

III. Fundraising and Capital Utilization Plans

1. Capital and Shares

1.1 Type of Stock

2026.3.31 Unit: share

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Share	2,376,440,684	654,109,316	3,030,550,000	-

1.2 Summary reporting system information: None.

1.3 List of Major Shareholders

2026.3.31

Shareholder's Name	Shares	Percentage
PJ Asset Management	373,237,991	15.71%
Hon Hai Precision Industry Co., Ltd.	237,644,068	9.99%
Walsin Lihwa Corporation	228,504,730	9.62%
Jaryuan Investment Co. Ltd	119,935,000	5.05%
Ho Yuan International Investment Co., Ltd.	50,420,000	2.12%
Creative Sensor Co., Ltd.	46,987,000	1.98%
Tong Kuang Investment Co., Ltd.	31,991,364	1.35%
Kuan Yuan Industrial Co., Ltd.	26,833,919	1.13%
Yinge Int. Inv. Co., Ltd	22,554,698	0.95%
Yuban International Investment Co., Ltd.	20,489,000	0.86%

1.4 Company Dividend Policy and Execution Status:

1.4.1 Company Dividend Policy

If the company has surplus in its annual financial statement, after paying taxes and covering accumulated losses, 10% will be allocated as legal surplus reserve. In addition, special surplus reserves will be set aside or reversed as required by the competent authority. If there is a remaining balance, special dividends will be allocated to preferred shareholders for the year, and the remaining balance will be added to any undistributed earnings from the previous year. The Board of Directors will draft a dividend distribution proposal, and the distribution of stock dividends requires approval from the shareholders' meeting. The distribution of cash dividends will be authorized by the Board of Directors, with a decision made by the attendance of at least two-thirds of the directors and a majority of those present, and will then be reported to the shareholders' meeting.

The company operates in a stable and growing industry, though its invested businesses are still in the growth phase. Considering future expansion and reinvestment plans, the dividend distribution will be based on the available earnings after allocating legal surplus reserves and special surplus reserves, with the remaining balance added to undistributed earnings from the previous year. The principle is to distribute 80% of dividends to shareholders. The ratio of cash dividends in each year's shareholder dividend distribution will be 50% as the principle, but it must not be less than 5%.

1.4.2 On March 12, 2026, the Board of Directors resolved to distribute a cash dividend of NT\$2 per share, which will be paid after setting the ex-dividend date according to the operating procedures.

1.5 The Impact of the Proposed Bonus Share Distribution at the Shareholders' Meeting on the Company's Business Performance and Earnings per Share:

The proposed bonus share distribution at this shareholders' meeting does not involve the issuance of bonus shares, therefore it is not applicable.

1.6 Employee Compensation and Director Compensation:

A. The Percentage or Range of Employee and Director Compensation as Stated in the Company's Articles of Incorporation:

The company allocates between 1% and 10% of the annual profit for employee compensation. Director compensation will not exceed 5% of the total.

B. Estimated Employee and Director Compensation for the Current Period:

(a) Basis for Estimating Employee and Director Compensation for 2025:

The estimated amounts for employee and director compensation are based on the profit status of 2025 after offsetting accumulated losses. If a surplus remains, the estimates are calculated based on the percentage ranges stipulated in the Articles of Incorporation, with reference to historical payout ratios.

(b) Basis for Calculating Stock Compensation: Not applicable.

(c) When the actual distribution amount differs from the estimated amount, the difference will be recognized in the following year's profit and loss.

C. Board of Directors Resolution on the Distribution of Compensation:

(a) Employee and Director Compensation Paid in Cash or Stock:

i. Employee cash compensation: NT\$357,972 thousand.

ii. Employee stock compensation: NT\$0 thousand.

iii. Director compensation: NT\$95,737 thousand.

iv. The above decision to distribute employee and director compensation is NT\$9,043 thousand less than the amount recognized in the 2025 financial statements (NT\$462,752 thousand). The difference from the recognized amount will be considered an accounting estimate change and will be recognized in the profit and loss for the 2026 fiscal year.

(b) Employee Stock Compensation and Its Proportion to Net Income After Tax in the Current Individual or Consolidated Financial Reports and Total Employee Compensation: Not applicable.

(c) Estimated Earnings per Share After Considering the Proposed Distribution of Employee Compensation and Director/Supervisor Compensation: Not applicable.

