IV. Business Overview

1. Scope of Business

1.1 Current Product Lines and Their Revenue Proportions:

Business Scope	Sales %
Electrification and Automation Products	52.37%
Air Conditioners and Home Appliances	19.08%
Mechatronic Engineering and Electrical Equipment	21.39%
Others	7.15%
Total	100.0%

1.2 Current Product (Service) Items

(a) Electrification and Automation Products

- Medium and high voltage motors (125–60,000 HP)
- Low voltage motors: Permanent Magnet Motors (1–400 HP); Induction Motors (1/4–1000 HP); Synchronous Reluctance Motors (5.5–55 kW)
- Motors and drivers for EV power systems (50–350 kW)
- Gear reducers
- Medium and high voltage inverters (200–12,000 HP)
- Low voltage inverters (0.25–800 HP)
- Explosion-proof motors
- AC/DC servo drive systems (SVO)
- Motion controllers and PLCs
- Industrial motor drivers (inverters/servo drivers)
- Mobile electrical house (VB-Skid)
- EV charging stations
- Transformers
- Hairpin motors

(b) Air Conditioning and Home Appliance Products

- AC products (residential, commercial, chillers, VRF, heat pump, energy-saving systems)
- HVAC engineering (project management, design, construction, maintenance)
- Large appliances (refrigerators, washing machines, TVs)
- Small appliances (DC fans, air purifiers, vacuum cleaners, juicers, inverter microwaves, ovens)
- Refrigeration products (inverter condensing units, evaporators, brine chillers)

(c) Electromechanical Engineering and Power Equipment

- Turnkey electromechanical engineering: IDC data centers, renewable energy (offshore wind, solar), energy storage systems, microgrids,

integrated infrastructure, public and transport projects, medical biotech and factories

- Power equipment: distribution panels, generator sets, power accessories, hydrogen fuel cell systems
- Appliance products: green energy market (solar/storage/charging MCCB, SPD, FUSE), Taipower market
- High & low voltage power devices: 161/69 kV GIS, 15 kV overhead switches, 22.8 kV fused switches, electromagnetic switches, circuit breakers, smart meters, generators, outdoor PCS for commercial energy storage

(d) Others

- Home delivery and logistics services
- Communication product R&D, manufacturing, sales
- IT software, data processing, electronic services
- Real estate leasing
- Staffing services
- Residential/building development, leasing and sales
- Financial investments

1.2 Planned New Product Development

(a) Electrification and Automation Products

TECO aims to become a global driving force in electrification, intelligentization, and green energy development. The company is actively engaged in the advancement of technologies related to system energy efficiency and green energy, focusing on the development of the following new products and technologies:

- Industrial High-Efficiency Power Systems: Development of high-efficiency, high power density cast-iron motors (T-Hipro+), high-voltage high-speed inverter motors, next-generation insulation systems, ultra-high efficiency IE5 permanent magnet motors, IE5 ultra-high efficiency synchronous reluctance motors and drives, and NEMA Super Premium (IE4) energy-efficient motors.
- Automotive Power Systems: Development of motor and drive power systems for electric buses and commercial vehicles, as well as traction motors for rail vehicles.
- Green Energy Industry in Response to the Net-Zero Trend: Development of offshore wind turbine technologies, offshore wind turbine yaw motors, and specialized reciprocating compressors for hydrogen energy.

(b) Air Conditioning and Home Appliance Products

In response to consumer demand for clean air, TECO has developed a series of intelligent, energy-saving air conditioners based on key indicators such as temperature, humidity, and air cleanliness. By offering integrated refrigeration, freezing, and air conditioning solutions, the company helps customers achieve their energy-saving and carbon-reduction ESG goals

- All TECO inverter household products meet the government's top-tier CSPF (Cooling Seasonal Performance Factor) Grade 1 standards and adopt high-efficiency, eco-friendly R32 refrigerant to enhance performance while reducing carbon emissions and mitigating global warming. These products also feature antibacterial, anti-mold self-cleaning functions and ergonomic 3D airflow design.
- TECO is developing a new generation of variable refrigerant flow (VRF) systems with inverter outdoor units. The entire product line meets CSPF Grade 1 energy efficiency standards. The system supports up to 72HP through unit combination, making it suitable for green buildings and high-end commercial office applications.
- Development of a 700RT magnetic levitation centrifugal chiller featuring a multi-pressure single system with a high IPLV (Integrated Part Load Value) design. It can operate stably even under 20% partial load, ensuring optimal energy efficiency and constant temperature control. In addition, TECO has launched an intelligent HVAC energy-saving solution that enables integrated group control of four major peripheral systems—chilled water pumps, cooling water pumps, cooling towers, and air handling units—while also offering energy management and predictive maintenance services. High-efficiency IPLV DC inverter permanent magnet screw chillers are also being developed to offer customers diverse energy-saving options.
- Development of inverter condensing units using the environmentally friendly refrigerant R407H for refrigeration and freezing applications, as well as the launch of dedicated brine cooling systems for cold chain logistics in food industries. These products provide customized temperature zone solutions for convenience stores, supermarkets, agriculture, fisheries, and aquaculture industries.
- Development of fixed- and variable-speed air-cooled packaged air conditioners for industrial power plants, as well as commercial precision temperature and humidity control air conditioning systems.

(c) Electromechanical Engineering and Power Equipment

With the goal of integrating the Group's diversified industrial products and maximizing overall synergy, TECO is vigorously promoting the expansion of smart energy products. The planned development projects are as follows:

- Grid Resilience Enhancement Plan by Taipower (Taiwan Power Company)
  Taipower has officially announced the "Power Grid Resilience Enhancement Plan," which involves a NT$564.5 billion investment over ten years, centered around three main pillars: decentralization, reinforcement, and defense. The plan outlines 10 concrete measures—5 for decentralization, 3 for reinforcement, and 2 for defense—to be implemented within a decade. Of the total, NT$376.1 billion has already been planned and is under execution, while an additional NT$188.4 billion will be allocated through new project proposals to further expand and accelerate grid improvement work.

  This includes business opportunities in the indoor substation construction of more than 15 Taipower substations. TECO's product division provides a range of power equipment to meet electricity demand, including 161kV and

69kV GIS (Gas-Insulated Switchgear), power distribution panels, switchgear, and overhead line switches. TECO is actively pursuing EPC (Engineering, Procurement, and Construction) contracts for these substation projects. In response to future market trends, the company is also evaluating the development of 23kV high-voltage gas-insulated switchgear (C-GIS) without SF_6 gas, in collaboration with Siemens.

- In the green energy sector, TECO has launched products supporting 1,500V DC and over 800V AC for solar energy systems, along with power conditioning systems (PCS) for energy storage, enabling bi-directional conversion between AC and DC power. These systems are designed to regulate charging and discharging of energy storage batteries in solar power applications.

  To meet the energy needs of commercial and industrial users, TECO is also actively developing commercial energy storage solutions that offer high-performance systems to enhance power stability, reduce electricity costs, and support demand response (DR) programs as well as participation in ancillary service markets.

  In the field of hydrogen fuel cells, TECO is closely monitoring the development of hydrogen energy and fuel cell technologies, exploring their applications in distributed power generation, backup power systems, and green energy supply chains. The company aims to further enhance sustainable energy development through the adoption of clean energy technologies.

1.2 Industry Overview

(a) Industrial status and development and association among industrial upstream, midstream, and downstream sectors

a. Electrification and Automation Products

Upstream	Silicon steel sheet, copper wire, aluminum, insulating material, power chip, etc.
Midstream	Electromechanical system and automation equipment manufacturers Status and major manufacturers: TECO, Tatung, Shihlin, Fortune, ABB, SIEMENS, WEG, Delta, Yaskawa, Omron
Downstream	Corporate customers: Power plant, steelmaking plant, petrochemical, metallurgy, mining water treatment, automation equipment

b. Air conditioners and home appliances

Upstream	Copper, aluminum, steel, electronic substrate, motor, compressor
Midstream	Air conditioner and home appliances manufacturers Status and major manufacturers: TECO, Tatung, Sampo, Matsushita, Hitachi, LG.
Downstream	Dealers, mass merchandisers, end customers, enterprises, government agencies, construction firms

c. Mechatronic Engineering and Electrical Equipment

Upstream	Design & consulting, electromechanical materials, equipment suppliers, integrated software suppliers, installation firms
Midstream	Electromechanical engineering & electric equipment firms
Downstream	Status and major enterprises: TECO, Fortune, Tatung, Star Energy, CTCI, L & K, Acter

(b) Product Development Trends and Competitive Landscape:

a. Electrification and Automation Industry:

TECO is a leading brand among manufacturers of mechatronics system products and is actively promoting “green products” by integrating ultra-high efficiency motors, gear reducers, medium- and low-voltage inverters, permanent magnet direct-drive systems, servo systems, transformers, and rectangular wire motors. TECO offers comprehensive power drive system solutions and services to help customers achieve their goals of “safety and stability, performance enhancement, and carbon neutrality.” The company has established in-house R&D and design centers in Taiwan, the U.S., and mainland China, with capabilities to manufacture motors ranging from 1/4HP to 100,000HP across low, medium, and high voltage, as well as ultra-high voltage motors up to 14.5kV. These products are certified by multiple national laboratories, including NVLAP (200378-0), TAF, and CSA for energy efficiency testing. TECO is also the only manufacturer in Taiwan capable of conducting full-load integrated testing of motors and drives. Based on its high-performance motor and drive solutions and manufacturing capabilities, TECO focuses on niche applications in electric commercial vehicles and is actively expanding into the markets for electric buses, school buses, commercial vehicles, logistics vehicles, and trucks.

