

Integrated Service Technology
Inc. and Subsidiaries

Consolidated Financial
Statements for the Three
Months Ended Mar. 31, 2025
and 2024 and Independent
Auditors' Review Report

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Independent Auditors' Review Report

To: Integrated Service Technology Inc.

Introduction

We have reviewed the financial statements of Integrated Service Technology Inc. and its subsidiaries, which comprise the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended Mar. 31, 2024 and 2025, and the notes to the consolidated financial statements (including a summary of material accounting policies). The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, and the Statement No. 34 "Interim Financial Reporting" of the International Accounting Standards endorsed and issued into effect by the Financial Supervisory Commission. Our responsibilities are to draw a conclusion, based on the results of the review, on the consolidated financial statements.

Scope of Review

Except what has been stated in the "Basis for Qualified Conclusion" below, we conducted our review of the consolidated financial statements in accordance with the Statement No. 2410 "Review of Financial Statement" of the Standards on Review Engagements. The procedures performed in review of the consolidated financial statements included inquiries (mainly to personnel in charge of financial and accounting affairs), analytical procedure and other review procedures. The scope of review tasks was obviously narrower than that of audit tasks, so we might be unable to detect all material matters identifiable through audit tasks. As a result, we are unable to issue our audit opinion.

Basis for Qualified Conclusion

As stated in Note 13 to the consolidated financial statements, the financial statements of the same period of some non-material subsidiaries included in the consolidated financial statements were not reviewed by CPAs. Their assets in total as of Mar. 31, 2025 and Mar. 31, 2024 were NTD 331,406 thousand and NTD 320,557 thousand respectively, which accounted for 4% of the total consolidated assets. Their liabilities in total were NTD 82,944 thousand and NTD 64,690 thousand respectively, which accounted for 2% of the total consolidated liabilities. Their comprehensive income in total for 2025 Q1 and 2024 Q1 was NTD 956 thousand and NTD (1,580) thousand respectively, which accounted for 1% and (1)% of the total consolidated comprehensive income. In addition, as stated in Note 14 to the consolidated statements, the amount of investments accounted for using the equity method as of Mar. 31, 2025 and Mar. 31, 2024 was NTD 742,911 thousand and NTD 839,759 thousand respectively. The share of the comprehensive income of associates accounted for using the equity method recognized for 2025 Q1 and 2024 Q1 was NTD 2,605 thousand and NTD 5,929 thousand respectively; however, it was recognized based on those investee companies' financial statements of the same period that were not reviewed by CPAs. Besides, such information relevant to aforementioned subsidiaries and investee companies as stated in the reinvestment-related information in Note 37 "Disclosures" to the consolidated financial statements has not been reviewed by CPAs yet.

Qualified Conclusion

Except for some adjustments that would have been made to the consolidated financial statements if both the financial statements of those non-material subsidiaries and associates stated in the Basis for Qualified Conclusion below and the information disclosed in Note 37 to the consolidated financial statements had been reviewed by CPAs, we have not found, based on our reviews, such non-compliance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers or the Statement No. 34 "Interim Financial Reporting" of the International Accounting Standards endorsed and issued into effect by the Financial Supervisory Commission that resulted in the consolidated financial statements not presenting fairly the

consolidated financial conditions of Integrated Service Technology Inc. and its subsidiaries as of Mar. 31, 2025 and Mar. 31, 2024 and the consolidated financial performance and consolidated cash flows for the three months ended Mar. 31, 2025 and Mar. 31, 2024 respectively.

Deloitte & Touche

Wen Chih-Yuan, CPA

Chang Ya-Yun, CPA

Financial Supervisory Commission

Approval No.:

Jin-Guan-Zheng-Shen-Zi-1130349292

Financial Supervisory Commission

Approval No.:

Jin-Guan-Zheng-Shen-Zi-1110348898

May 9, 2025

Integrated Service Technology Inc. and Subsidiaries
Consolidated Balance Sheet
Mar. 31, 2025, Dec. 31, 2024 and Mar. 31, 2024

Unit: In Thousands of New Taiwan Dollars

| Assets | Mar. 31, 2025 | | Dec. 31, 2024 | | Mar. 31, 2024 | | Liabilities and Equity | Mar. 31, 2025 | | Dec. 31, 2024 | | Mar. 31, 2024 | |
|---|---------------------|------------|---------------------|------------|---------------------|------------|---|---------------------|------------|---------------------|------------|---------------------|------------|
| | Amount | % | Amount | % | Amount | % | | Amount | % | Amount | % | Amount | % |
| Current assets | | | | | | | Current liabilities | | | | | | |
| Cash and cash equivalents (Note 6) | \$ 698,063 | 9 | \$ 939,526 | 12 | \$ 714,096 | 10 | Current borrowings (Note 19 and 34) | \$ 703,611 | 8 | \$ 719,669 | 9 | \$ 836,056 | 11 |
| Current financial assets at fair value through profit or loss (Note 7) | 168 | - | - | - | - | - | Current financial liabilities at fair value through profit or loss (Note 7) | - | - | 114 | - | 122 | - |
| Current financial assets at amortized cost (Note 9) | 15,000 | - | - | - | - | - | Current contract liabilities (Note 24) | 124,246 | 2 | 134,819 | 2 | 105,475 | 1 |
| Current contract assets (Note 24) | 2,363 | - | 1,854 | - | 4,871 | - | Notes and accounts payable | 291,846 | 4 | 323,134 | 4 | 257,430 | 3 |
| Notes and accounts receivable, net (Note 10 and 24) | 1,608,233 | 20 | 1,487,096 | 18 | 1,486,436 | 20 | Accounts payable to related parties (Note 33) | 6,348 | - | 15,208 | - | 411 | - |
| Finance lease receivables (Notes 11 and 33) | 15,025 | - | 15,677 | - | 15,975 | - | Payable on machinery and equipment (Note 33) | 354,716 | 4 | 346,402 | 4 | 137,400 | 2 |
| Accounts receivable due from related parties (Note 24 and 33) | 14,035 | - | 20,777 | - | 17,507 | - | Dividends payable (Note 23) | 148,808 | 2 | 171,023 | 2 | 127,372 | 2 |
| Other receivables | 16,649 | - | 313 | - | 118 | - | Current tax liabilities (Notes 4 and 26) | 37,894 | - | 28,192 | - | - | - |
| Other receivables due from related parties (Note 33) | 21,763 | - | 23,843 | - | 21,529 | - | Current lease liabilities (Note 16) | 77,563 | 1 | 76,931 | 1 | 73,936 | 1 |
| Current tax assets (Notes 4 and 26) | 96 | - | 96 | - | 56 | - | Current portion of long-term borrowings (Notes 20 and 34) | 81,230 | 1 | 78,331 | 1 | 121,722 | 2 |
| Non-current assets held for sale (Note 12) | - | - | 493 | - | - | - | Other current liabilities, others (Notes 21 and 33) | 612,287 | 7 | 661,690 | 8 | 558,223 | 7 |
| Prepayments and other current assets (Note 18) | 167,951 | 2 | 137,693 | 2 | 133,181 | 2 | Total current liabilities | 2,438,549 | 29 | 2,555,513 | 31 | 2,218,147 | 29 |
| Other current financial assets (Note 34) | 12,048 | - | 12,048 | - | 18,819 | - | Non-current liabilities | | | | | | |
| Total current assets | 2,571,394 | 31 | 2,639,416 | 32 | 2,412,588 | 32 | Non-current portion of long-term borrowings (Notes 20 and 34) | 2,042,721 | 25 | 1,844,290 | 23 | 1,636,462 | 22 |
| Non-current assets | | | | | | | Deferred tax liabilities (Notes 4 and 26) | 4,796 | - | 4,736 | - | 3,912 | - |
| Non-current financial assets at fair value through profit or loss (Note 7) | 24,074 | - | 23,769 | - | 28,860 | 1 | Non-current lease liabilities (Note 16) | 257,097 | 3 | 272,065 | 3 | 298,237 | 4 |
| Non-current financial assets measured at fair value through other comprehensive income (Note 8) | 139,829 | 2 | 142,494 | 2 | - | - | Deferred government subsidy income (Note 29) | 5,000 | - | 5,000 | - | - | - |
| Investments accounted for using equity method (Note 14) | 742,911 | 9 | 739,196 | 9 | 839,759 | 11 | Guarantee deposits received (Note 33) | 2,005 | - | 2,005 | - | 2,005 | - |
| Property, plant and equipment (Notes 15 and 34) | 4,389,435 | 53 | 4,110,377 | 51 | 3,858,218 | 51 | Total non-current liabilities | 2,311,619 | 28 | 2,128,096 | 26 | 1,940,616 | 26 |
| Right-of-use assets (Note 16) | 282,794 | 4 | 294,002 | 4 | 304,662 | 4 | Total liabilities | 4,750,168 | 57 | 4,683,609 | 57 | 4,158,763 | 55 |
| Other intangible assets (Note 17) | 24,864 | - | 13,842 | - | 10,520 | - | Equity attributed to owners of parent (Notes 23, 28 and 30) | | | | | | |
| Deferred tax assets (Notes 4 and 26) | 657 | - | 1,250 | - | 15,933 | - | Ordinary share | 744,204 | 9 | 743,667 | 9 | 740,089 | 10 |
| Prepayments for machinery and equipment | 25,544 | - | 113,781 | 2 | 24,272 | - | Capital collected in advance | 896 | - | 2,721 | - | 1,653 | - |
| Guarantee deposits paid (Note 33) | 23,034 | - | 27,124 | - | 19,932 | - | Capital reserve | 2,136,662 | 26 | 2,132,798 | 26 | 2,126,497 | 28 |
| Long-term finance leases receivable (Notes 11 and 33) | 26,455 | 1 | 29,394 | - | 42,214 | 1 | Retained earnings | | | | | | |
| Net non-current defined benefit asset (Notes 4 and 22) | 25,343 | - | 25,239 | - | 19,640 | - | Legal reserve | 249,633 | 3 | 240,027 | 3 | 208,925 | 3 |
| Other non-current financial assets (Note 34) | - | - | - | - | 200 | - | Special reserve | 132,064 | 2 | 102,819 | 1 | 85,830 | 1 |
| Total non-current assets | 5,704,940 | 69 | 5,520,468 | 68 | 5,164,210 | 68 | Unappropriated retained earnings | 352,884 | 4 | 340,087 | 4 | 279,407 | 3 |
| | | | | | | | Other equity, others | (126,816) | (2) | (132,064) | (1) | (70,291) | (1) |
| | | | | | | | Total equity attributable to owners of parent | 3,489,527 | 42 | 3,430,055 | 42 | 3,372,110 | 44 |
| | | | | | | | Non-controlling interests | 36,639 | 1 | 46,220 | 1 | 45,925 | 1 |
| | | | | | | | Total equity | 3,526,166 | 43 | 3,476,275 | 43 | 3,418,035 | 45 |
| Total assets | \$ 8,276,334 | 100 | \$ 8,159,884 | 100 | \$ 7,576,798 | 100 | Total liabilities and equity | \$ 8,276,334 | 100 | \$ 8,159,884 | 100 | \$ 7,576,798 | 100 |

The accompanying notes constitute part of the consolidated financial statements.
(Please see the review report made by Deloitte & Touche on May 9, 2025.)

Integrated Service Technology Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the quarters ended Mar. 31, 2025 and 2024

Unit: In Thousands of New Taiwan Dollars,
except for EPS in New Taiwan Dollars

| | 2025 Q1 | | 2024 Q1 | |
|--|----------------|-----------|----------------|-----------|
| | Amount | % | Amount | % |
| Operating revenue (Notes 24 and 33) | \$ 1,131,486 | 100 | \$ 1,069,292 | 100 |
| Operating costs (Notes 25 and 33) | <u>778,664</u> | <u>69</u> | <u>786,907</u> | <u>73</u> |
| Gross profit from operations | <u>352,822</u> | <u>31</u> | <u>282,385</u> | <u>27</u> |
| Operating expenses (Notes 25 and 33) | | | | |
| Selling expenses | 40,330 | 3 | 33,715 | 3 |
| Administrative expenses | 136,079 | 12 | 119,643 | 11 |
| Research and development expenses | 54,934 | 5 | 35,897 | 4 |
| Reversal of expected credit losses | (563) | - | (1,049) | - |
| Total operating expenses | <u>230,780</u> | <u>20</u> | <u>188,206</u> | <u>18</u> |
| Net operating income | <u>122,042</u> | <u>11</u> | <u>94,179</u> | <u>9</u> |
| Non-operating income and expenses | | | | |
| Interest income (Note 25) | 959 | - | 2,240 | - |
| Other income, others (Notes 25 and 33) | 8,045 | - | 9,616 | 1 |
| Other gains and losses, net (Note 25) | 10,398 | 1 | 10,440 | 1 |
| Finance costs, net (Notes 25 and 33) | (13,464) | (1) | (15,439) | (1) |
| Share of profit of associates for using equity method, net (Note 14) | (798) | - | 2,116 | - |
| Total non-operating income and expenses | <u>5,140</u> | <u>-</u> | <u>8,973</u> | <u>1</u> |
| Profit from continuing operations before tax | 127,182 | 11 | 103,152 | 10 |
| Tax (income) expense (Notes 4 and 26) | <u>10,332</u> | <u>1</u> | (16,555) | (1) |
| Profit | <u>116,850</u> | <u>10</u> | <u>119,707</u> | <u>11</u> |

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| | 2025 Q1 | | 2024 Q1 | |
|---|-------------------|--------------|-------------------|--------------|
| | Amount | % | Amount | % |
| Other comprehensive income | | | | |
| Components of other comprehensive income that will not be reclassified to profit or loss | | | | |
| Unrealized gains (losses) from equity instrument investment measured at fair value through other comprehensive income (Note 23) | (\$ 1,973) | - | \$ - | - |
| Components of other comprehensive income that will be reclassified to profit or loss: | | | | |
| Exchange differences on translation of financial statements of overseas operations (Note 23) | 3,464 | 1 | 11,726 | 1 |
| Share of other comprehensive income of associates accounted for using equity method | <u>3,403</u> | <u>-</u> | <u>3,813</u> | <u>1</u> |
| Total other comprehensive income (net, after tax) | <u>4,894</u> | <u>1</u> | <u>15,539</u> | <u>2</u> |
| Total comprehensive income | <u>\$ 121,744</u> | <u>11</u> | <u>\$ 135,246</u> | <u>13</u> |
| Profit attributable to: | | | | |
| Owners of parent | \$ 126,431 | 11 | \$ 133,320 | 12 |
| Non-controlling interests | (<u>9,581</u>) | (<u>1</u>) | (<u>13,613</u>) | (<u>1</u>) |
| | <u>\$ 116,850</u> | <u>10</u> | <u>\$ 119,707</u> | <u>11</u> |
| Comprehensive income attributable to: | | | | |
| Owners of parent | \$ 131,325 | 12 | \$ 148,859 | 14 |
| Non-controlling interests | (<u>9,581</u>) | (<u>1</u>) | (<u>13,613</u>) | (<u>1</u>) |
| | <u>\$ 121,744</u> | <u>11</u> | <u>\$ 135,246</u> | <u>13</u> |
| Earnings per share (Note 27) | | | | |
| Total basic earnings per share | <u>\$ 1.70</u> | | <u>\$ 1.80</u> | |
| Total diluted earnings per share | <u>\$ 1.69</u> | | <u>\$ 1.78</u> | |

The accompanying notes constitute part of the consolidated financial statements.
(Please see the review report made by Deloitte & Touche on May 9, 2025.)

