses, and conducts performance-based salary adjustments every year.																									
(III) Has the Company provided employees with a safe and healthy work environment and regularly conducted safety and health training?	V		(III) The Company passed the international certification of Occupational Safety and Health OHSAS18001 (currently ISO45001) in 2008, and has been certified by a third-party organization every year thereafter. In 2024, it was certified by United Registrar of Systems Taiwan Ltd.																									

Promotion Items	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary Description	
			<p>The latest certificate is valid from 2023/03/05~2026/03/06.</p> <p>The Company strives to provide employees with a safe and healthy work environment, and has dedicated personnel to implement related activities.</p> <p>In addition, the Company regularly reviews the safety of the work environment and carries out health examination, promotes information on safety and hygiene from time to time, and communicates relevant precautions and health management knowledge with employees through the intranet.</p> <p>In response to the influenza epidemic that peaks in the fall and winter seasons every year, the Company has not only promoted and encouraged employees to get vaccinated against influenza, but also provided a half-price subsidy for the “GlaxoSmithKline Influenza Vaccine” in 2024. It arranged for the completion of the vaccination by November to implement early prevention and treatment measures, which could help avoid the risk of serious complications or death after infection.</p> <p>Disclosures related to occupational accidents and fire incidents of the year:</p> <ol style="list-style-type: none"> Occupational accidents in 2024 <ol style="list-style-type: none"> There were 3 cases of occupational accidents involving disabling employees There were 3 disabled employees due to occupational accidents 	

Promotion Items	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary Description	
(IV) Has the Company established an effective career development training program for employees?	V		<p>(3) Disabled employees accounted for 0.32% of the total number of employees.</p> <p>(4) Improvement measures included: Equipment improvement and publicity.</p> <p>2. Fire incidents in 2024</p> <p>(1) There was 1 case of fire incident.</p> <p>(2) The number of employees disabled as a result of fire incident was zero.</p> <p>(3) The injured employee accounted for 0.00% of the total number of employees.</p> <p>(4) Improvement measures are as follows:</p> <p>A. Re-inventory and update of the hazard recognition H-Card.</p> <p>B. Fire safety equipment improvement.</p> <p>C. Organization of fire prevention training.</p> <p>(IV) The Company has a clear career development plan for each position, covering training in core functions, management functions, professional functions, new employee training, and environmental/occupational safety and health/fire prevention/energy training, with a total of 912 trainees and 16,779 hours of training to enhance employees' professional and management skills.</p>	

Promotion Items	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary Description	
(V) Has the Company complied with the relevant regulations and international standards and formulated policies for protection of consumers and clients' rights and interests and grievance procedures with respect to consumer health and safety, customer privacy, marketing and labeling of products and services?	V		(V) In accordance with the international standard AA1000 (AA1000 Stakeholder Engagement Standard, or SES), we have identified six major categories of stakeholders, including employee investors, media, customers, suppliers, and communities. With respect to customer health and safety issues related to products and services, in addition to in-depth communication through irregular customer visits, we also utilize an annual customer satisfaction survey to understand the thoughts and suggestions of individual and overall customers, and track and improve items with lower ratings to ensure the rights and interests of customers.	
(VI) Has the Company established supplier management policies which require suppliers to comply with regulations on environmental protection, occupational safety and health or labor rights, and reported the implementation?	V		<p>(VI) The Company regularly audits suppliers annually for compliance with ISO certification, management commitment, education and training, and process improvement to meet quality requirements. We also enter into the “Supplier Code of Conduct” with suppliers and expect our business partners to comply with all applicable laws and regulations. The Company regularly promotes “Supplier Environmental and Occupational Safety and Health” to protect the environment and systematically take effective preventive measures.</p> <p>We regularly update and require suppliers to comply with the “European Union REACH Substances of Very High Concern (SVHC)” to keep abreast with the world regulations in terms of cleaner production and procurement, pollution prevention and reduction of</p>	

Promotion Items	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary Description	
			resource consumption, chemicals and hazardous materials, air pollutant emissions, wastewater and waste, increased automation to reduce employee load, increased productivity, reduced processing waste, recycling and reuse of materials and products, etc., in order to reduce the impact of carbon emissions on the environment. The management of environmental protection, safety and health measures is included in the items of supplier audit.	
V. Has the Company referred to international reporting standards or guidelines in its preparation of corporate social responsibility reports and other reports which disclose the Company's non-financial information? Have the abovementioned reports obtained the verification or assurance opinions from third-party certification organizations?	V		The Company does not currently produce a Corporate Social Responsibility Report. However, the Company has been working with PricewaterhouseCoopers Taiwan and expects to publish its first ESG Report in 2025. In addition, the Company has formulated the Sustainable Development Best-Practice Principles which fulfill corporate social responsibility by taking into consideration stakeholders' interests, treating customers in a fair and reasonable manner, and requiring suppliers to abide by the standards of the social and environmental agreement.	In line with the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies.
<p>VI. If the Company has established its own sustainability code based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation in the Company:</p> <p>The board meeting on November 23, 2011 approved the Company's formulation of the Corporate Social Responsibility Best-Practice Principles, which were renamed the Sustainable Development Best-Practice Principles by the board's approval on December 20, 2022. The purpose is to fulfill social responsibility and promote the balanced and sustainable development of economy, society and environment, which are aligned with the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies.</p>				

Promotion Items	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary Description	
VII. Other important information for facilitating the understanding of sustainability and its implementation:				
(I) Environmental protection: The Company has obtained the ISO 14001 environmental management system certification in January 2008, the ISO 50001 energy management system certification in 2018, the green factory label - clean production assessment system certification of compliance in 2024, and the green factory label - green building label certification in 2025.				
(II) Community participation: The Company has adopted the sidewalks and the roadway medians in Nangang Industrial Park to improve the overall landscaping both inside and outside the company's area. It is hoped that the continuous efforts on environmental landscaping can make the surroundings better and the Earth more beautiful. Donates regularly to family support centers and the Genesis Social Welfare Foundation.				
(III) Consumer rights and interests: The Company has obtained the ISO 14001 certification in 2008. Through measures such as pollution prevention, process waste reduction and continuous improvement, we adopt "green process" to manufacture "green products", and improve environmental performance and business efficiency. The measures cover environmental protection design for products, waste water discharge, waste gas discharge, waste removal and treatment, efficient use of natural resources, energy conservation and waste reduction efficiency, etc., to establish the basis for sustainable business operations and protect the rights and interests of consumers.				
(IV) Human rights: The Company provides employees with adequate and appropriate care and protection in accordance with the Labor Standards Act and other relevant regulations. Relevant labor-management issues are discussed at labor-management meetings to facilitate harmonious development of labor-management relations. Employee welfare programs are subject to the Employee Welfare Fund Act and other relevant regulations. We highly value positive labor-management relations and the welfare and rights of employees. In October 2007, the leisure hall on the fourth floor of the new factory was completed, which included the opening of the new employee restaurant, ball courts, sports classroom, and multi-functional classrooms, creating a more comfortable living space. In 2015 and 2020, we also obtained the quality healthy workplace certification issued by the Health Promotion Administration of the Ministry of Health and Welfare. We prioritize the well-being of our female employees, and offer support better than the regulatory requirements during pregnancy and breastfeeding periods, and provide user-friendly breastfeeding rooms that have been certified by the county government. We also provide dormitories for non-local employees, physical and health examinations, domestic and international tours and bonuses for employees, so that they can work happily in the NAK family.				
(V) Safety and health: We obtained occupational safety and health (ISO 45001) certification in January 2008 and healthy workplace certification in 2015 and 2020.				

2. Climate-related information of TWSE/TPEX-listed Companies - Implementation status of climate-related information

Item	Implementation
(I) Describe the supervision and governance of climate-related risks and opportunities by the Board and the management.	<p>(I)</p> <ol style="list-style-type: none"> 1. In overseeing and managing climate-related risks and opportunities, the Company's Board of Directors endeavors to establish a clear policy and vision, monitor risk assessment and management, ensure transparency of information disclosure, and consider the needs of stakeholders. The Board of Directors has delegated specific responsibility for the management of climate risks and opportunities to the Sustainable Development Office, and has requested that regular reports be made to the Board of Directors on the progress of implementation and effectiveness in order to ensure continuous improvement. 2. As the management unit for climate-related risks and opportunities, the Sustainable Development Office effectively supervises and manages climate-related risks and opportunities through clear division of responsibilities, development of a management framework, regular risk assessment, effective monitoring and control, and education and training. The President's Office, the Human Resources Department, and the Finance Department conduct climate risk impact assessments for their respective areas of responsibility, and aggregate the results to the Sustainable Development Office for comprehensive analysis. Based on the results of the identification and assessment, the Sustainable Development Office will formulate a climate risk management strategy. The relevant departments will implement specific management actions. The strategy and implementation effectiveness will be reviewed and adjusted periodically. The results and strategy of climate risk management will be included in the Company's annual report and communicated transparently to stakeholders including investors, customers and employees, as well as reported to the Board of Directors on a regular basis.
(II) Describe the effects of climate risks and opportunities identified on the Company's business, strategy, and finance (short-, mid-, and long-term).	<p>(II)</p> <ol style="list-style-type: none"> 1. Short-term impacts (1-3 years) <ol style="list-style-type: none"> (1) Risk impacts <p>Business: Extreme weather events (e.g. typhoons or floods) may cause short-term disruptions to the supply chain, resulting in shortages or delays in the delivery of raw materials and affecting production schedules.</p> <p>Strategy: The Company may need to immediately strengthen risk management in the supply chain, identify alternative suppliers, and formulate contingency plans to cope with short-term climate impacts.</p> <p>Finance: Short-term production disruptions may increase operating costs and affect revenue stability. Rising energy costs could also increase production costs, further compromising margins.</p> (2) Opportunity impacts <p>Business: Demand for environmentally friendly products will emerge, and the Company can launch initial low-carbon sealing components to test market response and create new sources revenue.</p> <p>Strategy: The Company can quickly adjust its product line and increase its R&D investment to develop more products that meet the demand for environmentally friendly products in order to secure business opportunities.</p> <p>Finance: By improving energy efficiency and using renewable energy, the Company can reduce energy costs and improve short-term financial performance. Meanwhile, green financial instruments can be utilized to obtain low-cost capital support.</p>

Item	Implementation
	<p>2 . Medium-term impacts (3-5 years)</p> <p>(1) Risk impacts</p> <p>Business: As regulations become more stringent, the Company may need to make significant adjustments to production processes in order to comply with environmental standards, which may affect production efficiency and increase costs.</p> <p>Strategy: The Company will need to formulate medium-term sustainability strategies and incorporate climate risk management into core business plans to ensure compliance and maintain competitiveness.</p> <p>Finance: The Company may face higher compliance costs and investment in equipment upgrades in the medium term, which will put pressure on cash flow and capital expenditure. In addition, there may be market volatility in the process of product transformation, which could affect revenue.</p> <p>(2) Opportunity impacts</p> <p>Business: By proactively addressing the climate challenge, the Company can gradually build its leadership position in the environmentally sealing component market and increase its market share.</p> <p>Strategy: Medium-term strategy will include strengthening research and development, upgrading product technology to meet higher environmental standards and expanding market coverage.</p> <p>Finance: As demand for green products increases, the Company's revenue structure is likely to improve. In line with market trends, it will be able to receive more support from green investors.</p> <p>3 . Long-term impacts (more than 5 years)</p> <p>(1) Risk impacts</p> <p>Business: Long-term climate change may alter the market structure, with demand for certain traditional products decreasing and new environmental technologies and materials becoming the mainstream of the market. The Company will need to adapt to the fundamental changes of the market.</p> <p>Strategy: The Company must establish a long-term environmental technology innovation system and continue to promote company-wide carbon neutrality targets to ensure its success in the future market.</p> <p>Finance: Long-term sustained investment will pose challenges to the Company's capital structure and financial health, but a successful transformation will lead to more stable sources of revenue and sustainable financial growth.</p> <p>(2) Opportunity impacts</p> <p>Business: The Company has the opportunity to become a global leader in the environmentally friendly sealing component market over the long term, and achieve leapfrog growth through continued innovation and market expansion.</p> <p>Strategy: The Company's long-term strategy is to further strengthen its market position and brand influence through multinational cooperation, technology patenting and product diversification.</p>

Item	Implementation
(III) Describe the impact of extreme weather events and transformation actions on finance.	<p>Finance: A successful long-term transformation will help the Company maintain steady revenue growth, improve profit margins and minimize the negative financial impact of climate change. At the same time, the Company may also become a model of sustainable development in the eyes of investors and attract more green capital.</p> <p>(III)</p> <ol style="list-style-type: none"> 1. The financial impact of an extreme weather event on the Company can be multifaceted and significant, encompassing lost revenues, increased costs, higher insurance premiums, fluctuations in raw material prices, capital market reactions, liquidity pressures, and the risk of contractual defaults. These factors, if not properly addressed, can put significant pressure on the Company's overall financial health. In order to mitigate these risks, the Company needs to develop a comprehensive risk management strategy to ensure rapid response and financial stability in the event of an extreme weather event. 2. Transformational actions in response to extreme weather will exert a complex and far-reaching impact on its financial position. In the short term, the Company will face challenges such as increased capital expenditure and fluctuations in financial performance. However, a successful transformation will help enhance brand value, explore new markets and ensure long-term financial stability. The Company will need to manage its financial risks carefully during the transformation process to ensure that the transformation will proceed smoothly and ultimately bring about positive financial results.
(IV) Describe the incorporation method of the identification, evaluation, and management procedures of climate risks in the overall risk management system.	<p>(IV)</p> <ol style="list-style-type: none"> 1. Establishment of a climate risk management framework: Ensure that climate risk management is an integral part of the Company's overall risk management and that climate-related risks and opportunities are considered in the decision-making process. 2. Division of labor and responsibilities Sustainable Development Office: Coordinate the management of climate risks and ensure the cooperation of all departments. It is responsible for consolidating the results of climate risk identification and assessment, and reporting to the President and the Board of Directors on a regular basis. It formulates policies and guidelines for climate risk management to ensure compliance with international standards and regulations. The Sustainable Development Office does not yet have dedicated staff and is currently managed by the Manager at the President's Office, Manager of the Human Resources Department, and Manager of the Finance Department. In the future, we intend to assess the possibility of introducing full-time staff or commissioning a professional consultant to support the management of climate risks and assist in the implementation of the overall ESG strategy. 3. Management process <ol style="list-style-type: none"> (1) Identification: The President's Office, with the assistance of the Sustainable Development Office, conducts climate risk identification on a regular basis, identifying major climate risks through internal and external research, data analysis, and risk assessment meetings. Environmental management systems (e.g. ISO 14001) are utilized to assist in the identification process. (2) Assessment: The President's Office, the Human Resources Department, and the Finance Department conduct climate risk impact assessments for their respective areas of responsibility, and aggregate the results to the Sustainable Development Office for comprehensive analysis and review.