In terms of energy conservation and carbon reduction, TECO leverages its strengths in motor and inverter R&D to provide system integration solutions that deliver high efficiency, energy savings, and precision. Its newly launched inverters offer enhanced features such as auto-tuning, high-speed communication, safety protection, and noise immunity, and are widely applied in smart and automated environments. The new generation of servo products, integrated with EtherCAT communication, is also being promoted for use in robotic arms.

b. Air Conditioning and Home Appliance Industry:

In response to the global trend of energy conservation and emission reduction, government standards for deep energy efficiency continue to rise. Brands are launching more energy-efficient products, challenging manufacturers' inverter technologies. Amid supply chain price inflation, manufacturers face pressure to raise prices, and are focusing on enhancing product value to increase average selling prices and mitigate profit margin compression.

Japanese brands have long held over 50% of the market share. In recent years, their pricing has approached that of local products, while low-cost brands, such as those from China, continue entering the market. TECO has

responded by developing new technologies, including smart air conditioning, patented UVC purification modules, and Indoor Air Quality (IAQ) management systems, to enhance brand value and product competitiveness.

To align with market trends, TECO's Air Conditioning and Smart Life Business Group integrates group resources—such as self-developed products, logistics, and information technology—to focus on intelligent, energy-saving, health-focused, and environmentally friendly refrigeration and air conditioning solutions. TECO's air conditioning products have already exceeded the government's top-tier energy efficiency standards. The company also collaborates with corporate and government research institutions through energy and technology projects to adopt cutting-edge energy-saving technologies for innovation in technology, products, and services, thereby enhancing the competitiveness of Taiwan's brands in international markets.

c. Electromechanical Engineering and Power Equipment Industry:

The development of electromechanical engineering and power equipment is primarily trending toward green energy. TECO, in line with national renewable energy policies, has progressively engaged in the construction of offshore wind farms, photovoltaic systems, and related energy storage and microgrid systems. It also participates in turnkey projects for onshore substations in offshore wind power, working with mid- and downstream suppliers and adopting TECO-manufactured core power equipment to support the goal of localizing offshore wind power.

In the energy and power equipment field, power distribution panels and generators are part of a mature market, with major customers in the construction, electronics, and steel industries. However, due to economic conditions and low-price competition, traditional products face significant challenges. TECO is therefore actively developing new energy and smart products to meet the demands of high-quality, intelligent, and green energy markets.

In the area of electromechanical apparatus, the mechatronics industry primarily handles end-user power control, with a structure centered on low-voltage devices, such as motor control components used in the machinery and industrial automation sectors. In response to the growing demand for smart and green energy markets, TECO is proactively engaged in the R&D of automation and energy-saving products, closely monitoring competitor technologies and government policy developments to ensure continued market competitiveness.

1.3 Technology and R&D Overview

(a) In 2024, the Group invested NT$1,016,565 thousand in research and development.

From January 1 to March 31, 2025, R&D expenditures amounted to NT$244,145 thousand.

(b) Recent Technological and Product Developments

a. Industrial Motor Category

i. Low-speed, high-torque permanent magnet direct drive system

ii. IE5 ultra-high-efficiency energy-saving permanent magnet motor

iii. Ultra-efficient smart control system for cooling towers

iv. IE5 high-efficiency synchronous reluctance motor and driver

v. High-efficiency, high power-density steel frame motor (T-Hipro+)

vi. Large two-pole rigid shaft variable-frequency smart motor

vii. Development of next-generation insulation system

viii. Mobile electric room (VB-Skid)

ix. Specialized hydrogen-powered reciprocating compressor

(b) Automation and Intelligent Systems Category

i. ACS2 series servo drive system

ii. High-precision digital communication AC servo drive system

iii. High power-density, energy-saving matrix inverter integrated system

iv. Back-mounted molded case circuit breaker (MCCB)

v. E710 next-generation compact inverter

(c) Renewable Energy – Green Energy Category

i. Waste heat recovery high-speed generator and inverter

ii. Offshore wind turbine technology development

iii. Yaw motors for offshore wind turbines

(d) Automotive Power Systems Category

i. 250kW electric bus motor and driver domestic production project

ii. 130kW commercial EV integrated power system solution

iii. SiC-based driver and high-performance motor system for electric vehicles

iv. Traction motors for railway vehicles

(e) Refrigeration and Air Conditioning Category

i. Full series of high-efficiency R32 inverter ACs exceeding top-tier CSPF, with self-cleaning features

ii. Next-generation breeze-sensitive inverter ACs and VRF systems with parallel connection capability

iii. Ultra-efficient IPLV magnetic levitation centrifugal chillers

iv. Ultra-efficient IPLV DC inverter permanent magnet screw chillers

v. Commercial air-cooled fixed/inverter-type ACs and constant temperature/humidity ACs for industrial use

vi. 3–8 HP R407H eco-refrigerant inverter condensing units for refrigeration

vii. Brine refrigeration systems designed for cold chain logistics

viii. Smart energy-saving air treatment products:

- Inverter air purifying dehumidifiers
- Air purifying fresh air machines
- Bathroom heaters
- Air conditioner purifying modules
- TECO i-Air air management solutions (integrated AC/dehumidifier/air purifier/anti-bacterial systems)
- Next-gen TaiSEIA-integrated and app-controlled smart solutions for residential and commercial ACs

(f) Industrial IoT Category

i. WiFi application systems

ii. Edge computing system applications

iii. Application Examples:

- Edge computing applied in the VPI continuous furnace process at TECO Zhongli Plant for monitoring and automated production traceability
- WiFi-based digital management system applied in the assembly lines at TECO Zhongli Plant

iv. Smart Air Conditioning Energy-Saving Control System:

Integrated intelligent hardware and software that enables proactive optimization and self-diagnostic capabilities, forming a dual-function system for energy efficiency and predictive maintenance in HVAC solutions

1.4 Short- and Long-Term Business Development Plans

(a) Electrification and Automation Products

In recent years, countries around the world have been intensifying their energy efficiency policies. In response, TECO has continued to launch high-efficiency motors to further boost overall sales and market share. In the short term, the company will focus on promoting a globalized production and sales network, strengthening its manufacturing and cost control capabilities. In the long term, TECO aims to rank among the top three global motor manufacturers by market share. The key development initiatives are as follows:

Energy Conservation and Carbon Reduction:

In response to the growing demand for energy savings in the manufacturing sector driven by carbon neutrality and rising electricity prices, TECO has introduced a range of high-efficiency and net-zero emission products. The IE5 ultra-high-efficiency energy-saving synchronous reluctance motor, designed without rare earth materials, enhances supply chain flexibility while operating

at high efficiency to reduce customer carbon emissions, helping clients achieve their net-zero targets more easily. TECO also integrates group resources to offer energy-saving system solutions tailored to industry needs, leveraging past successful cases and partnerships with ESCO providers to expand its presence in the energy-saving market.

Green Energy:

Technologies such as CCUS (Carbon Capture, Utilization, and Storage) and hydrogen energy play a critical role in achieving zero-carbon goals. TECO actively seizes this opportunity by offering related products and solutions for applications in pumps, compressors, and explosion-proof motors, meeting the needs of equipment manufacturers.

Electrification:

TECO’s mobile variable frequency control station (VB-Skid) combined with high-efficiency motors has successfully delivered comprehensive solutions to pipeline operators in the North American petrochemical industry. The company is now exploring potential customers in Southeast Asia and Australia as the electrification trend continues. TECO's vehicle electrification solutions target markets such as electric buses, retrofit vehicles, commercial trucks, and marine propulsion systems. In Taiwan, TECO has already secured orders for electric bus power systems and, beyond strengthening its domestic presence, is actively expanding exports to China, the United States, India, and Mexico.

