V. Financial Condition, Performance Analysis, and Risk Factors

1. Financial Condition

Comparative Financial Position Analysis Table

Unit: NT$1,000

Item \ Year	2024.12.31	2023.12.31	Amount Increase (Decrease)	Change %	Note
Current Assets	57,266,092	52,480,611	4,785,481	9	
Property, Plant and Equipment	20,312,637	20,290,504	22,133	0	
Intangible Assets	4,874,016	4,832,979	41,037	1	
Other Assets	41,857,372	49,709,696	(7,852,324)	(16)	Note 1
Total Assets	124,310,117	127,313,790	(3,003,673)	(2)	
Current Liabilities	28,496,405	22,634,485	5,861,920	26	Note 2
Non-current Liabilities	14,140,659	18,236,525	(4,095,866)	(22)	Note 2
Total Liabilities	42,637,064	40,871,010	1,766,054	4	
Equity Attributable to Owners of the Parent	75,482,209	80,148,590	(4,666,381)	(6)	
Capital Stock	21,387,966	21,387,966	0	0	
Capital Surplus	9,616,391	9,629,730	(13,339)	0	
Retained Earnings	35,593,556	34,277,944	1,315,612	4	
Other Equity	8,884,296	14,852,950	(5,968,654)	(40)	Note 1
Non-controlling Interests	6,190,844	6,294,190	(103,346)	(2)	
Total Equity	81,673,053	86,442,780	(4,769,727)	(6)	

Note 1: The decrease was primarily due to unrealized valuation losses recognized in 2024 on financial assets measured at fair value through other comprehensive income (FVOCI) held by the Group, resulting in a simultaneous reduction in both assets and equity.

Note 2: As corporate bonds totaling NT$5 billion are scheduled to mature on June 12, 2025 and September 15, 2025, they were reclassified in 2024 as current portion of non-current liabilities, leading to an increase in current liabilities and a corresponding decrease in non-current liabilities.

2. Financial Performance

2.1 Comparative Financial Preformance Analysis

Unit: NT$1,000

Item	2024	2023	Amount Increase (Decrease)	Change%	Note
Net Operating Revenue	55,234,746	59,393,661	(4,158,915)	(7)	
Operating Costs	(41,094,708)	(44,451,003)	3,356,295	(8)	
Gross Profit	14,140,038	14,942,658	(802,620)	(5)	
Net (Un)realized Intercompany Profit from Affiliates	(534)	(1,068)	534	(50)	
Net Gross Profit	14,139,504	14,941,590	(802,086)	(5)	
Operating Expenses	(7,907,899)	(8,278,338)	370,439	(4)	
Operating Profit	6,231,605	6,663,252	(431,647)	(6)	
Non-operating Income and Expenses	1,848,224	1,610,892	237,332	15	
Income Before Tax from Continuing Operations	8,079,829	8,274,144	(194,315)	(2)	
Income Tax Expense	(1,828,548)	(1,942,112)	113,564	(6)	
Net Income for the Period	6,251,281	6,332,032	(80,751)	(1)	
Other Comprehensive (Loss) Income	(5,745,051)	(2,506,178)	(3,238,873)	129	Note 1
Total Comprehensive (Loss) Income for the Period	506,230	3,825,854	(3,319,624)	(87)	Note 1

Analysis of Changes:

1. The change was primarily due to an increase in unrealized losses recognized during the year on financial assets measured at fair value through other comprehensive income (FVOCI) compared to the previous year, resulting in higher other comprehensive losses and a reduction in total comprehensive income for the period.

2.2 Gross Profit Variance Analysis:

The change in gross profit did not exceed 20%; therefore, analysis is not required.

3. Cash Flows

3.1 Cash Flow Analysis for the Current Year (2024)

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (Inflow) (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Remedy for Cash Deficit	
				Investment Plans	Financing Plans
23,640,536	4,392,007	1,977,256	26,055,287	-	-

A. Analysis of change in cash flow:
   a. Operating activities: The increase in cash flows from operating activities was primarily due to stable profitability and effective management of payment and collection cycles.
   b. Investing activities: The main sources of cash inflows from investing activities were the disposal of financial assets measured at fair value through other comprehensive income (FVOCI) and dividend income received.
   c. Financing activities: The main uses of cash in financing activities were the distribution of cash dividends, and the repayment of borrowings and lease liabilities..