Integrated Service Technology Inc. and Subsidiaries
Consolidated Statements of Changes in Equity
For the quarters ended Mar. 31, 2024 and 2025

Unit: In Thousands of New Taiwan Dollars

| | Equity attributed to owners of parent | | | | | | | Other equity | | | | | |
|---|---|------------|------------------------------|-----------------|-------------------|-----------------|----------------------------------|---|--|-----------------|----------------------|---------------------------|--------------|
| | Ordinary share | | Capital collected in advance | Capital reserve | Retained earnings | | | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Exchange differences on translation of financial statements of overseas operations | Treasury shares | Total owners' equity | Non-controlling interests | Total equity |
| | Number of shares (in thousands of shares) | Amount | | | Legal reserve | Special reserve | Unappropriated retained earnings | | | | | | |
| Balance at Jan. 1, 2024 | 75,541 | \$ 755,409 | \$ 1,577 | \$ 2,172,448 | \$ 204,651 | \$ 69,941 | \$ 298,129 | \$ - | (\$ 85,830) | (\$ 139,797) | \$ 3,276,528 | \$ 55,574 | \$ 3,332,102 |
| Appropriation and distribution of earnings | | | | | | | | | | | | | |
| Legal reserve allocated | - | - | - | - | 4,274 | - | (4,274) | - | - | - | - | - | - |
| Special reserve allocated | - | - | - | - | - | 15,889 | (15,889) | - | - | - | - | - | - |
| Cash dividends to shareholders of the company | - | - | - | - | - | - | (51,810) | - | - | - | (51,810) | - | (51,810) |
| Profit (loss) for 2024 Q1 | - | - | - | - | - | - | 133,320 | - | - | - | 133,320 | (13,613) | 119,707 |
| Other comprehensive income after tax for 2024 Q1 | - | - | - | - | - | - | - | - | 15,539 | - | 15,539 | - | 15,539 |
| Total comprehensive income for 2024 Q1 | - | - | - | - | - | - | 133,320 | - | 15,539 | - | 148,859 | (13,613) | 135,246 |
| Retirement of treasury share | (1,562) | (15,620) | - | (44,108) | - | - | (80,069) | - | - | 139,797 | - | - | - |
| Changes in ownership interests in subsidiaries | - | - | - | (3,964) | - | - | - | - | - | - | (3,964) | 3,964 | - |
| Share-based payments | - | - | - | 845 | - | - | - | - | - | - | 845 | - | 845 |
| Ordinary shares issued under the Employee stock option plan | 30 | 300 | 76 | 1,276 | - | - | - | - | - | - | 1,652 | - | 1,652 |
| Balance at Mar. 31, 2024 | 74,009 | \$ 740,089 | \$ 1,653 | \$ 2,126,497 | \$ 208,925 | \$ 85,830 | \$ 279,407 | \$ - | (\$ 70,291) | \$ - | \$ 3,372,110 | \$ 45,925 | \$ 3,418,035 |
| Balance at Jan. 1, 2025 | 74,367 | \$ 743,667 | \$ 2,721 | \$ 2,132,798 | \$ 240,027 | \$ 102,819 | \$ 340,087 | (\$ 67,116) | (\$ 64,948) | \$ - | \$ 3,430,055 | \$ 46,220 | \$ 3,476,275 |
| Appropriation and distribution of earnings | | | | | | | | | | | | | |
| Legal reserve allocated | - | - | - | - | 9,606 | - | (9,606) | - | - | - | - | - | - |
| Special reserve allocated | - | - | - | - | - | 29,245 | (29,245) | - | - | - | - | - | - |
| Cash dividends to shareholders of the company | - | - | - | - | - | - | (74,429) | - | - | - | (74,429) | - | (74,429) |
| Changes in associated accounted for using the equity method | - | - | - | 1,110 | - | - | - | - | - | - | 1,110 | - | 1,110 |
| Profit (loss) for 2025 Q1 | - | - | - | - | - | - | 126,431 | - | - | - | 126,431 | (9,581) | 116,850 |
| Other comprehensive income after tax for 2025 Q1 | - | - | - | - | - | - | - | (1,973) | 6,867 | - | 4,894 | - | 4,894 |
| Total comprehensive income for 2025 Q1 | - | - | - | - | - | - | 126,431 | (1,973) | 6,867 | - | 131,325 | (9,581) | 121,744 |
| Share-based payments | - | - | - | 570 | - | - | - | - | - | - | 570 | - | 570 |
| Ordinary shares issued under the Employee stock option plan | 53 | 537 | (1,825) | 2,184 | - | - | - | - | - | - | 896 | - | 896 |
| Disposal of equity instrument measured at fair value through other comprehensive income | - | - | - | - | - | - | (354) | 354 | - | - | - | - | - |
| Balance at Mar. 31, 2025 | 74,420 | \$ 744,204 | \$ 896 | \$ 2,136,662 | \$ 249,633 | \$ 132,064 | \$ 352,884 | (\$ 68,735) | (\$ 58,081) | \$ - | \$ 3,489,527 | \$ 36,639 | \$ 3,526,166 |

The accompanying notes constitute part of the consolidated financial statements.
(Please see the review report made by Deloitte & Touche on May 9, 2025.)

Integrated Service Technology Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the quarters ended Mar. 31, 2024 and 2025

Unit: In Thousands of New Taiwan Dollars

| | 2025 Q1 | 2024 Q1 |
|--|-------------------|-------------------|
| Cash flows from operating activities | | |
| Profit before tax | \$ 127,182 | \$ 103,152 |
| Adjustments to reconcile profit (loss) | | |
| Depreciation expense | 200,365 | 192,195 |
| Amortization expense | 3,099 | 1,629 |
| Reversal of expected credit losses | (563) | (1,049) |
| Net gain on financial assets or liabilities at fair value through profit or loss | (587) | (1,282) |
| Financial cost | 13,464 | 15,439 |
| Interest income | (959) | (2,240) |
| Share-based payments | 570 | 845 |
| Share of loss (profit) of associates for using equity method, net | 798 | (2,116) |
| Gains on disposals of non-current assets held for sale | (7,755) | - |
| Unrealized foreign exchange loss (gain) | (1,966) | (4,156) |
| Profit from lease modification | - | (73) |
| Total changes in operating assets and liabilities | | |
| Contract assets | (509) | 1,092 |
| Notes and accounts receivable | (113,821) | (9,973) |
| Accounts receivable due from related parties | 6,864 | 1,810 |
| Other receivables | (16,332) | 11,344 |
| Other receivables due from related parties | 2,080 | 1,659 |
| Prepayments and other current assets | (30,258) | 12,465 |
| Defined benefit assets, net | (104) | (61) |
| Contract liabilities | (10,573) | (29,018) |
| Notes and accounts payable | (31,488) | 73,136 |
| Accounts payable to related parties | (8,860) | (4,286) |
| Other current liabilities | (<u>49,241</u>) | (<u>14,530</u>) |
| Cash generated from operations | 81,406 | 345,982 |
| Interest paid | (17,185) | (19,305) |
| Income tax paid | (<u>32</u>) | (<u>15</u>) |
| Net cash generated from operating activities | <u>64,189</u> | <u>326,662</u> |

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| | 2025 Q1 | 2024 Q1 |
|--|-------------------|-------------------|
| Cash flows from investing activities | | |
| Sale of financial assets measured at fair value through other comprehensive income | \$ 692 | \$ - |
| Acquisition of financial assets at amortized cost | (15,000) | - |
| Disposals of non-current assets held for sale | 8,248 | - |
| Acquisition of property, plant and equipment | (365,394) | (242,600) |
| Decrease in refundable deposits | 4,090 | 4,512 |
| Acquisition of other intangible assets | (14,085) | (1,222) |
| Decrease in long-term lease and installment receivables | 3,903 | 3,892 |
| Increase in other financial assets | - | (3,809) |
| Interest received | 959 | 2,240 |
| Net cash used in investing activities | <u>(376,587)</u> | <u>(236,987)</u> |
| Cash flows from financing activities | | |
| Increase in short-term loans | (17,824) | (127,068) |
| Proceeds from long-term debts | 670,000 | 339,884 |
| Repayments of long-term debts | (468,670) | (431,841) |
| Payments of lease liabilities | (20,015) | (20,099) |
| Cash dividends paid | (96,644) | (75,503) |
| Exercise of employee stock options | 896 | 1,652 |
| Net cash generated from (used in) financing activities | <u>67,743</u> | <u>(312,975)</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>3,192</u> | <u>9,158</u> |
| Net decrease in cash and cash equivalents | (241,463) | (214,142) |
| Cash and cash equivalents at beginning of period | <u>939,526</u> | <u>928,238</u> |
| Cash and cash equivalents at end of period | <u>\$ 698,063</u> | <u>\$ 714,096</u> |

The accompanying notes constitute part of the consolidated financial statements.
(Please see the review report made by Deloitte & Touche on May 9, 2025.)

Integrated Service Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the quarters ended Mar. 31, 2024 and 2025

(In Thousands of New Taiwan Dollars, except as otherwise indicated herein)

I. Corporate History

Integrated Service Technology Inc. (hereinafter referred to as IST) was incorporated in September 1994 after the approval of Ministry of Economic Affairs. Its main business activities include the R&D and manufacturing of integrated circuits, analysis, burn-in, testing, the import and export of semiconductor parts and relevant equipment, electronic parts, computer and computer components, and dealing with distribution, quotation and bidding activities concerning the aforementioned products as an agent on behalf of domestic and overseas companies.

Stocks of IST have been traded at Taipei Exchange since Dec. 28, 2004.

The New Taiwan Dollar, the functional currency adopted by IST, is used to express amounts indicated in the consolidated financial statements.

II. Date and Procedure of Adoption of Financial Statements

The consolidated financial statements were approved by the board of directors on May 9, 2025.

III. Applicability of New and Amended Standards and Interpretations

- (I) We initially apply International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) (hereinafter referred to as IFRSs) endorsed and issued into effect by the Financial Supervisory Commission (hereinafter referred to as the FSC).

Amendments to IAS 21 Lack of Exchangeability

Application of the amendments to IAS 21 Lack of Exchangeability does not cause any significant change in accounting policies of IST and its subsidiaries (hereinafter referred to as the Company).

(II) IFRSs Recognized by FSC to be Applied in 2026

| Standards Published / Amended / Revised and Interpretations | Effectiveness Date Announced by IASB (Note 1) |
|---|---|
| Amendments to IFRS 9 and IFRS 7 Amendments to the Classification and Measurement of Financial Instruments for the content of the application guidance for classification of financial assets | Jan. 1, 2026 (Note 1) |

Note 1 : These amendments are applicable for the annual reporting periods beginning on and after Jan. 1, 2026. However, enterprises may choose to apply in advance from Jan. 1, 2025.

(III) IFRSs Published by International Accounting Standards Board (IASB) Already but Not Recognized or Published by FSC Yet

| Standards Published / Amended / Revised and Interpretations | Effectiveness Date Announced by IASB (Note 1) |
|--|---|
| Annual Improvements to IFRS Accounting Standards - Volume 11 | Jan. 1, 2026 |
| Amendments to IFRS 9 and IFRS 7 Amendments to the Classification and Measurement of Financial Instruments for the content of the application guidance for derecognition of financial assets | Jan. 1, 2026 |
| Amendments to IFRS 9 and IFRS 7 Contracts Referencing Nature-dependent Electricity | Jan. 1, 2026 |
| Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Not decided yet |
| IFRS 17 Insurance Contracts | Jan. 1, 2023 |
| Amendments to IFRS 17 | Jan. 1, 2023 |
| Amendments to IFRS 17 Initial Application of IFRS 17 and IFRS 9 - Comparative Information | Jan. 1, 2023 |
| IFRS 18 Presentation and Disclosure in Financial Statements | Jan. 1, 2027 |
| IFRS 19 Subsidiaries without Public Accountability: Disclosures | Jan. 1, 2027 |

Note 1: Except otherwise as indicated, the standards newly published /amended/revised or interpretations shall come into effect from the annual reporting period after the indicated date.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. Main changes in the Standard include:

- The income statement should divide incomes, expenses and taxes into business, investment, financing, income tax and discontinuing operation categories.
- The income statement should list the subtotal and the total of the operating income, the profit or loss before financing and tax, and the profit or loss.
- Guidance provided for consolidation of the rules of aggregation and disaggregation: The Company should identify the assets, liabilities, equity, incomes, expenses, losses and cash flows being generated from individual transactions and other events, and classify and aggregate based on their common characteristics to ensure that every item listed in each single column in the primary financial statements share at least one similar characteristic. In the primary financial statements and the notes thereto, items with different characteristics shall be disaggregated. The Company lists items as “others” only when the Company is unable to find a more informative accounting subject for such items.
- Addition of the disclosure of the performance measurement defined by the management: For conducting public communication beyond financial statements and sharing a specific concept of overall financial performance with users of the financial statements, the Company shall disclose, in the notes to the financial statements, the information of the performance measurement defined by the management, including description of the measurement, calculation methods, adjustment of the subtotal or total amount specified in the IFRSs, and income tax and non-controlling interest effects.

In addition to the impacts mentioned above, as of the date of publication of the consolidated financial statements, the Company still continued evaluating the impact of the amendments to other standards and interpretations on financial results. Relevant impacts will be disclosed after the evaluation is completed.

IV. Explanations of Material Accounting Policies

(I) Declaration of Compliance

The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IAS 34 Interim Financial Reporting recognized and published by the FSC. Not all information required to be disclosed in annual financial statements in accordance with IFRSs is disclosed in the consolidated financial statements.

(II) Preparation Basis

The consolidated financial statements are prepared on the basis of historical cost, except for the financial instruments at fair value, and the net defined benefit asset recognized based on the current value of defined benefit obligations less the fair value of plan assets.

Fair value measurement is classified from level 1 to level 3 based on observable level and importance of relevant inputs.

1. Level 1 Inputs: They refer to the prices of the same assets or liabilities obtained in the active market on measurement date (not adjusted).
2. Level 2 Inputs: They refer to direct inputs (i.e. prices) or indirect inputs (presumed from prices) observable, except level 1 prices, for assets or liabilities.
3. Level 3 Inputs: They refer to inputs not observable for assets or liabilities.

(III) Consolidation Basis

The consolidated financial statements include the financial statements of IST and the entities that it controls (subsidiaries). The consolidated statement of comprehensive income has included the operating profit (loss) of any

acquired or disposed subsidiary from the date of acquisition or till the date of disposal during the current period. The financial statements of subsidiaries have been adjusted in order to cause the accounting policies used by the subsidiaries to be consistent with those used by IST. The transactions, account balances, incomes and expenses among individual entities were deleted completely during the preparation of the consolidated financial statements. The total comprehensive income of subsidiaries was attributed to owners of IST and non-controlling interests, notwithstanding any loss of non-controlling interests.

If the Company does not lose control over a subsidiary after the Company has made some changes in the subsidiary's equity held by the Company, then the changes are treated as equity transactions. Book amounts of the Company and non-controlling interests have been adjusted to reflect the changes in the corresponding equity held by the Company. The difference between the adjusted amount of non-controlling interests and the fair value of the paid or received consideration was recognized as equity directly and attributed to owners of the Company.

Please refer to Note 13 and Schedules 3 and 4 for the detailed information, shareholding and business activities of each subsidiary.

(IV) Other Material Accounting Policies

For further information beyond the following explanations, please refer to the Explanations of Material Accounting Policies stated in the consolidated financial statements of 2024.

1. Defined-benefit Postemployment Benefit

For the pension cost for the interim period, the pension cost rate is determined actuarially at the end of the previous fiscal year, which is calculated on a periodical basis from the beginning of the year till the end of the period and adjusted based on material market fluctuations during the period, amendments to material plans, repayments or other material one-time matters.

2. Income Tax Expense

The income tax expense is the sum of the current income tax and deferred income tax for the period. The income tax for the interim period is evaluated on an annual basis and calculated based on the interim pretax income at a tax rate applicable to the expected total profit for the year.

V. Main Sources of Material Accounting Judgments, Estimates and Assumption Uncertainty

The Company took into account the possible impact of the U.S. reciprocal tariffs when it developed material accounting estimates, including cash flow projection, growth rate, discount rate, profitability and other material estimates. Management will continue to review estimates and basic assumptions. For further information, please see the Main Sources of Material Accounting Judgments, Estimates and Assumption Uncertainty stated in the consolidated financial statements of 2024.

VI. Cash and Cash Equivalents

| | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
|---|----------------------|----------------------|----------------------|
| Cash on hand and revolving funds | \$ 331 | \$ 231 | \$ 237 |
| Bank checks and saving deposits of bank | 574,904 | 793,801 | 580,355 |
| Cash equivalents | | | |
| Time deposits | <u>122,828</u> | <u>145,494</u> | <u>133,504</u> |
| | <u>\$ 698,063</u> | <u>\$ 939,526</u> | <u>\$ 714,096</u> |

VII. Financial Instruments at Fair Value through Profit and Loss

| | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
|---|----------------------|----------------------|----------------------|
| <u>Financial Assets – Current</u> | | | |
| At fair value through profit or loss compulsorily | | | |
| Derivatives (not designed for hedging) | | | |
| – Forward exchange agreement | \$ <u>168</u> | \$ <u>-</u> | \$ <u>-</u> |
| <u>Financial assets –</u> | | | |
| <u> Non-current</u> | | | |
| At fair value through profit or loss compulsorily – | | | |
| Not listed (non-OTC) | | | |
| Beneficiary certificates of funds | \$ <u>24,074</u> | \$ <u>23,769</u> | \$ <u>28,860</u> |
| <u>Financial liabilities –</u> | | | |
| <u> Current</u> | | | |
| Held for trading | | | |
| Derivatives (not designed for hedging) | | | |
| – Forward exchange agreement | \$ <u>-</u> | \$ <u>114</u> | \$ <u>122</u> |

The forward exchange agreements to which hedge accounting was not applied and were not mature on the balance sheet date are as follows:

| | <u>Currency</u> | <u>Maturity Period</u> | <u>Contract Price (in thousands of NT dollars)</u> |
|-----------------------------------|-----------------|-------------------------|--|
| <u>Mar. 31, 2025</u> | | | |
| Forward foreign exchange purchase | TWD to JPY | May 2025 | TWD 2,630/ JPY 12,525 |
| <u>Dec. 31, 2024</u> | | | |
| Forward foreign exchange purchase | TWD to JPY | January ~ February 2025 | TWD 4,128 /JPY 31,830 |
| <u>Mar. 31, 2024</u> | | | |
| Forward foreign exchange purchase | TWD to JPY | April ~ September 2024 | TWD 7,761/ JPY 35,479 |

The Company engages in forward exchange transactions primarily for the purpose of avoiding the risk incurred from foreign exchange fluctuation for foreign currency assets and liabilities.

VIII. Financial Assets Measured at Fair Value through Other Comprehensive Income

Investments in Equity Instruments

| | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> |
|---------------------|----------------------|----------------------|
| <u>Non-current</u> | | |
| Domestic investment | | |
| Listed (OTC) shares | | |
| Ordinary shares of | | |
| BTL Inc. | <u>\$139,829</u> | <u>\$142,494</u> |

IST resigned as a director of BTL Inc. in June 2024. The Company invested in ordinary shares of BTL Inc. based on a medium- and long-term strategy and expected to make profits through the long-term investment. The Company chose to have such investment measured at fair value through other comprehensive income because the management of the Company believed that short-term fluctuations in fair value of such investment to be listed in profits or losses would be inconsistent with the aforementioned long-term investment planning. For relevant explanation, please refer to Note 14.

The Company sold a portion of ordinary shares of BTL Inc. at fair value in March 2025. The amount obtained from the sale was NTD 692 thousand. Relevant other equity - Unrealized Gains (Losses) from Financial Assets Measured at Fair Value through Other Comprehensive Income (NTD 354) thousand was transferred into retained earnings.

