

Solid State System Co., Ltd.

2024 Annual Report

Published on: March 31, 2025

Check the Annual Report at: <http://mops.twse.com.tw>
Company Website: <http://www.3system.com.tw>

- I. Name, Title, Telephone Number and Email of Spokesperson and Acting Spokesperson
Spokesperson: Tim Hu
Title: President
Tel.:(03)552-6533
Email:spokesman@3system.com.tw
- Acting Spokesperson: Cheng Liu
Title: Vice President of R&D
Tel.:(03)552-6568
Email:spokesman@3system.com.tw
- II. Company Address and Telephone Number
Company Address: 5F.-1, No.22, Taiyuan St., Tai Yuen Hi-Tech Industrial Park, Zhubei City, Hsinchu County, 30288, Taiwan (R.O.C.)
Tel.:(03)552-6568
Fax:(03)552-6560
- III. Name, Address, Website and Telephone Number of the Share Registrar:
Name: The Brokerage Registry and Transfer Services Department of Master Link Securities Corp.
Address: 1F Underground., No. 35, Ln. 11, Guangfu N. Rd., Songshan Dist., Taipei City 105410, Taiwan (R.O.C.)
Tel.:(02)2768-6668
Website:http : [//www.masterlink.com.tw](http://www.masterlink.com.tw)
- IV. The Name of CPAs, the Name, Address, Website and Telephone Number of the Accounting Firm for the Most Recent Annual Financial Report
Name of CPA: Ding-Xun Zhan, Pei-Hua Huang
Name of Accounting Firm: Lianjie Lianhe Certified Public Accountants
Address: No. 88, Weixin Street, Zhubei City, Hsinchu County Taiwan (R.O.C.)
Tel.: (03)656-1578
Website: <http://www.lanjaicpa.com.tw>
- V. The Name of Any Exchanges where the Company's Securities are Traded Offshore, and the Method by which to Access Information on Said Offshore Securities: None
- VI. Company Website: [http : //www.3system.com.tw](http://www.3system.com.tw)

Table of Contents

Chapter 1. Letter to Shareholders	1
Chapter 2. Corporate Governance Report	4
I. Information on the Directors, President, Vice Presidents, Assistant Vice Presidents, and Heads of Divisions and Branch Units	4
II. Remuneration Paid During the Most Recent Fiscal Year to Directors (Including Independent Directors), the President and Vice Presidents	14
III. Implementation of Corporate Governance	21
IV. Information on CPA Professional Fees	78
V. Information on Replacement of CPAs	79
VI. The Company's Chairman, President or any Managerial Officer in Charge of Finance or Accounting Matters Has in the Most Recent Year Held a Position at the Accounting Firm of Its Certified Public Accountant or at an Affiliated Enterprise of Such Accounting Firm	80
VII. The State of Any Transfer of Equity Interests And/or Pledge of or Change in Equity Interests by a Director, Supervisor, Managerial Officer, or Shareholder with a Stake above More than 10 Percent During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report	80
VIII. Relationship Information, if Among the Company's 10 Largest Shareholders Any One is A Related Party or A Relative Within the Second Degree of Kinship of Another	82
IX. Total Number of Shares and Total Equity Stake Held in Any Single Enterprise by the Company, Its Directors, Managerial Officers, and Any Companies Controlled Directly or Indirectly by the Company	82
Chapter 3. Capital Overview	83
I. Capital and Shares	83
II. Issuance of Corporate Bonds	87
III. Issuance of Preferred Shares	88
IV. Issuance of Global Depositary Receipts	88
V. Employee Share Subscription Warrants	88
VI. New Restricted Employee Shares	88
VII. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies	88
VIII. Capital Utilization Plan and Its Implementation	88
Chapter 4. Operational Highlights	89
I. Business Activities	89
II. Overview of Market, Production and Sale	104
III. Information on Employees for the Most Recent Two Fiscal Years and during the Current Fiscal Year Up to the Date of Publication of the Annual Report	116
IV. Disbursements for Environmental Protection	117
V. Labor Relations	117

VI. Cyber Security Management	123
VII. Important Contracts	124
Chapter 5. Review and Analysis of Financial Position and Financial Performance, and Risk Issues	125
I. Analysis of Financial Position	125
II. Analysis of Financial Performance	125
III. Cash Flow Analysis	126
IV. Effect on Financial Operations of Any Major Capital Expenditures during the Most Recent Fiscal Year	127
V. Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Reinvestment Profitability, and Investment Plans for the Coming Year	127
VI. Risk Analysis and Assessment	127
VII. Other Important Matters	132
Chapter 6. Special Disclosure	133
I. Information on Affiliates	133
II. Private Placement of Securities during the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report	133
III. Other Supplementary Information	133

Chapter 1. Letter to Shareholders

The company's operating income in 2024 was NT\$239,110,000. Affected by the loss provision for inventory and price competition in various products, the overall gross profit margin was about 6%, and the net loss after tax was NT\$ 181,153,000. Looking back at 2024, the company faced a challenging market environment. Due to the downturn in the global semiconductor industry, slowing end demand, and rising supply chain costs, the company's operations were affected, and its financial performance for the year was not as good as expected. However, despite the short-term challenges, the company continues to invest in research and development, optimize its product portfolio, and adjust its business strategy to prepare for the next wave of growth opportunities.

In terms of NAND Flash control ICs, the company continues to develop advanced generation TLC/QLC 3D NAND Flash support for different Flash vendors on USB3.0 control ICs, especially in terms of support for various QLC 3D NAND Flash, which has become more complete. We will expand the promotion of QLC solutions to other customers. In 2025, the product development will move towards the new generation of cost-competitive USB3.2 Gen I control ASICs, with higher design debugging and correction capabilities and faster I/O interfaces, to meet the future needs of the new generation of 3D NAND in terms of higher speed reading and writing and stronger debugging and correction capabilities, and to reduce production costs and increase product gross profit. In addition, in terms of NAND Flash SSD solutions, in addition to the SATA interface SSD solutions that have already been mass-produced, we have also developed PCIe interface SSD solutions that support advanced-generation 3D NAND, with the plan to expand into a wider range of solid-state drive (SSD) application markets. In terms of long-term product development and planning in the application market, the company will leverage its strengths and market trends to steadily advance in line with customers' product and market strategies.

In terms of USB Audio, in the second half of 2024, the destocking of the company's products at the customer end has basically ended, but since the Sino-US trade issues are still ongoing, the customer end's conservative strategy of zero inventory and conservative strategy of zero inventory and no stocking has basically continued. Coupled with other consumer-oriented USB Audio products, the inventory clearance of each original manufacturer has not been completed, and the situation of some goods crossing the border and disrupting the market at low prices has continued, affecting the company's low-end USB Audio product sales. The situation has not rebounded as significantly as expected. In 2025, the company continued to strengthen support for customers by providing application software that meets the individual needs of different customers and mass production services made in Taiwan, in order to enhance the competitiveness of customers' USB Audio terminal products for export. As the company had already sold all the internal inventory accumulated over the previous two years in 2024, it began a new round of production and stocking processes in the fourth quarter. In addition, the new and revised products will also be officially launched in the fourth quarter of 2024. Currently, sample testing and trial production for mainland customers have been basically completed, but the complete testing and approval process for international brand customers is more rigorous and will take one to two quarters to complete. However, it can be expected that starting in the peak season of the third quarter of 2025, the newly revised products will see a new round of growth. As the mainland currently promotes the self-production and self-use of chips, in the face of competing mainland products, the company

will continue to reduce production costs internally and increase product gross margins. In 2025, the research and development of the USB Audio product line will also focus on new sound quality and application technology development, with the aim of being able to provide cost-effective products to meet customer needs in the future.