B. Remedy and liquidity analysis for insufficient cash: not applicable.

3.2 Improvement plan for insufficient liquidity: Not applicable

3.3 Cash Flow Analysis for the Coming Year (2025)

Unit: NT$1,000

Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (Inflow) (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Remedy for Cash Deficit	
				Investment Plans	Financing Plans
26,055,287	4,232,202	6,415,026	23,872,463	-	-

A. Analysis of change in cash flow in the current year:
   a. Operating activities: Revenue and profit margins are projected to increase compared to 2024. As a result, net cash inflows from operating activities in the current year are expected to be comparable to those in 2024.
   b. Investing activities: Dividend income expected to be received in 2025 is anticipated to be sufficient to cover investments in property, plant, and equipment (PPE). However, due to an increase in strategic acquisition investments during the year, cash inflows from investing activities in 2025 are expected to be lower than in 2024.
   c. Financing activities: Although cash dividends projected for 2025 exceed those of 2024, a slight decrease in net cash inflows from operating activities, combined with increased strategic investments, is expected to result in a modest increase in borrowings during the year.

B. Remedy for Cash Deficit and Liquidity Analysis: Not Applicable

4. Financial and Business Impact from Major Capital Expenditure Items

4.1 Major Capital Expenditure Items and Source of Capital

Unit: NT$thousand

Project	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital	Actual or Expected Capital Expenditure	
				2023	2024~2025
2024 Capital Expenditure – new equipment, equipment renewal and capacity expansion	Working Capital	2024/12/31	1,266,000	1,266,000	0
2025 Capital Expenditure – new equipment, equipment renewal and capacity expansion	Working Capital	2025/12/31	1,765,000	0	1,765,000

4.2 Expected Benefits

The aforementioned capital expenditures will not only increase the production capacity of high- and low-voltage motors, home appliances, and automation and intelligent system products, but will also contribute to lowering production costs and improving product quality.

The Songjiang Building reconstruction project will incorporate energy-saving, carbon reduction, and smart technologies, including the integration of an intelligent information and communication management system, bringing a refreshed and modern outlook to the Nanjing–Songjiang commercial district.

Meanwhile, development continues at the India Biotech Park, where standardized factory buildings are under construction to support rental and sales operations, thereby enhancing asset utilization for the company.

5. Recent-Year Investment Policy, Major Causes of Gains or Losses, Improvement Plans, and Investment Plans for the Coming Year

5.1 Investment Policy:

In response to evolving domestic and international economic trends and increasingly competitive market conditions, the Company focuses its investments on vertical and horizontal integration within its core businesses of electromechanical systems, energy engineering, and household appliances/air conditioning.

Adhering to the themes of energy saving, emission reduction, intelligence, and automation, TECO continues to strengthen its digital transformation and focuses on the three main sectors of electromechanical, energy, and air conditioning. All investment projects are carefully evaluated in alignment with the Company’s long-term strategic development plan.