IX. Financial Assets at Amortized Cost

| | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
|---------------------|----------------------|----------------------|----------------------|
| <u>Current</u> | | | |
| Domestic investment | | | |
| Time deposits with | | | |
| original maturities | | | |
| beyond three | | | |
| months | <u>\$ 15,000</u> | <u>\$ -</u> | <u>\$ -</u> |

As of Mar. 31, 2025, the annual interest rate for the time deposits with original maturities beyond three months was 0.88%.

X. Notes and Accounts Receivable -Net

| | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
|----------------------------|----------------------|----------------------|----------------------|
| <u>Notes and Accounts</u> | | | |
| <u>Receivable</u> | | | |
| Measured at amortized cost | | | |
| Notes receivable | \$ 2,084 | \$ 785 | \$ 1,133 |
| Accounts receivable | 1,622,123 | 1,502,846 | 1,501,137 |
| Less: Loss allowance | (<u>15,974</u>) | (<u>16,535</u>) | (<u>15,834</u>) |
| | <u>\$ 1,608,233</u> | <u>\$ 1,487,096</u> | <u>\$ 1,486,436</u> |

As for payments of the services sold by the Company, the average credit period is between 30 and 120 days after the date of monthly settlement. No interest accrues for notes and accounts receivable. To reduce credit risk, the management of the Company designates a team to be responsible for a decision of credit line, credit approval and other monitoring procedures to ensure that proper measures are taken to recover overdue receivables. In addition, the Company reviews recoverable amounts of receivables on a case-by-case basis on the balance sheet date to ensure that a proper amount of impairment loss is allocated for unrecoverable receivables. Accordingly, the management of the Company believes that the Company's credit risk has significantly reduced.

The Company recognizes, based on expected credit loss for the duration, the allowance for losses on accounts receivable. The expected credit loss for the duration is calculated by using the provision matrix, which considers the historical default records of customers, current financial conditions and the state of industrial economy. As shown in the history of credit loss incurred by the Company, there is no significant difference between loss types in terms of different customer bases. Thus the provision matrix is not used to distinguish customer bases, but to determine expected credit loss rates based on the number of days the accounts receivable are past due.

If evidence shows that the counterparty encounters serious financial difficulties and the Company is unable to reasonably expect a recoverable amount, then the Company will write off relevant accounts receivable directly; however, claiming activities will still continue. Amounts claimed and recovered are recognized in profit.

The allowance for loss of accounts receivable loss measured by the Company by using the provision matrix is as follows:

Mar. 31, 2025

| | Not overdue | Overdue for 1~90 days | Overdue for 91~180 days | Overdue for 180~365 days | Overdue for over 365 days | Total |
|--|--------------------|--------------------------|----------------------------|--------------------------------|---------------------------------|--------------------|
| Expected credit loss rate | 0%~0.20% | 0%~1.10% | 0%~4.29% | 0%~78.77% | 100% | - |
| Total book amount | \$1,358,034 | \$ 246,934 | \$ 6,389 | \$ 2,284 | \$ 8,482 | \$1,622,123 |
| Loss allowance (Expected credit loss for the duration) | (<u>2,705</u>) | (<u>2,714</u>) | (<u>274</u>) | (<u>1,799</u>) | (<u>8,482</u>) | (<u>15,974</u>) |
| Amortized cost | <u>\$1,355,329</u> | <u>\$ 244,220</u> | <u>\$ 6,115</u> | <u>\$ 485</u> | <u>\$ -</u> | <u>\$1,606,149</u> |

Dec. 31, 2024

| | Not overdue | Overdue for 1~90 days | Overdue for 91~180 days | Overdue for 180~365 days | Overdue for over 365 days | Total |
|--|--------------------|--------------------------|----------------------------|--------------------------------|---------------------------------|--------------------|
| Expected credit loss rate | 0%~0.19% | 0%~1.16% | 0%~8.57% | 0%~89.52% | 100% | - |
| Total book amount | \$1,315,357 | \$ 158,395 | \$ 4,880 | \$ 23,440 | \$ 774 | \$1,502,846 |
| Loss allowance (Expected credit loss for the duration) | (<u>2,481</u>) | (<u>1,823</u>) | (<u>385</u>) | (<u>11,072</u>) | (<u>774</u>) | (<u>16,535</u>) |
| Amortized cost | <u>\$1,312,876</u> | <u>\$ 156,572</u> | <u>\$ 4,495</u> | <u>\$ 12,368</u> | <u>\$ -</u> | <u>\$1,486,311</u> |

Mar. 31, 2024

| | Not overdue | Overdue for 1~90 days | Overdue for 91~180 days | Overdue for 180~365 days | Overdue for over 365 days | Total |
|--|--------------------|--------------------------|----------------------------|--------------------------------|---------------------------------|--------------------|
| Expected credit loss rate | 0%~0.89% | 0%~0.94% | 0%~6.16% | 0%~35.86% | 100% | - |
| Total book amount | \$1,260,843 | \$ 219,875 | \$ 17,293 | \$ 2,613 | \$ 513 | \$1,501,137 |
| Loss allowance (Expected credit loss for the duration) | (<u>11,262</u>) | (<u>2,057</u>) | (<u>1,065</u>) | (<u>937</u>) | (<u>513</u>) | (<u>15,834</u>) |
| Amortized cost | <u>\$1,249,581</u> | <u>\$ 217,818</u> | <u>\$ 16,228</u> | <u>\$ 1,676</u> | <u>\$ -</u> | <u>\$1,485,303</u> |

Information of changes in the allowance for loss of accounts receivable is as follows:

| | <u>2025 Q1</u> | <u>2024 Q1</u> |
|--|------------------|------------------|
| Beginning balance | \$ 16,535 | \$ 16,876 |
| Less: Impairment loss reversed for the period | (563) | (1,049) |
| Foreign exchange differences | <u>2</u> | <u>7</u> |
| Ending balance | <u>\$ 15,974</u> | <u>\$ 15,834</u> |

XI. Finance Leases Receivable

| | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
|----------------------------------|----------------------|----------------------|----------------------|
| Lease payments not discounted | | | |
| 1 st year | \$ 15,666 | \$ 16,387 | \$ 16,936 |
| 2 nd year | 15,925 | 15,626 | 16,056 |

| | | | |
|--|------------------|------------------|------------------|
| 3 rd year | 6,900 | 8,892 | 16,283 |
| 4 th year | 4,136 | 5,515 | 6,900 |
| 5 th year | <u>-</u> | <u>-</u> | <u>4,136</u> |
| | 42,627 | 46,420 | 60,311 |
| Less: Finance incomes not earned yet | (<u>1,147</u>) | (<u>1,349</u>) | (<u>2,122</u>) |
| Lease payments receivable | <u>41,480</u> | <u>45,071</u> | <u>58,189</u> |
| Net investment in the lease (expressed as finance leases receivable) | <u>\$ 41,480</u> | <u>\$ 45,071</u> | <u>\$ 58,189</u> |

XII. Non-current Assets Held for Sale

| | |
|------------------------------------|----------------------|
| | <u>Dec. 31, 2024</u> |
| Mechanical equipment held for sale | <u>\$ 493</u> |

Integrated Service Technology (Kunshan) Co., Ltd. (IST KS Company) made a machinery equipment sale and purchase agreement with a non-related party in December 2024. The selling price was CNY 1,800 thousand. The machinery equipment was classified as non-current assets held for sale.

The transaction was completed as of March 2025. An amount of NTD 7,755 thousand was recognized as gains on the disposal (listed under Other Gains and Losses).

XIII. Subsidiaries

The consolidated entities were as follows:

| Name of investing company | Name of subsidiary | Nature of business | Shareholding | | | Explanation |
|---------------------------|--|---|---------------|---------------|---------------|---------------|
| | | | Mar. 31, 2025 | Dec. 31, 2024 | Mar. 31, 2024 | |
| IST | Samoa IST | Investment | 100% | 100% | 100% | — |
| | Innovative Turnkey Solution (ITS Company) | Electronic product testing and relevant business | - | - | - | Notes 1 and 3 |
| | Pin Wen Corp. (Pin Wen Company) | Investment | 100% | 100% | 100% | — |
| | Supreme Fortune Corp. | Investment | 100% | 100% | 100% | — |
| | Prosperity Power Technology Inc. (PPT Company) | Manufacturing and sale of various types of integrated circuits (chips), thinning and metal deposition, and testing services for various types of integrated circuits and wafers | 71% | 71% | 71% | Notes 2 and 3 |
| Samoa IST | Seychelles IST | Investment | 100% | 100% | 100% | — |
| | Integrated Service Technology USA Inc. (Integrated USA) | R&D and manufacturing of integrated circuits, analysis and burn-in, testing, semiconductor spare parts and relevant equipment, electronic spare parts, etc. | 100% | 100% | 100% | — |
| Pin Wen Company | IIS Company | Electronic product testing and relevant business | - | - | - | Notes 1 and 3 |
| | PPT Company | Manufacturing and sale of various types of integrated circuits (chips), thinning and metal deposition, and testing services for various types of integrated circuits and wafers | 6% | 6% | 6% | Notes 2 and 3 |
| Seychelles IST | IST KS Company | Product testing and relevant business | 100% | 100% | 100% | — |
| | System Integration Professional Technology (SIP KS Company) | Circuit design service | 100% | 100% | 100% | — |
| Supreme Fortune Corp. | Hot Light Co., Ltd. | Investment | 100% | 100% | 100% | — |
| IST KS Company | Instrument Supply Technology (Kunshan) Co., Ltd. (IST-trade KS Company) | Purchase and sale of electric testing and relevant equipment, and conduction of sale and trading as an agent | 100% | 100% | 100% | — |
| | Integrated Service Technology (Shanghai) Co., Ltd (Xinchuang IST Shanghai) | Product testing and relevant business | 100% | 100% | - | Note 4 |
| Hot Light Co., Ltd. | He Chou Technology Inc. (He Chou Company) | Circuit design service | 100% | 100% | 100% | — |

Note 1 : ITS Company merged with PPT Company on Mar. 31, 2024. (PPT Company is the surviving company while ITS Company is the dissolved company. For further information, please refer to Note 3.) All the ITS shares possessed by the Company were exchanged for PPT shares as of Mar. 31, 2025.

Note 2 : ITS Company merged with PPT Company on Mar. 31, 2024. (PPT Company is the surviving company while ITS Company is the dissolved company. For further information, please refer to Note 3.) IST exchanged 13,622 thousand shares of ITS Company for 3,593 thousand shares of PPT Company, and the percentage of the PPT shares held by IST decreased from 75% to 71%. Pin Wen Company exchanged 2,672 thousand shares of ITS Company for 705 thousand shares of PPT Company, and the percentage of the PPT shares held by Pin Wen Company was 6%. The Company held 77% of PPT shares aggregately as of Mar. 31, 2025 and Dec. 31 and Mar. 31, 2024.

Note 3 : To integrate operation resources effectively and, with shared operation management, technology, talents and resources, optimize resource allocation to enhance overall operation efficiency and strengthen competitiveness, the board of directors resolved on Nov. 3, 2023 to merge ITS Company and PPT Company in accordance with the Business Mergers and Acquisitions Act. (PPT Company is the surviving company while ITS Company is the dissolved company.) To conduct the merger, PPT Company will issue new shares and one ordinary share of PPT Company is changed to 3.7921 ordinary shares of ITS Company. The new shares will be issued to shareholders of ITS Company at the aforementioned exchange ratio. The merger was resolved at the extraordinary meeting of shareholders held on Dec. 8, 2023. For the merger and ownership swap case, PPT Company issued a total of 6,982 thousand ordinary shares for increase of capital, and the capital increase base date was Mar. 31, 2024.

Note 4 : In April 2024, IST KS Company invested in and established Xinchuang IST Shanghai, which mainly provides the service of inspection and testing.

The aforementioned subsidiaries did not meet the definition of important subsidiaries provided in Article 3 of the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants for 2025 Q1, except Samoa IST and PPT Company, and for 2024 Q1 except Samoa IST , ITS Company and PPT Company. Their financial statements have not been reviewed by CPAs.

XIV. Investments Accounted for Using the Equity Method

| | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
|--|----------------------|----------------------|----------------------|
| Investments in Associates | | | |
| Dekra iST (Dekra Company) | \$ 718,677 | \$ 712,875 | \$ 687,258 |
| BTL Inc. | - | - | 119,423 |
| Motor Semiconductor Co., Ltd. (MS Company) | 20,269 | 22,171 | 30,275 |
| Individual immaterial associates | | | |
| Huan Ying Sustainable Development Technology (Huan Ying Company) | 3,482 | 3,456 | 2,232 |
| EFUN Technology Inc. (EFUN Company) | <u>483</u> | <u>694</u> | <u>571</u> |
| | <u>\$ 742,911</u> | <u>\$ 739,196</u> | <u>\$ 839,759</u> |

Material Associates are listed as follows:

| <u>Company Name</u> | <u>Percentage of ownership and voting rights held by the Company</u> | | |
|---------------------|--|----------------------|----------------------|
| | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
| Dekra Company | 49% | 49% | 49% |
| BTL Inc. | - | - | 10% |
| MS Company | 21% | 21% | 21% |

The OTC-listed BTL Inc. conducted a follow-on offering in March 2023 and IST did not participate in the follow-on offering proportionally based on the percentage of its shareholding. After the participation, the percentage of the BTL shares held by the Company reduced from 11% to 10%. Though the percentage of such shareholding was less than 20%, yet the Company still had one seat on the board of directors of BTL Inc. and therefore had a significant impact on BTL Inc. based on the evaluation made by using the equity method. IST resigned as a director of BTL Inc. in June 2024. IST possessed the shares of BTL Inc. for investment based on a medium- and long-term strategy and expected to make profits through the long-term investment. Thus, the

shares were transferred to the financial assets measured at fair value through other comprehensive income.

Motor Semiconductor Co., Ltd. (MS Company), an IC design company, engages in the business ranging from microcontroller, power management to power MOSFET. As a designated party, the Company participated in the cash capital increase plan of MS Company in May 2023 and held 21% of its shares accordingly.

The market price of the equity of primary exchange (or OTC) listed associates held by the Company as of the end of the reporting period was calculated at closing price. Such equity had level 1 fair value that was quoted in the open market. Relevant information is provided as follows:

| Company Name | Mar. 31, 2025 | Dec. 31, 2024 | Mar. 31, 2024 |
|--------------|-----------------------|-----------------------|-------------------|
| BTL Inc. | \$ <u> -</u> | \$ <u> -</u> | \$ <u>183,090</u> |

For the business nature and main place of business of each of the aforementioned associates, and the country where it is registered, please refer to Schedule 4 "Information of Investee Companies, their Locations, etc."

Investments accounted for using the equity method and the profits and other comprehensive incomes thereof enjoyed by the Company are recognized based on the financial statements not reviewed by CPAs.

XV. Property, Plant and Equipment

| | Mar. 31, 2025 | Dec. 31, 2024 | Mar. 31, 2024 |
|-------------------------------------|---------------------|---------------------|---------------------|
| Self-used | \$ 4,365,185 | \$ 4,084,260 | \$ 3,826,501 |
| Rented out under operating lease | <u>24,250</u> | <u>26,117</u> | <u>31,717</u> |
| | <u>\$ 4,389,435</u> | <u>\$ 4,110,377</u> | <u>\$ 3,858,218</u> |