Through the acquisition of EVK Motor, TECO has obtained hairpin winding motor technology, enabling it to target the E-Axle drive system market for commercial electric vehicles in Europe and the United States—an opportunity valued in the tens of billions of USD. This further expands TECO’s product supply chain and competitive edge.

In North America, in response to the Buy America policy, TECO has established a new sales company, Teco NexE, which partners with regional power utilities, major school bus operators, and vehicle modification firms to promote green energy products. As the world enters a new phase of grid transformation, TECO is also acquiring high-efficiency transformer technology and establishing related production lines to pursue business opportunities for power transformers in both the North American and Taiwanese markets.

Development in High-Potential Regions:

In September 2023, TECO’s Mexico plant was completed, enabling short lead times and localized supply to markets in North America, Mexico, and Central America. This operation is integrated with the existing Mexican sales company to form strategic alliances with local OEM clients—primarily international pump manufacturers.

In November 2023, TECO inaugurated a new Bangalore plant in India, integrating the existing northern India supply chain and collaborating with Mitsui to expand the local dealership network and develop the EV market. In Southeast Asia, TECO is actively expanding into less-penetrated regions such as Indonesia and Malaysia, using more competitive product offerings to capture new market opportunities.

(b) Air Conditioning and Home Appliance Products

TECO's long-term business development plan aims to become the No. 1 brand in air conditioning and home appliances in Taiwan, while also actively expanding into overseas markets.

In alignment with the government's 2050 net-zero emissions pledge and related policies—such as building energy efficiency classifications and energy conservation programs for major energy users—TECO is fully committed to promoting smart living products. Its air conditioning product line now includes a full range of energy-saving models that exceed Grade 1 energy efficiency standards, as defined by the government. TECO collaborates with corporate partners and government research institutes, leveraging energy and technology projects to introduce the latest energy-saving technologies across technological, product, and service innovations, thereby enhancing the global competitiveness of Taiwan's brands.

As a leading brand among commercial air conditioning manufacturers, TECO supports the government's net-zero carbon emission goals by offering tailored AC system solutions for large-scale energy users. In addition to supplying top-tier energy-efficient products, TECO provides control systems integrated with chilled water system components (such as cooling towers and pumps). By adjusting the chilled water or cooling water flow rate according to changes in site load, the system can optimize motor speed to reduce electricity consumption and avoid surcharge penalties for exceeding contracted power usage.

TECO also offers energy management and health diagnostics services, along with visualized power monitoring tools and indoor air quality monitoring systems, creating a comprehensive one-stop air conditioning system integration service.

In response to the post-pandemic surge in demand for cold chain logistics, TECO has developed proprietary DC inverter technology and launched inverter condensing units (3–8HP) for freezing and refrigeration, marking its official entry into the commercial refrigeration market. Its technical strategy incorporates AI-based energy-saving solutions for HVAC systems, including multi-temperature zone adjustable cold storage units. TECO's commercial refrigeration technology is among the best in the industry, capable of meeting a full range of cooling demands from -55°C to +18°C. With a focus on technological leadership, the company remains committed to energy efficiency, health, and food preservation.

(c) Electromechanical Engineering and Power Equipment

TECO's long-term development plan is to become the leading brand in smart energy engineering in Taiwan, while also actively expanding into international markets. Upholding the philosophy of "Quality and Innovation", and leveraging its extensive experience in smart energy engineering, TECO is fully committed to supporting national energy development policies by engaging in offshore wind power, solar photovoltaics, microgrid systems, energy storage systems, and large-scale electromechanical engineering projects. To date, TECO has secured approximately 2.5 GW of onshore substation projects for offshore wind farms in Taiwan, representing a 35% market share.

TECO has also accumulated over 600 MW of completed IDC (Internet Data Center) infrastructure projects in Taiwan and abroad, supporting the construction of large-scale data processing centers for the cloud computing industry. Amid the rapid growth of the cloud sector, this business area continues to provide TECO with strong momentum for expansion.

One notable example of TECO's collaboration with Taipower is the Longtan Energy Storage System, the largest self-built energy storage site in Taiwan, with a total storage capacity of 80 MWh. The system spans 0.66 hectares, includes 25 containerized units, and has an installed capacity of 60 MW, supplying enough electricity to power approximately 8,000 households for an entire day. This project alone accounts for 37.5% of Taipower's self-built energy storage capacity.

TECO has integrated an Energy Storage Management System (ESMS), which reports operational status every 10 seconds. During testing, the system demonstrated a total response time of less than 0.4 seconds, surpassing the regulatory requirement of less than 1 second, and achieving an execution rate of over 99%, exceeding the standard threshold of 95%.

To enhance the safety and stability of the power system, TECO implements multiple layers of safety protection for energy storage, including gas detectors, isolation switches, and clean agent fire suppression systems.

TECO is also aggressively expanding its international presence, with ongoing data center projects in Singapore, Indonesia, Malaysia, and Thailand.

In the field of solar energy, TECO has completed self-built installations totaling 21 MW, with total awarded project capacity exceeding 15 MW. In energy storage, beyond completing the localization of PCS (Power Conditioning System) production, TECO's technically experienced team—skilled in both energy storage systems and EMS integration—has actively participated in both Taipower and private-sector storage projects, with a total awarded project capacity now exceeding 160 MW.

2. Market and Sales Overview

2.1 Market Analysis

(a) Electrifiction and Automation Products

a. Primary Sales Regions

The main sales regions for TECO’s motor systems and automation products include North America, Europe, Australia, Japan, Southeast Asia, Mainland China, and Taiwan. The company is also actively expanding into emerging markets such as Mexico, India, and Vietnam.

b. Market Share

TECO holds nearly 50% market share in Taiwan for general-purpose motors. Internationally, it has a strong presence in North America, Southeast Asia, and Australia. For specialty and customized motors, TECO offers tailored solutions based on customer requirements—its induction motors can reach up to 30,000 horsepower. Currently, TECO ranks 5th in global market share.

c. Future Supply-Demand Outlook and Growth Potential

According to the International Energy Agency (IEA), 46% of global electricity is consumed by motor-driven systems, and the industrial sector accounts for 50% of domestic electricity usage—70% of which goes to motors. Consequently, major power consumers in industries such as steel, electronics, and chemicals are adopting low-carbon production strategies. According to Omdia’s motor market research report, motors rated IE4 and above comprise approximately 9.2% of the global market, valued at around USD 1.4 billion, with a projected CAGR of over 10% for 2023–2028, significantly higher than the 5.5% CAGR for the overall low-voltage motor market. The EU implemented IE4 minimum efficiency standards in July 2023. Taiwan and the United States are expected to implement IE4 as the minimum standard in 2025 and 2027, respectively, likely triggering a wave of motor replacements. TECO launched IE4-compliant motors as early as 2015 and continues to develop IE5 motor technologies. As of June 2024, TECO has completed MEPS (Minimum Efficiency Performance Standard) registration for its full range of 0.75–200kW motors. Starting July 1, 2025, induction motors from 75 to 200kW will be required to meet IE4 or higher, supporting continued growth for TECO's motor products.

In addition, the global push for net-zero emissions by 2050 is driving the electrification trend worldwide. Commercial vehicle electrification: TECO is promoting DMIT electric bus and logistics vehicle solutions. It already holds over 85% market share in Taiwan for electric vehicle power systems. The company is expanding globally, with production lines in India expected to be operational by 2025, targeting electric bus opportunities. Its hairpin winding motor technology supports development of E-Axle drive systems for commercial EVs in Europe and the U.S. In North America, TECO NexE provides full-scope charging station solutions, including hardware, software, communication systems, and commissioning services tailored to customer needs.