5.2 Primary Causes of Gains or Losses:

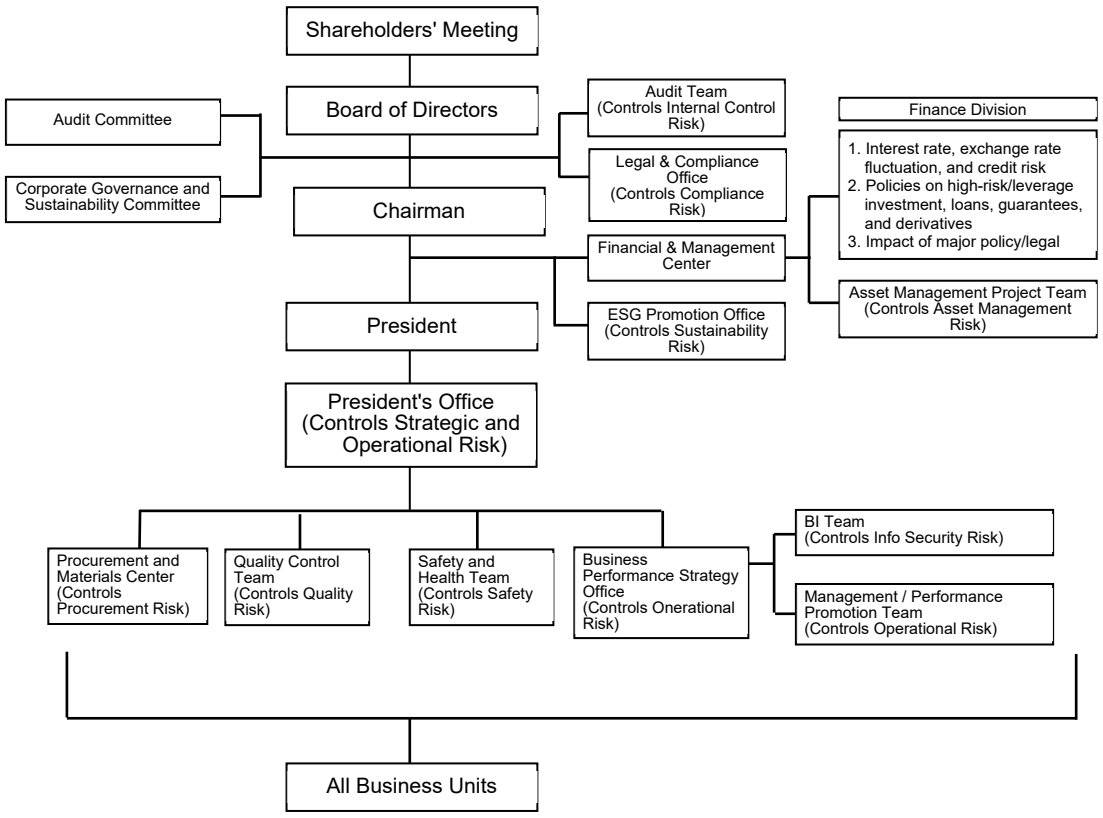
In 2024, the Group recognized investment income of NT$132,084 thousand under the equity method, an increase of NT$108,154 thousand compared to the NT$23,930 thousand recorded in 2023. The increase was primarily attributable to improved profitability at TPI BEARINGS.

5.3 Investment Plans for the Coming Year:

In the upcoming year, in addition to the replacement of aging equipment, the Company will continue to focus on energy efficiency, intelligence, automation, and digitalization. Planned developments include: In the high- and low-voltage motor businesses: high-efficiency, high power density steel-frame motors, high-efficiency IE5 permanent magnet motors, low-speed direct-drive permanent magnet motors, synchronous reluctance motors, and EC motors. In the home appliance business: the development of innovative high-efficiency inverter air conditioners and solar hybrid air conditioning systems. The Company will also actively seek new opportunities for growth and potential mergers and acquisitions in the areas of electrification and renewable energy.

6. Risk Management Analysis

Risk Governance Framework



6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

A. Effects of Changes in Interest Rates on Corporate Finance, and Future Response Measures

2024 Unit: NT$1,000

Net Interest Income or Expense (1)	396,954
Sales Revenus(2)	55,234,746
Operating Profit(3)	6,231,605
(1)/(2)	0.72%
(1)/(3)	6.37%

The Company's net interest income for the year 2024 was NT $ 396,954 thousand, accounting for 0.72% of annual sales revenue and 6.37% of operating profit.

In 2024, the global interest rate environment adjusted as inflation gradually cooled. The U.S. Federal Reserve cut interest rates three times during the year, with a total reduction of 100 basis points (bps), signaling a gradual shift toward a more accommodative monetary policy. However, core inflation remained resilient, resulting in a more cautious rate-cutting pace than market expectations, and the impact of a high interest rate environment persisted. In Taiwan, the Central Bank raised its policy rate by 12.5 basis points (0.125%) in March, reflecting both domestic inflationary pressures and global interest rate trends. Despite this hike, interest rates remained relatively high throughout the year.

Amid this environment, the Company continued to closely monitor domestic and international interest rate movements, and optimized its funding strategy by adjusting the structure and duration of NT dollar and foreign currency borrowings and deposits, thereby reducing interest rate risk and improving capital allocation efficiency.

B. Effects of Changes in Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

2024 Unit: NT$1,000

Currency Exchange Gain or Loss(1)	56,756
Sales Revenus(2)	55,234,746
Operating Profit(3)	6,231,605
(1)/(2)	0.10%
(1)/(3)	0.91%

In 2024, the Company recorded net foreign exchange gains of NT$56,756 thousand, primarily due to the strengthening of the U.S. dollar against the New Taiwan dollar, Japanese yen, and Chinese RMB.