In terms of MEMS microphones, in 2024 the company successfully developed and mass-produced a MEMS sensor with UV resistance for hearing aids and a MEMS sensor with high SNR for AI. In terms of the matching PreAmp ASIC, it also successfully developed and mass-produced an analog differential interface ASIC and a digital interface ASIC that supports high SNR. We will continue to develop digital microphones with high AOP and SNR to enter other high-end application markets. In terms of marketing, MEMS microphones have already established a reputation in the market for TWS headphones, ANC headphones, smart TVs, security monitoring, and smart homes. Analog and digital MEMS microphones that meet the automotive AEC-Q103 specifications have also successfully entered the automotive market. In the future, we will launch various products with application-oriented functions based on market demand, such as AI detection applications. In existing application fields, in addition to cultivating existing customers, we will also cultivate more of the same type of customers to actively respond to the gradual recovery of subsequent market demand, and actively develop new application markets to pursue market growth dividends.

The company also began exploring the HBM (High Bandwidth Memory) market and evaluating related product technologies in 2024, and completed fundraising by year-end. It plans to commence development of HBM and other high-bandwidth memory modules starting this year. HBM and other high-bandwidth memory solutions have become a bottleneck for AI computing power expansion, with the products themselves currently in a high-growth, high-profit phase. Our operational strategy for developing high-bandwidth memory products will involve collaborating with domestic DRAM manufacturers to jointly participate in the high-growth, high-profit market for HBM and other high-bandwidth memory products. We will also leverage the efficient wafer-level packaging supply chain in Taiwan to develop high-bandwidth memory solutions that meet the high computing power demands of the AI era while maintaining reasonable power consumption. The company also began evaluating the HBM (High Bandwidth Memory) market and product technology in 2024, completed fundraising by year-end, and plans to commence development of HBM and other high-bandwidth memory modules starting this year. HBM and other high-bandwidth memory solutions have become a bottleneck for AI computing power expansion. The products themselves are in a high-growth, high-profit stages. Our operational strategy for developing high-bandwidth memory products will involve collaborating with domestic DRAM manufacturers to jointly participate in the high-growth, high-profit market for HBM and other high-bandwidth memory solutions. We will also leverage the domestic efficient wafer-level packaging supply chain to develop high-bandwidth memory solutions that meet the high computing power demands of the AI era while maintaining reasonable power consumption.

2024 was a challenging year. Although the company encountered headwinds in its operations, we have responded positively and are ready to return to the growth track in 2025. We are fully aware of the expectations and trust that our shareholders have in the company. Therefore, we will continue to uphold the spirit of prudent management and innovation and breakthroughs, and do our best to create long-term value for our shareholders.

We sincerely thank all shareholders for their support and patience. In the future, we will continue to work hard and work together with you to seize the next wave of growth opportunities!

Chairman
President

Jeffrey Lin
Tim Hu

Chapter 2. Corporate Governance Report

I. Information on the Directors, President, Vice Presidents, Assistant Vice Presidents, and Heads of Divisions and Branch Units

(I) Information on Directors

Unit: shares; % March 31, 2025

Title	Nationality/ Place of Registration	Name	Gender/ Age (Note 1)	Date Elected	Term	Date of First Election	Shareholding When Elected		Current Shareholding		Shareholding by Spouse and Minor Children		Shareholding by Nominees		Major (Education) Working Experiences	Other Position Concurrently Held at the Company and Other Companies	Other Executives, Directors or Supervisors Who Are Spouses or within the Second Degree of Kinship with Another			Remark
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Chairman	R.O.C.	Jeffrey Lin	Male 61-70	2024.05.29	3 years	1998.11.11	1,697,971	2.98	2,097,722	2.87	8,162	0.01	0	0	Manager, Macronix International Co., Ltd. Department of Electrical Engineering, National Tsing Hua University	Chief Technology Officer, Solid State System Co., Ltd. Chairman, VICHIP Corporation Limited	None	None	None	None
Director	Japan	KIOXIA Corporation	no	2024.05.29	3 years	2017.9.22	3,375,480	5.93	3,375,480	4.63	0	0	0	0	None	Director and Supervisor, KIOXIA Semiconducto r Taiwan Corporation Director and Supervisor, KIOXIA Taiwan Corporation Director, Microtops Design Corporation Director, Phison Electronics Corp.	None	None	None	None
	Japan	Representativ e: Hatanaka Kojiro	Male 51-60	2024.05.29	3 years	2017.9.22	0	0	0	0	0	0	0	0	Memory Division NAND System Engineering Dept. Director Senior Manager Department of Electrical Engineering and Computer Science, School of Engineering, Kyushu University	Memory Division NAND System Engineering Dept. Director Senior Manager	None	None	None	None

Title	Nationality/ Place of Registration	Name	Gender/ Age (Note 1)	Date Elected	Term	Date of First Election	Shareholding When Elected		Current Shareholding		Shareholding by Spouse and Minor Children		Shareholding by Nominees		Major (Education) Working Experiences	Other Position Concurrently Held at the Company and Other Companies	Other Executives, Directors or Supervisors Who Are Spouses or within the Second Degree of Kinship with Another			Remark
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Director	R.O.C./USA	Tim Hu	Male 61-70	2024.05.29	3 years	2003.11.28	336,161	0.56	364,212	0.50	93,723	0.13	0	0	Division Chief, Macronix International Co., Ltd. R&D Chief University of Missouri, Columbia, Master(ECS)Master	President, Solid State System Co., Ltd.	None	None	None	None
Independent Director	R.O.C.	Cheermore Huang	Male 61-70	2024.05.29	3 years	2018.6.8	160,810	0.28	135,810	0.19	0	0	0	0	Chairman and President, ILI Technology Corp. Master, Institute of Electrical Engineering, National Tsing Hua University	Director, INT TECH (HK) Co., Ltd.	None	None	None	None
Independent Director	R.O.C.	James Hou	Male 51-60	2024.05.29	3 years	2018.6.8	0	0	0	0	0	0	0	0	Assistant Vice President for Innovative Applications, IBM Taiwan Vice President, Provision Information Co., Ltd. Master, Information Science, Ohio State University Master, Department of Computer Science,National Tsing Hua University	Chairman, 94BOT Co., Ltd. Chairman, Bo Ku Network Co., Ltd. Chairman, 1984 Co., Ltd. Consultant Metaedge Corporation	None	None	None	None
Independent Director	R.O.C.	Ke Zhi Huang	Male 51-60	2024.05.29	3 years	2024.05.29	0	0	0	0	0	0	0	0	Director, Institute of Materials and Optoelectronics, Chinese Academy of Sciences (Chief Engineer) Ph.D., Department of Power Mechanics, Tsinghua University	Director, Yang Ming Optics Co.	None	None	None	None

Title	Nationality/ Place of Registration	Name	Gender/ Age (Note 1)	Date Elected	Term	Date of First Election	Shareholding When Elected		Current Shareholding		Shareholding by Spouse and Minor Children		Shareholding by Nominees		Major (Education) Working Experiences	Other Position Concurrently Held at the Company and Other Companies	Other Executives, Directors or Supervisors Who Are Spouses or within the Second Degree of Kinship with Another			Remark
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Independent Director	R.O.C.	Anne Chan	Female 41-50	2024.05.29	3 years	2024.05.29	0	0	0	0	0	0	0	0	Manager, Finance Committee, Raystar Technology Co. Manager, Finance and Accounting Department, Nixon Electronics Co. Auditor-in-Charge, SINTRONIC TECHNOLOGY CO. Leadership Team, Chin-Yeh Chung-Shin Associates, Inc. M.B.A., Graduate School of Accounting, Soochow University	Director of Finance, Hersheng Technology Co.	None	None	None	None

Note 1. State the age interval into which the actual age falls.