D. Actual Distribution of Employee Compensation and Director Compensation for the Previous Year:

Unit : NT\$ thousand

	Distribution amount resolved by board of directors
Employee Bonus - Cash	400,483
Directors' Remuneration – Cash	108,327
Total	508,810

This represents a decrease of NT\$4,095 thousand compared to the previous year, and the difference will be recognized in the profit and loss for the 2025 fiscal year.

1.7 Share Repurchase by the Company:

1.7.1 Share Repurchase by the Company (Completed Transactions): None.

1.7.2 Share Repurchase by the Company (Ongoing Transactions):

On March 14, 2025, the Board of Directors resolved to repurchase 5,000 thousand shares of treasury stock for the purpose of transferring the shares to employees. The execution period is from March 17 to May 16, 2025. As of the date of the annual report printing, the repurchase is still ongoing. The transfer period is within five years from the date of the share buyback. A total of 2,092,800 shares and 576,000 shares were transferred on December 1, 2025, and January 30, 2026, respectively, at a transfer price of NT\$49.80 per share. As of now, 2,331,200 shares remain untransferred, representing a current execution rate of 53.38%. The designated transfer period has not yet expired.

2 Corporate Bonds

2.1 Issuance of Corporate Bonds

The following corporate bonds matured with principal repayments of NT\$3 billion on June 12, 2025, and NT\$2 billion on September 15, 2025. As of the end of 2025, there were no outstanding corporate bond balances.

Type of Corporate Bond	1 st Unsecured Ordinary Corporate Bonds in 2020	2 nd Unsecured Ordinary Corporate Bonds in 2020
Issue date	2020/06/12	2020/09/15
Par value	NT\$ 1,000,000	NT\$ 1,000,000
Issue and Trading Place	Domestic	Domestic
Issue Price	According to face amount	According to face amount
Total Amount	NT\$ 3 billion	NT\$ 2 billion
Interest Rate	0.70%	0.60%
Duration	5 years, Expiration Date: 2025/06/12	5 years, Expiration Date: 2025/09/15
Assurance Institution	None	None
Assignee	Taishin International Bank Ltd.	China Trust Bank Ltd.
Underwriting Institution	Capital Securities	Masterlink Securities
Signed Lawyer	Handsome Attorneys-at-Law Ya-Wen Chiu	Handsome Attorneys-at-Law Ya-Wen Chiu
Signer Accountants	PricewaterhouseCoopers, Taiwan Wu, Yu-Lung	PricewaterhouseCoopers, Taiwan Wu, Yu-Lung
Repayment	Accrual Bond	Accrual Bond
Outstanding Amount	NTD\$ 3 billion	NTD\$ 2 billion
Redeption or Advanced Repayment	N/A	N/A
Restrictive Clauses	N/A	N/A
Credit Rating Institution, Credit Rating Date and the Outcome of the Rating	Taiwan Ratings Rating Date:2020/2/18 Issuer Ratng: twA+ IssueRating: None	Taiwan Ratings Rating Date:2020/2/18 Issuer Ratng: twA+ IssueRating: None
Others	None	None
	None	None
Shares Dilution & Influence on Srockholders' Equity	None	None
Entrust Institution of Exchange Object	None	None

2.2 Information of the Convertible Bond: None

2.3 Information of Shelf Registration Corporate Bond: None

2.4 Equity warrant bonds: None

3. Equity Warrant Preferred Stock: None

4. Preferred Shares: None

5. Overseas Depositary Receipts: None

6. Employee Stock Warrant and Restricted Stock Awards

6.1 Status of Employee Stock Warrant Issuance: None

6.2 Names, acquisition details, and subscription status of managerial officers and the top 10 employees (by number of stock warrants acquired) who are eligible to subscribe for more than NT\$30 million worth of shares through employee stock warrants: None.

6.3 Status of issuance of restricted stock awards for employees: None.

6.4 Names, acquisition details, and subscription status of managerial officers and the top 10 employees who received restricted stock awards: None.

7. Status of New Shares Issuance in Connection with Mergers and Acquisitions:

(1) Lead Underwriter's Evaluation Opinion on Issuance of New Shares for Share Swap or Acquisitions in the Most Recent Quarter

On September 25, 2025, the Taiwan Stock Exchange Corporation (TWSE) approved the effective registration of TECO Electric & Machinery Co., Ltd. (hereinafter "TECO") for the issuance of new shares to acquire shares of Hon Hai Precision Industry Co., Ltd. (hereinafter "Hon Hai Precision") via Letter Tai-Zheng-Shang-Yi-Zi No. 1141804214. The record date for the share swap was September 25, 2025, and the change of registration was completed on October 14, 2025.