During the first half of the year, U.S. inflation remained resilient, and the pace of rate cuts was slower than expected, sustaining a high interest rate environment and contributing to a significant appreciation of the U.S. dollar

against other major currencies. In the second half of the year, as the Federal Reserve initiated a rate-cut cycle, the narrowing of bond yield spreads briefly supported a rebound in non-USD currencies. However, subsequent developments in geopolitical tensions and the surge of AI-related capital inflows into the U.S. drove continued demand for safe-haven assets, allowing the U.S. dollar to maintain relative strength.

As global economic growth forecasts for the year are revised downward, and with continued uncertainty surrounding geopolitical risks and trade tensions, exchange rate volatility is expected to increase. In response, the Company continues to monitor foreign exchange movements closely and has adopted the following hedging measures:

a. Utilize natural hedging through the matching of asset and liability positions, supplemented with forward foreign exchange contracts to achieve effective economic hedging;

b. Maintain close communication between the Finance Department and the foreign exchange divisions of partner financial institutions to gather timely and relevant market intelligence, allowing the Company to track international currency trends and respond proactively to potential adverse exchange rate impacts. These insights also serve as a reference for forward FX transactions and settlements;

c. The Finance Department regularly prepares internal evaluation reports on net foreign currency asset (or liability) positions requiring hedging, which are submitted to management for informed decision-making on appropriate hedging strategies.

C. Impact of Inflation on the Company’s Profit and Loss, and Future Countermeasures:

According to the Directorate-General of Budget, Accounting and Statistics (DGBAS), Taiwan’s Consumer Price Index (CPI) posted a 2.18% year-on-year increase in 2024, indicating a moderating inflation trend. The Company’s main raw materials include steel, copper, and aluminum. While steel prices have softened, aluminum and copper procurement costs remain elevated relative to historical levels.

As most raw materials are procured through contract-based price negotiations, the Company is able to coordinate pricing mechanisms with suppliers even in an inflationary environment. Therefore, price fluctuations in raw materials have not had a material adverse impact on the Company’s profitability. Going forward, the Company will continue to closely monitor basic metal price trends, and formulate optimal procurement strategies in line with operational needs.

6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

A. The company abstains from high-risk and high leveraged investments.

B. At the end of 2024, outstanding loans extended by the company amounted to NT$0 thousands.

C. In 2024, the outstanding amount of the endorsement and guarantee extended by the company reached NT$0 thousand, for the company's subsidiaries, affiliates, and business partners. The company has obtained the financial statements and business profile information of the company endorsed and guaranteed at ordinary times, analyzes its profit situation, in order to evaluate the risk of the company's endorsement guarantee, and plans the risk reduction plan in advance

D. In 2024, the derivative products held by the company are mainly forward foreign exchange transactions. Since the counterparties of the transactions are all creditworthy international financial institutions, and the company also trades with many financial institutions to diversify risks, the contract counterparty default risk is very low, so the credit risk of the derivative commodity transactions that the company engages in is very low. In addition, the derivative products held by the company are mainly of a hedging nature, and the resulting profit and loss will offset the profit and loss of the hedging project, so the market risk is also very low. The company calculates the fair value of individual contracts based on the mid-price of the exchange rate reported by the Taiwan Bank's exchange rate

E. The company has formulated numbers of investment guidelines for cutting risk, including "Procedure for the Acquisition and Disposal of Assets," "Procedure for Lending Capital to the Others", "Procedure for the Endorsement and Guarantee," and "Procedure for the Trading and Disposal of Derivatives."

6.3 Future Research & Development Projects and Corresponding Budget

TECO Group's estimated R&D expenditure in 2025 is NT$1,332,443 thousand.

In recent years, TECO has consolidated the R&D capabilities and market experience of its various domestic and overseas R&D units, and strengthened its core businesses through industry-academia collaboration, while actively investing in the green energy industry. Several major R&D projects have been launched in areas such as permanent magnet synchronous motors, electric vehicle power system integration and development, power conditioning systems, medium-voltage inverters, precision servo motors, IE5 synchronous reluctance motors and drivers, advanced control algorithms, residential and commercial air conditioning system solutions, and IoT applications.

To address the needs of mid- to long-term development of new technologies and products, as well as short-term operational demands for product cost-performance improvement, TECO's R&D teams actively seek external resources through technical consulting, collaboration, and technology acquisition to enhance its technological capabilities.