Item	Implementation
<p>(V) If scenario analysis is used to assess resilience in the face of climate change risks, the scenarios, parameters, assumptions, analysis factors used, and major financial impacts shall be specified.</p> <p>(VI) If there is a transformation plan in response to the management of climate-related risks, the content of the plan and the indicators and targets used to identify and manage physical risks and transformation risks shall be specified.</p> <p>(VII) If internal carbon pricing is used as a planning tool, the basis for setting the price shall be specified.</p> <p>(VIII) If climate-related goals are set, the activities covered, the scope of GHG emissions, the planned period, and the progress of each year shall specified; if carbon offsets or renewable energy certificates (RECs) were used to achieve the goals, the source and quantity of carbon reduction credits or quantity of RECs used for exchange shall be specified.</p> <p>(IX) GHG inventory and assurance status, as well as reduction targets, strategies, and substantial action plans.</p>	<p>(3) Management: Based on the results of the identification and assessment, the Sustainable Development Office will formulate a climate risk management strategy. The relevant departments (President's Office, Human Resources Department, Finance Department) will implement specific management actions. Regular reviews and adjustments are made to the strategy and the effectiveness of implementation.</p> <p>4. Internal control and continuous improvement: The Sustainable Development Office regularly checks the implementation of climate risk management in each department, and the Internal Audit Office conducts supervision and audits.</p> <p>Reporting and communication: The results and strategies of climate risk management are incorporated into the Company's annual strategic report and sustainability report, which are transparently communicated to stakeholders (including investors, customers, and employees) and reported to the Board of Directors on a regular basis.</p> <p>Under planning.</p> <p>Under planning.</p> <p>Under planning.</p> <p>Under planning.</p> <p>Please refer to Table 1-1 below.</p>

1-1 The Company's GHG inventory and assurance status in the most recent two years

1-1-1 GHG inventory information

Specify GHG emissions (tCO₂e), intensity (tCO₂e/NT\$ million), and the data coverage in the most recent two years.

The GHG emissions for the most recent two years are shown in the table below: The inventory of Scope 1 to Scope 3 covers the information on the parent company's plants in Taiwan.

Year	Scope 1 - Direct GHG emissions and removal (tCO ₂ e)	Scope 2 - Indirect GHG emissions from imported energy (tCO ₂ e)	Scope 3 - Indirect GHG emissions (tCO ₂ e)	Intensity (tCO ₂ e/NT\$ million)
2022	2,334.3953	14,430.7832	20,033.0416	12.17
2023	1,547.9788	12,421.2710	14,986.4602	8.40
2024	1,097.4305	9,551.4617	11,491.6100	9.05

1-1-2 Information on GHG assurance

Specify the assurance in the most recent two years and up to the publication date of the annual report, including the scope of assurance, assurance institutions, assurance standards, and assurance opinion.

Year	Assurance institutions	Description of assurance
2022	Metal Industries Research & Development Centre (MIRDC)	The direct GHG emissions were 2,334.3953 tCO ₂ e, the indirect GHG emissions were 34,463.8248 tCO ₂ e, and the total direct and indirect GHG emissions were 36,798.220 tCO ₂ e. MIRDC implemented the verification process according to the auditing standards, which was in line with the materiality threshold; reasonable assurance was granted.
2023	Metal Industries Research & Development Centre (MIRDC)	The direct GHG emissions were 1,547.9788 tCO ₂ e, the indirect GHG emissions were 27,407.7312 tCO ₂ e, and the total direct and indirect GHG emissions were 28,955.710 tCO ₂ e. MIRDC implemented the verification process according to the auditing standards, which was in line with the materiality threshold; reasonable assurance was granted.
2024	Metal Industries Research & Development Centre (MIRDC)	In 2024, the assurance has not been completed by an assurance institution, and it is expected to be completed in May 2025.

1-2 GHG reduction targets, strategies, and substantial action plans

Unit: tCO₂e

Year	Direct emissions	Energy indirect emissions	Other indirect emissions	Total	Remarks
2022	2,334.3953	14,430.7832	20,033.0416	36,798.2201	Assurance completed
2023	1,547.9788	12,421.2710	14,986.4602	28,955.7100	Assurance completed
2024	1,097.4305	9,551.4617	11,491.6100	22,140.5022	Assurance not yet completed

A reduction of 7,842.51 tCO₂e or 21% in 2023 compared with that in 2022; A reduction of 6,815.21 tCO₂e or 24% in 2024 compared with that in 2023.

Reduction targets and strategies:

1. Carry out carbon inventory and establish GHG emissions information to serve as the basis for in-house emission management.
2. Reduce the generation of waste and use resources efficiently.
3. Implement energy-saving measures and improve energy efficiency.
4. Understand the implementation of the Climate Change Response Act and relevant carbon emission regulations in different countries.
5. Raise employees' awareness of climate change and GHG reduction.
6. Continuously adopt waste reuse programs to reduce the environmental burden caused by waste disposal.

(VI) The Company's performance of ethical management and measures taken:

Status of the Company's practice of ethical management and differences from the Ethical Corporate Management Best Practice Principles for the Listed Companies and reasons for discrepancies

Issues to be Assessed	Implementation Status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
<p>I. Establish corporate conduct and ethics policy and implementation measures</p> <p>(I) Does the company establish ethical management policies approved by the Board and have bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures and the commitment regarding the implementation of such policy from the Board and the executive management team?</p>	V		<p>(I) The Company has formulated the Ethical Corporate Management Best-Practice Principles and the Code of Conduct for Directors, and disclosed them on the official website and the MOPS. The Code of Conduct applies to the Company's directors, officers, employees and related personnel.</p>	<p>Comply with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.</p>

Issues to be Assessed	Implementation Status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
(II) Has the Company established a risk assessment mechanism against unethical conduct, analyzed and assessed on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and established prevention programs accordingly which at least cover the prevention measures against the conducts listed in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?	V		(II) On November 10, 2015, the Company promulgated the Procedures for Ethical Corporate Management and Guidelines for Conduct, and announced its ethical management policy and explained the policy to business partners to prevent transactions with unethical business operators and ensure the execution of terms related to the policy. We organize training and awareness programs on ethical management for the Company's personnel at least once a year so they understand the Companies' resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct. The auditing unit also conducts irregular audits and accepts internal grievance filing as preventive measures.	
(III) Has the Company defined operating procedures, conduct guidelines, disciplinary penalties and grievance process in the program preventing unethical conduct and put them in practice, and regularly reviewed and amended the program?	V		(III) We have established the NAK Family Code and the related internal measures to prohibit the acceptance of vendors' gratuity, gifts, kickbacks or other illegal benefits through the performance of duties or violations of duty responsibilities, and the Code and the measures are introduced through internal education and training sessions and then implemented.	

Issues to be Assessed	Implementation Status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
<p>II. Practice ethical operations</p> <p>(I) Does the company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?</p> <p>(II) Has the Company established a specialized unit under the Board responsible for the promotion of corporate ethics management, which regularly (at least once a year) reports policies on ethical operations, programs on prevention of unethical conduct and the status of supervision to the Board?</p>	V		<p>(I) The Company stipulates the "Clause of Good Faith" for suppliers in the procurement contracts, which requires that suppliers shall not provide the Company's personnel with gratuity, gifts, kickbacks or other inappropriate benefits.</p> <p>(II) The Company has set up a dedicate unit to promote ethical management in operations and implement and supervise solutions preventing unethical behaviors, and the unit is to report to the board at least once a year. The Company reports to the Board of Directors on a regular basis the implementation results of ethical management in the previous year, and assists the Board in evaluating whether the preventive measures for ethical management established by the Company are operating effectively. On January 14, 2025, the Board completed the reporting on the implementation of ethical management in 2024. The status of the implementation in 2024:</p>	<p>Comply with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.</p> <p>Comply with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.</p>

Issues to be Assessed	Implementation Status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
			<ol style="list-style-type: none"> Education and training The dedicated unit responsible for ethical management promotes the "ethics and integrity" as the core value of the Company to all employees, conducts education and training courses for new hires on key issues to know when performing duties (66 people attended the 2024 training for new hires, and 510 in-service employees also attended the courses). Communication channels Employees can respond to and communicate with various management levels and human resources units through various channels (including company website, and internal email mailbox). Grievance filing system and whistleblower protection 	
			The Company provides channels for	

Issues to be Assessed	Implementation Status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
			<p>whistleblowers to report illegal acts of the Company's personnel. The dedicated unit handling ethical management accepts the reported cases, and forwards the cases to the top manager of the relevant units for investigation, and tracks the results of the case. The identity of the whistleblowers and the content of the grievances filed are kept confidential. The case acceptance, investigation process and results are all recorded. There were no effective cases of external grievances filing or internal employee filing, and there were no major unethical events.</p> <p>4. Supplier management</p> <p>In addition to internal promotion and education, the Company also promotes ethical management with suppliers through the procurement unit to further achieve ethical management with stakeholders. In 2024, the Company promoted ethical management to a total of 45 domestic suppliers.</p>	

Issues to be Assessed	Implementation Status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
(III) Does the Company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	V		<p>5. Prevention of insider trading</p> <p>The Company's "Corporate Governance Best-Practice Principles" regulates the control of stock transactions by the Company's directors (including insiders) from the date of receipt of the Company's financial reports. The directors are prohibited from trading in their shares during the closed periods of 30 days prior to the announcement of the annual financial report and 15 days prior to the announcement of the quarterly financial report. In addition, the Company's stock affairs unit also notifies the directors (including insiders) before the aforesaid closure period that they should comply with this regulation.</p> <p>(III) The Board Meeting Rules of Procedures have provisions for recusal from conflict of interest. We have established the NAK Family Code to prohibit the acceptance of vendors' gratuity, gifts, kickbacks or other illegal benefits through the performance of duties or violations of duty responsibilities. The Company's Employee Reward and Punishment Management Regulations stipulate that employees who engage in work outside the company which may lead to a conflict of interest will be dismissed.</p>	Comply with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Issues to be Assessed	Implementation Status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
(IV) Has the Company established an effective accounting and internal control system to put ethical operations management into practice and arranged for the internal audit unit to formulate audit plans based on the risk assessment of unethical conduct and audit the compliance to prevent unethical conduct, or commissioned independent auditors to conduct the audit?	V		(IV) The Company has established an effective accounting system and internal control system, and the Company's auditing unit performs audit operations in accordance with the annual audit plan approved by the Board and submits reports to audit committee members. The audit status is reported in the meetings of audit committee and the Board , and also forwarded to the competent authority in accordance with regulations.	Comply with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
(V) Does the Company provide internal and external ethical conduct training programs on a regular basis?	V		(V) The audit status is reported in the meetings of audit committee and the Board, and also forwarded to the competent authority in accordance with regulations. In 2024, the Company held external training courses (on regulatory compliance and internal control related to ethical management), and a total of 510 person-time attending a total of 252 hours of classes. In 2024, the Company arranged relevant internal and external training courses for directors, managerial officers and employees, including the source of insider trading law, applicable subjects, regulatory subjects, scope of significant impact information, identification and penalties of insider trading period. A total of 26 people attended the 1-hour course, and the internal training course	Comply with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Issues to be Assessed	Implementation Status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
			briefings and audio-visual files are placed in the internal employee system for reference at any time.	
<p>III. Operations of the Company's grievance reporting system</p> <p>(I) Does the Company establish specific whistleblowing and reward procedures, set up conveniently accessible whistleblowing channels and designate responsible individuals to handle the complaints received?</p> <p>(II) Does the Company establish standard operating procedures for investigating the complaints received, follow-up measures to be adopted and the related confidentiality measures after investigation?</p>	V	V	<p>(I) The Company has established a specific grievance filing and reward system, and has set up physical suggestion boxes and virtual email address (talk@mail.nak.com.tw) in each factory, and assigned a dedicated unit to conduct follow-up processes in a confidential manner.</p> <p>(II) According to Article 20 of the "Ethical Corporate Management Best-Practice Principles", the "Regulations on the Management of Employee Complaint Channels", and Article 21 of the "Procedures for Ethical Management and Guidelines for Conduct", acceptance of grievances files, investigation process and results are recorded and filed, and the identity of whistleblowers and the content of cases are kept strictly confidential. The investigation unit shall immediately produce reports and notify the independent directors in writing if it finds that there are major violations of rules or that the Company may experience significant damage:</p>	<p>Comply with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.</p> <p>Comply with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.</p>

Issues to be Assessed	Implementation Status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
			No such incident occurred this year.	
(III) Does the Company adopt proper measures to shield a whistleblower from retaliation for filing grievances?	V		(III) Details involving the handling of reported issues are made known to only the president and two other supervisors, and the information is kept confidential to prevent the exposure of a whistleblower's identity and mishandling of matters.	Comply with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
IV. Enhance information disclosure Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and the Market Observation Post System?	V		The Company has a website which discloses the code of conduct for ethical management and related governance information produced by dedicated personnel (http://www.tonslight.com/tw/csr/). The Company also has the spokesperson system, so that shareholders, stakeholders and the competent authority can learn about the Company's status at any time.	Comply with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
V. If the company has established ethical policies based on the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the policies and their implementation in the Company: We have established the "Ethical Corporate Management Best-Practice Principles" for compliance and built a corporate culture of ethical management, and the development and operation are in line with the Ethical Corporate Management Best-Practice Principles.				
VI. Other important information to facilitate better understanding of the Company's corporate conduct and ethics compliance practices (such as reviewing and amending the Company's existing Ethical Corporate Management Best Practice Principles):				
1. The Company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/TPEX listing rules,				

Issues to be Assessed	Implementation Status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.				
2. The Company's "Board Meeting Rules of Procedures" stipulate that directors or other legal person representatives shall commit to a high degree of self-discipline and, when discussing any of the following matters in meetings, state their opinions and answer questions without participating in the discussion and voting and may not act as another director's proxy to exercise voting rights on such matters. I. They themselves or the legal person they represent are the interested parties, and they shall explain the important content of their interest at the meeting at the time. II. Directors believe that they should recuse themselves from the matters. III. The board resolution determines that they shall recuse themselves from the matters.				
3. The Company has established the "Operating Procedures for Management of Prevention of Insider Trading" and the "Procedures for Handling Material Inside Information" which specify that the directors, officers and employees who know the material inside information shall not disclose such information to others. The directors, managerial officers and employees shall not inquire those who know the Company's material inside information or collect undisclosed information not related to their personal duties, and shall not disclose to others such information that is not known through the performance of the business activities.				