(I) Self-used

| | Land | Building and structure | Mechanical equipment | Transportation equipment | Office equipment | Leased improvements | Other equipment | Equipment under installation and construction in progress | Total |
|---------------------------------------|------------------|------------------------|----------------------|--------------------------|------------------|---------------------|-------------------|---|---------------------|
| Cost | | | | | | | | | |
| Balance at Jan. 1, 2025 | \$ 30,852 | \$ 2,216,886 | \$ 3,288,946 | \$ 3,382 | \$ 10,871 | \$ 274,723 | \$ 321,478 | \$ 377,581 | \$ 6,524,719 |
| Additions | - | 1,837 | 13,724 | - | 819 | - | 810 | 444,343 | 461,533 |
| Disposals | - | (3,232) | (57,602) | - | - | (162) | (8,916) | - | (69,912) |
| Reclassification | - | 20,299 | 125,479 | - | 1,056 | 38,461 | 7,780 | (193,075) | - |
| Net exchange difference | - | 686 | 921 | 37 | 45 | - | 26 | 507 | 2,222 |
| Balance at Mar. 31, 2025 | <u>\$ 30,852</u> | <u>\$ 2,236,476</u> | <u>\$ 3,371,468</u> | <u>\$ 3,419</u> | <u>\$ 12,791</u> | <u>\$ 313,022</u> | <u>\$ 321,178</u> | <u>\$ 629,356</u> | <u>\$ 6,918,562</u> |
| Accumulated depreciation | | | | | | | | | |
| Balance at Jan. 1, 2025 | \$ - | \$ 669,237 | \$ 1,393,780 | \$ 1,751 | \$ 6,859 | \$ 177,984 | \$ 160,158 | \$ - | \$ 2,409,769 |
| Depreciation expenses | - | 35,468 | 128,972 | 124 | 322 | 2,451 | 14,401 | - | 181,738 |
| Disposals | - | (3,232) | (57,602) | - | - | (162) | (8,916) | - | (69,912) |
| Net exchange difference | - | 359 | 501 | 19 | 42 | - | 10 | - | 931 |
| Balance at Mar. 31, 2025 | <u>\$ -</u> | <u>\$ 701,832</u> | <u>\$ 1,465,651</u> | <u>\$ 1,894</u> | <u>\$ 7,223</u> | <u>\$ 180,273</u> | <u>\$ 165,653</u> | <u>\$ -</u> | <u>\$ 2,522,526</u> |
| Accumulated impairment | | | | | | | | | |
| Balance at Jan. 1, 2025 | \$ - | \$ - | \$ 30,549 | \$ - | \$ 141 | \$ - | \$ - | \$ - | \$ 30,690 |
| Net exchange difference | - | - | 159 | - | 2 | - | - | - | 161 |
| Balance at Mar. 31, 2025 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 30,708</u> | <u>\$ -</u> | <u>\$ 143</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 30,851</u> |
| Net at Mar. 31, 2025 | <u>\$ 30,852</u> | <u>\$ 1,534,644</u> | <u>\$ 1,875,109</u> | <u>\$ 1,525</u> | <u>\$ 5,425</u> | <u>\$ 132,749</u> | <u>\$ 155,525</u> | <u>\$ 629,356</u> | <u>\$ 4,365,185</u> |
| Net at Dec. 31, 2024 and Jan. 1, 2025 | <u>\$ 30,852</u> | <u>\$ 1,547,649</u> | <u>\$ 1,864,617</u> | <u>\$ 1,631</u> | <u>\$ 3,871</u> | <u>\$ 96,739</u> | <u>\$ 161,320</u> | <u>\$ 377,581</u> | <u>\$ 4,084,260</u> |
| Cost | | | | | | | | | |
| Balance at Jan. 1, 2024 | \$ 30,852 | \$ 2,177,663 | \$ 3,285,753 | \$ 4,261 | \$ 24,403 | \$ 271,074 | \$ 343,649 | \$ 282,609 | \$ 6,420,264 |
| Additions | - | - | 8,342 | - | 1,065 | 6,036 | 1,080 | 196,273 | 212,796 |
| Disposals | - | (4,304) | (142,320) | - | (1,094) | (3,613) | (23,161) | - | (174,492) |
| Reclassification | - | 30,345 | 185,550 | - | - | - | 9,327 | (225,222) | - |
| Net exchange difference | - | 1,801 | 4,588 | 142 | 123 | - | 50 | - | 6,704 |
| Balance at Mar. 31, 2024 | <u>\$ 30,852</u> | <u>\$ 2,205,505</u> | <u>\$ 3,341,913</u> | <u>\$ 4,403</u> | <u>\$ 24,497</u> | <u>\$ 273,497</u> | <u>\$ 330,945</u> | <u>\$ 253,660</u> | <u>\$ 6,465,272</u> |
| Accumulated depreciation | | | | | | | | | |
| Balance at Jan. 1, 2024 | \$ - | \$ 555,673 | \$ 1,671,329 | \$ 2,736 | \$ 21,053 | \$ 176,374 | \$ 171,834 | \$ - | \$ 2,598,999 |
| Depreciation expenses | - | 34,464 | 124,246 | 161 | 1,414 | 1,994 | 12,923 | - | 175,202 |
| Disposals | - | (4,304) | (142,320) | - | (1,094) | (3,613) | (23,161) | - | (174,492) |
| Net exchange difference | - | 740 | 3,348 | 98 | 100 | - | 19 | - | 4,305 |
| Balance at Mar. 31, 2024 | <u>\$ -</u> | <u>\$ 586,573</u> | <u>\$ 1,656,603</u> | <u>\$ 2,995</u> | <u>\$ 21,473</u> | <u>\$ 174,755</u> | <u>\$ 161,615</u> | <u>\$ -</u> | <u>\$ 2,604,014</u> |
| Accumulated impairment | | | | | | | | | |
| Balance at Jan. 1, 2024 | \$ - | \$ - | \$ 34,190 | \$ - | \$ 134 | \$ - | \$ - | \$ - | \$ 34,324 |
| Net exchange difference | - | - | 427 | - | 6 | - | - | - | 433 |
| Balance at Mar. 31, 2024 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 34,617</u> | <u>\$ -</u> | <u>\$ 140</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 34,757</u> |
| Net at Mar. 31, 2024 | <u>\$ 30,852</u> | <u>\$ 1,618,932</u> | <u>\$ 1,650,693</u> | <u>\$ 1,408</u> | <u>\$ 2,884</u> | <u>\$ 98,742</u> | <u>\$ 169,330</u> | <u>\$ 253,660</u> | <u>\$ 3,826,501</u> |

No impairment loss was recognized by the Company in either 2025 Q1 or 2024 Q1.

Depreciation expenses are allocated based on the following service lives on a straight-line basis.

| | |
|-----------------------------|-------------|
| Building and structure | |
| Main buildings in the plant | 35~50 years |
| Building renovation | 5~20 years |
| Mechanical equipment | 1~10 years |
| Transportation equipment | 2~6 years |
| Office equipment | 2~6 years |
| Leased improvements | 2~15 years |
| Other equipment | 3~20 years |

For the amounts of the property, plant and equipment pledged by the Company, please refer to Note 34.

(II) Renting Out Under Operating Lease

| | <u>Land</u> | <u>Building and structure</u> | <u>Total</u> |
|--|------------------|-----------------------------------|------------------|
| <u>Cost</u> | | | |
| Balance at Jan. 1 and Mar. 31, 2025 | \$ <u>12,583</u> | \$ <u>84,402</u> | \$ <u>96,985</u> |
| <u>Accumulated depreciation</u> | | | |
| Balance at Jan. 1, 2025 | \$ - | \$ 70,868 | \$ 70,868 |
| Depreciation expenses | <u>-</u> | <u>1,867</u> | <u>1,867</u> |
| Balance at Mar. 31, 2025 | \$ <u>-</u> | \$ <u>72,735</u> | \$ <u>72,735</u> |
| Net at Mar. 31, 2025 | \$ <u>12,583</u> | \$ <u>11,667</u> | \$ <u>24,250</u> |
| Net at Dec. 31, 2024 and Jan. 1, 2025 | \$ <u>12,583</u> | \$ <u>13,534</u> | \$ <u>26,117</u> |
| <u>Cost</u> | | | |
| Balance at Jan. 1 and Mar. 31, 2024 | \$ <u>12,583</u> | \$ <u>84,402</u> | \$ <u>96,985</u> |
| <u>Accumulated depreciation</u> | | | |
| Balance at Jan. 1, 2024 | \$ - | \$ 63,402 | \$ 63,402 |
| Depreciation expenses | <u>-</u> | <u>1,866</u> | <u>1,866</u> |
| Balance at Mar. 31, 2024 | \$ <u>-</u> | \$ <u>65,268</u> | \$ <u>65,268</u> |
| Net at Mar. 31, 2024 | \$ <u>12,583</u> | \$ <u>19,134</u> | \$ <u>31,717</u> |

The Company rented out land, building and structure as well as other equipment under operating leases and the lease periods were 3.17 to 10 years.

The total lease payments to be received in the future because of the property, plant and equipment rented out under operating leases are as follows:

| | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
|----------|----------------------|----------------------|----------------------|
| 1st year | \$ 7,088 | \$ 7,088 | \$ 7,088 |
| 2nd year | 7,088 | 7,088 | 7,088 |
| 3rd year | 4,724 | 6,496 | 7,088 |
| 4th year | <u>-</u> | <u>-</u> | <u>4,724</u> |
| | \$ <u>18,900</u> | \$ <u>20,672</u> | \$ <u>25,988</u> |

Depreciation expenses are allocated based on the following service lives on a straight-line basis.

| | |
|------------------------|-------------|
| Building and structure | |
| Main buildings in the | |
| plant | 35~50 years |
| Building renovation | 6~20 years |

XVI. Lease Agreement

(I) Right-of-use Assets

| | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
|--|----------------------|----------------------|----------------------|
| Book amount of right-of-use assets | | | |
| Land | \$ 136,715 | \$ 143,852 | \$ 147,488 |
| Building | 135,419 | 138,826 | 142,335 |
| Transportation equipment | 6,054 | 6,516 | 9,427 |
| Mechanical equipment | 4,263 | 4,404 | 4,826 |
| Office equipment | <u>343</u> | <u>404</u> | <u>586</u> |
| | <u>\$ 282,794</u> | <u>\$ 294,002</u> | <u>\$ 304,662</u> |
| | | <u>2025 Q1</u> | <u>2024 Q1</u> |
| Added right-of-use assets | | <u>\$ 11,342</u> | <u>\$ 46,130</u> |
| Expense of depreciation of right-of-use assets | | | |
| Land | | \$ 1,162 | \$ 1,212 |
| Building | | 14,041 | 12,119 |
| Transportation equipment | | 1,355 | 1,596 |
| Mechanical equipment | | 141 | 140 |
| Office equipment | | <u>61</u> | <u>60</u> |
| | | <u>\$ 16,760</u> | <u>\$ 15,127</u> |
| Proceeds from sublease of right-of-use assets (Listed as other incomes in the books) | | (<u>\$ 4,110</u>) | (<u>\$ 4,176</u>) |

Except the depreciation expenses added and recognized above, neither material sublease nor material impairment occurred with respect to the right-of-use assets of the Company for either 2025 Q1 or 2024 Q1.

(II) Lease Liabilities

| | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
|----------------------------------|----------------------|----------------------|----------------------|
| Book amount of lease liabilities | | | |
| Current | <u>\$ 77,563</u> | <u>\$ 76,931</u> | <u>\$ 73,936</u> |
| Non-current | <u>\$ 257,097</u> | <u>\$ 272,065</u> | <u>\$ 298,237</u> |

The range of discount rates for lease liabilities is as follows:

| | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
|--------------------------|----------------------|----------------------|----------------------|
| Land | 2.76% | 2.76% | 2.76% |
| Building | 1.64%~4.75% | 1.62%~4.75% | 1.62%~4.75% |
| Transportation equipment | 4.97%~5.91% | 4.97%~5.91% | 4.97%~5.78% |
| Mechanical equipment | 1.56%~2.50% | 1.56%~2.50% | 1.56%~2.00% |
| Office equipment | 5.78% | 5.78% | 5.78% |

(III) Important Lease Activities and Terms

The Company as a lessee has leased some land, buildings, transportation equipment, mechanical equipment and office equipment for its operating activities and the lease periods are from 2 to 40 years. The Company does not have the right of first refusal for the land, buildings, transportation equipment, mechanical equipment and office equipment that it has leased as a lessee upon expiration of a lease period.

(IV) Sublease

The Company has the following sublease-related transactions except those explained in Notes 11 and 15.

The Company has subleased the right of use of some buildings under operating leases, and the lease period is 5 years.

The total lease payments to be received in the future because of the subleases under operating leases are as follows:

| | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
|----------------------|----------------------|----------------------|----------------------|
| 1 st year | \$ 2,592 | \$ 2,592 | \$ 2,592 |
| 2 nd year | 2,376 | 2,592 | 2,592 |
| 3 rd year | - | <u>432</u> | <u>2,376</u> |
| | <u>\$ 4,968</u> | <u>\$ 5,616</u> | <u>\$ 7,560</u> |

(V) Other Lease Information

| | <u>2025 Q1</u> | <u>2024 Q1</u> |
|---|---------------------|---------------------|
| Short-term lease expenses | \$ <u>2,787</u> | \$ <u>2,690</u> |
| Low-value asset lease expenses | \$ <u>18</u> | \$ <u>48</u> |
| Total cash provided from (used in) leases | (\$ <u>24,997</u>) | (\$ <u>25,222</u>) |

XVII. Other Intangible Assets

| | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
|-------------------|----------------------|----------------------|----------------------|
| Computer software | \$ 24,101 | \$ 13,186 | \$ 9,707 |
| Others | <u>763</u> | <u>656</u> | <u>813</u> |
| | <u>\$ 24,864</u> | <u>\$ 13,842</u> | <u>\$ 10,520</u> |

No material acquisition, disposal or impairment occurred with respect to other intangible assets of the Company for either 2025 Q1 or 2024 Q1, except the amortization expenses recognized. Amortization expenses were allocated based on the following service lives on a straight-line basis.

| | |
|-------------------|------------|
| Computer software | 2~10 years |
| Others | 3 years |

XVIII. Prepayments and Other Current Assets

| | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
|---|----------------------|----------------------|----------------------|
| Prepaid materials stipulated in work order | \$ 75,860 | \$ 44,374 | \$ 38,177 |
| Inventory of supplies | 42,799 | 41,790 | 38,457 |
| Tax overpaid retained for offsetting the future tax payable | 23,158 | 29,690 | 21,998 |
| Prepaid expenses | 14,635 | 11,208 | 19,400 |
| Payment in advance | 8,604 | 8,824 | 13,412 |
| Others | <u>2,895</u> | <u>1,807</u> | <u>1,737</u> |
| | <u>\$ 167,951</u> | <u>\$ 137,693</u> | <u>\$ 133,181</u> |

XIX. Current Borrowings

| | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
|---------------------------------|----------------------|----------------------|----------------------|
| <u>Guaranteed loans</u> | | | |
| – Working capital loan (I) | \$ - | \$ 40,000 | \$ - |
| <u>Loans without collateral</u> | | | |
| – Working capital loan (II) | <u>703,611</u> | <u>679,669</u> | <u>836,056</u> |
| | <u>\$ 703,611</u> | <u>\$ 719,669</u> | <u>\$ 836,056</u> |

- (I) The working capital loans provided by the bank were secured on other current financial assets of the Company. (See Note 34.) The annual percentage rate on Dec. 31, 2024 was 2.39%.
- (II) Interest rates for the working capital loans provided by the bank were 1.95% ~5.51%, 1.95% ~6.34% and 1.91% ~6.55% on Mar. 31, 2025, Dec. 31, 2024 and Mar. 31, 2024, respectively.

XX. Non-current Portion of Non-current Borrowings

| | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
|---|----------------------|----------------------|----------------------|
| <u>Guaranteed loans</u> | | | |
| Syndicated bank loans - | | | |
| A-1 (1) | \$ - | \$ - | \$ 120,000 |
| Bank loans (2) | 516,452 | 207,462 | 204,923 |
| <u>Loans without collateral</u> | | | |
| Syndicated bank loans - | - | | 20,000 |
| A-2 (1) | | - | |
| Credit loan (3) | <u>1,607,499</u> | <u>1,715,159</u> | <u>1,414,111</u> |
| | 2,123,951 | 1,922,621 | 1,759,034 |
| Less: Unamortized balance of the expenses incurred by the organizer of syndicated loans | - | - | (850) |
| Current portion of non-current borrowings | (<u>81,230</u>) | (<u>78,331</u>) | (<u>121,722</u>) |
| Non-current portion of non-current borrowings | <u>\$ 2,042,721</u> | <u>\$ 1,844,290</u> | <u>\$ 1,636,462</u> |

- (I) To improve its financial structure and obtain the funds needed for its mid-term business operation, IST made a 5-year joint credit loan contract for

a loan limit of NTD 1 billion with Mega International Commercial Bank and other 5 financial institutions in September 2020. IST made a drawdown of the syndicated loan A in the 3rd quarter of 2020. The borrowed amount shall be repaid in installments of 5% of the capital every half a year (i.e. a term) for 10 terms from September 2020, and the rest of the capital shall be repaid on the maturity date. In addition, IST made a drawdown of the syndicated loan B in the 4th quarter of 2020. The loan shall be repaid in full upon maturity, and revolving drawdown is available before September 2025. The syndicated bank loans A and B were paid off in advance respectively in March and September 2024, without further application for a drawdown. Interest rates for the syndicated loans as of Mar. 31, 2024 were 2.53%~2.64%. For the aforementioned credit contract, certain buildings, mechanical equipment and bank deposits of IST have been mortgaged to the bank. (Please see Note 34.)

Applicable terms of the contract under which IST applies for loans from the bank syndicate: There shall be a debt burden ratio to be complied with in the first half year's and annual consolidated financial statements of IST, and the net worth of the tangible assets shall not be less than NTD 2,800,000 thousand. If IST violates its financial commitment and fails to correct during the period given for improvement, IST shall pay 0.1% of the unrepaid balance as compensation.

- (II) For the bank loans, the Company mortgaged its buildings to the bank. (Please see Note 34.) The maturity date as of Mar. 31, 2025, Dec. 31, 2024 and Mar. 31, 2024 was March 2032 and the annual interest rates on Mar. 31, 2025, Dec. 31, 2024 and Mar. 31, 2024 were 1.83%~3.58%, 1.83%~3.58% and 1.70%~2.58% respectively.
- (III) The maturity dates of the credit loans as of Mar. 31, 2025, Dec. 31, 2024 and Mar. 31, 2024 are at the end of November 2030. The annual interest rates on Mar. 31, 2025, Dec. 31, 2024 and Mar. 31, 2024 were 1.65%~4.01%, 1.65%~4.01% and 0.50%~3.81% respectively.

Applicable terms of the contract under which IST applies for a long-term loan: There shall be a current ratio, a debt burden ratio, a financial debt ratio

and a interest coverage ratio to be complied with in the first half year's and annual consolidated financial statements of IST, and the net worth of the tangible assets shall not be less than NTD 2,800,000 thousand. If IST violates any of the conditions of credit loan, the interest rate for any new drawdown shall be increased by 0.25%.

XXI. Other Current Liabilities

| | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
|--|----------------------|----------------------|----------------------|
| <u>Other payables</u> | | | |
| Wages and bonuses payable | \$ 292,615 | \$ 350,086 | \$ 272,216 |
| Remunerations payable to employees and directors | 50,410 | 40,120 | 40,790 |
| Bonus for unused leave | <u>19,339</u> | <u>19,364</u> | <u>18,412</u> |
| | 362,364 | 409,570 | 331,418 |
| <u>Other current liabilities</u> | | | |
| Others (Note) | <u>249,923</u> | <u>252,120</u> | <u>226,805</u> |
| | <u>\$ 612,287</u> | <u>\$ 661,690</u> | <u>\$ 558,223</u> |

Note: It mainly includes business tax payable, receipts under custody, etc.

XXII. Post-employment Benefit Plan

The defined benefit plan related pension benefits recognized for 2025 Q1 and 2024 Q1 were calculated at the pension cost rate determined actuarially on Dec. 31, 2024 and Dec. 31, 2023 respectively, and the amount of such pension benefits was NTD (104) thousand and NTD (61) thousand respectively.