Starting from its core technologies in rotating machinery and generator design, motor drive and design, power electronic control and design, and gateway technologies, TECO integrates new market demands, industrial standards, applications of new materials, sensor application technologies, wireless communication technologies, and green energy technologies (such as hydrogen energy and CCUS — Carbon Capture, Utilization, and Storage) to coordinate its overall R&D strategy and technology planning.

To effectively plan for future R&D projects, the company primarily relies on the following principles:

A. Analysis and understanding of industry development, national policies, and market trends;

B. Establishment and solidification of key technologies;

C. Comparative competitiveness with European, American, and Japanese peers;
D. Global market positioning and technology integration;

E. Accurate control of R&D progress and quality.

Accordingly, in 2025 TECO plans to continue or initiate the following R&D directions, aiming to comply with new European standards in existing product markets, develop high value-added applications through existing marketing channels, and explore opportunities for commercialization and market creation of emerging technologies.

A. Electrification and Automation Products and Technologies:

a. Electrification Products

- Development of MW-class high-voltage, high power density steel frame motors
- IE5 ultra-high efficiency explosion-proof motors
- Development of IE5 ultra-high efficiency synchronous reluctance motors and drivers
- Special-purpose reciprocating compressors for hydrogen energy
- Development of low-speed high-torque permanent magnet direct-drive systems
- Development of power systems for commercial UAVs
- Development of high power density axial flux motors
- Axial motors with sealless pump systems
- Development of high-voltage permanent magnet low-speed (40rpm) vector control drivers
- Development of high-voltage permanent magnet high-speed field weakening vector control drivers
- Development of 690V three-level, low-harmonic, long-distance drive inverters
- Development of 3.3kV compact low-harmonic energy-saving retrofit inverters

b. Electric Vehicle Products

- 350kW SiC high-power direct drive solution for electric buses
- 130kW all-in-one power system solution for commercial electric vehicles

c. Automation Products

- Development of next-generation JSDG3 high-performance servo drivers
- Development of next-generation JSDL3 compact AC servo products
- Development of E710 next-generation compact inverters
- Integrated robot modules
- Next-generation heavy-duty inverters
- Intelligent programmable logic controllers

B. Air Conditioning and Smart Home Appliance Products and Technologies:

a. Residential Products

- Development of ultra-high energy efficiency models exceeding CSPF national standard by 70%
- Development of full antibacterial and anti-mold self-cleaning functions for indoor and outdoor AC units
- Development of ergonomic 3D airflow comfort functions
- Development of "i-Air" fully intelligent healthy air solution
- Development of grade-1 energy-efficient inverter two-door refrigerators with freezing function
- Development of hybrid AC/DC powered air conditioners

b. Commercial Products

- Development of high-efficiency IPLV multi-stage magnetic centrifugal chillers
- Development of high-efficiency IPLV DC inverter permanent magnet screw chillers
- Development of R407H eco-refrigerant inverter condensing units for cold storage and refrigeration
- Development of brine refrigeration systems for food cold chains
- Development of fixed/frequency air-cooled commercial air conditioners for power plants
- Development of water-cooled precision commercial air conditioners for archive preservation
- Development of two-phase flow cooling systems for industrial motor power semiconductors

c. Smart Networked Systems

- Development of HVAC group control energy-saving solutions

- Integrated energy-saving control for four major subsystems: chilled water pumps, cooling water pumps, cooling towers, and air handlers
- Development of cloud-based HVAC monitoring and diagnostic expert systems
- Energy-saving retrofit service for smart chiller control systems
- Development of smart connected precision cooling units for data centers with high sensible heat loads
- Development of next-generation TaiSEIA-linked control and app for residential AC series

C. Industrial IoT:

a. Application of edge heterogeneous network integration and feature analysis systems

b. Parallel deployment of industrial IoT: Power monitoring of key equipment at Guanyin Plant, Power overshoot alerts at Zhongli Plant, Vibration monitoring and alert systems for key equipment

c. EV motor production traceability system: Deployment at low-voltage motor plant and TEMICO India plant

d. Plant-wide intelligent air compression system and electricity/gas usage management: To be deployed in parallel at Wuxi Precision Plant

e. AI vision integration into process record tracking (dynamic balancing): Deployed at high-voltage motor plant, Wuxi Jin II Plant, and Jiangxi TECO plant (6) Digitization of measurement systems:

f. Stator insulation testing systems, airtightness testing systems, dynamic balancing systems