1. Major Shareholders of Institutional Shareholders

March 31, 2025; %

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholders	Shareholding Ratio
KIOXIA Corporation	Kioxia Holdings Corporation	100.00%

2. Major Shareholders of Institutional Shareholders with Juristic Persons as Their Major Shareholders

March 31, 2025; %

Name of Juristic Person	Major Shareholder	Shareholding Ratio
Kioxia Holdings Corporation (Note 1)	Toshiba Corporation	30.51%
	BCPE Pangea Cayman, L.P.	22.03%
	BCPE Pangea Cayman2, Ltd.	14.36%
	BCPE Pangea Cayman 1A, L.P.	9.00%
	BCPE Pangea Cayman 1B, L.P.	5.75%
	Hoya Corporation	3.01%

Note (1). The above information comes from the website of Kioxia Holdings Corporation (As of December 31, 2024).
(<https://www.kioxia-holdings.com/ja-jp/ir/stock.html>)

3. Disclosure of professional qualifications of directors and their independence:

Qualifications Name	Professional Qualification and Work Experience	Independence Analysis	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Chairman Jeffrey Lin	Mr. Jeffrey Lin has been the Chairman of the Company for over 22 years since November 2003. He graduated with a bachelor degree in Department of Electrical Engineering, National Tsing Hua University. He has the ability in the areas of commerce, technology, finance and operation judgment, and has industry experience required. He has rich experience in IC design field and ever served as manager of Macronix International Co., Ltd. (Note 1)	Shareholding of 2,097,722 shares, accounting for 2.87%; served as a Director.	None

Qualifications Name	Professional Qualification and Work Experience	Independence Analysis	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Director, KIOXIA Corporation Representative: Hatanaka Kojiro	Mr. Hatanaka Kojiro serves as Director and Senior Manager of Memory Division NAND System Engineering Dept. Senior Manager. He holds a degree in Department of Electrical Engineering and Computer Science, School of Engineering, Kyushu University. He has the ability in the areas of commerce, technology, finance and operation judgment, and has industry experience required. (Note 1)	Shareholding of 3,375,480 shares, accounting for 4.63%; serves as Director.	None
Director, Tim Hu	Mr. Tim Hu has been the President of the Company for over 19 years since July 2006. He also served as Division Chief of Macronix International Co., Ltd., R&D Chief of Atronics International, Inc. He holds a Master's degree (EECS) from the University of Missouri, Columbia. He has the ability in the areas of commerce, technology, finance and operation judgment, and has industry experience required. (Note 1)	Serves as President of the Company, with shareholding of 364,212 shares, accounting for 0.50%; serves as Director.	None
Independent Director James Hou	Mr. James Hou has been the Chairman of 94BOT Co., Ltd. And Bo Ku Network Co., Ltd since 2017, 1984 Co., Ltd. Chairman, Metaedge Corporation Consultant and serves as the Assistant Vice President for Innovative Applications of IBM Taiwan, and Vice President, Provision Information Co., Ltd. He holds a master's degree from both the Information Science of Ohio State University and Department of Computer Science of National Tsing Hua University. He has the ability in the areas of commerce, technology, finance and operation judgment, and has industry experience required. (Note 1)	Serve as an independent director, conforming to the conditions of independence, including but not limited to the fact that he, his spouse or his relatives within the second degree are not directors, supervisors or employees of the Company or its affiliated enterprises; Does not hold shares of the Company; Not being a director, supervisor or employee of a company having a specified relationship with the Company; No pay received by for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.	None

Qualifications Name	Professional Qualification and Work Experience	Independence Analysis	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Independent Director Cheermore Huang	Mr. Cheermore Huang has been a Director of INT TECH (HK) Co., Ltd. Since 2019 and has served as the Chairman and President of ILI Technology Corp. He holds a master's degree from the Institute of Electrical Engineering, National Tsing Hua University. He has the ability in the areas of commerce, technology, finance and operation judgment, and has industry experience required. (Note 1)	Serve as an independent director, conforming to the conditions of independence, including but not limited to the fact that he, his spouse or his relatives within the second degree are not directors, supervisors or employees of the Company or its affiliated enterprises; Shareholding of 135,810 shares, accounting for 0.19%; Not being a director, supervisor or employee of a company having a specified relationship with the Company; No pay received by for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.	1
Independent Director Ke Zhi Huang	Mr. Huang Kezhi, 113, has been a director of Yang Ming Optical Co. Mr. Huang was a director of Yang Ming Optical Co. Mr. Huang is a director of Yang Ming Optoelectronics Co. He holds a doctorate degree from Tsinghua University. D. in Power Mechanics from Tsinghua University. He has business, technology, financial and operational judgment and experience in the industry. (Note 1)	Serve as an independent director, conforming to the conditions of independence, including but not limited to the fact that he, his spouse or his relatives within the second degree are not directors, supervisors or employees of the Company or its affiliated enterprises; Does not hold shares of the Company; Not being a director, supervisor or employee of a company having a specified relationship with the Company; No pay received by for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.	None

Qualifications Name	Professional Qualification and Work Experience	Independence Analysis	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Independent Director Anne Chan	Ms. Jen Yuh-hsia has served as the chief financial officer of Hersheng Technology (Holdings) Co., Ltd. for 113 years. She has also served as the treasury manager of Rui-Wei Technology (Holdings) Co., Ltd., the treasury manager of Li-Zhi Electronics (Holdings) Co., Ltd. and the head of audit of Xinchuang Technology (Holdings) Co. He has a master's degree from the Graduate School of Accountancy, Dongwu University. He has business, technology, financial, and operational judgment and working experience in the industry. (Note 1)	Serve as an independent director, conforming to the conditions of independence, including but not limited to the fact that he, his spouse or his relatives within the second degree are not directors, supervisors or employees of the Company or its affiliated enterprises; Does not hold shares of the Company; Not being a director, supervisor or employee of a company having a specified relationship with the Company; No pay received by for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.	None

Note 1. Not under any of the circumstances stated in Article 30 of the Company Act.

4. Diversity and independence of the Board of Directors:

1. Diversity Policy of Board Members

The Company has established the Procedures for the Election of Directors, Article 2 of which stipulates that the directors of the Company shall generally have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall possess the following abilities:

- I. Ability to make operational judgments.
- II. Ability to perform accounting and financial analysis.
- III. Ability to conduct management administration.
- IV. Ability to conduct crisis management.
- V. Knowledge of the industry.
- VI. An international market perspective.
- VII. Ability to lead.
- VIII. Ability to make policy decisions.

2. Implementation of Diversity Policy of Board Members

Seniority of Independent Director:

Name	Title	3 years below	3 to 9 years	9 years above
Cheermore Huang	Independent Director		○	
James Hou	Independent Director		○	
Ke Zhi Huang	Independent Director	○		
Anne Chan	Independent Director	○		

Diversity Item Name	Gender	Ability to Make Operational Judgments	Accounting and Financial Analysis Ability	Management Administration Ability	Crisis Management Ability	Knowledge of the Industry	International Market Perspective	Ability to Lead	Ability to Make Policy Decisions
Jeffrey Lin	Male	√	○	√	√	√	√	√	√
KIOXIA Corporation Representative: Hatanaka Kojiro	Male	√	○	√	√	√	√	√	√
Tim Hu	Male	√	○	√	√	√	√	√	√
Cheermore Huang	Male	√	○	√	√	√	√	√	√
James Hou	Male	√	○	√	√	√	√	√	√
Ke Zhi Huang	Male	√	○	√	√	√	√	√	√
Anne Chan	Female	√	√	√	√	√	√	√	√

Note: ○ means to having partial ability.

(II) Independence of the Board of Directors:

3S's current board of directors has seven members, including four independent directors (one of whom is a female independent director) and two directors who are also employees (accounting for 57.14% and 28.57% of the total number of directors, respectively).

All directors of the company are aged between 41 and 70. The independent directors all meet the requirements for independence under the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and the entire board of directors complies with Article 26-3, Paragraph 3 of the Securities and Exchange Act, more than half of the directors do not have a marital relationship or a relative relationship within the second degree of kinship with any other director, and therefore the Company's board of directors meets the requirements for independence. For information on each director's education, gender, professional qualifications, work experience, and diversity, please refer to the director information in this annual report.