XXIII. Equity

(I) Ordinary Share

| | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
|--|----------------------|----------------------|----------------------|
| Authorized number of shares (In thousands of shares) | <u>200,000</u> | <u>200,000</u> | <u>200,000</u> |
| Authorized capital stock | <u>\$ 2,000,000</u> | <u>\$ 2,000,000</u> | <u>\$ 2,000,000</u> |
| Number of issued and paid-in shares (In thousands of shares) | <u>74,420</u> | <u>74,367</u> | <u>74,009</u> |
| Capital stock issued | <u>\$ 744,204</u> | <u>\$ 743,667</u> | <u>\$ 740,089</u> |

IST resolved at the board meeting of Mar. 6, 2024 to approve conversion of employee stock warrants into 30 thousand shares with par value NTD 10.

The subscription price per share was NTD 52.14~NTD 52.76. The date of capital increase was Mar. 6, 2024. The change registration was completed on Apr. 17, 2024.

IST resolved at the board meeting of Apr. 26, 2024 to approve conversion of employee stock warrants into 32 thousand shares with par value NTD 10. The subscription price per share was NTD 51.55~NTD 52.14. The date of capital increase was Apr. 29, 2024. The change registration was completed on May 21, 2024.

IST resolved at the board meeting of Jul. 11, 2024 to approve conversion of employee stock warrants into 219 thousand shares with par value NTD 10. The subscription price per share was NTD 51.11. The date of capital increase was Jul. 11, 2024. The change registration was completed on Sep. 3, 2024.

IST resolved at the board meeting of Nov. 4, 2024 to approve conversion of employee stock warrants into 107 thousand shares with par value NTD 10. The subscription price per share was NTD 50.87~NTD 51.11. The date of capital increase was Nov. 4, 2024. The change registration was completed on Nov. 12, 2024.

IST resolved at the board meeting of Mar. 7, 2025 to approve conversion of employee stock warrants into 53 thousand shares with par value NTD 10. The subscription price per share was NTD 50.60~NTD 50.87. The date of capital increase was Mar. 7, 2025. The change registration was completed on Apr. 1, 2025.

IST employees exercised stock options during the period between January and March 2025 to subscribe 18 thousand shares. The subscription price per share was NTD 50.10~NTD 50.60. A total amount of NTD 896 thousand paid for the shares was received. The record date for capital increase was resolved to be Apr. 25, 2025 at the board meeting on Apr. 25, 2025. As of Mar. 31, 2025, the amount was listed as "capital collected in advance" because the procedure of change registration had not been completed.

(II) Capital Reserve

| | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
|--|----------------------|----------------------|----------------------|
| <u>May be used to offset</u> <u>deficits, distribute</u> <u>cash or transfer to</u> <u>share capital (Note 1)</u> | | | |
| Additional paid-in capital | \$ 2,115,068 | \$ 2,111,875 | \$ 2,090,435 |
| <u>May be Used to offset</u> <u>deficits only</u> | | | |
| Changes in equity of associates accounted for using the equity method | 4,087 | 2,977 | 13,697 |
| Recognized changes in ownership interests in subsidiaries (Note 2) | 3,958 | 3,958 | 3,958 |
| Exercise of the right to obtain gains on the sale of shares held by their holders for less than 6 months | 19 | 19 | 19 |
| <u>Not used for any</u> <u>purpose</u> | | | |
| Stock option | <u>13,530</u> | <u>13,969</u> | <u>18,388</u> |
| | <u>\$ 2,136,662</u> | <u>\$ 2,132,798</u> | <u>\$ 2,126,497</u> |

Note 1: Such capital reserve may be used to offset deficits of loss and may be used to distribute cash or expand capital stock when the Company has no loss; however, the amount used to expend capital stock is limited to a certain percentage of the paid-in capital.

Note 2: Such capital reserve is the equity transaction effect recognized for changes in the equity of the subsidiary when the Company does not acquire or dispose the equity in the subsidiary.

The balance of capital reserve reconciled for 2025 Q1 and 2024 Q1 is as follows:

| | Stock issuance premium | Stock option | Recognized changes in ownership interests of subsidiaries | Changes in equity of associates accounted for using the equity method | Others |
|---|---------------------------|------------------|---|--|--------------|
| Balance at Jan. 1, 2024 | \$ 2,132,703 | \$ 18,107 | \$ 7,922 | \$ 13,697 | \$ 19 |
| Recognized changes in ownership interests of subsidiaries | - | - | (3,964) | - | - |
| Share-based payment | - | 845 | - | - | - |
| Share premium of ordinary shares issued under employee stock option plan | 1,840 | (564) | - | - | - |
| Treasury shares retired | (44,108) | - | - | - | - |
| Balance at Mar. 31, 2024 | <u>\$ 2,090,435</u> | <u>\$ 18,388</u> | <u>\$ 3,958</u> | <u>\$ 13,697</u> | <u>\$ 19</u> |
| Balance at Jan. 1, 2025 | \$ 2,111,875 | \$ 13,969 | \$ 3,958 | \$ 2,977 | \$ 19 |
| Changes in equity of associates accounted for using the equity method | - | - | - | 1,110 | - |
| Share-based payment | - | 570 | - | - | - |
| Share premium of ordinary shares issued under employee stock option plan | 3,193 | (1,009) | - | - | - |
| Balance at Mar. 31, 2025 | <u>\$ 2,115,068</u> | <u>\$ 13,530</u> | <u>\$ 3,958</u> | <u>\$ 4,087</u> | <u>\$ 19</u> |

(III) Retained Earnings and Dividend Policies

According to IST's articles of incorporation, for any distribution of earnings, IST shall make good of the previous year's loss (including the adjusted amount of undistributed earnings) first, and allocate 10% of the rest of the earnings as legal reserve. However, if legal reserve reaches the amount of IST's total paid-in capital, no legal reserve shall be allocated. Then special reserve shall be allocated or reversed in accordance with regulations or as required by the competent authority. After retaining such earnings as considered necessary by the board of directors for business operation, the board of directors shall prepare an earning distribution proposal for the rest of the earnings, together with the undistributed earnings at the beginning of the year (including the adjusted amount of undistributed earnings), and resolve to allocate dividends and bonuses to shareholders based on the proposal. For such policies concerning remunerations to employees and directors as provided in IST's articles of incorporation, please refer to Note 25(VII) Employees' Remuneration and Directors' Remuneration.

IST requires that earnings shall be distributed and losses shall be made good after the end of each quarter. Earnings to be distributed in cash shall be resolved by the board of directors and then reported at the shareholders' meeting. No proposal of such distribution of earnings shall be submitted at the shareholders' meeting for approval.

IST considers its financial environment and growth stage to meet the requirements for future funds and long-term financial plans and satisfy the needs of shareholders in terms of cash inflows. After deducting the items provided above from distributable earnings, IST shall allocate dividends to shareholders. For the dividends distributed to shareholders for the current year, cash dividends shall account for 10% to 100% of the total dividends while stock dividends shall account for 0% to 90% of the total dividends.

In case that IST has no earnings to be distributed for the current year, or the amount of earnings is far less than that of the earnings actually distributed for the previous year, or the entirety or part of the reserve shall be distributed, based on financial, business and operating factors of IST, in compliance with the law or as required by the competent authority, then earnings to be distributed in cash shall be resolved by the board of directors and reported at the shareholders' meeting, and no proposal of such distribution of earnings shall be submitted at the shareholders' meeting for approval.

Legal reserve shall be allocated until the balance thereof reaches the total paid-in capital of IST. Legal reserve may be used to make good of loss. When IST has no loss, the portion of legal reserve in excess of 25% of paid-in capital can be used to expand capital stock or be distributed in cash.

The earning distribution proposal of IST for each quarter of 2025, 2024 and 2023 and the cash dividends per share were resolved at the board meeting as follows:

| | |
|---|-------------------|
| | <u>2025 Q1</u> |
| Date of resolution by the board of director | May 9, 2025 |
| Legal reserve | <u>\$ 12,608</u> |
| Special reserve | <u>(\$ 5,248)</u> |
| Cash dividends | <u>\$ 89,326</u> |
| Cash dividends per share (NTD) | \$ 1.2 |

| | | | | |
|---|------------------|------------------|-------------------|--------------------|
| | <u>2024 Q4</u> | <u>2024 Q3</u> | <u>2024 Q2</u> | <u>2024 Q1</u> |
| Date of resolution by the board of director | Mar. 7, 2025 | Nov. 4, 2024 | Aug. 5, 2024 | Apr. 26, 2024 |
| Legal reserve | <u>\$ 9,606</u> | <u>\$ 8,532</u> | <u>\$ 17,245</u> | <u>\$ 5,325</u> |
| Special reserve | <u>\$ 29,245</u> | <u>\$ 34,572</u> | <u>(\$ 2,044)</u> | <u>(\$ 15,539)</u> |
| Cash dividends | <u>\$ 74,429</u> | <u>\$ 74,379</u> | <u>\$ 96,644</u> | <u>\$ 74,040</u> |
| Cash dividends per share (NTD) | \$ 1 | \$ 1 | \$ 1.3 | \$ 1 |

| | | | | |
|---|------------------|--------------------|------------------|-------------------|
| | <u>2023 Q4</u> | <u>2023 Q3</u> | <u>2023 Q2</u> | <u>2023 Q1</u> |
| Date of resolution by the board of director | Mar. 6, 2024 | Nov. 3, 2023 | Aug. 4, 2023 | Apr. 28, 2023 |
| Legal reserve | <u>\$ 4,274</u> | <u>\$ 9,151</u> | <u>\$ 15,120</u> | <u>\$ 9,795</u> |
| Special reserve | <u>\$ 15,889</u> | <u>(\$ 16,621)</u> | <u>\$ 7,549</u> | <u>(\$ 3,440)</u> |
| Cash dividends | <u>\$ 51,810</u> | <u>\$ 75,562</u> | <u>\$ 75,503</u> | <u>\$ 74,775</u> |
| Cash dividends per share (NTD) | \$ 0.7 | \$ 1 | \$ 1 | \$ 1 |

IST held the general meeting of shareholders on June 14, 2024 to resolve on distribution of earnings for 2023.

The above cash dividends for each quarter of 2024 have been resolved by the board of directors to be allocated, and the rest is expected to be resolved at the general meeting of shareholders held on June 13, 2025.

(IV) Special Reserve

| | | |
|---|------------------|------------------|
| | <u>2025 Q1</u> | <u>2024 Q1</u> |
| Beginning balance | \$102,819 | \$ 69,941 |
| Allocated special reserve | | |
| Allocated deduction of other equity items | <u>29,245</u> | <u>15,889</u> |
| Ending balance | <u>\$132,064</u> | <u>\$ 85,830</u> |

When implementing IFRSs initially, IST shall reverse at the disposal percentage the special reserve allocated from the exchange difference

between financial statements of foreign operations (including subsidiaries). After IST loses its material impact, IST shall reverse the entirety of such special reserve. Upon distribution of earnings, an additional special reserve is allocated from the difference between the net value of deductions of other shareholders' equity listed in the books at the end of the reporting period and the special reserve allocated upon initial implementation of IFRSs. In case of reversal of the net value of deductions of other shareholders' equity afterwards, the special reserve is reversed based on the reversed portion of such net value to distribute earnings.

(V) Other Equity

1. Exchange Differences on Translation of Financial Statements of Foreign Operations

| | <u>2025 Q1</u> | <u>2024 Q1</u> |
|---|----------------------|----------------------|
| Beginning balance | (<u>\$ 64,948</u>) | (<u>\$ 85,830</u>) |
| Generated in the current period | | |
| Exchange differences of foreign operations | 3,464 | 11,726 |
| Share of the associates accounted for using the equity method | <u>3,403</u> | <u>3,813</u> |
| Other comprehensive income for the period | <u>6,867</u> | <u>15,539</u> |
| Ending balance | (<u>\$ 58,081</u>) | (<u>\$ 70,291</u>) |

2. Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income

| | <u>2025 Q1</u> | <u>2024 Q1</u> |
|---|--------------------|----------------|
| Beginning balance | (\$ 67,116) | \$ - |
| Generated in the current period | | |
| Unrealized gains or losses | | |
| Equity instruments | (1,973) | - |
| Other comprehensive income for the period | (1,973) | - |
| Accumulated profit or loss on disposal of equity instruments being transferred into retained earnings | <u>354</u> | - |
| Ending balance | <u>(\$ 68,735)</u> | <u>\$ -</u> |

(VI) Non-controlling Interests

| | <u>2025 Q1</u> | <u>2024 Q1</u> |
|--|------------------|------------------|
| Beginning balance | \$ 46,220 | \$ 55,574 |
| Net loss of the period | (9,581) | (13,613) |
| Non-controlling interests increasing due to share swap by cash (Note 30) | <u>-</u> | <u>3,964</u> |
| Ending balance | <u>\$ 36,639</u> | <u>\$ 45,925</u> |

(VII) Treasury Shares

| <u>Reason of recall</u> | <u>Purchased back to be retired (In thousands of shares)</u> |
|-----------------------------------|--|
| Number of shares at Jan. 1, 2024 | 1,562 |
| Shares decreased in the period | (1,562) |
| Number of shares at Mar. 31, 2024 | <u>-</u> |

To maintain corporate credit and shareholders' equity, the Company resolved at the board meeting of Nov. 3, 2023 to buy back treasury shares. The predetermined buyback period was from Nov. 6, 2023 to Jan. 5, 2024 and the predetermined number of shares to be purchased back was 2,000 thousand. The range of buyback prices was from NTD 61 to NTD 133 per

share. When the share price was less than the lower limit of the buyback price, the Company bought back shares continuously. The upper limit for the total amount of the shares planned to be bought back was NTD 266,000 thousand (estimated based on the expected price range of the shares to be bought back). As of Dec. 31, 2023, the Company purchased back 1,562 thousand treasury shares and the buyback cost was NTD 139,797 thousand in total. The Company resolved at the board meeting of Mar. 6, 2024 to retire 1,562 thousand treasury shares. The record date for capital reduction was Mar. 8, 2024 and the registration of such change was completed on Apr. 17, 2024.

According to the Securities and Exchange Act, IST shall not pledge the treasury shares it holds and shall not have the right to allocation of dividends or the right to voting based on the treasury shares.

XXIV. Revenue

| | <u>2025 Q1</u> | <u>2024 Q1</u> |
|--|---------------------|---------------------|
| Revenue from contracts with customers | | |
| Revenue from inspection and testing services | <u>\$ 1,131,486</u> | <u>\$ 1,069,292</u> |

(I) Contracts with Customers

The contract made by the Company with a customer provides inspection and testing service obligations. The customer pays the contractual consideration during the credit period after inspecting and accepting the service. Because merchandise is transferred and service is delivered within one year after or before receipt of payment, the material financial compositions of the contractual consideration are not adjusted.

(II) Contract Balance

| | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> | <u>Jan. 1, 2024</u> |
|--|----------------------|----------------------|----------------------|---------------------|
| Accounts receivable (Note 10) | <u>\$ 1,606,149</u> | <u>\$ 1,486,311</u> | <u>\$ 1,485,303</u> | <u>\$ 1,467,998</u> |
| Accounts receivable due from related parties (Note 33) | <u>\$ 14,035</u> | <u>\$ 20,777</u> | <u>\$ 17,507</u> | <u>\$ 19,140</u> |
| Contract assets | | | | |
| Labor service | <u>\$ 2,363</u> | <u>\$ 1,854</u> | <u>\$ 4,871</u> | <u>\$ 5,963</u> |
| Contract liabilities | | | | |
| Customer loyalty program | \$ 66,088 | \$ 85,507 | \$ 61,760 | \$ 87,570 |
| Unearned sales revenue | <u>58,158</u> | <u>49,312</u> | <u>43,715</u> | <u>46,923</u> |
| | <u>\$ 124,246</u> | <u>\$ 134,819</u> | <u>\$ 105,475</u> | <u>\$ 134,493</u> |

(III) Itemized Revenue from Contracts with Customers

| | <u>2025 Q1</u> | <u>2024 Q1</u> |
|------------------------------|---------------------|---------------------|
| <u>Main regional markets</u> | | |
| Asia | \$ 914,645 | \$ 808,928 |
| America | 196,114 | 196,169 |
| Others | <u>20,727</u> | <u>64,195</u> |
| | <u>\$ 1,131,486</u> | <u>\$ 1,069,292</u> |

XXV. Net Profit of Continuing Operations

(I) Interest Income

| | <u>2025 Q1</u> | <u>2024 Q1</u> |
|-----------------------------|----------------|-----------------|
| Bank deposits | \$ 703 | \$ 1,847 |
| Net investment in the lease | 206 | 285 |
| Others | <u>50</u> | <u>108</u> |
| | <u>\$ 959</u> | <u>\$ 2,240</u> |

(II) Other Incomes

| | <u>2025 Q1</u> | <u>2024 Q1</u> |
|-----------------------------------|-----------------|-----------------|
| Income from operating lease | \$ 4,012 | \$ 3,938 |
| Income from government subsidy | 1,186 | 1,613 |
| Profit from lease modification | - | 73 |
| Others | <u>2,847</u> | <u>3,992</u> |
| | <u>\$ 8,045</u> | <u>\$ 9,616</u> |

(III) Other Gains and Losses

| | <u>2025 Q1</u> | <u>2024 Q1</u> |
|--|------------------|------------------|
| Gains on disposals of non-current assets held for sale (Note 12) | \$ 7,755 | \$ - |
| Net foreign exchange gain | 2,062 | 9,168 |
| Gain of financial assets and financial liabilities | | |
| Financial assets at fair value through profit or loss | 473 | 1,168 |
| Financial liabilities at fair value through profit or loss | 114 | 114 |
| Others | (6) | (10) |
| | <u>\$ 10,398</u> | <u>\$ 10,440</u> |