Pursuant to Article 9, Paragraph 1, Subparagraph 8 of the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers," the lead underwriter has issued an evaluation opinion regarding the impact of the Hon Hai Precision share acquisition on TECO's finances, business, and shareholders' equity as of the end of the first quarter of 2026.

I. Impact on Finances

TECO acquired shares in Hon Hai Precision through the issuance of new shares to establish a long-term, stable strategic partnership. This alliance integrates both parties' technological expertise and market insights. By consolidating existing resources and sharing development costs, both companies aim to leverage their respective business advantages to expand market presence and enhance overall operational performance and profitability. Furthermore, TECO's robust operations and Hon Hai Precision's dividend income from this swap are expected to yield positive financial benefits.

As of Q4 2025, TECO's financial structure remained stable with a debt ratio of 31.96%, and current and quick ratios of 201.29% and 132.42%, respectively. The acquisition has no significant impact on TECO's financial structure and is expected to provide positive momentum for overall performance.

II. Impact on Business Operations

TECO's core business encompasses mechanical equipment, power generation, and distribution machinery used in data centers, renewable energy (including offshore wind), energy storage, and public infrastructure. Hon Hai Precision is a global leader in Electronic Manufacturing Services (EMS), providing consumer electronics, cloud and networking products (routers, servers, edge computing, and satellites), and automotive electronics.

The strategic cooperation aims to combine TECO's strength in heavy machinery with Hon Hai's ICT expertise to capture opportunities in AI and resilient power grids. Together, they will develop one-stop modular data center solutions for global markets. TECO's Q4 2025 revenue of NT\$15,334,616 thousand and full-year 2025 revenue of NT\$59,093,897 thousand indicate that the synergy from this alliance is already materializing.

III. Impact on Shareholders' Equity

This alliance is structured as a share swap rather than a merger, allowing both entities to maintain their specialized domains while sharing resources and marketing channels. This creates economies of scale and enhances competitive advantages, thereby creating value for shareholders.

Following the issuance, TECO holds 0.519% of Hon Hai Precision's total issued shares. Given Hon Hai's 2025 net income of NT\$215,034,486 thousand, TECO expects stable annual cash inflows from dividends. Overall, the swap is beneficial for creating long-term industry advantages and maximizing shareholder value.

Summary: The issuance of new shares for the acquisition of Hon Hai Precision shares is expected to generate positive synergies in R&D, technology, and sales, benefiting TECO's finances, business operations, and shareholders' equity. The projected benefits are deemed reasonable.

- (2) Implementation status and basic information of companies involved in any merger, acquisition, or issuance of new shares for share swap authorized by Board resolution during the most recent year and up to the date of publication of the annual report:

On July 30, 2025, the Board of Directors approved a share swap with Hon Hai Precision Industry Co., Ltd. (Hon Hai). TECO issued 237,644,068 new common shares in exchange for 72,481,441 common shares of Hon Hai. The swap ratio was 1 TECO common share for 0.305 Hon Hai common shares.

The fairness of the swap ratio was supported by an opinion issued by Crowe (TW) CPAs. The application was approved by the Financial Supervisory Commission (FSC), and the change of registration was completed in October 2025.

Profile of the Company involved in the Share Swap

(Unit: NT\$ in thousands, except for EPS in NT\$)

Company Name	Hon Hai Precision Industry Co., Ltd.	
Company Address	No. 66, Zhongshan Rd., Tucheng Dist., New Taipei City, Taiwan (R.O.C.)	
Chairman	Young-Way Liu	
Paid-in Capital	NT\$ 138,630,000,000	
Primary Business Activities	Electronic Components Manufacturing	
Main Products	Consumer Electronics	
Financial Information for the Most Recent Year		
Total Assets		5,104,672,223
Total Liabilities		3,133,908,868
Total Shareholders' Equity		1,970,763,355
Revenue		8,103,104,763
Gross Profit		498,161,036
Operating Income		259,222,960
Net Income		215,034,486
Earnings Per Share (EPS)		NT\$ 13.61

8. Financing Plans and Implementation: Not applicable