(III) President, Vice Presidents, Assistant Vice Presidents, and Heads of Divisions and Branch Units

Unit: shares; % March 31, 2025

Title	Nationality	Name	Gender	Date Elected	Shareholding		Shares Held by Spouse and Minor Children Shareholding		Shareholding by Nominees		Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Remark
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
President	R.O.C./USA	Tim Hu	Male	2006.07.07	364,212	0.50	93,723	0.13	0	0	Division Chief, Macronix International Co., Ltd. R&D Chief, Atronics International, Inc. Master (EECS), University of Missouri, Columbia	None	None	None	None	None
Vice President of R&D	R.O.C.	Cheng Liou	Male	2001.09.03	14,957	0.02	0	0.00	0	0	Manager, Memory Application Department, Macronix International Co., Ltd. Associate Engineer, Industrial Technology Research Institute Master, Institute of Electrical Engineering, National Tsing Hua University	None	None	None	None	None

Title	Nationality	Name	Gender	Date Elected	Shareholding		Shares Held by Spouse and Minor Children Shareholding		Shareholding by Nominees		Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Remark
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Senior Vice President	R.O.C.	Flink Chiu	Male	2017.4.19	131,221	0.18	338	0	0	0	Vice President, PANJIT International Inc. Department of Public Finance, Feng Chia University	Independent Director, International Carbide Technology Co., Ltd.	None	None	None	None
Finance /Accounting and Corporate Governance Director	R.O.C.	Joepye Tseng	Female	2017.11.2	62,085	0.09	0	0	0	0	Deputy Manager, Finance Department, Solid State System Co., Ltd. Accounting Department, China University of Technology	None	None	None	None	None

II. Remuneration Paid During the Most Recent Fiscal Year to Directors (Including Independent Directors), the President and Vice Presidents

(I) Remuneration Paid to Directors and Independent Directors

December 31, 2024; Unit: NT\$ thousand/thousand shares

Title	Name	Remuneration Paid to Directors								Sum of A+B+C+D and the sun of Ratio to Net Income		Relevant Remuneration Received by Directors who Are Also Employees								Sum of A+B+C+D+E+F+G and the sun of Ratio to Net Income		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company		
		Base Compensation(A)		Retirement Allowance (B) (Note 1)		Director Remuneration(C) (Note 2)		Allowances(D)				Salary, Bonus, and Allowance (E)		Retirement Allowance(F) (Note 1)		Employee Compensation (Note 2)								
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company		All Companies in Consolidated Financial Statements		The Company	All Companies in Consolidated Financial Statements			
																Cash	Stock	Cash	Stock					
Chairman	Jeffrey Lin	0	0	0	0	0	0	24	24	24	-0.01%	2,780	2,780	0	0	0	0	0	0	2804	-1.55%	2804	-1.55%	0
Director	Tim Hu	0	0	0	0	0	0	24	24	24	-0.01%	2,676	2,676	108	108	0	0	0	0	2808	-1.55%	2808	-1.55%	0
Director	KIOXIA Corporation Representative: Hatanaka Kojiro	0	0	0	0	0	0	24	24	24	-0.01%	0	0	0	0	0	0	0	0	24	-0.01%	24	-0.01%	0
Director	Kingston Technology Corporation Representative: Albert Yang(Note 5)	0	0	0	0	0	0	9	9	9	-0.00%	0	0	0	0	0	0	0	0	9	-0.00%	9	-0.00%	0
Independent Director	Ken Lin (Note 5)	148	148	0	0	0	0	12	12	160	-0.08%	0	0	0	0	0	0	0	0	160	-0.08%	160	-0.08%	0
Independent Director	Cheermore Huang	360	360	0	0	0	0	30	30	390	-0.21%	0	0	0	0	0	0	0	0	390	-0.21%	390	-0.21%	0
Independent Director	James Hou	360	360	0	0	0	0	33	33	393	-0.22%	0	0	0	0	0	0	0	0	393	-0.22%	393	-0.22%	0
Independent Director	Ke Zhi Huang(Note 6)	213	213	0	0	0	0	21	21	234	-0.13%	0	0	0	0	0	0	0	0	234	-0.13%	234	-0.13%	0
Independent Director	Anne Chan(Note 6)	213	213	0	0	0	0	21	21	234	-0.13%	0	0	0	0	0	0	0	0	234	-0.13%	234	-0.13%	0

Note 1. It is the pension contributions made according to law.

Note 2. The Company did not distribute earnings for 2024.

Note 3. The policies, systems, standards, and structure for the remuneration of the independent directors, and state the correlation to the remuneration according to the responsibilities, risks time commitment and other factors:
The fixed remuneration of independent directors shall be the remuneration prescribed in accordance with the Articles of Incorporation of the Company, shall be proposed by the remuneration committee in consideration of the industry level and submitted to the Board of Directors for conclusion, and shall not include the director's remuneration appropriated from annual profit.

Note 4. Unless disclosed in the above table, remuneration received in the most recent fiscal year by the Directors for providing services (e.g. serving as a non-employee consultant) to the companies in the consolidated financial statements: None.

Note 5.:The directors were fully re-elected on May 29, 2024, and will not be reappointed.

Note 6.: The directors were fully re-elected on May 29, 2024, and have newly assumed their positions.

- * The content of remuneration disclosed in this table is derived based on a concept different from the concept of income stipulated in the Income Tax Act. Therefore, this table is for information disclosure purposes, instead of taxation.

(II) Remuneration to the President and Vice Presidents

December 31, 2024; Unit: NT\$ thousand/thousand shares

December 31, 2021, Unit: NT\$ thousand thousand shares

Title	Name	Salary(A)		Retirement Allowance(B)(Note 1)		Bonus and Allowances(C)		Employee Compensation(D)(Note 2)				Sum of A+B+C+D and the sun of Ratio to Net Income (%)		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company		All Companies in Consolidated Financial Statements		The Company	All Companies in Consolidated Financial Statements	
								Cash	Stock	Cash	Stock			
President	Tim Hu	6,357	6,357	324	324	554	554	0	0	0	0	7,235 -4.00%	7,235 -4.00%	0
Vice President of R&D	Cheng Liou													
Senior Vice President	Flink Chiu													

* The content of remuneration disclosed in this table is derived based on a concept different from the concept of income stipulated in the Income Tax Act. Therefore, this table is for information disclosure purposes, instead of taxation.

Range of Remuneration

Range of Remuneration Paid to the President and Vice Presidents	Name of President and Vice President	
	The Company	All Companies in Consolidated Financial Statements
Less than NT\$1,000,000		
NT\$ 1,000,000 (inclusive) ~ NT\$ 2,000,000 (exclusive)		
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Tim Hu; Flink Chiu; Cheng Liou	Tim Hu; Flink Chiu; Cheng Liou
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)		
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)		
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)		
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)		
NT\$ 30,000,000 (inclusive) ~ NT\$ 50,000,000 (exclusive)		
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)		
More than NT\$100,000,000		
Total	3 persons	3 persons

(III) Remuneration of the Company's Top Five Executives

December 31, 2023; Unit: NT\$ thousand/thousand shares

December 31, 2023; Unit: NT\$ thousand (thousand shares)

Title	Name	Salary(A)		Retirement Allowance(B)(Note 1)		Bonuses and Allowances(C)		Employee Compensation(D)(Note 2)				Sum of A+B+C+D and the sun of Ratio to Net Income (%)		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company		All Companies in Consolidated Financial Statements		The Company	All Companies in Consolidated Financial Statements	
								Cash	Stock	Cash	Stock			
Chief Technology Officer	Jeffrey Lin	2,379	2,379	0	0	425	425	0	0	0	0	2,804 -1.55%	2,804 -1.55%	0
President	Tim Hu	2,258	2,258	108	108	442	442	0	0	0	0	2,808 -1.55%	2,808 -1.55%	0
Vice President of R&D	Cheng Liou	1,820	1,820	108	108	224	224	0	0	0	0	2,152 -1.19%	2,152 -1.19%	0
Senior Vice President	Flink Chiu	2,131	2,131	108	108	36	36	0	0	0	0	2,275 -1.26%	2,275 -1.26%	0
Finance/Accounting and Corporate Governance Director	Joepy Tseng	1,066	1,066	66	66	191	191	0	0	0	0	1,323 -0.73%	1,323 -0.73%	0

(IV) Separately Compare and Describe Total Remuneration, as A Percentage of Net Income Stated in the Parent Company Only Financial Statements, as Paid by the Company and by Each Other Company Included in the Consolidated Financial Statements During the Past 2 Fiscal Years to Directors, Supervisors, President, and Vice Presidents, and Analyze and Describe Remuneration Policies, Standards, and Packages, the Procedure for Determining Remuneration, and Its Linkage to Operating Performance and Future Risk Exposure:

1. The Company and all companies included in the consolidated report paid the remuneration to Directors, President and Vice Presidents in accordance with Article 17 and Article 21 of the Articles of Incorporation during the past 2 years, respectively as follows:

Unit: NT\$ thousand

Item	2023			2024		
	Total remuneration	Net profit after tax	Ratio	Total remuneration	Net profit after tax	Ratio
Director President Vice President	12,055	(220,015)	N/A	11,483	(181,153)	N/A

2. Remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure

- (1) Director remuneration allocation policy

As for director's remuneration, in accordance with Article 21-1 of the Articles of Incorporation, if the Company has accumulated losses from previous year and gained profit in current year, prior to the appropriation of remuneration for employees and directors, a certain amount shall be reserved for loss recovery in advance, and not less than 10% of the remaining earnings shall be appropriated for employees and not more than 2% for directors. The remuneration to independent directors of the Company shall be paid in the form of monthly fixed remuneration, and the distribution as provided in the first paragraph is not applicable.