(IV) Financial Cost

| | <u>2025 Q1</u> | <u>2024 Q1</u> |
|--|------------------|------------------|
| Interest on bank loans | \$ 14,495 | \$ 14,699 |
| Interest on lease liabilities | 2,177 | 2,385 |
| Computed interest on security deposits | 9 | 8 |
| Amortization of the expenses incurred by the organizer of syndicated loans | - | 150 |
| Other interest expenses | 266 | 268 |
| Less: Amounts listed in cost of qualifying assets | (3,483) | (2,071) |
| | <u>\$ 13,464</u> | <u>\$ 15,439</u> |

Information relevant to capitalization of interest is as follows:

| | <u>2025 Q1</u> | <u>2024 Q1</u> |
|--|-----------------|-----------------|
| Capitalized interest | <u>\$ 3,483</u> | <u>\$ 2,071</u> |
| Interest rate for capitalization of interest | 1.88%~2.28% | 2.08%~2.29% |

(V) Depreciation and Amortization

| | <u>2025 Q1</u> | <u>2024 Q1</u> |
|-------------------------------------|------------------|------------------|
| Depreciation expenses by functions: | | |
| Operating cost | \$163,339 | \$157,446 |
| Operating expenses | <u>37,026</u> | <u>34,749</u> |
| | <u>\$200,365</u> | <u>\$192,195</u> |
| | <u>2025 Q1</u> | <u>2024 Q1</u> |
| Amortization expenses by function: | | |
| Operating cost | \$ 1,704 | \$ 812 |
| Management expenses | <u>1,395</u> | <u>817</u> |
| | <u>\$ 3,099</u> | <u>\$ 1,629</u> |

(VI) Employee Benefit Expenses

| | <u>2025 Q1</u> | <u>2024 Q1</u> |
|---------------------------------|------------------|------------------|
| Short-term employee benefits | \$433,022 | \$402,492 |
| Post-employment benefits | | |
| Defined contribution plan | 13,295 | 11,854 |
| Defined benefit plan (Note 22) | (104) | (61) |
| Share-based payment | <u>570</u> | <u>845</u> |
| Total employee benefit expenses | <u>\$446,783</u> | <u>\$415,130</u> |
| Compiled by functions | | |
| Operating cost | \$312,355 | \$303,590 |
| Operating expenses | <u>134,428</u> | <u>111,540</u> |
| | <u>\$446,783</u> | <u>\$415,130</u> |

(VII) Employees' Remuneration and Directors' Remuneration

IST allocated employees' remuneration and directors' remuneration, from its profit computed before deduction of employees' remuneration and directors' remuneration, at a rate of no less than 3% and at a rate no more than 3% respectively. The Company expected to adopt the amendment to the articles of incorporation through resolution at the shareholders' meeting in 2025 in accordance with such amendment to the Securities and Exchange Act as made in August 2024. The amended articles of incorporation stipulate that

at least 50% of employees' remuneration for the year should be allocated to front-line employees as their remuneration if the Company has a profit for the year. The employees' remuneration and directors' remuneration estimated for 2025 Q1 and 2024 Q1 are listed as follows:

Estimated Percentage

| | 2025 Q1 | 2024 Q1 |
|-------------------------|---------|---------|
| Employees' remuneration | 5% | 6% |
| Directors' remuneration | 2% | 2% |

Amount

| | 2025 Q1 | | 2024 Q1 | |
|-------------------------|----------|-------|----------|-------|
| | Cash | Stock | Cash | Stock |
| Employees' remuneration | \$ 7,350 | \$ - | \$ 7,340 | \$ - |
| Directors' remuneration | 2,940 | - | 2,530 | - |

If any amount is changed after the date when the annual consolidated financial statements are announced, then such change is treated as a change in accounting estimate and entered into the account for the following year after adjustment.

The employees' remuneration and directors' remuneration for 2024 and 2023 were resolved at the board meeting held on Mar. 7, 2025 and Mar. 6, 2024 respectively.

Amount

| | 2024 | | 2023 | |
|-------------------------|-----------|-------|-----------|-------|
| | Cash | Stock | Cash | Stock |
| Employees' remuneration | \$ 28,660 | \$ - | \$ 22,070 | \$ - |
| Directors' remuneration | 11,460 | - | 8,850 | - |

There is no difference between the actually distributed amounts of the employees' remuneration and directors' remuneration for the years 2024 and

2023 and the corresponding amounts recognized in the consolidated financial statements of 2024 and 2023.

For information of the employees' remuneration and directors' remuneration resolved by the board of directors of IST, please check at the market observatory post system of Taiwan Stock Exchange.

XXVI. Income Tax

(I) Income Tax Recognized in Profit or Loss

The income tax expense (income) mainly comprises the items listed as follows:

| | <u>2025 Q1</u> | <u>2024 Q1</u> |
|--|----------------------------|---------------------------------|
| Current income tax | | |
| Incurred for the current period | \$ 30,317 | \$ 75 |
| Adjustments for previous years | (<u>20,639</u>) 9,678 | (<u>15,624</u>) (15,549) |
| Deferred income tax | | |
| Incurred for the current period | <u>654</u> | (<u>1,006</u>) |
| Income tax expense (income) recognized in profit or loss | <u>\$ 10,332</u> | (<u>\$ 16,555</u>) |

(II) Income Tax Assessment

The profit-seeking enterprise annual income tax returns filed by IST as of 2023 have been assessed by the tax authority.

XXVII. Earnings Per Share

| | Unit : NTD per share | |
|----------------------------|----------------------|----------------|
| | <u>2025 Q1</u> | <u>2024 Q1</u> |
| Basic earnings per share | <u>\$ 1.70</u> | <u>\$ 1.80</u> |
| Diluted earnings per share | <u>\$ 1.69</u> | <u>\$ 1.78</u> |

The net profit and the number of weighted average ordinary shares used to calculate earnings per share are disclosed as follows:

Net Profit of the Period

| | <u>2025 Q1</u> | <u>2024 Q1</u> |
|---|------------------|------------------|
| Net profit used to calculate basic earnings per share | <u>\$126,431</u> | <u>\$133,320</u> |
| Net profit used to calculate diluted earnings per share | <u>\$126,431</u> | <u>\$133,320</u> |

Number of Shares

Unit: In Thousands of Shares

| | <u>2025 Q1</u> | <u>2024 Q1</u> |
|---|----------------|----------------|
| Number of weighted average ordinary shares used to calculate basic earnings per share | 74,382 | 73,987 |
| Impact of the ordinary shares with dilution effect: | | |
| Employee stock options | 325 | 572 |
| Employees' remuneration | <u>226</u> | <u>178</u> |
| Number of weighted average ordinary shares used to calculate diluted earnings per share | <u>74,933</u> | <u>74,737</u> |

If IST chooses to distribute employees' remuneration by stock or cash, then for calculation of diluted earnings per share, employees' remuneration is assumed to be distributed by stock and the number of weighted average outstanding ordinary shares is included when potential ordinary shares have dilutive effect. When calculating diluted earnings per share before the number of shares distributed as employees' remuneration is resolved in the next year, IST shall continue to consider dilutive effect of the potential ordinary shares.

XXVIII. Share-based Payment Arrangement

Employee Stock Options

IST resolved at the board meeting of Mar. 5, 2021 to issue 2,000 thousand units of employee stock warrant for 2021. Each unit entitled its holder to subscribe one ordinary share. The new shares issued were 2,000 thousand ordinary shares in total, which were planned to be granted to full-time employees of IST. Subscribers may exercise their stock options in accordance

with the Regulations of Employee Stock Options after 2 years from the date of grant of employee stock warrant. The duration of employee stock warrant is 5 years.

Information relevant to employee stock options is as follows:

| Employee stock options | 2025 Q1 | | 2024 Q1 | |
|--|------------------------|-------------------------|------------------------|-------------------------|
| | Unit (In thousands) | Exercise price (NTD) | Unit (In thousands) | Exercise price (NTD) |
| Outstanding at the beginning of the period | 846 | \$ 50.60 | 1,234 | \$ 52.14 |
| Issued this period | (53) | 50.60~50.87 | (30) | 51.55~52.14 |
| Outstanding at the end of the period | <u>793</u> | 49.69 | <u>1,204</u> | 51.11 |
| Exercisable at the end of the period | <u>713</u> | | <u>122</u> | |

For the employee stock options granted on the grant date Apr. 29, 2021, IST used the Black-Scholes model. The parameters used in the evaluation model are as follows:

| | <u>Apr. 29, 2021</u> |
|-------------------------------|----------------------|
| Stock price on grant date | NTD 56.20 |
| Exercise price | NTD 56.20 |
| Expected ratio of fluctuation | 44.16% |
| Expected duration | 3.88 years |
| Risk-free interest rate | 0.26% |
| Fair value of stock options | NTD 19.03 |

The compensation cost recognized by IST for 2025 Q1 and 2024 Q1 was NTD 570 thousand and NTD 845 thousand respectively.

XXIX Government Subsidies

The Company obtained the government subsidies, totaling to NTD 5,000 thousand, under the Plan of Energy Saving by Air-Condition Improvement and Energy Management System Establishment in March and December 2024 respectively. The amount was listed as deferred government subsidy income already and would be transferred to profit/loss within service life of the corresponding assets.

XXX. Equity Transactions with Non-controlling Interests

IST acquired 3,593 thousand shares of PPT Company by means of stock swap in March 2024, and the percentage of the PPT shares held by IST

decreased from 75% to 71%. Pin Wen Company also acquired 705 thousand shares of PPT Company by means of stock swap, and the percentage of the PPT shares held by Pin Wen Company was 6%. The Company held 77% of PPT shares aggregately as of Mar. 31, 2025.

As the aforementioned transactions did not change the control of the Company over PPT Company, the Company treated the transactions as equity transactions.

| | <u>PPT Company</u> |
|--|--------------------|
| Received cash considerations | \$ - |
| Amount of non-controlling interests transferred from the book amount of net assets of subsidiaries calculated based on relative changes in equity | <u>3,964</u> |
| Differences in equity transactions | <u>\$ 3,964</u> |
| <u>Adjustments for differences in equity transactions</u> | |
| Capital reserve | <u>\$ 3,964</u> |

XXXI. Capital Risk Management

The Company conducts capital management to ensure that enterprises in the group are able to maximize the shareholder return by optimizing debt and equity balances on the premise that the enterprises operate on an ongoing basis. The overall strategy of the Company remains unchanged.

The capital structure of the Company consists of its net debt (i.e. borrowings less cash and cash equivalents) and equity (i.e. capital stock, capital reserve, retained earnings, other equity items and non-controlling interests).

The Company does not have to abide by other external capital rules.

The main management of the Company reviews the Company's capital structure regularly and considers cost and relevant risks for capital. The Company takes the suggestions given by the main management to balance its entire capital structure by paying dividends, issuing new shares, repurchasing shares, issuing new debts or repaying old debts.

XXXII. Financial Instruments

- (I) Information of Fair Value — Financial instruments measured at fair value on the basis of repeatability

1. Hierarchy of Fair Value

Mar. 31, 2025

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|-------------------|----------------|------------------|-------------------|
| <u>Financial assets at fair value through profit or loss</u> | | | | |
| Derivatives | \$ - | \$ 168 | \$ - | \$ 168 |
| Beneficiary certificates of funds | <u>-</u> | <u>-</u> | <u>24,074</u> | <u>24,074</u> |
| | <u>\$ -</u> | <u>\$ 168</u> | <u>\$ 24,074</u> | <u>\$ 24,242</u> |
| <u>Financial assets measured at fair value through other comprehensive income</u> | | | | |
| Investments in equity instruments – – Domestically listed (OTC) stocks | <u>\$ 139,829</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 139,829</u> |

Dec. 31, 2024

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|-------------------|----------------|------------------|-------------------|
| <u>Financial assets at fair value through profit or loss</u> | | | | |
| Beneficiary certificates of funds | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 23,769</u> | <u>\$ 23,769</u> |
| <u>Financial liabilities at fair value through profit or loss</u> | | | | |
| Derivatives | <u>\$ -</u> | <u>\$ 114</u> | <u>\$ -</u> | <u>\$ 114</u> |
| <u>Financial assets measured at fair value through other comprehensive income</u> | | | | |
| Investments in equity instruments – – Domestically listed (OTC) stocks | <u>\$ 142,494</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 142,494</u> |

Mar. 31, 2024

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|-----------------------|-----------------------|-----------------------|---------------------|
| <u>Financial assets at fair value through profit or loss</u> | | | | |
| Beneficiary certificates of funds | \$ <u> -</u> | \$ <u> -</u> | \$ <u> 28,860</u> | \$ <u> 28,860</u> |
| <u>Financial liabilities at fair value through profit or loss</u> | | | | |
| Derivatives | \$ <u> -</u> | \$ <u> 122</u> | \$ <u> -</u> | \$ <u> 122</u> |

There was no transfer between level 1 and level 2 fair value measurements in 2025 Q1 and 2024 Q1.

2. Valuation Technique and Input Value Measured at Level 2 Fair Value

| <u>Category of financial instrument</u> | <u>Valuation technique and input value</u> |
|--|---|
| Derivatives – Forward exchange agreement | Discounted cash flows: To estimate future cash flows by using the forward exchange rate observable at the end of the year and the exchange rate stipulated in a contract, and to discount separately at the discount rate that reflects the credit risk of each counterparty to the transaction |

3. Reconciliation of Financial Instruments Measured at Level 3 Fair Value

| | <u>Financial assets measured at fair value through profit or loss – Beneficiary certificates of funds</u> | |
|---|---|------------------|
| <u>Financial assets</u> | <u>2025 Q1</u> | <u>2024 Q1</u> |
| Beginning balance | \$ 23,769 | \$ 27,692 |
| Recognized in profit (loss) | <u> 305</u> | <u> 1,168</u> |
| Ending balance | \$ <u>24,074</u> | \$ <u>28,860</u> |
| Changes in the current unrealized profit or loss that are relevant to the assets held at the end of the period and recognized in profit or loss | <u> 305</u> | <u> 1,168</u> |

4. Valuation Technique and Input Value Measured at Level 3 Fair Value

(1) For domestically unlisted (non-OTC) equity investments and beneficiary certificates of funds, the asset approach is used to evaluate the total value of individual assets and individual liabilities covered by the subject to reflect the value of the enterprise or business as a whole. The material unobservable input is listed below. When liquidity discount decreases, fair value of the investment increases.

| | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
|--------------------|----------------------|----------------------|----------------------|
| Liquidity discount | 20% | 20% | 20% |

In case that the following input is changed for the purpose of reflecting a reasonable and possible alternative assumption, the amount of the increase (decrease) in fair value of equity investment, in the situation where all other inputs remain unchanged, is as follows:

| | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
|--------------------|----------------------|----------------------|----------------------|
| Liquidity discount | | | |
| Increased by 1% | (<u>\$ 301</u>) | (<u>\$ 297</u>) | (<u>\$ 361</u>) |
| Decreased by 1% | <u>\$ 301</u> | <u>\$ 297</u> | <u>\$ 361</u> |

(II) Type of Financial Instrument

| | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
|--|----------------------|----------------------|----------------------|
| <u>Financial assets</u> | | | |
| Measured at fair value through profit or loss | | | |
| Measured at fair value through profit or loss compulsorily | \$ 24,242 | \$ 23,769 | \$ 28,860 |
| Financial assets measured at fair value through other comprehensive income | | | |
| Equity Instruments | \$ 139,829 | \$ 142,494 | \$ - |
| Financial assets at amortized cost | | | |
| Cash and cash equivalents | 698,063 | 939,526 | 714,096 |
| Time deposits with original maturities beyond three months | 15,000 | - | - |
| Notes and accounts receivable, net | 1,608,233 | 1,487,096 | 1,486,436 |
| Accounts receivable due from related parties | 14,035 | 20,777 | 17,507 |
| Other receivables | 16,649 | 313 | 118 |
| Other receivables due from related parties | 21,763 | 23,843 | 21,529 |
| Other financial assets | 12,048 | 12,048 | 19,019 |
| Guarantee deposits paid | 23,034 | 27,124 | 19,932 |
| <u>Financial liabilities</u> | | | |
| Measured at fair value through profit or loss | | | |
| Held for trading | - | 114 | 122 |
| Measured at amortized cost | | | |
| Current borrowings | 703,611 | 719,669 | 836,056 |
| Notes and accounts payable | 291,846 | 323,134 | 257,430 |
| Accounts payable to related parties | 6,348 | 15,208 | 411 |
| Payable on machinery and equipment | 354,716 | 346,402 | 137,400 |
| Long-term borrowings (including the current portion thereof)s | 2,123,951 | 1,922,621 | 1,758,184 |
| Guarantee deposits received | 2,005 | 2,005 | 2,005 |

(III) Purpose and Policy of Financial Risk Management

Financial management departments of the Company provide service for each business, master and coordinate operations in domestic and international financial markets, and supervise and manage the financial risks relevant to business operation based on the level and extent of each risk and the internal risk report that analyzes risk exposure. Such risks include market risks (including exchange rate risk and interest rate risk), credit risk and liquidity risk.

The Company avoids risk exposure through derivative financial instruments to reduce the impact of such risk. The use of derivative financial instruments is governed by the policy approved by the board of directors, which is the written principle for exchange rate risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investments made through current funds. Internal auditors review policy compliance and risk exposure limit continuously. The Company does not speculate in financial instruments (including derivative financial instruments).

The financial management department submits reports to the board of directors of IST periodically.

1. Market Risks

Main market risks assumed by the Company for its operating activities are exchange rate risk (as stated in the item (1) below) and interest rate risk (as stated in the item (2) below).

(1) Exchange Rate Risk

The Company conducts transactions in foreign currencies, so it is exposed to foreign exchange risk. The Company manages its exchange rate exposure within the scope permitted by the policy. The Company uses forward exchange agreements to manage risks.