(VII) Other material information that will provide a better understanding of the state of the Company's implementation of corporate governance

For important information on the implementation of corporate governance, please refer to (III) Status of corporate governance implementation and the differences from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons (P.29 to 44), and the status of directors' continuing education in 2024 is as follows:

Job title	Name	Date of inauguration	Date of continuing education courses		Organizer	Course name	Course hours	Whether the continuing education program complies with the requirements
			From	Ends				
Director	Cheng-Fu Shih	20220609	20240509	20240509	Taiwan Corporate Governance Association	Corporate Information Security Trends under Digital Resilience	3.0	Yes
			20241112	20241112	Taiwan Corporate Governance Association	How Directors and Executives Review Sustainability Reports: ESG Information Disclosure Requirements	3.0	Yes
Director	Chun-Tang Hsu	20220609	20240509	20240509	Taiwan Corporate Governance Association	Corporate Information Security Trends under Digital Resilience	3.0	Yes
			20241112	20241112	Taiwan Corporate Governance Association	How Directors and Executives Review Sustainability Reports: ESG Information Disclosure Requirements	3.0	Yes
Director	Ming-Yao Shih	20220609	20240509	20240509	Taiwan Corporate Governance Association	Corporate Information Security Trends under Digital Resilience	3.0	Yes
			20241112	20241112	Taiwan Corporate Governance Association	How Directors and Executives Review Sustainability Reports: ESG Information Disclosure Requirements	3.0	Yes
Director	Hsi-Hu Nian	20220609	20240509	20240509	Taiwan Corporate Governance Association	Corporate Information Security Trends under Digital Resilience	3.0	Yes
			20241112	20241112	Taiwan Corporate Governance Association	How Directors and Executives Review Sustainability Reports: ESG Information Disclosure Requirements	3.0	Yes

Job title	Name	Date of inauguration	Date of continuing education courses		Organizer	Course name	Course hours	Whether the continuing education program complies with the requirements
			From	Ends				
Director	Ren-An Chen	20220609	20240509	20240509	Taiwan Corporate Governance Association	Corporate Information Security Trends under Digital Resilience	3.0	Yes
			20241112	20241112	Taiwan Corporate Governance Association	How Directors and Executives Review Sustainability Reports: ESG Information Disclosure Requirements	3.0	Yes
Independent director	Kuo-Ko Chen	20220609	20240509	20240509	Taiwan Corporate Governance Association	Corporate Information Security Trends under Digital Resilience	3.0	Yes
			20241112	20241112	Taiwan Corporate Governance Association	How Directors and Executives Review Sustainability Reports: ESG Information Disclosure Requirements	3.0	Yes
Independent director	Su-Ying Lee	20220609	20240509	20240509	Taiwan Corporate Governance Association	Corporate Information Security Trends under Digital Resilience	3.0	Yes
			20241112	20241112	Taiwan Corporate Governance Association	How Directors and Executives Review Sustainability Reports: ESG Information Disclosure Requirements	3.0	Yes
Independent director	Chih-Hung Wu	20220609	20240509	20240509	Taiwan Corporate Governance Association	Corporate Information Security Trends under Digital Resilience	3.0	Yes
			20241112	20241112	Taiwan Corporate Governance Association	How Directors and Executives Review Sustainability Reports: ESG Information Disclosure Requirements	3.0	Yes
Independent director	Chin-Lung Lin	20220609	20240509	20240509	Taiwan Corporate Governance Association	Corporate Information Security Trends under Digital Resilience	3.0	Yes
			20241112	20241112	Taiwan Corporate Governance Association	How Directors and Executives Review Sustainability Reports: ESG Information Disclosure Requirements	3.0	Yes

(VIII) Status of implementation of the Company's internal control protocols:

1. Statement on Internal Control:

NAK Sealing Technologies Corporation

Statement on Internal Control

Date: March 13, 2025

Based on the findings of a self-assessment, the Company states the following regarding its internal control system during the year of 2024:

- I. The Company's board and management are responsible for establishing, implementing and maintaining a proper internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability of our financial reporting and compliance with applicable laws and regulations.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and we take immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and execution of its internal control system based on the criteria specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "The Governing Principles") to determine whether or not the existing policies continue to be effective. The criteria adopted by the Governing Principles identify five key components of managerial internal control: 1. Control environment. 2. Risk assessment. 3. Control activities. 4. Information and communication. 5. Monitoring. Each component has its own items. Please see the Governing Principles for details.
- IV. We have evaluated the design and operating effectiveness of our internal control system according to the aforementioned Regulations.
- V. Based on the findings of such evaluation, we believe that on December 31, 2024, it has maintained, in all material respects an effective internal control system (that includes the supervision and management of our subsidiaries) to provide reasonable assurance over our operational effectiveness and efficiency, reliability of financial reporting and compliance with applicable laws and regulations.
- VI. This Statement will be an integral part of the Company's annual report and prospectus and will be made public. Any falsehood, concealment or other illegality in the content made public will entail legal liability under Article 20, 32, 171 and 174 of the Securities and Exchange Act.
- VII. This Statement has been approved by the Board of Directors on March 13, 2025. Among the nine directors present, none of them has any objection, and all the others agree with the content of this statement, and declare.

NAK Sealing Technologies Corporation

Chairman: Signature and seal

President: Signature and seal

2. Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report: Not applicable.
- (IX) Material resolutions of a shareholders' meeting or a Board of Directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:
1. Key resolutions of the 2024 annual general meeting (June 20, 2024):
 - (1) 2023 Business Report.
 - (2) Audit Committee's review of the 2023 year-end report.
 - (3) Report on distribution of 2023 director and employee remuneration.
 - (4) Report on the collection of the remuneration of directors for 2023.
 - (5) Amendment to provisions of the "Board Meeting Rules of Procedures".
 - (6) Please ratify the 2023 business report, parent-only financial reports and consolidated financial reports for ratification.
 - (7) Submit the 2023 earnings distribution for ratification.
Implementation: The base date of distribution was set for August 14, 2024, and the date of cash dividend release was set for August 30, 2024. (Cash dividend at NT\$7.0 per share)
 - (8) Amendment of provisions of the "Articles of Incorporation".
 2. Key resolutions of Board meetings during 2024 or during the current fiscal year up to the date of publication of the annual report:

14th meeting of the 18th session of the Board (May 9, 2024)

 - (1) Q1 2024 consolidated financial report.
 - (2) Application for line of credit from Chang Hwa Bank.

15th meeting of the 18th session of the Board (June 20, 2024)

 - (1) Resolved the record date of 2023 dividends.

16th meeting of the 18th session of the Board (August 9, 2024)

 - (1) Q2 2024 consolidated financial report.
 - (2) Distribution of 2023 remunerations to individual directors.
 - (3) The individual allocation of remuneration to senior managers for 2023.
 - (4) Amendment of partial provisions of the "Procedures for Handling Material Inside Information".
 - (5) Amendment of partial provisions of the "Operating Procedures for Management of Prevention of Insider Trading".
 - (6) Amendment of partial provisions of the "Measures on Handling of Cases of Illegal, Unethical or Dishonest Behavior".
 - (7) Line of credit from Mega International Commercial Bank.
 - (8) Line of credit from Taishin International Bank.
 - (9) Line of credit from CTBC Bank Co., Ltd.

17th meeting of the 18th session of the Board (November 12, 2024)

- (1) Q3 2024 consolidated financial report.
- (2) Formulation of the Management Measures on Sustainability Information.
- (3) Capital increase of reinvested subsidiary Song Quan International Co., Ltd.
- (4) Amendment of partial provisions of the Company's Organizational Procedures of the Audit Committee.

18th meeting of the 18th session of the Board (December 25, 2024)

- (1) 2025 operational plan and budget.
- (2) 2025 annual audit plan.
- (3) Amendments to the Company's "Operating Procedures for Preparation and Validation of Sustainability Report".
- (4) Amendments to the Company's "Accounting System".
- (5) Application for line of credit from First Commercial Bank of Taiwan.

19th meeting of the 18th session of the Board (January 14, 2025)

- (1) Appropriate the 2024 employee remuneration.
- (2) Distribution of the 2024 directors' remuneration of the Company.
- (3) 2024 year-end bonus for key managers.
- (4) Amendment to partial provisions of the Company's "Regulations for Performance Evaluation of the Board".
- (5) Assessment of the independence and competency of CPAs.

20th meeting of the 18th session of the Board (March 13, 2025)

- (1) Distribution of 2024 remunerations to directors and employees.
- (2) 2024 collection of directors' remuneration.
- (3) 2024 business report, parent-only financial reports and consolidated financial reports.
- (4) 2024 profit distribution.
- (5) Amendment of provisions of the "Articles of Incorporation".
- (6) Comprehensive re-election of directors of the Company.
- (7) Proposal and review of the list of candidates for directors and independent directors.
- (8) Conduct the evaluation of the 2024 effectiveness of internal control protocols and issue the "Statement on Internal Control".
- (9) Determine the date and agenda of the 2025 annual general meeting and the acceptance of nomination and motions from shareholders with at least 1% in shareholding and the time, venue and relevant matters of motions.

- (X) Where, during the most recent fiscal year and up to the date of this annual report, a director has expressed a dissenting opinion with respect to a material resolution passed by the Board of Directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: Not applicable.

IV. Audit fee of independent auditors:

(I) Audit fee of independent auditors

Unit: NT\$ thousand

Name of CPA's Firm	Name of Accountant	Audit period	Audit fees	Non-audit fees (Note 1)	Total	Remarks
Pricewaterhouse Coopers, Taiwan	Sung-Yuan Wu	20240101~ 20241231	4,387	869	5,256	(Note 1) Service fee for transfer pricing and ESG report
	Chih-Wei Lai					

(II) Changes in the accounting firm that result in lesser audit fees paid in comparison to the previous year, and disclosure for the change in audit fee, and the reason for the change: Not applicable.

(III) If the professional audit fee has decreased by more than 10% compared with the previous year, the decreased amount, proportion and reason for the reduction of professional audit fee shall be disclosed: Not applicable.

V. Information on change of accountant: Not applicable.

VI. If the chairman, president and managers in charge of the Company's finance and accounting operations held any positions within the Company's independent audit firm or its affiliates during the past one year: Not applicable.

VII. Changes in the transfer or pledge of shares by directors, officers, and shareholders holding over 10% of the outstanding shares in the past year and by the date of report publication.

1. Changes in shareholding of directors, supervisors, officers and principal shareholders

Job title	Name	2024		As of March 30 of the current year	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares	Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares
Chairman	Cheng-Fu Shih	(1,918,348)	0	0	0
Director	Chun-Tang Hsu	0	0	0	0
Director	Ren-An Chen	(32,000)	0	0	0
Director	Hsi-Hu Nian	(50,000)	0	0	0
Director	Ming-Yao Shih	(1,450,000)	0	0	0
Independent director	Kuo-Ko Chen	0	0	0	0
Independent director	Su-Ying Lee	0	0	0	0
Independent director	Chih-Hung Wu	0	0	0	0
Independent director	Chin-Lung Lin	0	0	0	0

2. Stock trade with a related party: Not applicable.

3. Stock pledge with a related party: Not applicable.

VIII. Information on top ten shareholders who have mutual relationship as related parties as specified in the Financial Accounting Standards Bulletin No. 6:

March 30, 2025

Name	Shareholding		Shareholding of spouse and minor children		Total shares held in the name of others		Title, name and relationship of the top ten shareholders who have mutual relationship as interested persons according to the Accounting Standards 6 or as spouse or blood relative within the second degree.		Remarks
	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Title (or name)	Relationship	
Fu Mao Mei Investment Representative Cheng-Fu Shih	9,572,000	11.51%	-	-	-	-	-	-	-
Cheng-Fu Shih	4,500,000	5.41%	84,929	0.10%	-	-	Ming-Yao Shih Ming-Ho Shih Chun-Tang Hsu	Father-son Father-son In-Law	-
Tang-Di Investment	4,140,000	4.98%	-	-	-	-	-	-	-
Representative: Tzu-Wen Nien	305,000	0.37%	-	-	-	-	-	-	-
I-Lung Chiu	3,000,000	3.61%	-	-	-	-	-	-	-
Ming-Yao Shih	1,637,402	1.97%	-	-	-	-	Cheng-Fu Shih Ming-Ho Shih	Father-son Brothers	-
Mei-Ching Chen	1,630,000	1.96%	-	-	-	-	Hsin-Chung Chen	Sister and brother	-
Hsin-Chung Chen	1,554,000	1.87%	654,000	0.79%	-	-	Mei-Ching Chen	Sister and brother	-
Chun-Tang Hsu	1,412,427	1.70%	1,130,000	1.36%	-	-	Cheng-Fu Shih	In-Law	-
Ming-Ho Shih	1,312,764	1.58%	705,000	0.85%	-	-	Cheng-Fu Shih Ming-Yao Shih	Father-son Brothers	-
Chin-Shih Nien Hung	1,300,000	1.56%	275,000	0.33%			Tzu-Wen Nien	Mother -daughter	

IX. The total number of shares and total equity stake held in any single enterprise by the Company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the Company.