- (2) Manager remuneration allocation policy

The Company regularly checks and compares salaries with those of the same industry or talent competitors every year for the purpose of attracting, motivating and retaining talents. The Company's remuneration includes two parts: fixed and variable. The Company has set the performance target incentive reward for managers to fully reflect the performance of individuals and teams.

The Company's remuneration procedures for directors and managers are based on its performance evaluation methods for the Board of Directors and employee performance appraisal, and paid on a reasonable basis by taking into account the individual's contribution to the Company's performance while referring to the Company's operating performance,

future risks, development strategies and industry trends. The performance evaluation and remuneration distribution shall be reviewed and approved by the Remuneration Committee and the Board of Directors in accordance with regulations. The Company will review the remuneration distribution policy in due course in light of the overall environment and its business strategies, so as to achieve a balance between the Company's sustainable operation and the interests of stakeholders.

- (3) The Company's remuneration policy is based on the individual's ability, contribution to the Company, and performance, which is positively correlated with business performance. The Company has appropriate control over future risks, and there is also a correlation between remuneration policy and future risk. The overall remuneration package mainly includes base salary, bonuses, employee dividends, and benefits. As for the standards of remuneration, base salary is based on the competitive market situation of the position held by the employee and company policy, while bonuses and employee dividends are based on the achievement of staff, segment objectives or company performance, and benefits are subject to compliance with laws and regulations, taking into account the needs of employees, and shall be designed to be shared among employees.

III. Implementation of Corporate Governance

(1) Operations of the Board of Directors

(2) A total of 8 meetings (A) of the Board of Directors have been held in the most recent fiscal year (2024), with the directors' attendance shown as follows:

Title	Name	Attendance in Person(B)	Attendance by Proxy	Rate of Attendance in Person(%) 【B/A】	Remark
Chairman	Jeffrey Lin	8	0	100	None
Director	Tim Hu	8	0	100	None
Director	KIOXIA Corporation Representative: Hatanaka Kojiro	8	0	100	None
Director	Kingston Technology Corporation Representative: Albert Yang	3	0	37.5	Term of office expired on May 29, 2024 and not renewed (there were 3 board meetings during the 2024 term of office, and he actually attended 3 of them)
Independent Director	Ken Lin	3	0	37.5	Term of office expired on May 29, 2024 and not renewed (there were 3 board meetings during the 2024 term of office, and he actually attended 3 of them)
Independent Director	Cheermore Huang	7	1	87.5	On April 23, 2024, independent director James Hou was entrusted to attend as proxy.
Independent Director	James Hou	8	0	100	None
Independent Director	Ke Zhi Huang	5	0	62.5	Elected as an independent director of the tenth session on May 29, 2024 (the board of directors held 5 meetings during the 2024 term of office, and he actually attended 5 of them)
Independent Director	Anne Chan	5	0	62.5	Elected as an independent director of the tenth session on May 29, 2024 (the board of directors held 5 meetings during the 2024 term of office, and he

					actually attended 5 of them)
Other information required to be disclosed:					
I. If any of the following circumstances exists, specify the board meeting date, meeting session number, content of the motion(s), the opinions of all the independent directors, and the measures taken by the Company based on the opinions of the independent directors:					
(I) Any matter under Article 14-3 of the Securities and Exchange Act: Please refer to major board resolutions on Page 78~81 of the Annual Report.					
(II) In addition to the matters referred to above, any dissenting or qualified opinion of an independent director that is on record or stated in writing with respect to any board resolution: None.					
II. The status of implementation of recusals of directors with respect to any motions with which they may have a conflict of interest: specify the director's name, the content of the motion, the cause for recusal, and whether and how the director voted.					
Board Date		Execution of directors' recusal of interest related proposals			
2024.02.22		Resolution of the Company's managers' incentive compensation for the year 2023. Director Hu Dingzhong, Vice President Liu Zhicheng and Vice President Qiu Baozhong did not participate in the discussion and resolution of this case due to the avoidance of their interests.			
2024.05.29		For the resolution on the appointment of members of the Sixth Compensation Committee of the Company, the three independent directors, Mr. Huang Qimo, Mr. Hou Yilang and Mr. Huang Kezhi, did not participate in the discussion and resolution of this case due to the avoidance of their interests.			
2024.08.08		Resolution on the remuneration of independent directors of the Company, four independent directors, namely, Mr. Wong Kai Mok, Mr. Hou Yilang, Mr. Huang Kezhi and Ms. Zhan Yuxia, did not participate in the discussion and resolution of this case due to the avoidance of their interests.			
2024.10.14		Resolution on share subscription by managers for cash capital increase. Chairman Mr. Lin Junhong and Director Mr. Hu Dingzhong did not participate in the discussion and resolution of this case due to the avoidance of their interests.			
III. A company listed on the Taiwan Stock Exchange (TWSE) or the Taipei Exchange (TPEX) shall disclose the cycles, periods, scope, method, contents and other matters of the self-evaluation by the board members of themselves (or peers), and state the implementation status of the board members' evaluation in 2024 as the following table (1):					
IV. Evaluation of targets (such as establishing an Audit Committee and enhancing information transparency) for strengthening of the functions of the Board of Directors during the current and immediately preceding fiscal years, and measures taken toward achievement thereof:					
Targets for Strengthening of the Functions of the Board of Directors		The Evaluation of Implementation Status			
Continue to enhance information transparency		The Company sets a designated unit to be responsible for the disclosure of company information and the update of information on the company website.			
Actively establish communication with stakeholders		The Company has a spokesperson and an acting spokesperson, through which stakeholders can use as a communication channel. Shareholders' proposals are accepted at the annual shareholders' meeting according to the schedule. Any shareholder with the right to make a proposal may submit an application to the Company during the acceptance period, and the Company will			

	convene a Board of Directors for review in accordance with relevant regulations.
Enhance the efficiency and decision-making ability of the Board of Directors	The Company has formulated its Rules of Procedure for Board of Directors Meetings to strengthen the implementation of the functions of the Board of Directors and promote the benign development of the Board's participation in decision-making.
Enhance professional knowledge	Each year, the Company's directors shall attend training courses for as long as required by the competent authority. The Company encourages board members to participate in various professional courses, and promotes relevant laws and regulations on the board meetings to comply with the laws and regulations.

table (1) : Implementation of evaluations of the Board of Directors in 2024:

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content
Once a year	2024/01/01~ 2024/12/31	Board of Directors	Internal evaluation of the board	<ol style="list-style-type: none"> 1. Participation in the operation of the Company 2. Improvement of the quality of the Board of Directors' decision making 3. Composition and structure of the Board of Directors 4. The director's continuing education 5. Internal control
Once a year	2024/01/01~ 2024/12/31	Individual directors	Self-evaluation by the board members of themselves	<ol style="list-style-type: none"> 1. Alignment of the goals and mission of the Company 2. Awareness of the duties of a director 3. Participation in the operation of the Company 4. Management and communication of internal relationship 5. The director's professionalism and continuing education 6. Internal control
Once a year	2024/01/01~ 2024/12/31	Audit Committee	Audit Committee Self-Assessment	<ol style="list-style-type: none"> 1. Participation in the operation of the Company 2. Awareness of the duties of the functional committee 3. Improvement of quality of decisions made by the functional committee 4. Makeup of the functional committee and election of its members 5. Internal control

Once a year	2024/01/01~ 2024/12/31	Remuneration Committee	Remuneration Committee Self- Assessment	1. participation in the operation of the Company 2. effectiveness of the duties of the functional committee 3. improvement of quality of decisions made by the functional committee 4. Makeup of the functional committee and election of its members
-------------	---------------------------	---------------------------	--	--

(II) Annual priorities and operations of the Audit Committee

The Company's general shareholders' meeting has elected four independent directors to compose an audit committee, which shall meet at least once a quarter. The Audit Committee is responsible for the implementation of the appropriate presentation of the Company's financial statements, the election of CPAs and their independence and performance, the effective implementation of the Company's internal control, the Company's compliance with relevant laws and regulations, and control of existing or potential risks of the Company, etc.