For the Company's book amounts of monetary assets and monetary liabilities (including the monetary items at non-functional currencies and written off already in the

consolidated financial statements) and book amounts of derivatives exposed to exchange rate risk in non-functional currencies on the balance sheet date, please refer to Note 36.

Sensitivity Analysis

The Company is mainly impacted by fluctuation of USD, CNY and JPY exchange rates.

The table below presents the Company's sensitivity analysis for the situations when the exchange rate of the functional currency to each foreign currency increases or decreases by 5%. The sensitivity ratio used in the report on exchange rate risk submitted to the management internally is 5%, which is also the estimate provided by the management for the range in which a foreign exchange rate changes. Sensitivity analysis only includes outstanding monetary items in foreign currencies, and the conversion made at the end of the period is adjusted by 5% exchange rate fluctuation. The table below shows the increase or decrease in the pretax net profit when the functional currency against each foreign currency depreciates/appreciates by 5%.

| | Impact of USD | | Impact of CNY | | Impact of JPY | |
|-------------|---------------|-----------|---------------|---------|---------------|------------|
| | 2025 Q1 | 2024 Q1 | 2025 Q1 | 2024 Q1 | 2025 Q1 | 2024 Q1 |
| Gain (loss) | \$ 1,620 | \$ 10,995 | \$ 155 | \$ 397 | (\$ 371) | (\$ 430) |

The management believes that sensitivity analysis cannot represent the inherent risk of exchange rate.

(2) Interest Rate Risk

Since entities in the Company borrow funds at both the fixed interest rate and the floating interest rate simultaneously, the Company is exposed to interest rate risk. The Company tries to maintain a combination of fixed and floating interest rates to manage interest rate risk.

The book amounts of financial assets and financial liabilities of the Company exposed to interest rate risk on the balance sheet date are as follows:

| | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
|--------------------|----------------------|----------------------|----------------------|
| With fair value | | | |
| interest rate risk | | | |
| – Financial | | | |
| assets | \$ 137,828 | \$ 145,494 | \$ 133,504 |
| – Financial | | | |
| liabilities | 501,038 | 435,435 | 510,029 |
| With cash flow | | | |
| interest rate risk | | | |
| – Financial | | | |
| assets | 581,152 | 794,803 | 593,338 |
| – Financial | | | |
| liabilities | 2,661,184 | 2,555,851 | 2,456,384 |

Sensitivity Analysis

The following sensitivity analysis is determined based on interest rate exposure with respect to non-derivative instruments on the balance sheet date. For the assets and liabilities with floating interest rates, the analysis is made based on the assumption that the outstanding assets and liabilities on the balance sheet date are still outstanding during the reporting period. The rate of change used internally for interest rate related report to the main management is the interest rate plus or minus 1%, which is also the estimate provided by the management for the range in which the interest rate may reasonably change.

If the interest rate is increased/decreased by 1%, then in the situation where all other variables remain unchanged, the pretax profit for 2025 Q1 and 2024 Q1 would be decreased/increased by NTD 5,200 thousand and NTD 4,658 thousand respectively.

2. Credit Risk

Credit risk refers to the risk incurred when the counterparty to the transaction delays contractual obligations and thus causes a loss to the group. As of the balance sheet date, the greatest credit risk to which the Company was exposed due to failure by any counterparty to a transaction to perform its obligations would probably come from the

book amount of financial assets recognized on the consolidated balance sheet.

To reduce credit risk, the management of the Company has designated a team to be responsible for a decision of credit line, credit approval and other monitoring procedures to ensure that proper measures are taken to recover overdue receivables. In addition, the Company reviews recoverable amounts of receivables on a case-by-case basis on the balance sheet date to ensure that a proper amount of impairment loss is allocated for unrecoverable receivables. Accordingly, the management of the Company believes that the Company's credit risk has significantly reduced.

Customers of the Company are numerous and not related, so the credit risk concentration is not high.

3. Liquidity Risk

The Company keeps successful business operation and mitigates the impact of cash flow fluctuation by managing and maintaining sufficient cash and cash equivalents. The management of the Company supervises the status of loans within the credit limit and ensures compliance with the terms of each loan contract.

A bank loan is an important source of liquidity for the Company. For the line of credit unused by the Company as of Mar. 31, 2025, Dec. 31, 2024 and Mar. 31, 2024, please see the item (2) "Line of Credit" below.

(1) Table of Liquidity of Non-derivative Financial Liabilities and Interest Rate Risk

The maturity analysis for the remaining contracts of non-derivative financial liabilities is conducted based on the undiscounted cash flows of financial liabilities on the earliest date that the Company is requested to make the repayment.

Mar. 31, 2025

| | To pay upon demand or less than 1 month | 1 ~ 3 months | 3 months ~ 1 year | 1 ~ 5 years | Over 5 years |
|-----------------------|--|-------------------|----------------------|---------------------|-------------------|
| <u>Non-derivative</u> | | | | | |
| <u>financial</u> | | | | | |
| <u>liabilities</u> | | | | | |
| Liabilities without | | | | | |
| interest | \$ 392,030 | \$ 246,591 | \$ 182,516 | \$ - | \$ - |
| Lease liabilities | 6,852 | 15,275 | 58,370 | 137,897 | 179,132 |
| Floating rate | | | | | |
| instruments | 33,612 | 107,682 | 489,051 | 1,926,331 | 104,508 |
| Fixed rate | | | | | |
| instruments | 984 | 1,976 | 151,536 | 11,882 | - |
| | <u>\$ 433,478</u> | <u>\$ 371,524</u> | <u>\$ 881,473</u> | <u>\$ 2,076,110</u> | <u>\$ 283,640</u> |

Further information of the above maturity analysis for financial liabilities is as follows:

| | Less than 1 year | 1 ~ 5 years | 5 ~ 10 years | 10 ~ 15 years | 15 ~ 20 years | Over 20years |
|---------------|---------------------|---------------------|-------------------|------------------|------------------|------------------|
| Lease | | | | | | |
| liabilities | <u>\$ 80,497</u> | <u>\$ 137,897</u> | <u>\$ 36,570</u> | <u>\$ 36,570</u> | <u>\$ 36,570</u> | <u>\$ 69,422</u> |
| Floating rate | | | | | | |
| instruments | <u>\$ 630,345</u> | <u>\$ 1,926,331</u> | <u>\$ 104,508</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fixed rate | | | | | | |
| instruments | <u>\$ 154,496</u> | <u>\$ 11,882</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Dec. 31, 2024

| | To pay upon demand or less than 1 month | 1 ~ 3 months | 3 months ~ 1 year | 1 ~ 5 years | Over 5 years |
|-----------------------|--|-------------------|----------------------|---------------------|-------------------|
| <u>Non-derivative</u> | | | | | |
| <u>financial</u> | | | | | |
| <u>liabilities</u> | | | | | |
| Liabilities without | | | | | |
| interest | \$ 468,436 | \$ 240,130 | \$ 137,860 | \$ - | \$ - |
| Lease liabilities | 6,818 | 15,552 | 62,529 | 157,277 | 188,249 |
| Floating rate | | | | | |
| instruments | 113,612 | 252,319 | 360,530 | 1,663,532 | 165,858 |
| Fixed rate | | | | | |
| instruments | 19,335 | 33,433 | 18,771 | 14,900 | - |
| | <u>\$ 608,201</u> | <u>\$ 541,434</u> | <u>\$ 579,690</u> | <u>\$ 1,835,709</u> | <u>\$ 354,107</u> |

Further information of the above maturity analysis for financial liabilities is as follows:

| | Less than 1 year | 1 ~ 5 years | 5 ~ 10 years | 10 ~ 15 years | 15 ~ 20 years | Over 20years |
|---------------|---------------------|---------------------|-------------------|------------------|------------------|------------------|
| Lease | | | | | | |
| liabilities | <u>\$ 84,899</u> | <u>\$ 157,277</u> | <u>\$ 38,043</u> | <u>\$ 38,043</u> | <u>\$ 38,043</u> | <u>\$ 74,120</u> |
| Floating rate | | | | | | |
| instruments | <u>\$ 726,461</u> | <u>\$ 1,663,532</u> | <u>\$ 165,858</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fixed rate | | | | | | |
| instruments | <u>\$ 71,539</u> | <u>\$ 14,900</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Mar. 31, 2024

| | To pay upon demand or less than 1 month | 1 ~ 3 months | 3 months ~ 1 year | 1 ~ 5 years | Over 5 years |
|---|--|-------------------|----------------------|---------------------|-------------------|
| <u>Non-derivative financial liabilities</u> | | | | | |
| Liabilities without interest | \$ 180,244 | \$ 218,048 | \$ 130,664 | \$ - | \$ - |
| Lease liabilities | 6,776 | 14,553 | 61,236 | 180,046 | 193,956 |
| Floating rate instruments | 9,742 | 61,406 | 748,774 | 1,372,158 | 264,304 |
| Fixed rate instruments | - | 36,576 | 101,280 | - | - |
| | <u>\$ 196,762</u> | <u>\$ 330,583</u> | <u>\$ 1,041,954</u> | <u>\$ 1,552,204</u> | <u>\$ 458,260</u> |

Further information of the above maturity analysis for financial liabilities is as follows:

| | Less than 1 year | 1 ~ 5 years | 5 ~ 10 years | 10 ~ 15 years | 15 ~ 20 years | Over 20years |
|------------------------------|---------------------|---------------------|-------------------|------------------|------------------|------------------|
| Lease liabilities | <u>\$ 82,565</u> | <u>\$ 180,046</u> | <u>\$ 38,043</u> | <u>\$ 38,043</u> | <u>\$ 38,043</u> | <u>\$ 79,827</u> |
| Floating rate instruments | <u>\$ 819,922</u> | <u>\$ 1,372,158</u> | <u>\$ 264,304</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fixed rate instruments | <u>\$ 137,856</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

(2) Line of Credit

| | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
|---|----------------------|----------------------|----------------------|
| Unsecured bank loan commitment, reviewed regularly | | | |
| –Used within the credit line | \$ 2,311,110 | \$ 2,394,828 | \$ 2,270,167 |
| –Unused within the credit line | <u>1,898,787</u> | <u>2,213,600</u> | <u>2,207,545</u> |
| | <u>\$ 4,209,897</u> | <u>\$ 4,608,428</u> | <u>\$ 4,477,712</u> |
| Secured bank loan commitment | | | |
| –Used within the credit line | \$ 516,452 | \$ 247,462 | \$ 324,923 |
| –Unused within the credit line | - | 4,308 | - |
| | <u>\$ 516,452</u> | <u>\$ 251,770</u> | <u>\$ 324,923</u> |

XXXIII. Transactions with Related Parties

Transactions, account balances, incomes and expenses among IST and its subsidiaries have been eliminated completely upon consolidation, so they are not disclosed in the Notes. Transactions between the Company and other related parties are as follows:

(I) Name of each Related Party and Relationship with the Related Party

| <u>Name of Related Party</u> | <u>Relationship with the Company</u> |
|---|---|
| Dekra Company | An associate |
| Dekra IST Reliability Services Limited (Dekra IST KS Company) | An associate |
| BTL Inc. | An associate (which became a non-related party after June 2024) |
| MS Company | An associate |

(II) Service Income

| <u>Item Listed in the Books</u> | <u>Type of Related Party</u> | <u>2025 Q1</u> | <u>2024 Q1</u> |
|---------------------------------|------------------------------|------------------|------------------|
| Service income | Associates | <u>\$ 15,111</u> | <u>\$ 16,948</u> |

Prices of the services for which the Company obtains incomes from related parties are determined on an arm’s length basis and there is no comparable price of identical service sufficiently for the Company to make a comparison with the determined prices. The payment terms provided by the Company are net 30 to 90 days from the date of invoice every month or quarter or under a project.

(III) Accounts Receivable from Related Parties

| <u>Item Listed in the Books</u> | <u>Type / Name of Related Party</u> | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
|--|-------------------------------------|----------------------|----------------------|----------------------|
| Accounts receivable due from related parties | Associates | | | |
| | Dekra Company | \$ 12,851 | \$ 18,058 | \$ 15,724 |
| | Dekra IST KS Company | 982 | 2,698 | 1,720 |
| | MS Company | 202 | 21 | - |
| | BTL Inc. | - | - | 63 |
| | | <u>\$ 14,035</u> | <u>\$ 20,777</u> | <u>\$ 17,507</u> |
| Other receivables due from related parties | Associates Dekra Company | <u>\$ 21,763</u> | <u>\$ 23,843</u> | <u>\$ 21,529</u> |

No guarantee was received for the accounts receivable from related parties. No loss allowance was allocated for the accounts receivable from related parties for 2025 Q1 and 2024 Q1 respectively.

“Other receivables due from related parties” refer to the technical service incomes and rent incomes receivable from related parties.

(IV) Accounts Payable to Related Parties

| <u>Item Listed in the Books</u> | <u>Type / Name of Related Party</u> | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
|-------------------------------------|-------------------------------------|----------------------|----------------------|----------------------|
| Accounts payable to related parties | Associates | | | |
| | Dekra Company | \$ 6,345 | \$ 15,182 | \$ 409 |
| | Dekra IST KS Company | 3 | - | 2 |
| | MS Company | - | 26 | - |
| | | <u>\$ 6,348</u> | <u>\$ 15,208</u> | <u>\$ 411</u> |
| Payable on machinery and equipment | Associates | <u>\$ -</u> | <u>\$ 186</u> | <u>\$ 1,855</u> |
| Other current liabilities | Associates | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,497</u> |

(V) Sublease Agreement

Renting Out and Subleasing under Operating Lease

IST rented out land, building and structure as well as other equipment under operating leases and subleased the right of use of the building and structure to the associate Dekra Company, and the lease periods were 3.17 to 10 years. Rents were determined based on the rents for similar assets, and fixed lease payments were collected pursuant to lease agreements monthly. The total lease payments to be collected as of Mar. 31, 2025, Dec. 31, 2024 and Mar. 31, 2024 were NTD 23,868 thousand, NTD 26,288 thousand and NTD 33,548 thousand respectively. Lease incomes recognized for 2025 Q1 and 2024 Q1 were NTD 2,882 thousand respectively.

Subleasing under Finance Lease

The Company subleased the building and structure, which were originally listed as right-of-use assets in the books, to the associate Dekra Company under finance leases in 2025 Q1 and 2024 Q1. The net investment in the lease at the lease commencement date was NTD 62,081 thousand respectively, and the lease period was 3~5 years respectively. The balance of finance leases receivable as of Mar. 31, 2025 and Dec. 31 and Mar. 31, 2024 was NTD 41,480 thousand, NTD 45,071 thousand and NTD 58,189 thousand respectively.

(VI) Guarantee Deposits Paid

| <u>Item Listed in the Books</u> | <u>Type / Name of Related Party</u> | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
|---------------------------------|-------------------------------------|----------------------|----------------------|----------------------|
| Guarantee deposits paid | Associates Dekra Company | \$ 145 | \$ - | \$ - |

(VII) Guarantee Deposits Received

| <u>Item Listed in the Books</u> | <u>Type / Name of Related Party</u> | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
|---------------------------------|-------------------------------------|----------------------|----------------------|----------------------|
| Guarantee deposits received | Associates | | | |

| | | | |
|------------------|-----------------|-----------------|-----------------|
| Dekra Company | <u>\$ 2,005</u> | <u>\$ 2,005</u> | <u>\$ 2,005</u> |
|------------------|-----------------|-----------------|-----------------|

(VIII) Manufacturing Expenses and Operating Expenses Manufacturing Expenses and Operating Expenses

| Item Listed in the Books | Type of Related Party | 2025 Q1 | 2024 Q1 |
|-----------------------------|-----------------------|-----------------|-----------------|
| Manufacturing expenses | Associates | <u>\$ 6,045</u> | <u>\$ 3,890</u> |
| Operating expenses | Associates | <u>\$ 2</u> | <u>\$ 31</u> |

The amounts of manufacturing expenses and operating expenses and the payment terms between the Company and its related parties are negotiated and agreed by both sides.

(IX) Non-operating Incomes and Expenses

| Item Listed in the Books | Type / Name of Related Party | 2025 Q1 | 2024 Q1 |
|-----------------------------|---------------------------------|-----------------|-----------------|
| Interest expenses | Associates | | |
| | Dekra Company | <u>\$ 2</u> | <u>\$ 2</u> |
| Lease incomes | Associates | | |
| | Dekra Company | <u>\$ 2,882</u> | <u>\$ 2,882</u> |
| Other incomes | Associates | | |
| | Dekra Company | \$ 2,136 | \$ 1,956 |
| | MS Company | <u>30</u> | <u>-</u> |
| | | <u>\$ 2,166</u> | <u>\$ 1,956</u> |
| Interest expenses | Associates | <u>\$ 9</u> | <u>\$ 8</u> |

Interest on a security deposit incurred from the lease between the Company and its related parties is determined based on lease contracts.

Rents and collection methods under the lease contract between the Company and its related parties are determined based on lease contracts.

The amounts of other incomes and the collection conditions between the Company and its related parties are negotiated and agreed by both sides.

Interest on a security deposit incurred from the lease between the Company and its related parties is determined based on lease contracts.

(X) Remunerations to Main Managements

| | <u>2025 Q1</u> | <u>2024 Q1</u> |
|--------------------------|------------------|------------------|
| Short-term benefits | \$ 20,796 | \$ 18,437 |
| Post-employment benefits | 100 | 100 |
| Share-based payment | <u>43</u> | <u>63</u> |
| | <u>\$ 20,939</u> | <u>\$ 18,600</u> |

The remunerations to directors and main managements are determined by the remuneration committee based on individual performance and market trends.