D. New Energy Creation and Storage Products and Technologies:

a. Development of MW-class centralized grid-forming and kW-class distributed energy storage systems

b. Development of ultra-high-speed pneumatic bearing PMSM air compressors and controllers for vehicle-mounted fuel cells

c. Development of aggregated energy management platform systems

The company's general research institute oversees the overall R&D strategy, technology deployment and ongoing product R&D, with an eye on technological deployment and product development in short-, medium-, and long-term, including:

Term of R&D	Focus	Major R&D items
Short-term	Develop new-product application market, Enhance performance of existing products & Enhance product profitability and market share	Electrification and Automation Products Development of ultra-high-efficiency motors (explosion-proof and steel-frame synchronous reluctance types) Development of low-speed, high-torque permanent magnet direct drive systems Special-purpose reciprocating compressors for hydrogen energy Development of unmanned aerial vehicle (UAV) power systems Development of power systems for commercial vehicles and electric buses Development of hairpin-winding motors for automotive and industrial applications Development of 3.3kV compact low-harmonic energy-saving retrofit inverters Development of 690V three-level low-harmonic long-distance drive technology Development of specialized inverters for high-voltage permanent magnet chain machine AC conversion Electrification and Automation Technology Research and development of drive technology (sensorless, servo parameter auto-adaptation, regenerative braking, etc.) Air Conditioning and Smart Home Appliance Products and Technology HVAC air conditioning development projects (energy-saving solutions with group control systems and cloud-based diagnostic systems) Development of high-efficiency IPLV magnetic levitation centrifugal chiller units with multiple pressure single systems Development of specialized commercial variable/fixed frequency air conditioning/refrigeration units (environmentally friendly refrigerant R407H, for power plants, archival preservation, etc.) Development of new technologies (ultra-efficient variable frequency, whole-unit antibacterial and mold prevention with self-cleaning, and DC-DC converters, etc.) Energy Creation and Storage Products and Technology Development of MW-scale centralized and kW-scale distributed energy storage Power Conditioning System (PCS) products
Mid-term	Accumulation of core technological strength & Development of new technological strength	Electrificton and Automation Technology Development of next-generation insulation systems Development of MW-class high-voltage, high power density steel-frame motors Development of high-speed permanent magnet motors and drivers Vector control technology for high-voltage, low-speed (40 rpm) permanent magnet direct drive systems Field-weakening vector control technology for high-voltage, high-speed permanent magnet motors SiC high-power powertrain system solutions Development of ultra-low-speed direct drive permanent magnet motors R&D of medium- and high-voltage inverter technologies

Term of R&D	Focus	Major R&D items
		Development of ultra-high-speed air bearing permanent magnet synchronous motor drivers Development of high power density axial flux motors Sealless axial motor water pump systems Development of inverter control technology for HVAC system applications Development of continuous wave winding technology for hairpin (rectangular wire) coils Development of immersion oil-cooling technology Development of 69kV power-grade transformer products Air Conditioning and Smart Home Appliance Technology Development of DC/AC-DC hybrid to variable frequency air conditioning technology Development of specialized fixed/variable frequency models (for food cold chain brine chillers, smart networked data centers, and energy-saving transformations for smart chilled water systems, etc.) Development of next-generation TaiSEIA digital home connectivity and app AI-Enabled Intelligent Energy Management System Energy Creation and Storage Technology Development of 100kW-Class Distributed Energy Storage System (ESS) Development of Energy Management Systems (EMS)
Long-term	Deployment in new business scope	Electrification and Automation Technology Development of traction motors for rail vehicles Research and development of machine-to-machine (M2M) integration systems Development of 161kV Power-Grade Transformer Products Air Conditioning and Smart Home Appliance Technology Development of next-generation green energy variable frequency air conditioning technology Development of specialized two-phase flow cooling units for industrial cooling Energy Creation and Storage Technology Aggregated Energy Storage System Platform Solutions Development of Solid-State Transformer (SST) Technology Development of Grid Technologies (Including Microgrid Systems and Weak Grid Applications) Development of Air Compressor Systems for Vehicle-Mounted Fuel Cells AEM (Anion Exchange Membrane) Electrolyzer Technology

6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The Company closely monitors all domestic and international policies and regulations that may potentially affect its financial performance and operations. As of the most recent fiscal year and up to the date of this annual report, no changes in policies or regulations have had a material impact on the Company's financial condition or business operations.