Total shareholding

Unit: Share; %

Investee (Note)	Ownership by the Company		Ownership by Directors, Managers and Directly/Indirectly Owned Subsidiaries		Total Ownership	
	Number of shares	Ownership	Number of shares	Ownership	Number of shares	Ownership
SMOOTH-TRACK ASSOCIATES LIMITED	4,698 thousand shares	100%	None	None	4,698 thousand shares	100%
NAK SEALING PRODUCTS (THAILAND)CO., LTD.	15 thousand shares	100%	None	None	15 thousand shares	100%
KISH NAK OIL SEAL. CO., LTD	151 thousand shares	49%	None	None	151 thousand shares	49%
SHOWMOST INTERNATIONAL CO., LTD.	578 thousand shares	100%	None	None	578 thousand shares	100%
NAK TOTAL SEALING SOLUTIONS PTY LTD.	5 thousand shares	49%	None	None	5 thousand shares	49%
Song-Quan International Company.	17 thousand shares	100%	None	None	17 thousand shares	100%

Note: Investment by the Company by using the equity method.

Three. Financing Activities

I. Capitals and shares

(I) Source of capital:

March 30, 2025

Unit: Share

Type of Shares	Authorized Share Capital			Remarks
	Shares outstanding (Note 1)	Un-issued Shares	Total	
Common Stock	83,161,320	16,838,680	100,000,000	

Note 1: Shares outstanding.

(Blank below)

History of capital formation:

March 30, 2025

Year and Month	Issue Price	Authorized Share Capital		Paid-in Capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of capital	Capital Increase by Assets Other than Cash	Others
1976 Aug.	1,000	1,000	1,000,000	1,000	1,000,000	Cash capitalization	None	None
1980 Jul.	1,000	1,440	1,440,000	1,440	1,440,000	Cash capital increase of NT\$440,000	None	None
1982 Aug.	1,000	6,000	6,000,000	6,000	6,000,000	Cash capital increase of NT\$4,560,000	None	None
1983 Sep.	1,000	12,000	12,000,000	12,000	12,000,000	Cash capital increase of NT\$6,000,000	None	None
1986 Dec.	1,000	18,000	18,000,000	18,000	18,000,000	Cash capital increase of NT\$6,000,000	None	None
1990 Oct.	1,000	29,480	29,480,000	29,480	29,480,000	Cash capital increase of NT\$11,480,000	None	None
1994 Aug.	10	5,896,000	58,960,000	5,896,000	58,960,000	Cash capital increase of NT\$14,740,000 Capitalization of profit of NT\$14,740,000	None	The face value of each share is changed from NT\$1,000 to NT\$10.
1995 Jun.	10	11,792,000	117,920,000	11,792,000	117,920,000	Cash capital increase of NT\$14,740,000 Capitalization of profit of NT\$44,220,000	None	None
1997 Aug.	10	16,508,800	165,088,000	16,508,800	165,088,000	Capitalization of profit of NT\$47,168,000	None	1997.10.06 Jing (86) Shang-Zi Document #11919
1998 Apr.	10	18,159,680	181,596,800	18,159,680	181,596,800	Capital increase through mergers of NT\$16,508,800	None	1998.05.01 Jing (87) Shang-Zi Document #109443
1999 Mar.	10	19,995,480	199,954,800	19,995,480	199,954,800	Capital increase through mergers of NT\$18,358,000	None	1999.04.28 Jing (88) Shang-Zi Document #114796
1999 Jul.	10	60,000,000	600,000,000	30,000,000	300,000,000	Capitalization of profit of NT\$100,045,200	None	1999.06.25 (88) Tai-Tsai-Cheng (I) #56365
2000 Jul.	10	60,000,000	600,000,000	42,000,000	420,000,000	Capitalization of profit of NT\$120,000,000	None	2000.07.10 (89) Tai-Tsai-Cheng (I) #59163
2001 Aug.	10	60,000,000	600,000,000	46,438,020	464,380,200	Capitalization of profit of NT\$42,000,000 Capitalization of employee bonus of NT\$2,380,200	None	2001.07.12 (90) Tai-Tsai-Cheng (I) #144796
2002 Aug.	10	60,000,000	600,000,000	51,312,500	513,125,000	Capitalization of profit of NT\$46,438,020 Capitalization of employee bonus of NT\$2,306,780	None	2002.05.15 (91) Tai-Tsai-Cheng (I) #126296
2003 Sep.	10	60,000,000	600,000,000	56,799,237	567,992,370	Capitalization of profit of NT\$51,312,500 Capitalization of employee bonus of NT\$3,554,870	None	2003.07.17 Tai-Tsai-Cheng I #0920130133
2004 Aug.	10	100,000,000	1,000,000,000	62,934,000	629,340,000	Capitalization of profit of NT\$56,799,230 Capitalization of employee bonus of NT\$4,548,400	None	2004.08.13 Jing-Shou-Shang-Zi #093011047170
2004 Nov.	10	100,000,000	1,000,000,000	63,207,738	632,077,380	Convertible bonds converted to common stocks worth NT\$2,737,380	None	2004.11.02 Jing-Shou-Shang-Zi #09301207110
2005 Feb.	10	100,000,000	1,000,000,000	65,498,203	654,982,030	Convertible bonds converted to common stocks worth NT\$22,904,650	None	2005.02.25 Jing-Shou-Shang-Zi #09401032000

Year and Month	Issue Price	Authorized Share Capital		Paid-in Capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of capital	Capital Increase by Assets Other than Cash	Others
2005 Apr.	10	100,000,000	1,000,000,000	67,933,928	679,339,280	Convertible bonds converted to common stocks worth NT\$24,357,250	None	2005.04.22 Jing-Shou-Shang-Zi #09401067350
2005 Sep.	10	100,000,000	1,000,000,000	71,845,355	718,453,550	Capitalization of profit of NT\$33,807,750 Capitalization of employee bonus of NT\$2,960,210 Conversion of corporate bonds for NT\$2,346,310	None	2005.09.05 Jing-Shou-Shang-Zi #09401170190
2006 Jan.	10	100,000,000	1,000,000,000	72,185,258	721,852,580	Conversion of corporate bonds for NT\$3,399,030	None	2006.01.02 Jing-Shou-Shang-Zi #09401268880
2006 Sep.	10	100,000,000	1,000,000,000	75,993,677	759,936,770	Capitalization of profit of NT\$36,092,630 Capitalization of employee bonus of NT\$1,991,560	None	2006.09.01 Jing-Shou-Shang-Zi #09501196950
2007 Mar.	10	100,000,000	1,000,000,000	77,996,397	779,963,970	Conversion of corporate bonds for NT\$20,027,200	None	2007.03.30 Jing-Shou-Shang-Zi #09601065880
2007 Aug.	10	100,000,000	1,000,000,000	82,262,079	822,620,790	Capitalization of profit of NT\$38,998,200 Capitalization of employee bonus of NT\$3,371,100 Conversion of corporate bonds for NT\$287,520	None	2007.08.01 Jing-Shou-Shang-Zi #09601184980
2007 Dec.	10	100,000,000	1,000,000,000	82,500,002	825,000,020	Conversion of corporate bonds for NT\$2,379,230	None	2008.04.28 Jing-Shou-Shang-Zi #09701098670
2008 May	10	100,000,000	1,000,000,000	83,024,138	830,241,380	Conversion of corporate bonds for NT\$5,241,360	None	2008.10.14 Jing-Shou-Shang-Zi #09701262290
2008 Sep.	10	100,000,000	1,000,000,000	83,042,188	830,421,880	Conversion of corporate bonds for NT\$180,500	None	2008.12.15 Jing-Shou-Shang-Zi #09701312720
2009 Sep.	10	100,000,000	1,000,000,000	83,161,320	831,613,200	Conversion of corporate bonds for NT\$1,191,320	None	2009.09.07 Jing-Shou-Shang-Zi #09801205300

Note 1: There is no capital increase by assets other than cash so far.

Note 2: The Company has not adopted the shelf registration as approved to issue securities.

(II) List of principal shareholders:

March 30, 2025

Name of Principal Shareholders	No. of Shares Held	Ownership
Fu Mao Mei Investment Representative Cheng-Fu Shih	9,572,000	11.51%
Cheng-Fu Shih	4,500,000	5.41%
Tang-Di Investment	4,140,000	4.98%
I-Lung Chiu	3,000,000	3.61%
Ming-Yao Shih	1,637,402	1.97%
Mei-Ching Chen	1,630,000	1.96%
Hsin-Chung Chen	1,554,000	1.87%
Chun-Tang Hsu	1,412,427	1.70%
Ming-Ho Shih	1,312,764	1.58%
Chin-Shih Nien Huang	1,300,000	1.56%

(III) Company's dividends policy and implementation status:

1. Dividends policy:

Article 28-1 of the Article of Incorporation: The current year's earnings after year-end accounting, if any, shall first be used to pay taxes and offset prior years' operating losses, and then 10% of the remaining amount shall be set aside as legal reserve. This does not apply if the legal reserve has reached the Company's paid-in capital.

Special reserve is then allocated or reversed in accordance with the law or regulations of the authority. With respect to the balance and the accumulated undistributed profits of the previous year, the board proposes a profit distribution plan to the shareholders meeting for a resolution on the distribution of dividends and bonuses.

The Company's dividend policy is based on the current and future development plans and considers the investment environment and competition both at home and abroad and the interests of shareholders. More than 50% of the accumulated earnings available for distribution is allocated as shareholders' dividends and bonuses every year; more than 20% of the shareholders' dividends and bonuses shall be cash dividends. The percentages of shareholders' dividends and bonuses and cash dividends may be adjusted by the resolution of the shareholders' meeting depending on the actual profits and capital status of the current year.

2. Proposal to distribute cash dividend at the Shareholders' Meeting:

The Board has resolved to distribute cash dividends of NT\$7.0 per share for the 2024 profit distribution, and after the resolution of the annual general meeting approved the profit distribution, a date of record will be determined.

(IV) The impact of bonus shares proposed by the shareholders' meeting on the Company's operating performance and earnings per share: Not applicable.

(V) Remuneration for employees and directors:

1. The percentages or ranges with respect to employees' and directors' remuneration specified in the Articles of Incorporation.

Article 28 of the Company's Articles of Incorporation: If the Company is profitable in the fiscal year, no less than 3% of the profit shall be offered as employee remuneration, and no more than 3% of the profit shall be allocated as directors' remuneration. However, if the Company still has accumulated losses, an amount shall be reserved in advance to make up for the losses.

Employee remuneration is mainly in the form of stocks or cash, and the recipients shall include the employees of subsidiaries who meet certain criteria specified by the board. The remunerations for directors are to be paid in cash only.

2. The basis for estimating the amount of employee and director compensation, calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The remuneration to employees and directors for the current period is estimated based on the percentage stipulated in the Articles of Incorporation after considering the legal reserve, special reserve and other factors. If there is a difference between the actual amount distributed as resolved by the board and the estimated amount, it shall be recognized as the profit and loss of the following year. Stock dividends are calculated based on the fair value per share (closing price) the day before the resolution of the shareholder meeting of the next year for the year of the financial reports, after taking into account the effects of ex-rights and ex-dividends.

3. Distribution of compensation as approved by the Board:

- (1). Amount of remuneration for employees and directors payable in cash or stocks: If the amount recognized in the fiscal year is different from the estimate, please disclose the difference, reasons and treatment:

Employee Compensation in Cash	NT\$46,041,082
Employee Compensation in Stocks	NT\$0
Directors' remuneration	NT\$5,000,000

The abovementioned amount proposed to be distributed is not different from the amount estimated in 2024.

- (2). The percentage of profit sharing from earnings for employees distributed in stock in the total amount of net profit after tax and profit sharing from earnings for employees:

The Company has not proposed to distribute employee remuneration in the form of stocks, so this does not apply.

4. The actual distribution of employee and director remuneration for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee and director remuneration, additionally the discrepancy, cause, and how it is treated:

2024 shareholders' meeting and Board meeting
Resolution of actual distribution of 2023 profit

- (1). Status of distribution:

Employee Compensation in Cash	NT\$58,506,207
Employee Compensation in Stocks	NT\$0
Directors' remuneration	NT\$5,000,000
There is no difference between the actual distribution and the amount recognized for 2023 by the Company.	

(VI) Stock buybacks of the Company: None.

II. Issuance of corporate bonds: None.

III. Preferred stock, global depository receipts, employee stock options and new share issuance in connection with mergers and acquisitions: None.

IV. Implementation of the Company's capital allocation plans: As of the date of publication of the annual report, the Company has completed the implementation of capital allocation plan for all issued securities, and the plan performance has been significant, so this item is not applicable.

Four. Overview of Operations

I. Scope of business

(I) Scope of business

1. Core business:

- (1) Processing, manufacturing and import and export of oil seals for automobiles, motorcycles, machinery and transportation equipment.
- (2) Machinery and equipment manufacturing.
- (3) Die manufacturing.
- (4) Production and sales of rubber compounds.

2. Core products and their proportion of the overall business:

2024	
Item	Percentage of operation (%)
Oil seals	91.67%
Rubber compound	2.38%
Others	5.95%
Total	100.00%

3. Current products:

Processing, manufacturing and sales of various oil seals, boots and other rubber products.

4. New products to be developed:

- (1) Product development - Develop products according to the Company's strategy and customer needs:

Automobile industry:

- Oil seal products for gearboxes of electric vehicles.
- High-voltage current-guided oil seal products for electric vehicles.
- Oil seal products for vehicle actuators.
- Oil seal products for vehicle turbos.
- Oil seal products for electric power steering (EPS) systems.
- Development of oil seal products for electric motors of electric motorcycles.
- Oil seal products for gearboxes of electric motorcycles.
- Oil seal for motorcycle shock absorbers.
- Oil seal products for gearboxes of bicycles.
- Oil seal products for wheelhubs of commercial vehicles.
- Oil seal products for transmission input shaft and output shaft
- Oil seal products for torque converters.
- Oil seal products for gearbox front covers.
- Automatic transmission (AT) oil seals and repair kits.
- Continuously variable transmission (CVT) oil seals and repair kits.

- Dual-clutch transmission (DCT) oil seals and repair kits.
- Repair kits for steering oil seals.
- Repair kits for power steering pump oil seals.