With the development of industrial electrification, TECO's mobile variable-frequency control station (VB-Skid) combined with high-efficiency motors has set a benchmark in North America's petrochemical industry and is being rolled out to Southeast Asia and Australia.
As the world transitions to next-generation power grids, the growing demand for transformers presents opportunities for TECO's high-efficiency, energy-saving transformer products.

d. Competitive Advantages, Future Outlook, and Mitigation Strategies

TECO's motor systems and automation products enjoy a strong reputation for quality and functionality and are widely recognized in the industry. The company has production and sales sites in Taiwan, the U.S., China, and Southeast Asia, with sales offices in Japan, Europe, and Australia, demonstrating steady internationalization. However, rapid changes in the business environment—such as geopolitical tensions and industrial restructuring—pose challenges. TECO will continue to build on its established strengths to adapt to these changes.

i. Favorable Factors:

- Strong R&D and in-house manufacturing capabilities, with high customization ability
- Leading position in production scale and market share
- High product reliability and brand recognition
- Comprehensive product range, with certified motors for special specifications
- Global sales and distribution network
- Surging demand for high-efficiency products; TECO's IE4/IE5 products are market-ready
- Carbon neutrality initiatives drive demand for electrification and plant-wide energy-saving solutions
- Expansion of the global supply chain with new motor factories in Mexico and India shortens lead times and meets market demand

ii. Unfavorable Factors:

- Taiwan market saturation; foreign competitors aggressively undercutting prices
- Leading global motor brands expanding via M&A with substantial capital support
- Low technical entry barriers for small motors lead to intense low-price competition from local players, especially in Asia where Chinese price-dumping pressures persist
- Top motor brands increasingly offer total solution sales models; more customers expect integrated system offerings rather than stand-alone motors

- Strategic partnerships between motor manufacturers and equipment suppliers affect bid competitiveness
- U.S. tariffs on imports from China and Mexico raise costs, dampening domestic purchasing interest

iii. Response Strategies:

- Reduce costs and shorten lead times to strengthen competitiveness and increase market share
- Accelerate new product development and focus on high value-added offerings; enhance global division of labor
- Expand overseas sales networks and build effective service systems
- Collaborate with international engineering firms to secure project orders
- Shift parts of production to Vietnam, India, and Mexico to diversify risks and reduce the impact of U.S. tariff hikes

(b) Air Conditioning and Home Appliance Products

a. Primary Sales Regions

TECO’s air conditioning and home appliance products are primarily sold in Taiwan, China, and Australia, with ongoing efforts to expand into Southeast Asia and countries such as Indonesia.

b. Market Share

The company is one of the top three manufacturers of air conditioning and home appliance products in Taiwan, with an estimated domestic market share of approximately 10% across its various product categories.

c. Future Supply-Demand Outlook and Growth Potential

TECO continues to focus on the energy-saving segment within the air conditioning field and has introduced new high-efficiency models that exceed the 2025 energy efficiency standards by 20%. These units offer not only smart connectivity but also feature the industry’s first immersive comfort air conditioning technology. In line with ESG principles, TECO has also developed the industry's only solar-powered air conditioner, reinforcing its product advantage in energy conservation and emission reduction, which has been well received in the market. To support energy efficiency goals, Taiwan’s Ministry of Economic Affairs has allocated a NT$6.8 billion budget for two subsidy programs: “Energy-Efficient Appliance Replacement for Residential Users” & “Energy-Efficient Equipment Subsidy Program for the Commercial Sector”. The commercial program provides options for either replacing single units with Grade 1 energy-efficient products or applying for system-wide energy-saving projects. The subsidy scheme will be effective starting January 2025, covering all 22 cities and counties in Taiwan and open to all service industries, including retail, food & beverage, beauty salons, and laundry services, as well as medical institutions, cram schools, educational institutions, government agencies, and professional offices. TECO offers a full product lineup—from small split-type air conditioners to large chiller systems, all meeting Grade 1 energy efficiency standards—positioning the company to benefit from this replacement-

driven demand surge and increase overall sales.

d. Competitive Advantages, Future Outlook, and Mitigation Strategies

i. Favorable Factors:

- TECO leverages a strong brand image and group-level synergies to successfully translate industrial motor drive technology into the commercial air conditioning and refrigeration sectors through re-platforming of inverter drive systems, resulting in continuous innovation in high-efficiency products for applications focused on energy-saving, health, and food preservation.
- The company has developed a shared Inverter Common Platform, enabling cross-product integration of control logic, continuous product innovation, and improved customer service satisfaction.
- TECO adheres to ESG principles by introducing R32 refrigerant-based high-efficiency models that exceed national standards. It also emphasizes clean manufacturing and the use of eco-friendly materials, with products recognized under Green Mark, MIT mark, and energy efficiency certifications.
- As a member of the “Smart Home Appliance R&D Alliance,” TECO has integrated its smart air conditioning and home appliances with IoT applications, launching the first cloud-based air conditioning solution featuring scheduling control, energy visualization, remote control, and “left-on reminders,” pioneering customer-centric smart home innovation.
- In the commercial air conditioning segment, TECO offers a cloud-based smart control system integrated with chilled water systems and peripherals. These HVAC (Heating, Ventilation, and Air Conditioning) solutions also include energy health diagnostics, visualized energy management, and indoor air quality monitoring, forming a complete monitoring and control ecosystem.
- TECO’s commercial refrigeration products feature AI-powered energy-saving regulation systems, enabling proactive system management, safety assurance, and flexible cooling allocation, optimizing overall energy efficiency.
- TECO is the first in Taiwan to adopt R448A eco-friendly refrigerant in its refrigeration units—characterized by the lowest global warming potential (GWP)—paired with inverter-based temperature control, reducing spoilage rates and contributing meaningfully to energy saving and carbon reduction.

ii. Unfavorable Factors:

- The household air conditioning and appliance market is approaching saturation, with Japanese brands holding over 50% market share. Traditional distributors are under heavy pressure from hypermarkets and chain retailers, making profitability more difficult. TECO must rely on technological innovation to maintain competitiveness.

- The global trend of bilateral and regional free trade agreements places Taiwan at a disadvantage in export competition.
- Mergers between Japanese and American brands in recent years have created challenges for Taiwanese domestic brands.

iii. Response Strategies:

- Transform direct-to-consumer e-commerce operations, expand online sales channels, and offer smart, high-efficiency products with visualized online services such as installation assistance to increase market share.
- Selectively utilize China's cost advantage in hardware manufacturing through SKD (semi-knocked down) assembly to improve cost competitiveness while maintaining Taiwan's design innovation, creating a synergy of innovation and scale.
- Encourage commercial air conditioning distributors to switch to inverter-based products, expand direct sales of energy-saving systems, and offer cloud-based smart air conditioning control solutions with intelligent diagnostics and optimized operation of chillers.
- Combine sales of commercial air conditioning and refrigeration products under a single, domestically produced brand, offering one-stop solutions for complex multi-use spaces to increase market penetration.

(c) Electromechanical Engineering and Power Equipment

a. Primary Sales Regions

TECO's electromechanical engineering and power equipment products are primarily sold in Taiwan, with expansion efforts also targeting Japan and Southeast Asia. For products such as circuit breakers and magnetic contactors, the main markets are Taiwan and Mainland China, with active development of the Southeast Asian market underway.

b. Market Share

TECO is one of the top two manufacturers in Taiwan for low-voltage switchgear products, including circuit breakers, magnetic contactors, ACBs (Air Circuit Breakers), RCSs (Remote Control Switches), and ATSs (Automatic Transfer Switches). These products are widely used in residential buildings, factories, public infrastructure, machinery, and the Taipower system, accounting for approximately 20% of the domestic market share.

c. Future Supply-Demand Outlook and Growth Potential

TECO has deeply engaged in the renewable energy market, securing numerous domestic and international project orders. To accelerate renewable energy development, the Taiwanese government has set a policy goal of 15GW in offshore wind power capacity between 2026 and 2035, with expectations of reaching 20GW in total offshore capacity by 2035. The offshore wind power market is forecasted to exceed NT$1.3 trillion, indicating continued growth in renewable energy demand.

In solar power, the government aims to reach 20GW of installed capacity by 2025, and 31GW by 2030. As of the end of July 2024, a total of 13.52GW of

solar PV systems had been installed in Taiwan. This leaves a gap of 17.48GW over the next five years, with the 2025–2030 market value projected at NT$10 trillion.

c. Competitive Advantages, Future Outlook, and Mitigation Strategies

TECO's Competitive Strengths in Electromechanical Engineering and Power Equipment Include:

i. Extensive experience in executing large-scale engineering projects

ii. A project management team of over 250 personnel

iii. Solid financial structure capable of supporting large project working capital requirements

iv. Strong corporate image, with 10 consecutive years of sustainability awards

v. In-house production of key electrical equipment, including transformers, high-voltage switchgear, distribution panels, busbars, HVAC systems, and emergency generators

Key Factors Affecting the Development of the Smart Energy Business:

i. Favorable Factors:

- Strong capabilities in system integration for engineering projects
- Deep expertise in IDC (Internet Data Center) infrastructure
- No. 1 market share in offshore wind substation projects in Taiwan
- No. 1 market share in Taipower energy storage and STATCOM projects

ii. Unfavorable Factors:

- Labor shortages in the engineering industry make it difficult to recruit talent with both foreign language proficiency and engineering supervision skills
- Rising prices of raw materials and high-voltage equipment

iii. Response Strategies:

- Enhance internal training to improve employees' foreign language and technical skills
- Ensure price adjustment clauses are included in contracts to mitigate cost fluctuation risks during inflationary periods
- Negotiate long-term agreements with key material suppliers to secure stable pricing and supply continuity