6.5 Effects of and Response to Changes in Technology (including cyber security risk) and in Industry Relating to Corporate Finance and Sales

In response to technological changes, TECO Electric & Machinery Co., Ltd. established a high-level Information Security Committee under the Board-level Corporate Governance and Sustainability Committee in January 2021. The President serves as the Chairperson of the Committee and is responsible for overseeing the effectiveness of TECO's information security governance. The President also concurrently holds the position of Chief Information Security Officer (CISO), tasked with overall planning of the Company's information security policies and governance efforts. A biannual Information Security Management Review Meeting is convened, attended by business group presidents, heads of Board Audit, Legal, Human Resources, and Digital Development. The committee reviews the status of information security governance and continuously promotes enhancements to cybersecurity practices. TECO's Information Security Management System (ISMS) was certified to the ISO/IEC 27001 international standard by a third-party in October 2021, marking the establishment of comprehensive information security policies and management procedures. In November 2024, TECO passed the ISO/IEC 27001:2022 revision certification.

TECO's cybersecurity defense framework continues to be strengthened across multiple layers, including endpoint detection and response (EDR), network anomaly traffic monitoring, intrusion detection and prevention, comprehensive system backups, and a centralized cybersecurity monitoring platform. These enhancements across both management and technical dimensions aim to deepen defense-in-depth strategies and reduce cybersecurity risks.

In response to declining workforce demographics and the growing demand for green energy, TECO evaluates global development trends, aligns with government industrial policies, and considers its existing technological capabilities and the growth potential of relevant industries.In addition to strengthening its competitive advantages in high-efficiency motors, eco-friendly refrigerants for home appliances, and inverter energy-saving technologies, the Company closely studies international science and market trend reports and introduces innovation methodologies to guide its development. To address the social trend of declining labor force, TECO has initiated biomedical technology forums and developed long-term technology development roadmaps, along with strategic objectives and implementation timelines. In line with green energy transformation, TECO is actively planning developments in electric vehicle motors, wind power generators, smart grid peripheral equipment, energy-efficient green appliances, and multi-split air conditioning systems.

6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

The Company pursues comprehensive excellence through a strategy of diversified operations and global deployment, while also demonstrating deep social commitment through the TECO Foundation. This is complemented by strict adherence to quality and service standards, showcasing TECO's image as a high-caliber international enterprise.

The Company's crisis management plans cover all global production sites. In recent years, the Company has effectively handled various unforeseen incidents,

thanks to the continual cultivation of its crisis response capabilities. A global risk event reporting mechanism has been established to identify and respond in a timely manner to major risk events that may arise during daily operations, thereby minimizing potential losses and operational impact. Looking ahead, the Company will continue to simulate major emergency scenarios and develop corresponding contingency plans to ensure the protection of shareholder interests.

6.7 Expected Benefits from Risks Relating to and Response to Merger and Acquisition Plans

On April 10, 2024, the Board of Directors of the Company approved the cash merger with Teco Electro Devices Co., Ltd. (hereinafter referred to as “Teco Electro Devices”). Through this organizational restructuring, the Company aims to integrate production, sales, R&D, and capital resources, optimize product offerings and costs, enhance electromechanical system integration capabilities, and expand economies of scale and overall operational efficiency. This merger will enable both parties to provide customers with a more diverse and high-quality range of products and services, while reducing overall operating costs. This transaction constitutes an internal corporate reorganization and is not expected to involve any material risks.

On September 24, 2024, the Board of Directors approved the acquisition of Shenchang Electric Co., Ltd. (hereinafter referred to as “Shenchang”) as a strategic entry point into the global transformer market, addressing existing product portfolio gaps in TECO’s electrification segment and accelerating the Company’s expansion in North American and Taiwanese markets. In the future, TECO plans to expand its presence in the power transformer business. Currently, Shenchang primarily manufactures distribution transformers, and its production capacity is fully utilized. It will need to continue capacity expansion and customer acquisition, while technological and production capabilities in power transformers will require time to accumulate.