Industrial applications:

- Product development of oil seal products for low-torque reducers.
- Oil seal product development for precision gearboxes of robotic arms.
- Oil seal products for hydraulic pumps.
- Oil seal products for hydraulic motors.
- Air compressor oil seals.
- Washing machine oil seals.
- Development of oil seal products for electric motors.

Agricultural construction and mining industry:

- Oil seal products for agricultural machinery diesel engines.
- Oil seals for agricultural machinery gearboxes.
- Oil seals for agricultural machinery pumps.
- Oil seals for agricultural machinery axles.
- PTO seals for agricultural machinery.
- Oil seals for agricultural machinery hydraulic cylinders.
- Oil seals for construction machinery main pumps/travel motors/rotary motors.
- Oil seals for construction machinery hydraulic cylinders.
- Oil seals for construction machinery continuous tracks.

(2) Test machine construction - Improve product quality and reliability, and fundamental research capabilities:

- Testing machine for seals used on precision gearboxes.
- Torque measurement machine.
- Variable pressure testing machine.
- Testing machine for seals used on hydraulic motors.

(3) Development of innovative materials - Materials to meet the needs of different industries for seals.

- Oil seals and rubber materials for gearboxes of high speed electric vehicles.
- Development of high-voltage current-guided oil seal materials for electric vehicles.
- Development and application of NBR and HNBR rubber compound for durable actuator oil seals.
- Research and development of oil seals and rubber compound used for electric power steering (EPS) systems.
- Verification and application of high-performance raw rubber, reinforcing agents, antioxidants and processing aids.

- Development and application of NBR and AEM injection molding-grade rubber compound.
- Development and application of high-performance heat-resistant eco-friendly adhesives.
- Continuous research, development and application of eco-friendly formulas.
- Maintain TAF certification for the laboratory.
- Development of eco-friendly and low-friction shock absorber oil seals and rubber compound.
- Development of low-friction and high function FKM shock absorber oil seals and rubber compound.

(II) Industry overview

1. Status and development of the industry

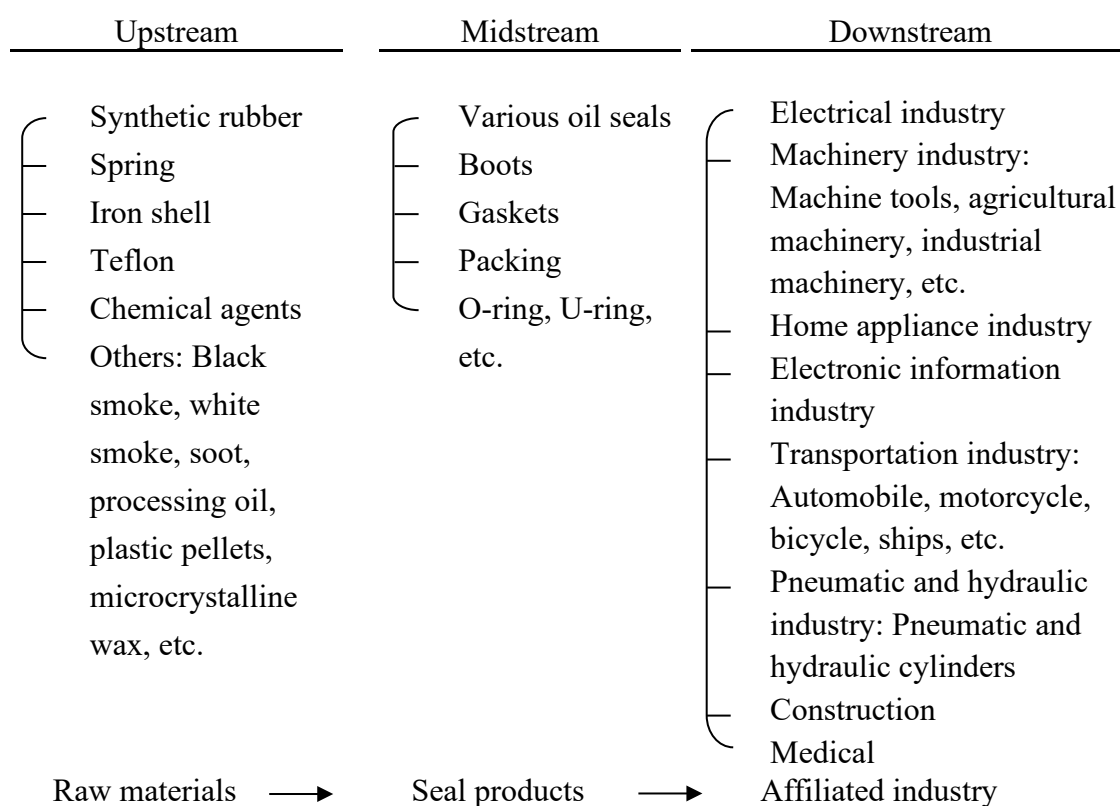
Products are mainly seals and gaskets. The products are indispensable components for transportation (automobiles, motorcycles, bicycles, ships and aircrafts), industrial machinery, electrical machinery, construction, electronics, home appliances, aerospace, medical and other industries. The extensive use of seals can achieve the anti-leak, anti-dust, anti-shock, wear-resistant and fastening performance, and the product requirements also increase with the industrialization and modernization of various countries. According to the statistics compiled by The Freedonia Group, Inc., a professional research and survey agency on the international market for seals, the overall market size has an average annual compound growth rate of about 5.0% from 2014 to 2025, showing a steady and small growth every year. The 2024 total sales of seals around the world is about US\$88.6 billion, of which oil seals account for about US\$55.4 billion and gaskets account for about US\$33.2 billion. Current technology has not been able to invent alternatives or any new products with better performance that can completely replace the important functions of seals, so the future market outlook is still optimistic.

Estimated global demand for seals		
		Unit: US\$ 100 million
Item	2024	2025
Total demand for seals	886	926
Seals	554	579
Gaskets	332	347

Source : The Freedonia Group, Inc. · *《World Gaskets & Seals》*

2. Relations between upstream, midstream and downstream of the industry:

Diagram showing relations between upstream, midstream and downstream of the seal industry



3. Various product trends

Seal products are indispensable components for transportation vehicles, electronic, electrical, machinery, home hardware, construction and pneumatic and hydraulic application industries, and the more industrialized countries tend to need more seal products.

The global market demand for seals may be increasing year by year, but the market competition has become increasingly fierce due to the emergence of competitors in China and India and the strong consolidation of Japanese manufacturers. In response, the Company will develop high-quality and high-performance sealing products, and accelerate the planning of global strategies and human resources cultivation, so as to enhance the overall competitive advantage. The following is a detailed description of the product development trend of the industry of seals:

- (1) The expanding scale of the Company, and the barriers to entry are high in

terms of the technology

Seal products are susceptible to many interferences during the production, making the product quality fluctuate greatly. The products are considered components used in precision industries making transportation vehicles, agricultural machinery, construction machinery, machining tools, electronic products and others, which also have relatively high requirements for quality. In terms of the product quality, company scale or operations, it is better to adopt business combination or the approach of going public to gradually expand the company scale, so that more automated equipment and instruments can be purchased to perform more precise quality verification to build statistical databases as a basis for quality improvement and accumulation of technical experience.

(2) Products are being developed with high technology and higher added value

The seal industry has entered a mature stage. Amid the fierce competition in the market, all industry players are actively moving toward making a full lineup of product with higher technology and added value, so that the products can be more widely used in transportation vehicles, ships, national defense, precision medical equipment, aerospace and other high-tech industries.

(3) Low-end products moved out

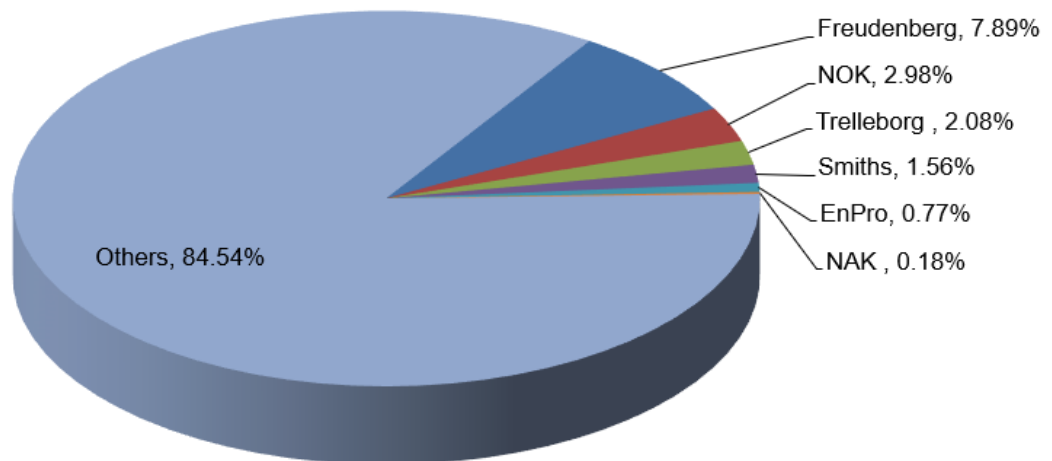
There is still room for demand for low-end products. Amid the fierce global market competition, labor-intensive products will gradually be at a disadvantage. Besides, the education standard in Taiwan has generally improved, and there are not as many workers willing to work in the field of production, resulting in labor shortages and rising costs. Therefore, it has become one of the development trends to move low-end products to regions with abundant labor and low labor costs.

4. Market competition

Due to the extremely wide range of applications, the market of seals is quite broad, and there are many competitors, so no single leading manufacturer can completely control all segments of the market. According to the 2023 financial reports of major competitors and the statistics compiled by The Freedonia Group, Inc. for the market of oil seals, the competition between companies is rather fierce. Our company currently has less than 1% of market share, and there is still a lot of room for future growth.

Market share of leading brands in the global market of seals:

Annual market share of foreign competitors in the oil seal industry



Source : 2023 financial reports of major competitors and the scale of oil seal market in the *"World Gaskets & Seals"*, The Freedonia Group, Inc.

(III) Overview of technology and R&D

1. R&D expenses spent in the most recent two years and as of the publication date of the annual report:

Unit: NT\$ thousand			
Item \ Year	2023	2024	As of March 30, 2025
Research and development expenses	79,303	77,979	Not applicable

2. R&D results in the last two years:

Item	Description
Technologies and products successfully developed	1. OEM products in the automotive industry, oil seals used in gearboxes of electric vehicles.
	2. OEM products in the automotive industry, oil seals used in diesel pumps.
	3. OEM products in the automotive industry, oil seals used in vehicle shock absorbers.
	4. OEM products in the automotive industry, oil seals used in vehicle axles.
	5. OEM products for industrial applications, oil seals used in precision gearboxes.
	6. OEM products for industrial applications, oil seals used in low torque reducers.
	7. OEM products for industrial applications, oil seals used in washing machines for dirt-resistant and energy-saving purposes.
	8. OEM products for industrial applications, oil seals used in air compressors.
	9. OEM products for agricultural construction and mining industries, oil seals used in agricultural machinery axles.
	10. OEM products for agricultural construction and mining industries, oil seals used in agricultural hydraulic pumps.
	11. OEM products for agricultural construction and mining industries, oil seals used in hydraulic cylinders of construction machinery.
	12. OEM products for agricultural construction and mining industries, oil seals used in axles of construction machinery.
	13. OES products in the automotive industry, oil seals used in vehicle shock absorbers.
	14. OES products in the automotive industry, oil seals used in vehicle axles.
	15. As for AF products in the automotive industry, the following products have been developed in line with the sales department's strategy for the aftermarket segment: (1) Steering gearbox repair kit. (2) Steering pump repair kit. (3) Automatic transmission pistons repair kit.
	16. Development of injection molding-grade rubber compound.

(IV) Long-term and short-term business development planning

1. Marketing - Short-term

- (1) Expansion in overseas markets.
- (2) Investment and strategic alliances.
- (3) Cultivate the heavy industry.
- (4) Cultivate the product and component markets.

2. Marketing - Long-term

- (1) Satisfactory quality.
- (2) Reasonable price.
- (3) Differentiated service.
- (4) Convenience/selection.

3. Production policy - Short-term

- (1) Shorten lead time.

- (2) Reduce production cost.
- 4. Production policy - Long-term
 - (1) Continuous process improvement.
 - (2) Continue to improve performance.
 - (3) Reinforce the supply chain.
 - (4) Improve factory safety.
 - (5) Reduce environmental impact of products.
- 5. Direction of product research and development
 - (1) Automotive power system - Oil seals for engine valves, camshaft and front and rear crankshafts.
 - (2) Automobile drivetrain system - Oil seals for manual transmission, automatic transmission, axles, wheel hubs.
 - (3) Automotive chassis system - Oil seals for shock absorbers and power steering.
 - (4) AP and ST oil seals for agricultural, construction, mining and forestry machinery.
 - (5) 3C industry - Oil seals for washing machine.
 - (6) Industrial applications - Oil seals for hydraulic pumps, gearboxes, motors, robotic arms, hand tools and wind power.
 - (7) Development of various raw materials to meet the needs of OEM customers and new product development.
- 6. Operation and management strategy - Short-term
 - (1) Promote the management system of key performance indicators (KPIs).
 - (2) Reduce costs.
- 7. Operation and management strategy - Long-term
 - (1) Human resources development and talent cultivation programs.
 - (2) Continue to promote knowledge management.

II. Markets, production, and marketing overview:

(I) Market analysis:

1. Major markets of the Company's products:

Main products:

Unit: In NT\$ thousand

Products \ Year	2024	
	Amount	%
Oil seals	3,596,509	91.67%
Rubber compound	93,339	2.38%
Others	233,608	5.95%
Total	3,923,456	100.00%

Major sales regions:

Regions \ Year	Europe	Americas	Asia	Others	Taiwan	Total
2024	22.93%	14.25%	59.60%	0.86%	2.36%	100%

2. Market share

Since seals are widely used in various infrastructure industries such as automobiles, electronics, electrical machinery, construction, national defense, etc. the classification can be difficult. The domestic statistics compilation units and research institutes do not have data dedicated to seal products. Besides, domestic seal makers, other than our company, tend to be smaller in scale and are not publicly traded companies. The Company relies on export sales, and the value for the last three years accounted for 24.30%, 27.81%, and 23.03%, respectively, of the total export value of products related to seals. This shows the Company's leadership among domestic players in terms of the market share of export and the overall revenue.