2.2 The Production Procedures of Main Products

Electrification and automation products

Products	Use	Production Process
High-efficiency motors, single-phase motors, low- and high-voltage 3-phase motors, synchronous motors, explosion-proof motors, brake motors, variable-pole motors, gear-reducing motors, crane motors, high-temperature exhaust gas fan motors, inverter-duty motors, high-thrust motors, steel-cased motors, aluminum-cased motors, eddy-current motors, wound rotor motors, submersible motors, DC motors, ventilation blowers, wind generators and transformers.	Provision of power for industrial production	Casting, Stamping, Electrical Engineering, Mechanical Engineering, Design, Planning, Assembly, Matching
Permanent magnet motors for EVs, hairpin motors, EV induction motors, synchronous reluctance motors, AC permanent magnet servo motors, EC motors, integrated IE3/IE4 high-efficiency motor-driver units	Industrial and electric vehicle used	Stamping, Electrical Engineering, Mechanical Engineering, Magnet, Design, Planning, Assembly, Matching, Integration

Air Conditioners & Home Appliances:

Products	Use	Production Process
CSPF-grade 1 air conditioner, new environment-friendly coolant inverter duty air conditioner (one to one and VRF type), smart air conditioner, energy-saving inverter duty refrigerator, high efficiency refrigerator, direct-drive inverter duty washing machine, dehumidifier, clothes dryer, small home appliances, home-delivery low-temperature cart, elevator air conditioner, cooling device for machine tool, low-temperature logistics freezer, heat-dissipation module for PC	Household, commercial, industrial use	Design, planning, assembly, and matching
LED Display, small home appliances	Home Entertainment	Design, Planning, Assembly
Chillers for centralized air-conditioning systems, package air conditioners, split-type air conditioners, inverter multi-evaporator VRF air conditioner, train air-conditioning systems, maglev centrifugal chiller, IPLV chiller solution	Commercial, Industrial Applications; Transportation systems	Design, Planning, Assembly, Matching

Electromechanical Engineering and Electrical Equipment

Products	Use	Production Process
Turnkey project of Substation of offshore wind power, internet data center (IDC), solar power generation system, energy storage system, , micro-grid system.	energy industry, power system	design, procurement, construction and mantenance
Power equipment, generator sets, hydrogen fuel cells, high- and low-voltage switches	power system	Design, Planning, Assembly, Matching

2.3 Main Material

	Main Material	Main Source	Supply
Electrome chanical products	Silicon Steel	At home and abroad	Centralized Procurement by season
	Aluminum Ingot	At home and abroad	Centralized Procurement by season
	Rod Iron	At home and abroad	Procurement by Contract
	Copper Wire	At home and abroad	Procurement by Contract and Order Placing
	Bearing	At home and abroad	Procurement by Contract
	Engine	Abroad	Procurement by Contract

2.4 Major Clients (each commanding 10%-plus share of annual order volume) Information for the Last Two Calendar Years：None.

3. Human Resources

Year		2023		2024		April 7 2025	
		TECO	Global	TECO	Global	TECO	Global
Number of Employees		2,271	13,415	2,384	12,968	2,417	13,147
Average Age		44.2	42.6	44.8	43.0	45.0	43.0
Average Years of Service		15.0	8.6	15.8	10.3	14.5	10.2
Education	Master above	14.6	6.0	14.6	7.2	14.7	7.3
	Colleage	56.8	51.2	57.5	51.8	57.1	51.9
	Senior high	24.7	31.7	23.6	30.9	23.8	30.8
	Junior high and below	3.9	11.1	4.1	10.1	4.2	10.0

Note: Employees mentioned here refer to those people who are hired by the entities under consolidated financial statements.

4. Environmental Protection Expenditure Information

This section outlines the most recent year's environmental performance and, up to the date of this annual report's publication, any losses (including compensation), penalties, future response plans, and potential expenditures resulting from environmental pollution.

4.1 Losses from Environmental Pollution: None.

4.2 Response Measures:

(a) Planned Improvements

a. Environmental Equipment Improvement Plans

Solar Green Energy Deployment:

To reduce greenhouse gas emissions and fulfill its corporate social responsibility, TECO has implemented solar power systems at its Guanyin and Zhongli plants in Taiwan. In parallel, solar energy deployment has also begun at plants in Mainland China and Southeast Asia. In 2024 (Year 113 of the ROC calendar), solar systems were additionally installed at TECO Jiangxi and TECO Wuxi plants. The company will continue expanding its overall solar energy initiatives in the future.

Equipment and Process Improvements:

TECO's domestic and overseas plants are simultaneously undertaking process improvements to reduce greenhouse gas emissions. For example, after substantial SF_6 gas reduction improvements at the Hukou plant, those improvements have been maintained. In 2022, the Guanyin plant began refining its home appliance production processes, significantly reducing refrigerant leakage by approximately 70%. In 2024, the plant further introduced eco-friendly refrigerants. These best practices from Taiwan are now being extended to overseas plants to improve refrigerant leakage control.

By leveraging TECO’s existing system control and motor technologies, the company provides consumers with green and energy-efficient products. It is also replacing outdated, energy-intensive equipment with newer, energy-saving alternatives. Maintenance and waste reduction measures are being strengthened to improve workplace conditions. TECO actively promotes resource conservation, such as the reuse of cooling water at its foundries. Nearly 100% of waste silicon steel generated during production is recovered and remelted by in-house foundries for reuse in new products—both enhancing resource recycling and lowering production costs.

b. Management Improvement Plans

TECO actively and continuously implements the ISO 14001 Environmental Management System to control and manage the environmental impact across all operational activities—including production, sales, product use, and post-use disposal—throughout the product life cycle. The company identifies key environmental impacts and opportunities for improvement, with the goal of reducing environmental impact and enhancing environmental performance.

TECO is fully committed to promoting the adoption of the more environmentally friendly R32 refrigerant in household appliances, thereby helping end-users adopt greener refrigerants. The company has also integrated ESG performance into daily management KPIs, with quarterly performance reviews to ensure that environmental improvement actions are effectively implemented. Since 2023, TECO has introduced a digital management system that allows real-time monitoring of greenhouse gas emissions across the company. Any irregularities are immediately addressed with corrective actions. This system is being gradually expanded to cover the Group’s major overseas manufacturing facilities.

c. Ongoing Greenhouse Gas Inventory and Reduction Initiatives

In response to global climate change, TECO has been conducting greenhouse gas inventories since 2005 (Year 94) and obtains third-party verification in accordance with ISO 14064-1 annually. As of 2024, the inventory scope has extended beyond Taiwan to include major overseas production bases in Mainland China, Vietnam, Italy, and the United States (TWMC).

TECO has mobilized all personnel to promote energy-saving and carbon-reduction initiatives and has established a dedicated energy-saving task force to propose and implement viable solutions.

TECO is fully committed to its strategic vision of "Energy Saving, Emission Reduction, Intelligence, and Automation." Across every aspect of the business—from product development and raw material sourcing to production processes and marketing—TECO embraces energy conservation and emission reduction as its core mission. New business development is also aligned with the green energy industry, and the company, through its foundation, regularly organizes science and humanities activities that promote ECO values internally. TECO continues to lead the way toward sustainable operations and long-term environmental responsibility.

d. Projected capital outlay for environmental protection in the next three years(including overseas plants)

i. Planned procurement of anti-pollution equipment and outlays

(i) Plans in next three years

2025	2026	2027
The continued promotion of solar energy systems, energy-efficient equipment, and other energy-saving solutions will be pursued.	The continued promotion of energy-efficient equipment, and other energy-saving solutions will be pursued.	The continued promotion of energy-efficient equipment, and other energy-saving solutions will be pursued.
By implementing environmentally friendly paint systems, the proportion of eco-friendly paints will be increased.	Improving or adding painting equipment, continuous furnaces, and maintaining air pollution control systems.	Improving or adding painting equipment, continuous furnaces, and maintaining air pollution control systems.
Replacement of consumables such as activated carbon, filters, and filter balls, and improvements in organic solvent processes.	Replacement of consumables such as activated carbon, filters, and filter balls, and improvements in organic solvent processes.	Replacement of consumables such as activated carbon, filters, and filter balls.
Improvement of the process environment around the plant.	Improvement of the process environment around the plant.	Improvement of the process environment around the plant.
Continued implementation of smart air compressor systems to enhance operational efficiency.	Continued implementation of energy saving equipment to enhance operational efficiency.	Continued implementation of energy saving equipment to enhance operational efficiency.
Ongoing improvements to lighting systems to conserve energy.	Ongoing improvements to lighting systems to conserve energy.	Ongoing improvements to lighting systems to conserve energy.