On December 17, 2024, the Board of Directors approved the acquisition of EVK Motor Co., Ltd. (hereinafter referred to as “EVK”), through which TECO will acquire hairpin-wound high-efficiency motor technologies and a base of commercial EV customers, strengthening the Company’s electrification integration solutions. This acquisition will further support TECO’s layout in the electric vehicle E-Axle drive system market (integrating motor, inverter, and gearbox) and in the industrial hairpin motor segment. As EVK is a startup company, efforts will be required to integrate internal management systems and expand into overseas markets to improve profitability.

6.8 Expected Benefits from Risks Relating to and Response to Factory Expansion Plans

In 2024, the Company added a total of 2,579.79 kW in newly installed capacity across its solar power plants. Due to differing grid-connection dates among the various sites, the total electricity generated during the year was 1.798 million kWh. All generated electricity is currently sold to Taiwan Power Company (Taipower) under a feed-in tariff scheme, providing stable cash flow. The operation and maintenance of the sites, as well as equipment safety, are managed by professional teams and are fully covered by relevant insurance policies, ensuring the reliable operation of the power plants. As such, potential risks, including

weather variability and equipment failure, are considered low, allowing the Company to maintain stable plant operations and returns.

6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

None

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

Due to its investment strategy requirements, our corporate director, Creative Sensor Co., Ltd., has transferred 575 thousand shares of our company's stock on the centralized market from the fiscal year 2024 onwards until the printing date of the annual report. This represents 0.03% of the total issued shares of our company. As Creative Sensor Co., Ltd. only holds one directorship in our company and is not part of the main management team, there are no significant impacts or risks to our company's operations.

6.11 Effects of Risks Relating to and Response to Changes in Control over the Company

None

6.12 For litigation and non-litigation cases, specify the company and directors, supervisors, president, chief executive, and major shareholders with over 10% of shareholding, as well as affiliates. For major litigation, non-litigation, or administrative disputes with major effects on the interests of shareholders or stock prices, disclose the facts, target value, starting dates for litigation, major parties involved, and the status of the cases up to the publication of the yearbook

Unit: NT$ thousand

Number	The cause of the case	the counterparty	the progress of the case	Amount
1	Request for change and additional engineering payment	LiJin Engineering. Hua Nan Commercial Bank, Ltd. (Intervenor)	In the first instance, the court ruled that the opposing party shall pay the Company NT$11,542,920. The Company has appealed the decision with respect to the amount of NT$64,642,974, and the intervenor, Hua Nan Bank, has also filed an appeal concerning the NT$11,542,920. The case is currently under court review. There is no material adverse impact on TECO at this time.	$76,186
2	Request payment for the new construction of Nangang Exhibition Hall	Construction and Planning Agency, Ministry of the Interior	The first-instance judged that the counterparty should pay TECO (Leader Construction, TECO, TMA Architects and Assoiciate) a total of NT$407,657 thousand and interest from 2008.3.7 to the date of settlement. The counterparty filed an appeal on 2020.5.22. The second instance of the court on 2022.11.29 pronounced: the original judgment ordering the appellant to pay more than NT$392,052 thousand was rejected, and the Construction Administration of the Ministry of the Interior has appealed. Received notification from the Supreme Court on January 9, 2024, regarding the referral to the Taiwan High Court. At present, there is no material adverse effect on TECO.	$197,262

Number	The cause of the case	the counterparty	the progress of the case	Amount
3	Kingdom Construction Co., Ltd. requests Tong An Asset Development & Management Co., Ltd. (a subsidiary of Tong An) to return unjust enrichment.	Kingdom Construction Co., Ltd.	Both parties reached a settlement on September 25, 2024, and mutually agreed to terminate the joint construction contract in dispute. There is no material adverse impact on TECO.	$538,543
4	Mediation for the performance dispute in the EID case	Central Engraving and Printing Plant	A settlement was reached on January 19, 2024, and the acceptance and payment process is underway. There is no material adverse impact on TECO.	$266,585

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6.13 Other Major Risks and Countermeasures

In order to strengthen information security management, ensure the confidentiality, integrity and availability of information, as well as the reliability of information equipment and network systems, the company has established information security policies as guidelines for information security risk management in company regulations. At the same time, under the information security risk management framework, build intrusion prevention systems / email anti-spam systems / endpoint anti-virus systems to gradually complete information security protection. Also, regularly conducts data off-site backup systems and disaster recovery mechanism exercises to ensure that services are not interrupted.

7. Other Significant Matters

None