Unit: NT\$ thousand

Item \ Year	2022	2023	2024
Amount of NAK's export sales (A)	2,852,491	3,319,911	2,357,984
Taiwan's export scale for seals (B)	11,740,108	11,937,687	10,237,391
(A)/(B)	24.30%	27.81%	23.03%

Note: The data for Taiwan's export scale for seals is compiled by the Customs Administration of the Ministry of Finance, and the product categories are sealing gaskets and oil seals and rings.

3. Future demand and growth potential:

Seal products are widely used in electronics, machinery, transportation vehicles, construction and aerospace industries. The more industrialized countries tend to have more demand for seals. Countries in the European Union and the Americas are the most industrialized and are the largest export market for Taiwan's seal products. The industrialization and the increasing domestic demand in China, Southeast Asia and Eastern Europe have also increased the demand for seals, making them the markets with great potential in the future. Especially for the automobile and motorcycle, home appliances, agricultural machinery and green energy industries in China, the market for OEM and aftermarket products is expected to grow vigorously. Taiwan's domestic market and export for seals have also grown in both the demand and output value due to the global industrialization and economic recovery, and domestic manufacturers have also improved their production technology and product quality, making them competitive. The annual compound growth rate of 3% to 5% is showing a trend of year-over-year growth, showing that there is still room for growth and the future is bright. The global seal market is expected to reach US\$92.6 billion in 2025.

Estimated global demand for seals		
Unit: US\$ 100 million		
Item	2024	2025
Total demand for seals	886	926

Source: The Freedonia Group, Inc. 《World Gaskets & Seals》

Looking at the demand for seals by industry, the results of studies conducted by The Freedonia Group, Inc. showed that the output value of each industry has grown steadily (refer to the table below).

Industry	2025		2024		Compared with 2024
	(US\$ 100 million)	Percentage	(US\$ 100 million)	Percentage	Growth rate
Global	926	-	886	-	4.51%
Vehicle	341	36.82%	333	37.58%	2.40%
Industrial	316	34.13%	294	33.18%	7.48%
Electronics	140	15.12%	133	15.01%	5.26%
Others	129	13.93%	126	14.23%	2.38%

Source : The Freedonia Group, Inc. · 《World Gaskets & Seals》

4. Competitive niche:

(1) Product diversification and broad market

The Company collaborates with distributors through existing marketing channels, and collects market and industry information in various regions to fully grasp the industry trends. By understanding the market and technology trends, the Company makes the product diversification and the distribution of marketing channels more effective, and can respond to the different economic characteristics of each region to catch the industry growth.

(2) Excellent product quality and R&D and the improvement of production technology

Our products are known for their high quality, and we spare no effort in collecting information of new technology and developing new products and materials. We have obtained the ISO/IEC 17025 certification in 2021. We have also conducted proper planning of our production technology to improve the automation of our factory equipment, which further reduces our product costs and increases product competitiveness.

(3) Effective production management model

As there are so many types of seal products, we tend to take the high variety low volume approach in our production. In response to the abovementioned production model, we have developed more than 100,000 products and molds in-house. We have also accumulated more than 40 years of experience in specialized manufacturing which improves our production management, quality control and cost control needed in mass production, so that we can offer lower operating costs and products with competitive quality to attract orders from clients in Europe and the Americas.

(4) Excellent molding tools development capability

We have always valued the importance of production and development of tooling. We have a Tooling Department and specialized technicians are assigned to conduct mold design, development and improvement and operation of various machines, ensuring the quality of mold drawings, design, trial production, pre-production and mass production. We have developed and produced more than 100,000 types of molds, and our tooling capability is superior to other industry peers.

(5) Comprehensive after-sales service

We serve our customers with products that have the best quality, reasonable prices and satisfactory services. We can provide correct and effective Q&A services at all times to meet customer needs regarding the uses of various products. Our R&D unit performs dynamic tests on products to ensure their safety and stability in use, and then provides customers with comprehensive after-sales service, which greatly improves customer satisfaction.

5. Factors favorable and unfavorable to the development, and countermeasures:

(1) Favorable factors

A. Establish comprehensive marketing channels and market information collection measures through overseas investment and strategic alliances

We have established long-term and secured friendship and good interactions with customers. Through strategic alliances or joint investment with distributors or professional R&D companies in Europe, the Americas and other industrialized countries, we have developed and designed new products with more added value and made with more advanced technology. This approach overcomes limitations such as the lack of understanding of the needs of end users and market information, so that we can stand out from other domestic competitors. In response to the trends of international division of labor and the need for quickly responding to customer demand, we have adopted joint venture or proprietary investment in China, Iran, Thailand, Russia India, Australia and other regions, which help us manufacture seal products with the cheaper local labor force and land costs. We also deliver products in the quickest way possible to target markets through efficient service locations in each region to meet the needs of local customers.

B. Product diversification to meet customers' diverse needs

The Company has been in business for more than 40 years, and has learned specialized production technologies and accumulated capabilities through independently developing and designing products and molding tools. So far, we have made more than 100,000 molding tools, enabling us to make diverse products in the shortest time to meet customer needs.

C. Excellent molding tools development capability

Seal products serve a wide range of applications, and the type and quality of molds are the main keys contributing to product diversity. We have a variety of processing machines and a mold-making team with more than 30 technicians specializing in designing, developing and improving molds. In order to reinforce the management of molds, the drawings, design, trial production, pre-production and mass production are all done in-house, so that we can improve the speed of mold development and ensure quality.

D. Product quality recognized, leading to good reputation

Seals are considered products with high precision, and quality

requirements tend to be strict. Customers generally do not change their source of purchase once they make the decision in using certain products. Therefore, having a stable customer base can be conducive to the future market expansion and maintenance. The Company attaches great importance to product quality. In addition to obtaining the ISO 9002 international quality assurance certification in 1994, the Company successfully obtained the QS 9000 quality assurance system certification in 2000, TS 16949 quality certification in 2005, and IATF 16949 certification in 2017 Certification.

- E. Fulfill corporate social responsibility to achieve sustainable development of the company

In order to fulfill corporate social responsibility, we have formulated a set of environmental safety and health policies, obtaining the ISO 14001 and OHSAS 18001 certificates in March 2008, the ISO 50001 certificate in 2018 and the ISO 45001 certificate in 2019. The environmental safety and health management system ensures that everything we do is good for the environment. The continuous operation and improvement in environmental safety and health practices enable us to create a favorable environment for sustainable operations and manufacturing products and services that meet customer satisfaction.

(2) Unfavorable factors and countermeasures

- A. Products are mostly for export, and the exchange risk is relatively high

Our products are mainly for export, so exchange rate changes can have a considerable impact on our operations and profits.

Countermeasures:

- (A) The export quotation takes into account the exchange rate fluctuations, and adjusts the selling price by reflecting the cost at the time.
- (B) Analyze and evaluate trends of exchange rates and operate financial instruments accordingly, such as forward exchange contracts to reduce the risks arising from exchange rate fluctuations.
- (C) Continue to pay attention to the global financial situation, collect information on exchange rate changes and review relevant impact

from time to time.

- (D) Establish a foreign currency account to reduce the impact of exchange rate fluctuations, and choose a favorable timing to settle or pay off foreign currency payments in advance.

B. Insufficient OEM and end user market information

It is not easy to obtain the information on the OEM and end user markets, so at times, we are unable to fully grasp the trends of products and markets and future development, which prevents the revenue from growing significantly.

Countermeasures:

We have long been committed to the improvement of quality and research and development capabilities. The Company has successfully created the NAK brand with its great efforts. In addition to selling in-house products through distributors and agents with strong marketing capabilities, we plan to expand to regions where distributors do not reach, hoping to increase our OEM market share to gain a strong foothold in the global market. We also have effectively grasped the trends of market development through the market information and R&D results provided by our overseas ally distributors and marketing bases. The collaboration enables us to understand the direction and development of target markets and respond to their changes.

C. Labor shortage and increase in labor cost

The domestic economy growth and the improvement of people's income have increased the wages paid to laborers, making the labor costs relatively higher than before. The production and the operating costs are also relatively high.

Countermeasures:

In order to reduce labor costs, we are committed to promoting and improving the degree of production automation for better efficiency. We also have invested in establishing factories overseas and hiring local manpower to reduce our product costs to cope with the fierce market competition.

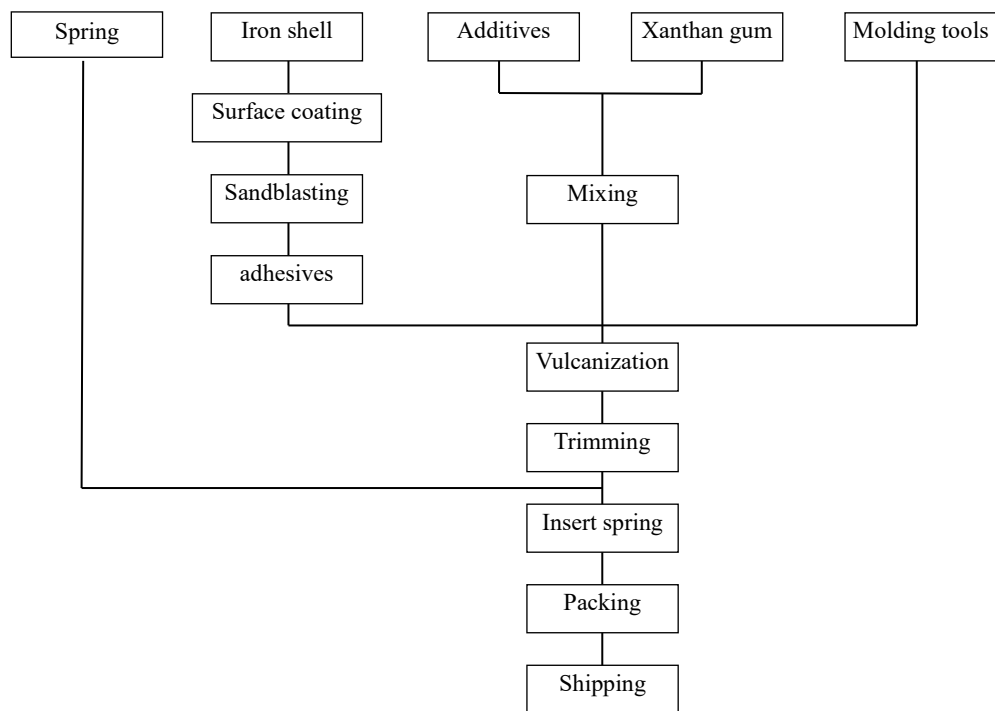
(II) Main uses and production processes of major products:

1. Important uses of main products:

Our oil seals are used in automobiles, motorcycles and bicycles of various brands and the sealing assembly of various types of machinery.

Product Type	Use
Oil seals	Oil seals are used in automobiles, motorcycles, agricultural machinery, machine tools and even aerospace turbines. Prevent the leakage of lubricating oil or the intrusion of external dust, water, foreign objects in the bearing of rotating shafts. Installed in air compressors or hydraulic machines and various chemical and mechanical pressurized containers to achieve the function of sealing medium. Sealing devices are important in that they act as heart valves.

2. Production process of main products: Manufacturing flow chart for oil seals



(III) Supply status of main raw materials:

Supply status of raw materials for products made in-house

Product Type	Main raw materials	Main suppliers	Supply status
Oil seals	Xanthan gum	ZEON CORPORATION The Chemours (Taiwan) Company Limited SONG DAY Enterprises Co., Ltd.	Products from well-known manufacturers, and the lead time/quality are stable. Products from well-known manufacturers, and the lead time/quality are stable. Products from well-known manufacturers, and the lead time/quality are stable.
	Iron shell	Tung Liin Corp. Charng Jin Enterprise Co., Ltd. Chia-Meng Industry Co., Ltd. Hsiang-Yu Industry Co., Ltd. Shing Yuan Hardware Co., Ltd. Ly Yang Enterprise Co., Ltd.	Long-term cooperation, offering stable quality/lead time. Long-term cooperation, offering stable quality/lead time. Long-term cooperation, offering stable quality/lead time. Long-term cooperation, offering stable quality/lead time. Long-term cooperation, offering stable quality/lead time. Long-term cooperation, offering stable quality/lead time.
	Spring	SunSum Spring Industrial Co., Ltd.	Long-term cooperation, offering stable quality/lead time.

(IV) Parties who deliver more than 10% of the total raw materials or buy more than 10% of goods sold in any one of the last two years, their amount, proportion and reasons for changes:

1. The purchase amount from the Company's major suppliers in 2024 and 2023 did not reach 10% of the Company's total purchase.
2. The sales amount to the Company's major customers in 2024 and 2023 did not reach 10% of the Company's total sales.

III. Employees

Information on employees for the most recent two years and up to the publication date of the annual report

Year		2023	2024	As of March 30, 2025
Number of employees	Manufacturing (direct labor)	971	982	975
	Manufacturing (indirect labor)	155	156	155
	Sales and marketing personnel	146	146	146
	Research and development personnel	91	92	92
	Operations management personnel	94	94	94
	Total	1,457	1,470	1,462
Average age		40	39	39
Average service tenure (year)		8.8	8.9	8.9
Distribution of educational background	Master's degree	7.8%	9.1%	9.2%
	Bachelor's degree	27.0%	28.7%	28.9%
	Technical college	15.1%	15.4%	15.2%
	Senior high school	38.8%	36.7%	36.6%
	Junior high school and below	11.3%	10.1%	10.1%

IV. Environmental protection expenditure:

1. Total amount of loss (including damages) and penalties incurred due to pollution as of the most recent year and the date of publication of the annual report: Not applicable.
2. Future countermeasures (including improvement) and their potential expenditures (including estimates for potential loss, penalty and compensation if not taking the countermeasures) for losses (including damages) and penalties due to pollution: Not applicable.
3. Due to the growing awareness of environmental protection, the EU has formulated relevant environmental protection directives for all products imported into Europe, namely WEEE (Directive on the Waste Electronics and Electrical Equipment), RoHS (Restriction of the use of Hazardous Substance), REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) and EUP (Eco-Design Requirements for Energy Using Products), and the relevant details are as follows:
 - (1). WEEE (Directive on the Waste Electronics and Electrical Equipment): The European Union approved the directive on January 27, 2003 and started the implementation on August 13, 2005. The directive requires manufacturers to be responsible for collecting, recycling and properly disposing of electronic and electrical equipment products. We take the initiative submitting our export products to the impartial international certification unit "SGS" (SGS Taiwan Limited) for inspection, and we also comply with the abovementioned standard of the European Union.