(ii) Projected outlays (Unit: NT$thousand)

2025	2026	2027
$ 143,726	$ 145,818	$ 236,721

i. Expected Improvements

(i) In addition to reducing greenhouse gas emissions and lowering electricity costs, solar power can also help mitigate potential competitive threats from the future implementation of carbon taxes. As of 2024, TECO has completed solar systems expected to generate 16.57 million kWh annually, which will yield an estimated NT$80 million in electricity savings per year.

(ii) With the adoption of eco-friendly water-based paints, the proportion of green coatings reached 85% by the end of 2024. Compared to the 2015 baseline, total VOC (volatile organic compound) emissions have been reduced by 70%.

(iii) A remote monitoring system has been installed to track air pollution emissions in real time, ensuring compliance with environmental

regulations. TECO also collaborates with domestic industrial associations to identify opportunities for improving air pollution and wastewater treatment.

(iv) The company is promoting industrial waste reduction by decreasing waste generation, enhancing waste recycling mechanisms, and exploring opportunities for material reuse. Since 2022, waste reduction has been formally included in management indicators, making energy saving, emission reduction, and waste minimization a shared responsibility for all employees. A dedicated unit reviews performance improvements monthly, which are also included in each department's quarterly KPI assessments.

(v) Each business group is implementing carbon reduction initiatives aligned with TECO's goal of reducing greenhouse gas emissions by 50% between 2021 and 2030, based on their individual carbon inventory baselines. These plans are closely monitored by the ESG Promotion Office, which reports directly to the Board of Directors. By 2024, TECO had already achieved 38.6% of the targeted 50% reduction, equivalent to a goal achievement rate of 77.2%.

(vi) TECO is committed to reducing greenhouse gas emissions through the development of energy-saving and environmentally friendly products. The company uses its proprietary control systems and energy-efficient technologies to offer green household appliances, and is advancing the full adoption of eco-friendly refrigerants to reduce CO_2 emissions, aligning with its corporate social responsibility and climate action goals.

e. Impact After Improvements

i. Impact on Net Income

(i) The implementation of solar power systems is expected to generate 16.57 million kWh annually, reducing electricity expenses by about NT$80 million per year and cutting carbon emissions by approximately 8,300 metric tons.

(ii) Recycling and reuse of industrial waste help reduce material costs and lower outsourced waste treatment expenses.

(iii) Improvements in air and water pollution control help avoid penalties and related losses.

(iv) Prevents public disputes caused by environmental pollution.

(v) Avoids losses from forced production shutdowns due to environmental violations.

(vi) Reduces environmental management expenses through waste minimization and pollution prevention, thus lowering overall costs.

ii. Impact on Competitive Position

(i) The solar power system directly reduces greenhouse gas emissions and aligns with international emission reduction trends. Once carbon taxes are implemented, this will lessen trade barriers and cost

pressures, increase product sales opportunities, and enhance product competitiveness.

(ii) Strengthening in-house capabilities in solar system deployment will expand the company's business potential.

(iii) Recycling and reuse of industrial waste reduce production costs and increase product competitiveness.

(iv) Enhancing the company's image and fulfilling stakeholder expectations.

(v) Leveraging existing technical capabilities to develop online power monitoring systems that optimize electricity distribution, identify energy-saving opportunities, and create external business opportunities.

(b) Items Without Mitigation Measures

a. Reasons for not taking improvement measures: None.

b. Pollution status: None.

c. Potential losses and compensation amounts: None.

5. Employer-Employee Relations

The company provides diverse and open communication channels to foster a harmonious and trustworthy relationship between labor and management, aiming to achieve win-win outcomes. As early as 1982, the company signed a collective agreement with the labor union and has since maintained a positive and constructive dialogue. To ensure long-term stability in labor relations, promote workplace harmony, and enhance employee welfare, the company applied for expert consultation from the competent authority in 2017. In 2019, the revision and negotiation process for the collective agreement was formally initiated. After 13 rounds of negotiation meetings, both parties signed the revised collective agreement on February 21, 2023.

The effective period of the agreement is three years from the date of enactment. If no new collective agreement is signed upon expiration, the agreement will automatically be extended for another three years, and such extensions may continue thereafter under the same terms. The agreement includes several provisions that are more favorable than the minimum requirements under labor laws, including:

“Party A agrees to provide full pay to Party B union members who are full-time employees with over three months of service for up to three days of combined personal and sick leave per year.”

“When a union member is hospitalized due to illness or injury, they may apply for convalescence leave equal to the number of days hospitalized.”

“If union members are unable to perform their duties due to a natural disaster, Party A shall provide fully paid leave.”

“If Party A requires union members to work during a natural disaster, attendance bonuses shall be paid as if working on a public holiday.”

“In the event of a non-work-related death of a union member, the member's family may apply for benefits under the company’s group insurance plan; however, the total condolence payment shall not be less than NT$300,000.”

“If employees are dismissed under the Mass Redundancy Protection Act, in addition to severance pay as prescribed by the Labor Standards Act, an additional one-month severance payment shall be granted.”

The collective agreement applies to all Party A employees who qualify as members of Party B (the labor union).

5.1 Career Development and Self-Fulfillment

To cultivate outstanding talents with initiative and innovative thinking, and to help them realize personal achievement on TECO’s platform, the company not only offers comprehensive onboarding and care programs for new employees but also ensures open career development channels. Relevant initiatives include:

(a) Internal Recruitment Priority

To invigorate and streamline talent development pathways, the company requires that all job openings be offered internally first, providing employees with voluntary and autonomous career advancement opportunities. The application process is confidential to ensure fairness. For successful internal applicants, systematic handover and transition arrangements are made,

allowing employees to explore new opportunities where they can fully apply their skills.

(b) Key Talent Program

Key talents refer to high-potential employees below managerial level. To improve talent development and retention, the evaluation cycle has been changed from once every two years to once annually. Key talent development and retention have been included as a KPI for departments. Supervisors work with identified key talents to formulate individual development plans (IDPs) aligned with both company and personal growth goals. These employees receive structured training and development, which helps strengthen talent retention and drive organizational growth.

(c) Future Leadership Training

To build future leaders, TECO provides annual training programs for junior and mid-level managerial candidates. Employees recommended for promotion to management positions must complete the relevant courses before being considered, ensuring foundational leadership and management capabilities.

(d) Succession Evaluation

To develop talents with operational and long-term growth potential, the company holds biannual evaluations for promotions to mid-level or higher managerial roles. Candidates must present their views on various aspects of corporate operations. A review panel consisting of senior executives, academic professionals, and industry experts evaluates the candidates through a multidimensional, in-depth process. This enables outstanding talents to gain exposure and fosters strategic thinking in addition to performance and capability demonstration.

(e) Professional Skill Development

Every year, TECO develops new internal trainers and enhances the teaching and mentoring capabilities of existing trainers. Key technical knowledge and know-how are passed down via internal courses and on-the-job training (OJT). The company's factories also host annual skill certification tests to elevate technical standards, uncover employee potential, promote multi-skilled talent, and reward technical excellence.

(f) Mentor Program

To strengthen mid- and senior-level managerial succession and organizational capability, high-potential successors are paired with senior executives as mentors, based on 360-degree competency assessments and individual needs. Mentors share experiences and provide tailored guidance to accelerate holistic development. Additionally, a select group of high-potential mid-level managers receive direct mentoring from the General Manager. Through this program, mentees gain high-level strategic insight and engage in interdepartmental collaboration. They also lead cross-functional projects and seek external partnerships. Regular group coaching sessions are held to review progress and provide feedback based on development status and project milestones.

(g) Digital Transformation and Talent Development

a. Digital Learning:

TECO has made significant strides in digitalizing learning. The launch of the new platform, TECO e-Academy, has strengthened the foundation for blended learning (online + offline). The platform continues to grow in scope and variety, supporting internal knowledge sharing, personal growth, and cultural shaping.

b. Digital Competitions:

To respond to rapid digital transformation, TECO introduced the M365 collaboration platform in 2023. Basic training was provided to all employees, while selected digital “seed talents” from each business unit were trained in automation and visualization tools to enhance the company's digital productivity.

c. Digital Seed Training Program:

To promote real-world applications of M365, the company hosted internal digital project competitions. Teams went through proposal, coaching, implementation, and results-sharing stages. Final outcomes included tools such as a product integration system, GPS attendance tracking system, and material requisition system, which improved internal work efficiency and optimized processes.

5.2 Employee Rights and Benefits

(a) Job Application and Employment Security

In compliance with the Personal Data Protection Act, the company ensures the confidentiality of job applicants’ personal data and does not use such data for any purposes other than recruitment without the applicant’s consent. All employment practices follow applicable labor laws and TECO’s Human Rights Policy, which emphasizes fairness, non-discrimination, the prohibition of child labor, and the prevention of forced labor.