Its main functions and powers are as follows:

1. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
4. Matters bearing on the personal interest of a director.
5. Material asset or derivatives transactions.
6. Material monetary loans, endorsement, or provision of guarantee.
7. The offering, issuance, or private placement of any equity-type securities.
8. The hiring or dismissal of attesting CPAs, or the compensation given thereto.
9. The appointment or discharge of a financial, accounting, or internal auditing officer.
10. Annual financial reports and second quarter financial reports that must be audited and attested by a CPA, which are signed or sealed by the chairman, managerial officer, and accounting officer.

11. Any other material matter so required by the Company or the Competent Authority.

A total of 8 meetings (A) have been held by the Audit Committee in the most recent fiscal year (2024), with the attendance of independent directors shown as follows:

Title	Name	Attendance in Person(B)	Attendance by Proxy	Rate of Attendance in Person(%) 【B/A】	Remark
Independent Director	Cheermore Huang	7	0	87.5	None
Independent Director	James Hou	8	0	100	None
Independent Director	Ke Zhi Huang	5	0	62.5	Elected as the 10th Independent Director on 29 May 2024 (5 meetings of the Board of Directors during the term of 2024, actually attended 5 meetings)
Independent Director	Anne Chan	5	0	62.5	Elected as the 10th Independent Director on 29 May 2024 (5 meetings of the Board of Directors during the term of 2024, actually attended 5 meetings)
Independent Director	Ken Lin	3	0	37.5	Term of office expired on 29 May 2024 and not renewed (there were 3 board meetings during the 2024 term of office, and the director attended all 3 meetings in person)

Other information required to be disclosed:

I. If any of the following circumstances exists, specify the audit committee meeting date, meeting session number, content of the motion(s), the content of any dissenting or qualified opinion or significant recommendation of the independent directors, the outcomes of audit committee resolutions, and the measures taken by the Company based on the opinions of the

audit committee:

- (I) Any matter under Article 14-5 of Securities and Exchange Act: Refer to Schedule I.
- (II) In addition to the matters referred to above, any matter that was not approved by the audit committee but was approved by a two-thirds or greater majority resolution of the Board of Directors: None.

II. Implementation of recusals of independent directors with respect to any motions with which they may have a conflict of interest: specify the independent director's name, the content of the motion, the cause for recusal, and whether and how the independent director voted:

- (1) The Company held a board meeting on May 29, 2024, and resolved to appoint the members of the Company's 6th Remuneration Committee. The three independent directors, Mr. Huang Qimo, Mr. Hou Ichiro, and Mr. Huang Kezhi, did not participate in the discussion and resolution of this case due to conflict of interest.
- (2) The company held a board meeting on August 8, 2024, to resolve the remuneration of the company's independent directors. Four independent directors, Mr. Huang Qimo, Mr. Hou Yiliang, Mr. Huang Kezhi, and Ms. Zhan Yuxia, did not participate in the discussion and resolution of this case due to conflict of interest.

III. Communication between the independent directors and the chief internal audit officer and the CPAs that serve as external auditor (including any significant matters communicated about with respect to the state of the Company's finances and business and the methods and outcomes of the communication.

- 1. Direct communication channels are in place among internal audit supervisors, and the communication works well. The audit supervisor delivers the audit report to the independent directors on a monthly basis, and the independent directors may communicate with the audit supervisor at any time if they think it necessary.
- 2. The Company convenes the audit committee quarterly, during which the audit director reports to the audit committee members on the implementation of review and interacts with the independent directors. CPAs also attend the audit committee meeting to communicate and interact with other attendants independently on the review of financial statements or on financial, tax or internal control related issues.
- 3. The important contents of the communication and interaction among the independent directors, CPAs, and internal audit supervisor on the Audit Committee meeting shall be recorded in the Proceedings of the Audit Committee.

Schedule I

Audit Committee	Content of Motion and Follow-up	Matters referred to in Article 14-5 of the Securities and Exchange Act	Resolutions Passed by More Than Two-thirds of All Directors but Without Approval of the Audit Committee
The 7 th Meeting of the 3rd Session (2025.03.19)	1. Private placement of common shares for cash capital increase	✓	None
	2. Purchase of office space for business use or lease of right-to-use assets	✓	

The 6 th Meeting of the 3rd Session (2025.02.20)	1. 2024 Annual Report on Operations and Financial Statements.	✓	None
	2. Accountant's remuneration and evaluation of the independence and suitability of accountants.	✓	
	3. Loss appropriation for the year ended December 31, 2024.	✓	
	4. Preparation of the 2024 “Statement on Internal Control System”.	✓	
	5. Changes in the original plan of capital increase by private placement of common stock.	✓	
	6. Issuance of common stock in a private placement for cash capital increase.	✓	
	Resolution Results of the Audit Committee: Adopted by all members of the Audit Committee		
	The Company's Response to the Resolution Results of the Audit Committee: Approved by all the Directors present		
The 5 th Meeting of the 3rd Session (2024.12.19)	1 Revision of the Company's “Internal Control System - Management Cycle”.	✓	None
	2 2025 Audit Plan.	✓	
	3 2025 business plan and budget.	✓	
	Resolution Results of the Audit Committee: Adopted by all members of the Audit Committee		
	The Company's Response to the Resolution Results of the Audit Committee: Approved by all the Directors present		
The 4 th Meeting of the 3rd Session (2024.11.07)	1. Consolidated financial statements for the third quarter of 2024.	✓	None
	2. Application for bank forward foreign exchange quota.	✓	
	Resolution Results of the Audit Committee: Adopted by all members of the Audit Committee		
	The Company's Response to the Resolution Results of the Audit Committee: Approved by all the Directors present		
The 3 th Meeting of the 3rd Session (2024.10.17)	1. to elect the convenor of the Audit Committee to sign the Side Letter Agreement on behalf of the Company.	✓	None
	Resolution Results of the Audit Committee: Adopted by all members of the Audit Committee		
	The Company's Response to the Resolution Results of the Audit Committee: Approved by all the Directors present		
The 2 th Meeting of the 3rd Session (2024.10.14)	1. Proposed issuance of new shares by way of cash capital increase in 2024.	✓	None
	Resolution Results of the Audit Committee: Adopted by all members of the Audit Committee		
	The Company's Response to the Resolution Results of the Audit Committee: Approved by all the Directors present		
The 1 th Meeting of the 3rd Session (2024.08.06)	1. Election of the Convener and Chairman of the Third Audit Committee.	✓	None
	2. Consolidated Financial Statements for the Second Quarter of 2024.	✓	
	Resolution Results of the Audit Committee: Adopted by all members of the Audit Committee		