- (2). RoHS (Restriction of the use of Hazardous Substance): The European Union approved the directive on January 27, 2003, and it was implemented on July 1, 2006. The directive requires manufacturers to fully prohibit the use of six hazardous substances lead (Pb), mercury (Hg), cadmium (Cd), hexavalent chromium (Cr+6), polybrominated biphenyls (PBBs) and polybrominated diphenyl ethers (PBDEs) in their products or components. Considering that the directive is a global environmental protection standard, we have also proactively cooperated with the RoHS counseling group of the Ministry of Economic Affairs, and at present, the rubber materials of all products are in compliance with the standard.
- (3). REACH (Registration, Evaluation, Authorization and Restriction of Chemicals): The EU's REACH regulation came into effect on June 1, 2007. The European Chemicals Agency (ECHA) established and started to implement the REACH on June 1, 2008. There are 73 SVHC in the list. At present, the rubber compounds of all products are in compliance with the standard.
- (4). EUP (Eco-Design Requirements for Energy Using Products): The content of EUP is about how energy-using products (excluding transportation vehicles) must incorporate the concept of life-cycle, and should have eco-profiles. The directive was implemented on August 13, 2005. Our products have gone through the strenuous process and meet the expectations of the directive.
- (5). In order to respond to the trends of environmental protection and fulfill corporate social responsibility, we have implemented an environmental management system (ISO 14000) since 2007, and obtained the ISO 14000 2004 international certification on March 3, 2008. Through the process of "green management", we will continue to improve the environmental protection measures, which will enhance the reputation and corporate image, and ensure the continuing support from our customers.

V. Labor relations:

1. Welfare and implementation status:

In order to take care of the daily life of our employees, the Company provides a comfortable and safe work environment, and offers various welfare measures and activities organized by the Welfare Committee, so that the employees can relax outside of work and relieve themselves of the burden and tension, making their life more fulfilled and comfortable, and the relationship more harmonious.

The Company offers the following benefits:

- (1). Generous bonus: No less than 6% of the pre-tax net profit is allocated every year as the employee's year-end bonus and regular bonus. The year-end bonus is given out before the Lunar New Year vacation, and the regular bonus is distributed after the annual general meeting of shareholders. There are bonus for role model employees, attendance bonus and gold jewelry for employees with long tenure of service.
- (2). Complete insurance program: In addition to statutory labor and health insurance, life insurance and accident insurance are provided. For medical insurance and cancer policies, employees can pay half of the group special discount.
- (3). Considerate subsidies and gifts: Weddings, maternity, funeral, company travel, birthday gift certificates, May 1 Labor Day gift certificates, Mid-Autumn Festival gift certificates, etc.
- (4). Considerate health care: Health examinations for everyone, physical and mental-related lectures, medical consultations and seminars are held every year.
- (5). Plenty of group activities: Group events such as barbecue during the Mid-Autumn Festival, year-end dinner banquet, etc.
- (6). Comfortable cafeteria: Spacious and lively dining environment, and dining expenses are subsidized.
- (7). Leisure space: Leisure club building of more than 4,900-square-meters. The design concept incorporates culture and nature into a sky garden which has a indoor basketball court, badminton court, billiard room, table tennis room, gym, aerobic classroom and SPA hall and other equipment.

2. Education and training:

In order to achieve sustainable operations and cultivate outstanding talents, the Company provides staff with education and training, hoping to strengthen their capacity and skills, improving work efficiency and maximizing potential, so as to achieve rationalization of the operation and management.

- (1). The content of the Company's education and training system is as follows:

Core capacity: Enterprise core capacity education.

Management capacity: Give training to personnel at different managerial levels.

Professional capacity: Divided into nine categories, business planning, human resources and general affairs, research and development, mold production technology, sales and marketing, quality management, information management, financial and accounting, and manufacturing.

Training for new employees: Education and training activities are carried out to enable new employees to understand the Company's various management systems and cultivate complete work capabilities.

Environmental safety and health training: For those who meet the regulatory requirements, such as for forklift operation, stationary cranes, firefighters, first aid personnel, labor safety and hygiene, organic solvent, and dust operations.

Employees' self-development: Provide reading clubs and seminars so that employees can have self-directed learning opportunities.

- (2). Education and training plan:

An implementation plan formulated in accordance with the Company's job hierarchy planning and professional skills needs. The main education and training courses this year are as follows: 1. Statistical quality control; 2. Job capacity; 3. Environmental safety and health courses.

- (3). External education and training:

Training conducted in external education and training units for personnel in various workplaces or involving significant environmental aspect and unacceptable risk levels identified by each department, including teaching, lectures, field visits, seminars, etc.

- (4). Internal education and training:

Training conducted by internal lecturers or external lecturers invited by the education and training unit for personnel in various workplaces or involving significant environmental aspect and unacceptable risk levels identified by each department, including teaching, seminars, etc.

3. Employees' behaviors and ethics:

- (1). Our values include "Empathy for customers", "Innovative breakthrough", "People-oriented", "Responsible", "Leadership style" and "Long-term focus", and adhere to the "Love, trust, responsibility, tolerance" business philosophy.
- (2). The "NAK Family Code" is as follows:

- A. Employees should perform their duties faithfully, abide by all rules of the company, and obey the reasonable orders of supervisors at all levels.
 - B. Prohibit the acceptance of vendors' gratuity, gifts, kickbacks or other illegal benefits through the performance of duties or violations of duty responsibilities.
 - C. Employees are not allowed to criticize the company, departments and colleagues in private. Employees should raise questions if they have any concerns to avoid affecting work morale and company reputation.
 - D. Supervisors are not allowed to accept objects of monetary value and gifts from their subordinates, nor can they borrow money from their subordinates.
 - E. Employees should abide by safety regulations, and when entering a dangerous workplace, must be equipped with the protective equipment required for the site.
4. Retirement system and implementation progress:
- (1). The Company's retirement system complies with the Labor Standard Act.
 - (2). The Company established the Labor Pension Fund Supervisory Committee in June 1986, and started contributing labor pension reserve at 9% of salaries and wages to a dedicated account in the Bank of Taiwan to protect employees' rights and interests.
 - (3). The new pension system went into effect on July 1, 2005. The Company contributes to the labor pension by allocating an amount at 6% of the salaries and wages of domestic employees who are eligible for the Labor Standard Act. If employees voluntarily contribute to the pension, the amount will be deducted from their monthly salary according to the contribution rate to the employees' personal pension account in the Bureau of Labor Insurance.
5. Employee-employer negotiation:
- Respecting every individual is part of NAK's value. With love and empathy as the starting point, we use communication, sincere dialogue and various channels to fully understand employees' voices, and at the same time promote the Company's information and policies. Communication channels include
- (1). Suggestion mailbox: Suggestion boxes set up at specific locations and electronic mailbox "Talk".
 - (2). Employee-employer meetings: Held quarterly to establish a bilateral communication channel.
6. Personnel involved in the transparency of financial information who obtain the certificates specified by the competent authority:
- The head of audit Yu-Chin Chen has passed the internal auditor examination in February 2007.
7. Protection measures for work environment and employees' personal safety:

(1). The company obtained the certification of the ISO 14001 Environmental Management System and ISO 45001 Occupational Safety and Health Management System in 2008.

(2). Our environmental safety and health policy:

NAK is a manufacturer specializing in sealing components. In order to fulfill social responsibility, the Company effectively plans resources, establishes practices of a healthy and safe work environment and environmental control of pollution prevention, and promotes health to achieve the goal of sustainable operation. We are committed to: Regulatory compliance, green supply, energy conservation and waste reduction, hazard prevention, health promotion, continuous improvement and goal setting.

8. Losses due to labor disputes and the disclosure of potential current and future amount and response measures as of the most recent year and the date of publication of the annual report:

We value the welfare of employees, and provide a good work environment to maintain good communication and relationship between employees and the management. At present, there is no loss due to labor disputes, and the possibility of having labor disputes in the future is extremely small.

VI. Cybersecurity Management:

- (I) Describe the information security risk management framework, the information security policy, the specific management plan, and the resources committed to the information security management, etc.

1. Information security risk management framework:

The Company's Information Department is responsible for coordinating and implementing information security policies, disseminating messages on information security, strengthening employees' information security awareness, and collecting and improving technologies, products or procedures for the performance and effectiveness of the organization's information security management system.

The auditing office conducts annual cybersecurity audits on the internal control - electronic computer cycle to evaluate the effectiveness of the internal control of the Company's information operations.

2. Information security policy:

In order to implement information security management, the Company has established an internal control system - electronic computer cycle and information security policy regulations, and cybersecurity inspection control. The joint efforts of all employees are expected to achieve the following policy goals:

- (1). Ensure the availability, confidentiality and integrity of information assets.
- (2). Ensure that data access is according to departmental functions.
- (3). Ensure the continuous operation of the information system.
- (4). Prevent unauthorized modification or use of data and systems.
- (5). Regularly perform information security audits to ensure the implementation of information security.

3. Specific management solutions:

Based on the size of the Company's operations and the risk of information security, the Company has a total of 1 information security supervisor and 1 information security staff member.

(1). Internet information security control:

- A. Set up a firewall.
- B. Regularly scan the computer system for viruses.
- C. Regularly review the SystemLog of various network services and track exceptions.

- (2). Data access control:
 - A. Computer equipment should be maintained by dedicated personnel, and the account number and password should be set.
 - B. Provide different access levels according to the job functions.
 - C. Transferred personnel should have the original authorization canceled.
 - D. Confidential and sensitive information and copyrighted software should be removed or overwritten before the equipment is scrapped.
 - E. The remote access management information system should be properly approved.
- (3). Contingency and recovery practices:
 - A. Regularly review the emergency response plan.
 - B. Regularly rehearse system recovery every year.
 - C. Establish a system backup system and implement off-site backup.
- (4). Promotion and inspection:
 - A. Promotion of information security to raise employees' awareness from time to time.
 - B. Carry out cybersecurity inspections from time to time every year.

(II) The losses and possible impacts suffered from major information security incidents and the countermeasures in the most recent year to the date of publication of the annual report.

- (1). The Company had no major information security incidents resulting in business damage in 2024.
- (2). The Company has invested resources in information and communications security. However, the Company cannot guarantee that the computer systems it controls or maintains for the Company's critical corporate functions, such as manufacturing operations and accounting, will be completely protected from cyber-attacks from any third party that paralyzes the systems. These cyber-attacks are unlawful intrusions into the Company. In the event of a serious cyber-attack, critical Company systems and data may be lost and production lines may be shut down.

These attacks may be used by hackers for extortion or blackmail, which could result in the Company being required to compensate customers for losses due to delays or interruptions in orders, or in the Company being required to implement remedial and corrective measures to enhance the Company's cybersecurity systems at great expense, or in the Company being subject to significant legal liability as a result of legal or regulatory investigations related to the disclosure of information of employees, customers or third parties to whom the Company owes confidentiality obligations.

With the Company's commitment to information security, although there has been no material impact on the financial operations of the Company and its subsidiaries as a result of information and communications security incidents, the Company will continue to evaluate and budget for the upgrading and enhancement of its hardware and software equipment each year; conduct regular information security publicity and education and training, keep abreast with the latest information security information at home and abroad, update and adjust its information security policies as appropriate, and implement backup and disaster recovery drills.

VII. Important contracts:

The effective renewed and expiring vendors and order contracts, technical collaboration contracts, engineering contracts, long-term loans and other important contracts that can affect shareholders' equity, which include the parties, main content, restrictive provisions and the effective and termination dates of the contracts: None.

Five. Review and Analysis of the Financial Position and Results of Operations and Risk Management

I. Financial position:

Comparison of Financial Position

Unit: NT\$ thousand

Item \ Year	2024	2023	Difference	
			Amount	%
Current assets	3,167,915	3,232,210	-64,295	-1.99%
Property, plant and equipment	1,915,943	1,843,053	72,890	3.95%
Other assets	232,326	216,991	15,335	7.07%
Total Assets	5,316,184	5,292,254	23,930	0.45%
Current liabilities	665,182	859,161	(193,979)	-22.58%
Non-current liabilities	471,352	468,343	3,009	0.64%
Total liabilities	1,136,534	1,327,504	(190,970)	-14.39%
Capital	831,613	831,613	-	-
Capital surplus	214,743	214,743	-	-
Retained earnings	3,270,516	3,112,037	158,479	5.09%
Other equity interests	(141,419)	(197,664)	56,245	-28.45%
Non-controlling interests	4,197	4,021	176	4.38%
Total shareholders equity	4,179,650	3,964,750	214,900	5.42%
Explanation of changes of more than 20% and the change amount of NT\$10,000 thousand between the previous and later periods:				
<ol style="list-style-type: none"> Decrease in current liabilities: Mainly due to the decrease in overall revenue, the decrease in net income for the year and the decrease in income tax liabilities for the year. Increase in other equity interests: Due to the increase in the exchange differences arising on translation of foreign operations compared with the previous period. 				

II. Operating results:

Comparison of Operating Results

Unit: NT\$ thousand

Item \ Year	2024	2023	Increase (decrease)	Change in %
Total revenue	3,923,456	4,786,526	-863,070	-18.03%
Operating cost	(<u>2,342,050</u>)	(<u>2,810,271</u>)	468,221	-16.66%
Gross profit	1,581,406	1,976,255	-394,849	-19.98%
(Unrealized) Realized gain on sales	436	(5,053)	5,489	-108.63%
Operating expenses	(<u>602,510</u>)	(<u>665,119</u>)	62,609	-9.41%
Operating profit	979,332	1,306,083	-326,751	-25.02%
Total non-operating income and expenses	58,553	22,819	35,734	156.60%
Pre-tax net income	1,037,885	1,328,902	-291,017	-21.90%
Income tax expense	(<u>317,060</u>)	(<u>348,391</u>)	31,331	-8.99%
Net income for the year	720,825	980,511	-259,686	-26.48%
Other comprehensive gains (losses) for the period (net after tax)	76,204	(19,901)	96,105	-482.92%
Total comprehensive income for the year	797,029	960,610	-163,581	-17.03%

I. Analysis and explanation of the increase or decrease in ratio of more than 20% in the last two years:

1. The operating gains, net profit before tax and net profit for the period decreased from the previous period due to the decrease in the market demand and the decrease in revenue.
2. The increase in non-operating income and expenses: Mainly due to the increase in gains from currency exchange in the current period.
3. The increase in the after-tax net amount of the other comprehensive gains (losses) for the period: Due to the increase in the exchange differences arising on translation of foreign operations compared with the previous period.