XXXIV. Pledged Assets

The following assets of the Company were provided as guarantees for issuance of L/Cs, bank loans and line of credit.

| | <u>Mar. 31, 2025</u> | <u>Dec. 31, 2024</u> | <u>Mar. 31, 2024</u> |
|--|----------------------|----------------------|----------------------|
| Property, plant and equipment | \$ 713,762 | \$ 721,544 | \$ 750,369 |
| Demand deposit (Listed as other financial assets in the books) | 12,048 | 12,048 | 18,819 |
| Time deposit (Listed as other financial assets in the books) | <u>-</u> | <u>-</u> | <u>200</u> |
| | <u>\$ 725,810</u> | <u>\$ 733,592</u> | <u>\$ 769,388</u> |

XXXV. Material Contingent Liabilities and Unrecognized Contractual Commitments Contingencies

Phoenix Silicon International Corporation ("Phoenix Silicon") accused an employee of IST of misappropriating the trade secrets of Phoenix Silicon. After the investigation concluded, IST received on Feb. 24, 2021 the indictment from Taiwan Hsinchu District Prosecutors Office against the employee and his/her employer IST, and also received in March 2021 the criminal and civil complaint submitted by Phoenix Silicon to Taiwan Hsinchu District Court. In the complaint, Phoenix Silicon claimed that its trade secrets were reproduced and

used by IST and its employee without authorization and the concerned parties should compensate Phoenix Silicon for its loss. IST believed that the aforementioned lawsuit did not have significant effect on its financial conditions. Relevant operating activities were conducted normally.

XXXVI. Information of Foreign Currency Assets and Liabilities that Have Material Impacts

The following information presents foreign currencies, rather than the functional currency, used by each entity in the Company. The disclosed exchange rate refers to the exchange rate of the foreign currency to the functional currency. Foreign currency assets and liabilities that have material impacts are as follows:

| | Unit: In thousands in foreign currency | | | | | | | | |
|-------------------------------------|--|------------------------|-------------------|------------------|------------------------|-------------------|------------------|------------------------|-------------------|
| | Mar. 31, 2025 | | | Dec. 31, 2024 | | | Mar. 31, 2024 | | |
| | Foreign currency | Exchange rate | Book amount | Foreign currency | Exchange rate | Book amount | Foreign currency | Exchange rate | Book amount |
| Foreign currency assets | | | | | | | | | |
| <u>Monetary item</u> | | | | | | | | | |
| USD | \$ 10,711 | 33.2050 (USD : NTD) | \$ 355,659 | \$ 11,909 | 32.7850 (USD : NTD) | \$ 390,437 | \$ 11,337 | 32.0000 (USD : NTD) | \$ 362,784 |
| JPY | 81,840 | 0.2227 (JPY : NTD) | 18,226 | 68,537 | 0.2099 (JPY : NTD) | 14,386 | 73,692 | 0.2115 (JPY : NTD) | 15,586 |
| CNY | 669 | 4.6258 (CNY : NTD) | 3,095 | 608 | 4.5608 (CNY : NTD) | 2,773 | 1,762 | 4.5102 (CNY : NTD) | 7,947 |
| | | | <u>\$ 376,980</u> | | | <u>\$ 407,596</u> | | | <u>\$ 386,317</u> |
| <u>Non-monetary item</u> | | | | | | | | | |
| JPY | 755 | 0.2227 (JPY : NTD) | \$ 168 | - | - | \$ - | - | - | \$ - |
| Foreign currency liabilities | | | | | | | | | |
| <u>Monetary item</u> | | | | | | | | | |
| USD | \$ 9,735 | 33.2050 (USD : NTD) | \$ 323,251 | \$ 7,853 | 32.7850 (USD : NTD) | \$ 257,461 | \$ 4,465 | 32.0000 (USD : NTD) | \$ 142,880 |
| JPY | 115,181 | 0.2227 (JPY : NTD) | 25,651 | 145,549 | 0.2099 (JPY : NTD) | 30,551 | 114,398 | 0.2115 (JPY : NTD) | 24,195 |
| | | | <u>\$ 348,902</u> | | | <u>\$ 288,012</u> | | | <u>\$ 167,075</u> |
| <u>Non-monetary item</u> | | | | | | | | | |
| JPY | - | - | \$ - | 542 | 0.2099 (JPY : NTD) | \$ 114 | 577 | 0.2115 (JPY : NTD) | \$ 122 |

Unrealized foreign currency exchange gains and losses which have material impacts are as follows:

| Functional currency | 2025 Q1 | | Net foreign exchange gain (loss) | 2024 Q1 | |
|---------------------|--|--|----------------------------------|--|-----------------|
| | Functional currency to presentation currency | | | Functional currency to presentation currency | |
| USD | 33.2050 (USD : NTD) | | \$ 1,910 | 32.0000 (USD : NTD) | \$ 3,712 |
| CNY | 4.6258 (CNY : NTD) | | 75 | 4.5102 (CNY : NTD) | 226 |
| JPY | 0.2227 (JPY : NTD) | | (28) | 0.2115 (JPY : NTD) | 218 |
| | | | <u>\$ 1,957</u> | | <u>\$ 4,156</u> |

XXXVII. Disclosures in the Notes

(I) Information Relevant to Material Transactions:

1. Funds lent to others (None)
2. Enforcement and guarantee for others (None)
3. Material negotiable securities held at the end of the period (not including investments in subsidiaries, associates and joint ventures) (Schedule 1)
4. Purchases from or sales to related parties up to NTD 100 million or 20% of the paid-in capital (None)
5. Receivables due from related parties up to NTD 100 million or 20% of the paid-in capital (None)
6. Others: Business relationship between the parent company and its subsidiaries and between the subsidiaries, and important transactions among them and transaction amounts (Schedule 2)

(II) Information Relevant to Reinvestments (Schedule 3)

(III) Information of Investments in Mainland China:

1. Name of each investee company in Mainland China and its main business activities, paid-in capital, investment method, funds remitted in and out, shareholding, investment gain or loss, book value of investments at the end of the period, investment gain remitted back already, and limit of investments in Mainland China (Schedule 4)
2. Material transactions with investee companies in Mainland China directly or through a third region, and prices, payment terms and unrealized gains or losses with respect to the transactions, and other information helpful to understand the impact of investments in Mainland China on the financial statements: No material transaction.

XXXVIII. Information of Segments

The information given by the Company to its main decision makers for allocation of resources and evaluation of departmental performance focuses on types of the products delivered or services provided each time. The measurement base of the information concerning financial statements is the same as that of the consolidated financial statements. IST is a single operating segment. The measurement base of the losses, profits, assets and liabilities of

the operating segment is the same as the preparation basis of the consolidated financial statements. As the result, for the reportable segment revenue and operating result for 2025 Q1 and 2024 Q1, please refer to the Consolidated Statement of Comprehensive Income for 2025 Q1 and 2024 Q1. For the reportable segment assets and liabilities as of Mar. 31, 2025, Dec. 31, 2024 and Mar. 31, 2024, please refer to the Consolidated Balance Sheet of Mar. 31, 2025, Dec. 31, 2024 and Mar. 31, 2024.

Integrated Service Technology Inc. and Subsidiaries
 Marketable Securities Held at the End of the Period

Mar. 31, 2025

Schedule 1

Unit: In thousands of New Taiwan Dollars, except as otherwise indicated herein

| Holding company | Type and name of marketable securities | Relation with the issuer of marketable securities | Items in the books | End of the period | | | | Remarks |
|-----------------|--|---|--|-------------------|-------------|-----------------------|------------|---------|
| | | | | Number of shares | Book amount | Ratio of shareholding | Fair value | |
| IST | <u>Funds</u> TIEF FUND,L.P. | — | Non-current financial assets at fair value through profit or loss | - | \$ 24,074 | 4.35% | \$ 24,074 | Note |
| | <u>Stocks</u> BTL Inc. | — | Non-current financial assets measured at fair value through other comprehensive income | 2,791,000 | 139,829 | 9.21% | 139,829 | Note |

Note: It was calculated at fair value on Mar. 31, 2025.

Integrated Service Technology Inc. and Subsidiaries
Business Relations and Important Transactions between Parent Company and Each Subsidiary, and Transaction Amounts
For the quarter ended Mar. 31, 2025

Schedule 2

Unit: In thousands of New Taiwan Dollars, except as otherwise indicated herein

| No. | Name of trading party | Counterparty to the transaction | Relation with trading party (Note 1) | Transaction details | | | |
|-------------------------------------|-----------------------|---------------------------------|--------------------------------------|--|----------|---------------------------------|---|
| | | | | Account | Amount | Transaction conditions (Note 2) | Ratio to total consolidated revenue or total assets |
| 0 | IST | Integrated USA | 1 | Net operating revenue | \$ 8,521 | — | 1% |
| | | | | Accounts receivable due from related parties | 3,663 | — | - |
| | | | | Payable on machinery and equipment | 7,891 | — | - |
| | | | | Net operating revenue | 9,521 | — | 1% |
| | | IST KS Company | 1 | Receivables due from related parties | 3,063 | — | - |
| | | | | Other receivables due from related parties | 1,675 | — | - |
| | | | | Other payables to related parties | 382 | — | - |
| | | | | Inventory of supplies | 646 | — | - |
| | | Samoa IST | 1 | Net operating revenue | 1,018 | — | - |
| | | | | Manufacturing expenses | 18 | — | - |
| | | | | Rent income | 11,338 | — | 1% |
| | | SIP KS Company | 1 | Other incomes | 1,182 | — | - |
| | | | | Interest expense | 48 | — | - |
| | | PPT Company | 1 | Accounts receivable due from related parties | 969 | — | - |
| | | | | Other receivables due from related parties | 17,049 | — | - |
| | | He Chou Company | 1 | Accounts payable to related parties | 1,622 | — | - |
| | | | | Other payables to related parties | 19 | — | - |
| | | | | Guarantee deposits received | 11,227 | — | - |
| | | | | Purchase of fixed assets | 390 | — | - |
| | | | | Manufacturing expenses | 2,835 | — | - |
| Accounts payable to related parties | 589 | | | — | - | | |
| SIP KS Company | 2 | | | Net operating revenue | 47 | — | - |
| | | | | Accounts receivable due from related parties | 50 | — | - |

Note1: 1. Transactions between the parent company and a subsidiary

2. Transactions between a subsidiary and a subsidiary

Note 2:1. Prices of the services for which the company obtained incomes from related parties were determined on an arm's length basis and there was no comparable price of identical service sufficiently for the company to make a comparison with the determined prices. The payment terms provided by IST were net 30 to 90 days from the date of invoice every month or quarter or under a project; however, payments might be collected subject to the subsidiary's need of funds.

2. For a lease agreement between the company and a related party, the rent and the collection method were determined pursuant to the lease agreement.

3. For the property, plant and equipment sold by the company to a related party, transaction conditions were dealt with based on the price agreed by both parties.

4. Other receivables due from related parties refer to rent incomes and advances.

5. Except for the aforementioned situations, other transactions between the company and a related party were conducted on an arm's length basis.

Integrated Service Technology Inc. and Subsidiaries
Information of Investee Companies (Excluding Investee Companies in Mainland China), their Locations, etc.
For the quarter ended Mar. 31, 2025

Schedule 3

Unit: In thousands of New Taiwan Dollars, except as otherwise indicated herein

| Name of investing company | Name of investee company | Location | Main business activities | Amount of original investment | | Shares held at the end of the period | | | Profit (loss) of the investee company for the period | Investment gain (loss) recognized for the period | Remarks |
|---------------------------|--------------------------|-----------------|---|-------------------------------|------------------|--------------------------------------|-----------|-------------|--|--|----------------------------|
| | | | | End of the period | End of last year | Number of shares | Ratio (%) | Book amount | | | |
| IST | Samoa IST | Samoa | Investment | USD 9,500 | USD 9,500 | 4,416,770 | 100 | \$ 249,594 | \$ 1,395 | \$ 1,395 | A subsidiary (Note 1) |
| | Dekra Company | Hsinchu City | Product testing and relevant business | \$ 192,624 | \$ 192,624 | 19,262,390 | 49 | 718,677 | 4,895 | 2,399 | An associate (Note 2) |
| | Pin Wen Company | Hsinchu City | Investment | 237,000 | 237,000 | 9,841,258 | 100 | 53,904 | (5,876) | (5,876) | A subsidiary (Note 2) |
| | Supreme Fortune corp. | Belize | Investment | USD 125 | USD 125 | 125,000 | 100 | 3,527 | (260) | (260) | A subsidiary (Note 2) |
| | PPT Company | Hsinchu City | Manufacturing and sale of various types of integrated circuits (chips), thinning and metal deposition, and testing services for various types of integrated circuits and wafers | \$ 776,543 | \$ 776,543 | 32,842,807 | 71 | 131,732 | (43,915) | (31,518) | A subsidiary (Note 1) |
| Samoa IST | Seychelles IST | Seychelles | Investment | USD 7,159 | USD 7,159 | 7,158,575 | 100 | USD 6,390 | USD 40 | USD 40 | A sub-sub-sidiary (Note 2) |
| | Integrated USA | USA | R&D and manufacturing of integrated circuits, analysis and burn-in, testing, semiconductor spare parts and relevant equipment, electronic spare parts, etc. | USD 3,130 | USD 3,130 | 3,130,000 | 100 | USD 427 | (USD (2)) | (USD (2)) | A sub-sub-sidiary (Note 2) |
| Supreme Fortune corp. | Hot Light Co., Ltd. | Seychelles | Investment | USD 125 | USD 125 | 125,000 | 100 | USD 106 | (USD (8)) | (USD (8)) | A sub-sub-sidiary (Note 2) |
| Pin Wen Company | PPT Company | Hsinchu City | Manufacturing and sale of various types of integrated circuits (chips), thinning and metal deposition, and testing services for various types of integrated circuits and wafers | \$ 235,538 | \$ 235,538 | 2,849,679 | 6 | \$ 10,166 | (\$ 43,915) | (\$ 2,657) | A subsidiary (Note 1) |
| | EFUN Company | Hsinchu City | Information software service | 3,700 | 3,700 | 370,000 | 26 | 483 | (799) | (211) | An associate (Note 2) |
| | Huan Ying Company | Hsinchu City | Information software management service and relevant business | 5,100 | 5,100 | 510,000 | 22 | 3,482 | (3,792) | (1,063) | An associate (Note 2) |
| | MS Company | Hsinchu County | IC design | 39,974 | 39,974 | 2,954,600 | 21 | 20,269 | (9,115) | (1,923) | An associate (Note 2) |
| | Hot Light Co., Ltd. | He Chou Company | Hsinchu City | Circuit design service | USD 125 | USD 125 | 400,000 | 100 | USD 43 | (USD (5)) | (USD (5)) |

Note 1: It was calculated based on the financial statements of the same accounting period reviewed by CPAs.

Note 2: It was calculated based on the financial statements of the same accounting period that were not reviewed by CPAs.

Integrated Service Technology Inc. and Subsidiaries
Information of Investments in Mainland China
For the quarter ended Mar. 31, 2025

Schedule 4

Unit: In thousands of New Taiwan Dollars, except as otherwise indicated herein

| Name of investee company in Mainland China | Main business activities | Paid-in capital | Investment method | Accumulated investment amount remitted from Taiwan as of the beginning of the period | Investment amount remitted or recovered in the period | | Accumulated investment amount remitted from Taiwan as of the end of the period | Investee company's profit (loss) of the period | Ratio of shares held by the Company through direct or indirect investment | Investment gain (loss) recognized for the period | Ending book value of investment | Investment gain remitted back to Taiwan as of the end of the period | Remarks |
|--|--|---------------------------|-------------------|--|---|-----------|--|--|---|--|---------------------------------|---|---------|
| | | | | | Remitted | Recovered | | | | | | | |
| IST KS Company | Product testing and relevant business | \$ 122,859 (USD 3,700) | Note 1 | \$ 301,269 (USD 9,073) (Note 4) | \$ - | \$ - | \$ 301,269 (USD 9,073) (Note 4) | \$ 3,717 (USD 113) | 100% | \$ 3,717 (USD 113) | \$ 190,563 (USD 5,739) | \$ - | Note 2 |
| SIP KS Company | Circuit design service | 53,792 (USD 1,620) | Note 1 | - | - | - | (362) (USD (11)) | 100% | (362) (USD (11)) | 16,835 (USD 507) | - | - | Note 2 |
| IST-trade KS Company | Purchase and sale of electric testing and relevant equipment, and conduction of sale and trading as an agent | 11,565 (CNY 2,500) | Note 1 | - (Note 5) | - | - | (41) (CNY (9)) | 100% | (41) (CNY (9)) | 12,291 (CNY 2,657) | - | - | Note 2 |
| Xinchuang Shanghai | IST Service of inspection and testing | 9,252 (CNY 2,000) | Note 1 | - (Note 5) | - | - | (862) (CNY (188)) | 100% | (862) (CNY (188)) | 5,643 (CNY 1,220) | - | - | Note 2 |

| Accumulated investment amount remitted from Taiwan to Mainland China as of the end of the period | Investment amount approved by Investment Commission, Ministry of Economic Affairs | Limit of investment provided by Investment Commission, Ministry of Economic Affairs_ |
|--|---|--|
| \$ 301,269 (USD 9,073) | \$ 546,156 (USD 16,448) | \$2,093,716 |

Note 1: The company in Mainland China was invested through a third-area investee company.

Note 2: It was calculated based on the financial statements of the same accounting period that were not reviewed by CPAs.

Note 3: The figures in a foreign currency were converted into NT dollars at the exchange rate announced on the reporting date.

Note 4: An amount of USD 980 thousand in the investment is a reinvestment by Samoa IST using its own funds, so the limit of investments in Mainland China provided by Investment Commission, MOEA is not applicable here.

Note 5: It is a reinvestment by Integrated Service Technology (Kunshan) Co., Ltd. (IST KS Company) using its own funds, so the limit of investments in Mainland China provided by Investment Commission, MOEA is not applicable here.