(b) Gender Equality Protection

TECO actively promotes gender equality by narrowing gender gaps through institutional measures. The company has established the “TECO WAO! (Women’s Ability Organization)” club, offers diverse and inclusive types of leave, fosters a family-friendly workplace, and hosts educational campaigns supporting gender diversity. In 2024 (Year 113), TECO received the Silver Award for Workplace Gender Equality Certification from the Taipei City Government and was also nominated for the DEI (Diversity, Equity, Inclusion) Award by Womany.net.

(c) Competitive Compensation Policy

TECO continuously monitors market compensation levels to remain competitive and reviews its internal compensation policies regularly to attract and retain top talent. To recognize employees’ contributions, the company offers special duty allowances for unique job requirements and multiple bonus programs including: Sales bonuses, Patent bonuses, Task-based incentives, Proposal incentives, Skill certification awards.

To retain key talent, TECO has implemented supporting reward mechanisms and provides comprehensive salary and benefits to ensure peace of mind for employees. Since 2023, all employees have been eligible to join the Employee Stock Ownership Trust, per the program's charter. The company offers matching contributions to encourage long-term shareholding, aligning employees with company success and building a co-ownership culture.

(d) Retirement System and Implementation

In accordance with applicable laws, TECO has established a Labor Retirement Plan, contributing monthly to the trust fund managed by the Bank of Taiwan to secure post-retirement income for employees. For those who opted into the new labor pension system starting July 1, 2005, the company contributes 6% of monthly salary to the employee’s personal account at the Bureau of Labor Insurance, based on government-specified wage tiers.

(e) Communication Channels and Employee Feedback Surveys

TECO is committed to building strong communication bridges with its employees. The company has received numerous awards, including: National Award for Excellence in Labor-Management Relations (by the Council of Labor Affairs), Model Labor-Management Conference Award, Taoyuan County Award for Outstanding Labor-Management Relations.

In addition to communication through labor unions, labor-management meetings, and regular employee quarterly and daily meetings, TECO conducts an annual Employee Satisfaction Survey using anonymous questionnaires to gather feedback and respond to employee needs.

(f) Employee Satisfaction Survey

TECO conducts an annual employee satisfaction survey using anonymous questionnaires to better understand employee views, enhance engagement, and ultimately boost organizational performance and competitiveness. In September 2024 (Year 113), the company conducted a survey across all affiliated domestic and overseas entities, covering four dimensions: Satisfaction, Engagement, Well-being & Job stress. The overall response rate was 36%, while the response rate for TECO Electric & Machinery Co., Ltd. (parent entity) was 58%.

Results showed that 62.9% of employees globally expressed strong recognition of the company. TECO aims to raise this figure to 70% by 2025. Well-being scored the highest among the dimensions, indicating strong positive sentiment and collegial workplace relationships. However, job stress received the lowest satisfaction rating. Compared to the previous year, employees reported increased stress levels. After internal review, the company attributed this to its push for innovation, strategic initiatives, and operational restructuring, such as leadership empowerment and succession planning. In response, TECO plans to launch stress management workshops, offer psychological counseling, and implement leadership training programs in 2025 to help employees manage pressure and better support their work.

5.3 Work-Life Balance

(a) Comprehensive Leave Policy

To support employees in balancing their work and personal lives, the company strictly enforces leave policies in compliance with labor regulations. In addition, the utilization rate of annual leave is reviewed and included as an evaluation indicator for supervisors' annual performance assessments.

(b) Volunteer Leave

To encourage employee participation in social welfare and community engagement, TECO grants three days of paid volunteer leave per year. This leave does not affect the employee's performance evaluation and reflects the company's commitment to corporate citizenship.

(c) Wellness Leave

TECO offers three days of paid wellness leave annually to help employees maintain a healthy work-life balance and attend to personal or family needs.

(d) Birthday Leave

Recognizing birthdays as a special occasion, TECO grants employees a flexible birthday leave during their birth month, allowing them to enjoy and celebrate their special day with personal arrangements.

(e) Physical and Mental Wellness Initiatives

To safeguard the health and well-being of its employees, TECO provides nutritious and delicious group meals, and assigns professional nurses at each factory site. Medical consultation rooms are also available, with regular visits from certified physicians to ensure health and safety in the workplace. The company promotes various health and wellness programs, supports employee recreational and sports clubs, and employs visually impaired massage therapists to provide on-site stress relief services.

For maternal health, TECO has made significant efforts to build a mother-friendly workplace. Since 2019, the nursing room at TECO's Nangang headquarters has consistently received certification from the Taipei City Government. The company also provides maternity health consultations and ten days of paid prenatal checkup leave, exceeding statutory requirements to help employees feel secure in starting and raising families. Additionally, since 2023, TECO's Nangang headquarters has installed two Automated External Defibrillators (AEDs) and earned the AED-Safe Location Certification from the Taipei City Government, enhancing workplace health and safety protection.

5.4 Employee Conduct and Code of Ethics

To uphold order in the workplace and clearly define the rights and obligations of both labor and management, the company has established "Employee Work Rules" in accordance with legal requirements. These rules have been submitted to and approved by the relevant authorities and are publicly disclosed. They provide a standardized framework for managing employees, with clear provisions covering areas such as positions, appointments, leave, compensation, rewards and penalties, evaluations, promotions, benefits, severance, occupational injury compensation, and retirement.

TECO expects every employee to do their utmost to achieve the company's highest operational goals while upholding the highest standards of personal integrity. For this purpose, the company has implemented the "Code of Conduct and Ethical Business Operation Procedures and Guidelines." A summary of its core content is as follows:

(a) Avoidance of Conflicts of Interest

Employees must avoid using their position at the company to obtain improper benefits for themselves, their spouses, parents, children, or any other related individuals.

(b) Confidentiality and Trade Secrets

All internal information related to TECO's business interests—whether technical, financial, commercial, or otherwise—shall be regarded as trade secrets. Employees are obligated to keep such information strictly confidential. They must not exploit it for personal gain or disclose it to unauthorized parties.

Even after leaving the company, employees must continue to honor their confidentiality obligations and may not leak or use TECO's trade secrets for illegal or unfair competitive purposes.

(c) Fair Dealing with Clients

Employees must comply with all laws and internal company regulations. They must avoid offering or accepting improper gifts or benefits in any form. All interactions with customers and suppliers must be conducted fairly, transparently, and professionally.

(d) Political Contributions

Employees are prohibited from making political contributions or sponsorships to any candidates on behalf of the company or its affiliates.

(e) Charitable Donations

Employees must ensure that all charitable donations or sponsorships have a legitimate and clearly defined purpose. Donations must not be used as a disguised form of bribery.

(f) Reporting and Whistleblower Obligations

TECO encourages open communication between employees and third parties. Any concerns, complaints, or reports related to unfair treatment or violations of company policies may be submitted through designated fraud and ethics reporting mailboxes. Malicious or false accusations are strictly prohibited. Reports of unlawful activity will be handled confidentially, and the company will protect the identity and rights of those involved in the investigation.

Status of the company's staffers related to financial-information transparency in securing certificates designated by the regulator.

License	Number of People	
	Financial Accounting	Auditing
CPA (ROC)	4	0
CPA (US)	1	0
Certified Internal Auditor	3	0

5.5 The company has consistently maintained harmonious labor-management relations, and all employee work rules are in compliance with relevant labor laws and regulations.

However, in 2024, the company was fined NT$20,000 for a violation of Article 38, Paragraph 4 of the Labor Standards Act.

For more details, please refer to the table below.

Date	Reference No.	Legal Violation	Description	Penalty	Action Taken
2024/12/17	Gov. Ref. No. 1130485642	Labor Standards Act, Article 38-4	Failure to compensate unused special leave at contract termination or year-end	NT$20,000 fined	The configuration of the special bonus distribution system has been thoroughly reviewed and successfully implemented.