II. Expected sales for the coming year:

Item	Expected sales quantity
Oil seals	225,000 thousand
Others	55,000 thousand

III. Expected sales quantity in the next year and its basis and the main factors affecting the Company's expected sales quantity to continue to grow or decline:

The Company has built sales networks around the world, and will continue to expand the market in China, while developing domestic and overseas OEM customers, as well as other emerging markets.

With an active approach to the global market in 2025, future sales volumes are expected to increase compared to that in 2024.

III. Cash flow:

Review and Analysis of Cash Flow

Analysis of Cash Flow

Unit: NT\$ thousand

Opening Balance	Cash flow from operating activities	Cash generated (used) for the year	Amount of cash surplus (shortfall)	Remedy for insufficient cash	
				Investment plan	Financing plan
519,086	828,538	(913,774)	433,850	-	-

1. Analysis of the changes in cash flow of the current year:

- (1) Operating activities: The net cash flow in the current period decreased by NT\$589,133 thousand compared with the previous period, which was mainly due to the decrease in the net profit before tax in the current period compared with the previous period.
- (2) Investing activities: The net cash used in the current period increased by NT\$36,633 thousand compared with the previous period, which was mainly due to the increase in fixed assets in the current period compared with the previous period.
- (3) Financing activities: The net cash used in the current period decreased by NT\$389,295 thousand compared with the previous period, which was mainly due to the decrease in short-term borrowings in the current period compared with the previous period.

2. Remedy and liquidity analysis for the cash shortfalls:

Item \ Year	2024	2023	Percentage increase (decrease)
Cash flow ratio	124.56	164.45	-24.26%
Cash flow adequacy ratio	116.30	114.74	1.36%
Cash flow reinvestment ratio	2.90	11.69	-75.19%
Analysis of percentage increase / decrease:			
Mainly due to the decrease in net cash inflow from operating activities in the current period as compared to the previous period.			

3. Cash flow analysis for the coming year:

Opening Balance (A)	Estimated cash flow from operating activities (B)	Estimated cash generated (used) for the year (C)	Estimated amount of cash surplus (shortfall) (A)+(B)-(C)	Remedy for estimated cash shortfalls	
				Investment plan	Financing plan
433,850	800,000	(950,000)	283,850	-	-

Status of the changes in cash flow for the coming year:

- (1) Operating activities: The Company is committed to the European and American markets, and is expanding its marketing in China. It is expected that there will be cash inflow from operating activities of NT\$800,000 thousand.
- (2) Investing activities: It is expected that additional real estate and equipment will be purchased this year to meet the production needs, and the estimated investing activities will use NT\$250,000 thousand in cash.
- (3) Financing activities: It is expected that the distribution of 2024 cash dividends will use NT\$600,000 thousand in cash.

IV. Impact of major capital expenditures on financial operations

- (I) The use capital expenditures and sources of funds that have been invested in the last two years and planned to be invested in the next five years:

Unit: NT\$ thousand

Program	Actual or planned source of capital	Actual or planned completion date	Total capital required	Planned use of capital						
				2023	2024	2025	2026	2027	2028	2029
Purchase additional equipment	Equity fund	2029.12	1,652,391	193,826	258,565	320,000	220,000	220,000	220,000	220,000

- (II) Expected possible benefits: In order to increase production capacity to meet the needs of future production, additional has been purchased. It is estimated that the investment payback period will be about 5 years starting 2025. The expected benefits are as follows:

Year	Item	Unit	Production Volume	Sales Volume	Sales Value	Gross Profit
2025	Oil seals	thousand	48,000	48,000	600,000	210,000
2026	Oil seals	thousand	48,000	48,000	600,000	210,000
2027	Oil seals	thousand	48,000	48,000	600,000	210,000
2028	Oil seals	thousand	48,000	48,000	600,000	210,000
2029	Oil seals	thousand	48,000	48,000	600,000	210,000

V. Company's investment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving investment profitability, and investment plans for the coming year:

- The Company's reinvestment policy is (1) Focusing on its own business; (2) Global strategic planning.
- The 2024 investment income recognized by the Company's long-term equity investment using the equity method was NT\$14,295 thousand, an increase of NT\$12,661 thousand compared with the 2023 investment income recognized in the long-term equity investment using the equity method of NT\$1,634 thousand. This is mainly due to the increase in the profits of invested affiliates.
- The Company has not added investment plan recently.

VI. Risk management and assessment

1. Risk management organizational structure:

The main risk management practices of the Company are to identify, analyze and measure the potential risks of each unit, formulate various risk control strategies and implement them, and take corresponding measures after analyzing and evaluating according to regulation, policy and market changes.

The execution and responsible units of each risk management items are as follows, and the auditing office will check the following risk items:

- (1) Financial, liquidity and credit risks: Finance Department.
- (2) Regulatory risk: President's Office, Legal Department, Human Resources Department.
- (3) Market risk: President's Office and Operations Department.
- (4) Strategic operational risk: President's Office.

2. Impact of interest rate, exchange rate fluctuation and inflation on the Company's profit and loss and the future responsive measures: We will respond to capital needs by obtaining funds at the lowest cost by means of short-term and long-term borrowings. The company follows the internal control protocols to respond to exchange rate changes, and uses forward exchange contracts to avoid the risk of exchange rate changes. The Company purchases raw materials in batches and sources them from multiple suppliers to reduce costs in response to inflation.

3. The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees and derivatives transactions is the main reason contributing to its profits and losses and the response measures to be taken in the future:

The Company is not currently involved in high-risk and high-leverage investments, and the loans to others are limited to subsidiaries (please refer to Annual Report XIII, Disclosure Matters (I)). There is no profit or loss arising from engaging in high-risk and high-leverage investments in the current period. If the investments are necessary in the future, the Company will conduct them within the scope of analysis and evaluation and the internal control procedures.

4. Future R&D projects and the projected R&D expenses:

(1) Research and development plan

Product development - Develop products according to the Company's strategy and customer needs:

Automobile industry:

- Oil seal products for gearboxes of electric vehicles.
- High-voltage current-guided oil seal products for electric vehicles.

- Oil seal products for vehicle actuators.
- Oil seal products for vehicle turbos.
- Continuous development of oil seal products for electric power steering (EPS) systems.
- Development of oil seal products for electric motors of electric motorcycles.
- Oil seal products for gearboxes of electric motorcycles.
- Oil seal products for motorcycle shock absorbers.
- Oil seal products for gearboxes of bicycles.
- Oil seal products for wheelhubs of commercial vehicles.
- Continuous development of oil seal products for transmission input shaft and output shaft.
- Continuous development of oil seal products for torque converters.
- Continuous development of oil seals for gearbox front covers.
- Automatic transmission (AT) oil seals and repair kits.
- Continuous development of variable transmission (CVT) oil seals and repair kits.
- Continuous development of dual-clutch transmission (DCT) oil seals and repair kits.
- Repair kits for steering oil seals.
- Repair kits for steering pump oil seals.

Industrial applications:

- Development of oil seal products for low-torque reducers.
- Continuous development of oil seal product development for precision gearboxes of robotic arms.
- Air compressor oil seals.
- Oil seal products for hydraulic pumps.
- Oil seal products for hydraulic motors.
- Continuous development of washing machine oil seals.
- Development of oil seal products for electric motors.

Agricultural construction and mining industry:

- Oil seal products for agricultural machinery diesel engines.
- Oil seals for agricultural machinery pumps.
- Oil seals for agricultural machinery gearboxes.
- Oil seals for agricultural machinery axles.
- PTO seals for agricultural machinery.
- Oil seals for agricultural machinery hydraulic cylinders.
- Oil seals for construction machinery main pumps/travel motors/rotary motors.
- Oil seals for construction machinery hydraulic cylinders.
- Oil seals for construction machinery axles.
- Oil seals for construction machinery continuous tracks.

Test machine construction - Improve product quality and reliability, and fundamental research capabilities:

- Testing machine for seals used on precision gearboxes.
- Torque measurement machine.
- Variable pressure testing machine.
- Testing machine for seals used on hydraulic motors.

Development of innovative materials - Materials to meet the needs of different industries for seals.

- Oil seals and rubber materials for gearboxes of high speed electric vehicles.
- Development of high-voltage current-guided oil seal materials for electric vehicles.
- Development and application of NBR and HNBR rubber compound for durable actuator oil seals.
- Research and development of oil seals and rubber compound used for electric power steering (EPS) systems.
- Verification and application of high-performance raw rubber, reinforcing agents, antioxidants and processing aids.
- Development and application of NBR and AEM injection molding-grade rubber compound.
- Development and application of high-performance heat-resistant eco-friendly adhesives.
- Continuous research, development and application of eco-friendly formulas.
- Maintain TAF certification for the laboratory.
- Development of eco-friendly and low-friction shock absorber oil seals and rubber compound.
- Development of low-friction and high function FKM shock absorber oil seals and rubber compound.

- (2) Projected R&D expenses: Have been included in the budget, and the 2025 amount is estimated at NT\$72,000 thousand.

5. Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

The Company has always paid close attention to the policies and laws that may affect the operation, and adjusted the internal related systems accordingly. As of the publication date of the annual report, changes in relevant laws and regulations have no significant impact on the finances of the Company.

6. Effect on the Company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:

Due to rapid information technology advancements, the changes brought about by AI (e.g., Dark Bird, Deepfake, Arup) have exerted a significant impact on information security. The Company has invested many resources in information and communications security, and is committed to preventing cyberattacks from any third party. Although these AI-type cyber frauds do not affect the Company's production capacity, corporate systems or critical information, these frauds could result in significant financial losses.

In response to AI-related frauds, the Company will strengthen and enhance employees' awareness of information security and share relevant case studies for publicity in order to avoid similar frauds.

7. Effect on the Company's crisis management from changes in the Company's corporate image, and measures to be taken in response:

The Company has always highly value maintaining the corporate image, and there has been no recent change in corporate image that would have an impact on corporate crisis management.

8. Expected benefits and possible risks associated with any merger and acquisitions:

The current status of operation is good and the profitability is in line with expectations, and there is no plan for mergers and acquisitions.

9. Expected benefits and possible risks associated with any plant expansion:

The Company has no plans to expand its plant in the near future.

10. Risks associated with any consolidation of sales or purchasing operations:

(1) Risk of purchase concentration: At present, most of the suppliers have long-term cooperative relationships with the Company, and the quality, price and delivery are considered stable.

(2) Risk of sales concentration: At present, the main customers are mostly concentrated in Europe and North America. Most of them are long-term customers, and we have good relationships with them in terms of product development, quality and price. While under stable growth, we have been actively developing new markets and new customers in recent years. In the last one or two years, the risk of sales concentration has been effectively reduced.

11. Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or principal shareholder holding greater than a 10% stake in the Company has been transferred or has otherwise changed hands:

Most of the current directors or principal shareholders with relatively large shareholding are the original shareholders before the public listing of the Company, and most of them are involved in the Company's operations. They have maintained good relationships with the Company, and fully support the promotion of various policies, so there are no events of large transfer of equity or transfer of ownership.

12. Effect upon and risk to Company associated with any change in governance personnel or top management:

The current management team, with the cooperation of the chairman and professional officers, is actively expanding the marketing, establishing a brand image and developing diverse products, and there is no situation where the managerial control is changed.

13. For major litigation, non-litigation or administrative incidents that involve the Company and/or any director, supervisor, the president, any person with actual responsibility for the firm, any principal shareholder holding a stake of greater than 10% and/or any other company or companies controlled by the Company and of which the results may have a significant impact on the Company's shareholders' interests or the securities price, the facts at issue, amount of the subject matter, the start date of litigation, the main parties involved and the current status as of the publication date of the annual report shall be disclosed:

- (1) As of the date of publication of the annual report, resolved or pending litigations, non-litigations or administrative disputes which may present material impacts on the Company's shareholders' equity or stock price: Not applicable.
- (2) Major litigation, non-litigation or administrative incidents that involve the Company and/or any director, supervisor, the president, any person with actual responsibility for the firm, any principal shareholder holding a stake of greater than 10% and/or any other company or companies controlled by the Company as of the publication date of the annual report and of which the results may have a material impact on the Company's shareholders' interests or the securities prices: Not applicable.

14. Other important risks, and mitigation measures being or to be taken: Not applicable.

VII. Other important matters: None.

(Blank below)

Six. Special Items to be Included

I. Information related to the Company's affiliates:

For the year 2024 (January 1 to December 31, 2024), the companies that are required to be included in the preparation of the consolidated business report, consolidated financial statements of affiliated enterprises, and the affiliation report pursuant to the “Regulations Governing the Preparation of the Business Report, Consolidated Financial Statements, and Affiliation Report of Affiliated Enterprises” are identical to those required to be included in the consolidated financial statements of parent and subsidiary companies in accordance with IFRS 10. Furthermore, all relevant information required to be disclosed in the consolidated financial statements of affiliated enterprises has already been disclosed in the aforementioned consolidated financial statements of parent and subsidiary companies. Accordingly, the consolidated financial statements of affiliated enterprises are not prepared separately.

For related information, please refer to the Market Observation Post System (MOPS) > Individual Company > Electronic Document Downloads > Affiliated Enterprises Reports section, available at: https://mopsov.twse.com.tw/mops/web/t57sb01_q10

II. Status of private placement of securities during the most recent fiscal year or up to the date of publication of the annual report: Not applicable.

III. Other matters that require additional description: Not applicable.

IV. If any of the situations listed in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, have occurred during the most recent fiscal year and up to the date of publication of the annual report: Not applicable.