	The Company's Response to the Resolution Results of the Audit Committee: Approved by all the Directors present		
The 16 th Meeting of the 2nd Session (2024.05.09)	1.Financial statements for the first quarter of 2024.	✓	None
	Resolution Results of the Audit Committee: Adopted by all members of the Audit Committee		
	The Company's Response to the Resolution Results of the Audit Committee: Approved by all the Directors present		
The 15 th Meeting of the 2nd Session (2024.04.23)	1. Application for bank forward foreign exchange quota.	✓	None
	2. Changes to the original plan for cash capital increase in private placement of ordinary shares.	✓	
	Resolution Results of the Audit Committee: Adopted by all members of the Audit Committee		
	The Company's Response to the Resolution Results of the Audit Committee: Approved by all the Directors present		
The 14 th Meeting of the 2nd Session (2024.02.19)	1. 2023 annual business report and financial report .	✓	None
	2. Change of visa accountant .	✓	
	3. New accountant’s remuneration and assessment of accountant’s independence and competency .	✓	
	4. Proposal for appropriation of losses in 2023.	✓	
	5. Preparation of the "Internal Control System Statement" for 2023.	✓	
	6. Amendment to the "Accounting System".	✓	
	7. Application for bank forward foreign exchange quota.	✓	
	8. Changes to the original plan for cash capital increase in private placement of ordinary shares.	✓	
	9. Handle private placement cash capital increase and common stock issuance.	✓	
	Resolution Results of the Audit Committee: Adopted by all members of the Audit Committee		
The Company's Response to the Resolution Results of the Audit Committee: Approved by all the Directors present			

(III) Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The Company has established its Corporate Governance Best Practice Principles in accordance with law, and disclosed it on the Market Observation Post System (MOPS) and implemented accordingly?	No material deviation
II. Shareholding structure and shareholders' rights				
(I) Does the Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	V		(I) The Company has set up a spokesman system, and authorized the spokesman to handle matters as described on the left.	No material deviation
(II) Does the Company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders?	V		(II) The Company entrusts a professional stock transfer agency to handle the matter, and regularly declares and discloses the list of major shareholders and the ultimate controllers of major shareholders in accordance with the law, and maintains a good relationship with major shareholders to keep control at all times.	No material deviation
(III) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates?	V		(III) For the internal control systems, the Company has formulated the management rules for related party transaction, as well as Transaction Procedures for Specific Companies, Group Enterprises and Related Persons and Subsidiary Management Measures, which explicitly provide standards for the operation, finance and business transactions of related companies to establish a risk control mechanism.	No material deviation
(IV) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?	V		(IV) The Company has formulated its Ethical Corporate Management Best Practice Principles and Ethical Code of Conduct and implemented accordingly.	No material deviation

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
III. Composition and responsibilities of the Board of Directors	V	V	(I) The Board of Directors is diversified and has a board performance evaluation program and annual performance targets. The Company's Board of Directors consists of six male directors and one female director. In addition to the four independent directors, the Company also invites professionals with different backgrounds to serve as directors and independent directors in order to diversify the Board's membership, and the Company's directors possess the knowledge, skills and qualities necessary for business execution and have different expertise in their respective fields, which are beneficial to the Company's development and operation. Please refer to P.6-9 .	Except for the voluntary establishment of other functional committees, others are in compliance
(I) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?			(II) The Company has not set up a remuneration committee or other functional committees other than the Audit Committee	
(II) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the Audit Committee?			(III) The Board of Directors of the Company has formulated the Board performance Evaluation Method. And the Company has conducted and evaluated the performance of the Board of Directors in 2024, and submitted it to the Board of Directors (2025.02.20) for adoption and as a reference for directors' remuneration and nomination for reappointment.	
(III) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the Board of Directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms?			(IV) 3S held the 6th meeting of the third session of the Audit Committee on 2025.02.20. The audit quality indicators (AQIs) submitted by certified accountants have been	
(IV) Does the Company regularly evaluate the independence of the CPAs?	V			

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			<p>adopted for the review of the independence, suitability, appointment and annual remuneration proposal of certified accountants. , as the basis for appointing a visa accountant. It has been confirmed that the accountant has no other financial interests or business relationship with the company except the fees for visa and financial and tax cases, and the accountant's family members do not violate the independence requirements. Since 2024,3S has required certified accountants to provide a "Detached Independence Statement" every year. At the same time, the company's financial department has assessed that the company's certified accountants meet the company's independence assessment standards (please refer to Table 1 for instructions), and are qualified to serve as the company's certified accountants . When the board of directors of the company discusses the independence and appointment of certified accountants, it also submits the personal resume of the accountants and the statement of independence of each accountant for the discussion of the board of directors to evaluate their independence. The latest assessment was passed by the Audit Committee on 2025.02.20 and submitted to the Board of Directors on 2025.02.20.</p>	
IV. Does the Company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing	V		<p>The Company has set up a corporate governance working group, with the President as the convenor and 1 to 3 members from the management office, legal affairs, secretariat, and audit office.The finance/accounting director</p>	No material deviation

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?			<p>will also serve as the corporate governance director in May 4,2023.</p> <p>The main responsibilities of the working group are as follows:</p> <p>(I) Develop and plan an appropriate company system and organizational structure to promote the independence of the Board of Directors, the Company's transparency and compliance with laws and regulations, and the implementation of internal audit and internal control.</p> <p>(II) The working group shall consult the directors prior to the board meeting to plan and draw up the agenda, and shall notify all directors to attend at least 7 days prior to the meeting and provide sufficient materials for the directors to understand the contents of the relevant topics; If the topic content is related to a stakeholder and should be recused by the stakeholder as appropriate, the counterpart party will be reminded in advance.</p> <p>(III) Register the date of shareholders' meeting every year in accordance with the law; prepare the Notice of Meeting, the Meeting Handbook, and the minutes to the Shareholders' Meeting within the statutory period, and handle the registration of change after the amendment of Articles of Incorporation or the reelection of directors.</p>	
V. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company website? Does the Company appropriately	V		The Company has set up a spokesman system, a website and other channels to provide the information about the Company's operations and finance, and also set up an E-mail address to properly handle the opinions of interested parties by a designated personnel.	No material deviation

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
respond to stakeholders' questions and concerns on important corporate social responsibility issues?				
VI. Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	V		The Company appoints Master Link Securities Corp. as the agent for its stock affairs.	No material deviation
VII. Information disclosure (I) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status? (II) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)? (III) Does the Company publish and report its annual financial statements within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?	V V V		(I) The Company has set up a website that is maintained and updated by dedicated personnel, and disclose information regarding its financials, business, and corporate governance status on the MOPS. (II) The Company has designated the management office to be responsible for the collection and disclosure of company information in accordance with laws and regulations, and set up a spokesman and acting spokesman. The company website is available in Chinese and English, with links to investor conferences available for reference. (III) The Company published and reported its annual financial report within the time limit specified, and did not do so before two months after the end of the fiscal year. And the financial reports of the first, second and third quarters and the revenue of each month are earlier than the specified deadline.	No material deviation
VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the	V		(I) Employee rights and interests: The Company has always treated employees in good faith and protected the legitimate rights and interests of employees in accordance with the Labor Standards Act. (II) Employee care: The Company has established a good relationship of mutual trust	No material deviation

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?			<p>with its employees through a welfare system that enriches and stabilizes the lives of employees and a good education and training system. Such as: Establish an employee benefit committee to regularly organize domestic and international travel, year-end party and various club activities, with a view to winning honor, professionalism and mutual trust in these activities; Encourage employees to participate in internal and external training to enhance relevant knowledge; Pay attention to the health of employees by taking out group insurance and arranging regular staff health check-ups; Organize regular staff discussions and attach importance to labor-management relations; Develop employee retirement measures to stabilize employees' retirement life.</p> <p>(III) Investor relations: Set up an investor inquiry website and a dedicated contact hotline to handle shareholder inquiries and suggestions.</p> <p>(IV) Supplier relations: The Company has always maintained a good cooperative relationship with suppliers.</p> <p>(V) Rights of stakeholders: The Company has set a spokesman to communicate with investors and stakeholders, and has made public information in accordance with the law and formulated relevant measures to promote corporate governance, so as to protect the basic rights and interests of investors and fulfill the Company's responsibilities to shareholders.</p> <p>(VI) Continuing education of Directors: Please refer to table 2 below for the information of continuing education</p>	No material deviation