6. Information Security Management

Information Security Governance	TECO has established an Information Security Committee under the Board-level Corporate Governance and Sustainability Committee, and appointed a Chief Information Security Officer (CISO). On September 1, 2024, the company formally established an Information Security Office as the dedicated unit responsible for information security management and the ongoing supervision of security enhancement initiatives. ● Board of Directors – Vice Group Chairman Mr. Chiu: Oversees TECO Group's digital transformation and information security strategies. The company obtained ISO/IEC 27001 and CNS 27001:2014 Information Security Management System (ISMS) certifications on November 4, 2021. ● Board of Directors – Director Mr. Jong-Chin Shen: Currently serving as Senior Advisor to the Office of the President. During his tenure as Vice Premier and CISO of the Executive Yuan, he elevated cybersecurity to a national security issue, supervised responses to cyberattacks from Mainland China, and promoted the development of Taiwan's cybersecurity industry and ecosystem. ● Board of Directors – Independent Director Ms. Mei-Chun Chao: As an executive council member of the Taipei Bar Association, she served on the IT Committee and led efforts to reconstruct the Association's information systems. ● Chief Information Security Officer (CISO) – President Mr. Fei-yuan Kao: Also serves as Chairperson of the Information Security Committee. She is responsible for the planning and oversight of the Group's information security policies and the execution of ISMS operations.
Information Security Protection	To strengthen information security management and ensure the confidentiality, integrity, and availability of its information systems, equipment, and network infrastructure, TECO has established an Information Security Policy to guide its information security risk management. The company's information operations aim to align with international cybersecurity standards. In addition, TECO has implemented related management and incident reporting policies, and has incorporated information security into employee performance evaluations. Annual information security training programs are also conducted to raise awareness and reinforce best practices. In 2024, the company conducted penetration testing using hacker-style simulated attacks on its external service websites to proactively identify vulnerabilities. TECO also successfully completed projects including the upgrade of identity authentication and access control systems. For its EOS systems, a decommissioning and replacement schedule has been established, with full implementation expected by 2025. By then, TECO will also complete enhancements to its network detection and response (NDR) capabilities and malware detection mechanisms, further fortifying its overall information security defenses.
Process Architecture	To ensure business continuity, TECO conducts Business Continuity Validation exercises at least semi-annually. In 2024, these exercises were carried out for key systems including the ERP system, Global Order System, and core network firewalls, simulating scenarios to verify uninterrupted operations. TECO also successfully completed the ISO 27001:2022 transition audit by the end of 2024, maintaining the validity of its ISO 27001 certification. Looking ahead, the company will evaluate the adoption of additional certifications, such as ISO 27701. Since 2012, TECO has implemented a Personal Data File Security Maintenance Plan and Processing Procedures, and has consistently promoted and enforced personal data protection practices across its operations.
Risk Management and Control	To ensure the stable and secure operation of information systems, TECO has adopted a defense-in-depth strategy focusing on three core objectives: anti-virus, anti-intrusion, and data leakage prevention. The company has strengthened its network firewalls, anti-virus systems, and network whitelist controls, while deploying intrusion detection systems (IDS) to identify malicious traffic and proactively block such traffic from entering the network. These measures enhance TECO's capabilities in defending against external cyberattacks and safeguarding internal confidential information, ensuring that the company's information assets remain protected from threats and disruptions that could compromise the availability or accuracy of its information services.。

In July 2024, TECO Electric & Machinery Co., Ltd. experienced a cybersecurity incident in which certain information systems were targeted by a hacker attack. The company immediately activated its cyber

defense and recovery mechanisms and notified the relevant government authorities in accordance with regulatory requirements.

After assessment, the incident was determined to have no material impact on the company's financial results or operations. In response, TECO has further strengthened its information and network security management framework to ensure continued protection of its digital infrastructure going forward.。

7. Material Contracts

Agreement	Counterparty	Period	Major contents	Restrictions
1. Agency contract	Yaguang Co., Ltd. and a total of 1045 other companies	One year after the signing contract/starting of shipment, should any party fail to notify contrary opinion one month before the ending of the contract, the contract will be extended by one year automatically, an arrangement which will be repeated afterwards.	Rights and obligations for agency for home appliances, electric motor, heavy electric products, power device and and air conditioners.	None
2. Project Undertaking	Taoyuan International Airport Co., Ltd.	The contract was signed on July 31, 2019, and is valid until the expiration of the warranty period.	Taiwan Taoyuan International Airport Terminal 3 Public Facilities Project (1) New Construction	None
3. Project Undertaking	Taoyuan International Airport Co., Ltd.	The contract was signed on August 30, 2022, and is valid until the expiration of the warranty period.	The motor project at Taoyuan Airport Terminal 3 Area.	None
4. Project Undertaking	CIP Copenhagen Infrastructure Fund	The contract was signed on July 31, 2019, and is valid until the expiration of the warranty period.	Changfang and Xidao Offshore Wind Farm Substation early work agreement, condition of contract	None
5. Project Undertaking	Century Biotech Development Corporation	The contract was signed on June 29, 2019, and is valid until the expiration of the warranty period.	The new mechanical and electrical engineering of Taipei Nangang Biotechnology Industry Building (BOT).	None
6. Major credit contract	Australia and New Zealand Banking Group Limited, Bank SinoPac, Bank of Taiwan, Taishin International Bank, CTBC Bank Co., Ltd., Mizuho Bank, Ltd. Taipei Branch, The Hongkong and Shanghai Banking Corporation Limited, DBS Bank (Taiwan) Ltd., and First Commercial Bank Co., Ltd.	From March 27, 2024, until August 20, 2029, at the latest.	Syndicated Credit Facility Agreement, Project Financing Agreement	None
7. Project Undertaking	Hai Long II Wind Power Co., Ltd. etc.	The contract was signed on October 14, 2022, and is valid until the expiration of the warranty period.	EPC project of onshore substation of Hailong offshore wind farm	None

Agreement	Counterparty	Period	Major contents	Restrictions
8. Project Undertaking	Exyte Taiwan Co., Ltd.	The contract was signed on December 3, 2021, and is valid until the expiration of the warranty period.	CHG-5 ELECTRICAL WORKS	None
9. Project Undertaking	China Steel Power Corporation	The contract was signed on July 7 2020, and is valid until the expiration of the warranty period.	EPC project of onshore substation of China Steel Power offshore wind farm	None
10.Project Undertaking	Chunglu Construction Co., Ltd.	The contract was signed on December 6, 2021, and is valid until the expiration of the warranty period.	New construction project of Yangmei highly efficient plant for Walsin	None
11. Project Undertaking	National Archives Administration, National Development Council and Construction and Planning Agency Ministry of the Interior	The contract shall be effective from March 15, 2021, until the expiration of the warranty period.	New project for National Archives	None
12.Project Undertaking	Taiwan Power Company Limited	The contract shall be effective from April 14, 2022, until the expiration of the warranty period.	The energy storage system at Longtan Ultra-High Voltage Substation (E/S).	None
13.Land Joint Development Agreement	Mingtai Property Insurance Co., Ltd Dong'an Asset Development Management Co., Ltd.	The contract shall be effective from February 10, 2023, until the expiration of the warranty period.	Joint development of land located at No. 934, Section 2, Jilin Segment 2 in Zhongshan District, Taipei City.	None
14.Contract for the Construction Project of the Dongyuan Mingtai Building	Fujyu Construction Co., Ltd.	The contract shall be effective from June 17, 2023, until the expiration of the warranty period.	Construction project for the new building of Dong Yuan Mingta.	None
15.Project Undertaking	Taiwan Power Company Limited	The contract shall be effective from August 29, 2023, until the expiration of the warranty period.	Contract for the turnkey project of the 161kV Static Synchronous Compensator (STATCOM) for the Zhangong Boosting Substation and Yongxing Switching Station.	None
16.Project Undertaking	Railway Bureau, Ministry of Transportation	The contract shall be effective from November 24, 2022, until the expiration of the warranty period.	Tainan Railway Underground Project E202Z Contract for Permanent Track Infrastructure, Telecommunications, Tunnel Ventilation, and Central Monitoring System Works.	None
17.Project Undertaking	Yixiangle International Co., Ltd.	The contract shall be effective from August 9, 2022, until the expiration of the warranty period.	Construction of Air Conditioning Equipment for the New Building Project of the Asia Pacific Empire Commercial Building".	None
18.Joint Venture Agreement	Tong An Asset Management Co., Ltd. Kindom Development Co., LTD..	The contract shall be effective from March 26, 2021. This contract was mutually terminated on September 25, 2024.	Joint Development of 16 Parcels of Land in Hongfu Section, Xinzhuang District, New Taipei City.	None

Agreement	Counterparty	Period	Major contents	Restrictions
19. Merger Agreement	TECO Electro Devices Co., Ltd	The contract shall be effective from April 11, 2024, until the completion of the merger by both parties.	TECO Electric & Machinery Co., Ltd. (the surviving company) will merge with TECO Electro Devices Co., Ltd. (the dissolving company) through a cash merger.	None
20. Capital Increase Agreement	Shenchang Electric Co., Ltd.	The contract shall be effective from September 24, 2024, until the completion of the capital increase	Shenchang Electric Co., Ltd. will conduct a capital increase through cash injection, with TECO Electric & Machinery Co., Ltd. subscribing to the new shares, thereby becoming the controlling shareholder of Shenchang Electric.	None
21. Equipment and Materials Purchase Agreement	Chunglu Construction Co., Ltd.	The contract shall be effective from March 21, 2024, through April 30, 2025.	The client has commissioned the procurement of materials for the new construction project of Walsin's submarine cable plant in Kaohsiung.	None