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			<p>of Directors in 2024. The directors of the Company have a certain professional background and practical experience in their personal areas of expertise. The Company arranges relevant courses for directors in line with the trends of the laws and regulations of Taiwan.</p> <p>(VII) Implementation of risk management policies and risk measurement standards: The Company's risk assessment mainly focused on the Company itself. The Risk Management Measures was adopted by the Board of Directors in 2020 as the highest guiding principle of the Company's risk management. Each management unit regularly assesses and reviews risk matters and reports to the President, who shall then summarize major risk matters and report to the Board of Directors on a regularly basis. The Company conducts prevention and control of possible risks in the process of operation and management, and formulates relevant early warning measures. In addition, the Company conducts risk assessments related to the Company's operations based on the principle of materiality, as a reference for the Company's risk management and operation strategies to effectively identify, measure and control the risks of the Company and to control the risks arising from the operating activities within an acceptable range.</p> <p>(VIII) Implementation of customer policies: The Company maintains a good and stable relationship with each customer to create a stable and continuous environment for the</p>	

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			Company's profit and sustainable operation. (IX) Liability insurance for Directors and Supervisors: The Company has taken out liability insurance for Directors and Supervisor in the amount of US\$10,000,000 in 2024 for an insurance period from January 1, 2024 to January 1, 2025.	
IX. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement. The Company conducts self-assessment for the corporate governance evaluation items every year, and makes improvements year by year based on the indicator evaluation items. No significant deficiencies were found.				

Table (1) Accountant Independence Assessment Report

Evaluation Items	Independence	
	Y	N
1. Situations that have direct or significant indirect financial interests with 3S that affect independence.	✓	
2. Has not served as a director, supervisor, or other position that directly and significantly affects this audit case at present or in the past two years.	✓	
3. There is no defense of the position or opinion of 3S and its related parties, which may cause independence to be questioned.	✓	
4. There is no close relationship with 3S and its related persons, directors, and managers, and it may be excessively concerned about or sympathetic to the interests of customers.	✓	
5. No received or felt the intimidation from 3S, and not be able to maintain objectivity and clarify professional doubts.	✓	
6. During the period of the 2024 financial statements of the Republic of China, there was no non-audit service provided to 3S that may affect the detached independence.	✓	
7. Obtain an independent statement from an accountant.	✓	
8. Other circumstances that may affect detached independence.	✓	

Table (2) Continuing education of Directors:

Title	Name	Date	Training Institution	Course Name	Training Hours
Representative Director	Representative: Hatanaka Kojiro	2024/08/08	Chinese Corporate Governance Association	2024 Global Economic Outlook and Industry Trends	3
Chairman	Jeffrey Lin	2024/08/08	Chinese Corporate Governance Association	2024 Global Economic Outlook and Industry Trends	3
Director	Tim Hu	2024/08/08	Chinese Corporate Governance Association	2024 Global Economic Outlook and Industry Trends	3
Independent Director	Cheermore Huang	2024/08/08	Chinese Corporate Governance Association	2024 Global Economic Outlook and Industry Trends	3
		2024/07/30	Corporate Management and Sustainable Development Association of the Republic of China (Taiwan)	The Impact of Export Controls on Business Operations and Risk Management Controls	3
Independent Director	James Hou	2024/09/19	Securities and Futures Market Development Foundation of the Republic of China.	Director and Corporate Governance Series-Silicon Photonics Defining Networks: Trends in Silicon Photonics and Co-packaged Optics	3

		2024/04/11	Chinese Independent Directors Association	Legal Liability and Practical Case Analysis of Director (Independent Director) Affiliations	3
Independent Director	Ke Zhi Huang	2024/11/22	Securities and Futures Market Development Foundation of the Republic of China (Taiwan)	2024 Annual Insider Trading Legal Compliance Seminar	3
		2024/10/07	Association for the Advancement of Industry and Commerce of the Republic of China (AICC)	Corporate Directors and Supervisors Seminar - 2024 Taishin Net Zero Forum	3
		2024/10/04	Securities and Futures Market Development Foundation of the Republic of China (Taiwan)	2024 Annual Insider Trading Prevention Seminar	3
		2024/08/08	Chinese Corporate Governance Association	2024 Global Economic Outlook and Industry Trends	3
Independent Director	Anne Chan	2024/09/11	Taipei Exchange	Taipei Exchange Emerging Market Company Insider Shareholding Promotion Seminar - Hsinchu	3
		2024/08/08	Chinese Corporate Governance Association	2024 Global Economic Outlook and Industry Trends	3
		2024/07/06	Accounting Research and Development Foundation	Legal liability and case analysis related to corporate control disputes	3
		2024/06/22	Accounting Research and Development Foundation	Effective internal control for sustainability reporting	3

(IV) Composition and Implementation Status of the Remuneration Committee

1. Information on Remuneration Committee Members

Qualifications		Professional Qualification and Work Experience	Independence Analysis	Number of Other Public Companies where the Individual Concurrently Serves as a Remuneration Committee Member
Capacity (Note 1)	Name			
Independent Director (Convenor)	James Hou	Mr. James Hou has been the Chairman of 94BOT Co., Ltd. And Bo Ku Network Co., Ltd since 2017, 1984 Co., Ltd. Chairman, Metaedge Corporation Consultant , and serves as the Assistant Vice President for Innovative Applications of IBM Taiwan, and Vice President, Provision Information Co., Ltd. He holds a master's degree from both the Information Science of Ohio State University and Department of Computer Science of National Tsing Hua University He has the ability in the areas of commerce, technology, finance and operation judgment, and has industry experience required. (Note 1)	Serve as an independent director, conforming to the conditions of independence, including but not limited to the fact that he, his spouse or his relatives within the second degree are not directors, supervisors or employees of the Company or its affiliated enterprises; does not hold shares of the Company; not being a director, supervisor or employee of a company having a specified relationship with the Company; no pay received by for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.	None
Independent Director	Cheermore Huang	Mr. Cheermore Huang has served as a director of Chuang Wang Optoelectronics Co., Ltd. (Hong Kong), a supervisor of Rui Zhi Co., Ltd., and an independent director of Innolux Corporation since 2019. He previously served as the chairman and general manager of Yili Technology Co., Ltd. He holds a Master's degree in Electrical Engineering from Tsinghua University. He possesses expertise in business, technology, finance, operational decision-making, and the necessary work experience required by the industry.	Serve as an independent director, conforming to the conditions of independence, including but not limited to the fact that he, his spouse or his relatives within the second degree are not directors, supervisors or employees of the Company or its affiliated enterprises; shareholding of 135,810 shares, accounting for 0.19%; not being a director, supervisor or employee of a company having a specified relationship with the Company; no pay received by for any services such as business, legal, financial, or accounting services provided to the Company	1

			or any affiliate thereof within the past 2 years.	
Independent Director	Ke Zhi Huang	Mr. Huang Ke-chi has been a director of Young Optics Co., Ltd. since 2024 and was also a team leader (chief engineer) at the Institute of Materials and Optoelectronics Research of the Chinese Academy of Sciences. He holds a doctorate in power machinery from Tsinghua University. He has business, technology, financial, and operational judgment abilities and the work experience required by the industry.	As an independent director, I meet the criteria for independence, including but not limited to the following: neither I nor my spouse or any relative within the second degree of kinship holds any position as a director, supervisor, or employee of the Company or its affiliated companies; I do not hold any shares in the Company; I do not hold any position as a director, supervisor, or employee of any company with a specific relationship to the Company; and I have not received any compensation in the past two years for providing business, legal, financial, or accounting services to the Company or its affiliated companies.	None

2. Operations of the Remuneration Committee

- (1) The Company's Remuneration Committee consists of 3 members.
- (2) Current Term: From May 29, 2024 to May 28, 2027. The Remuneration Committee held 3 meetings(A) in the most recent fiscal year, the qualifications and attendance of the committee members are shown as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Rate of Attendance in Person (%) [B/A]	Remark
Convenor	James Hou	3	0	100	Appointment expires May 29, 2024 Renewal of Appointment
Committee Member	Cheermore Huang	3	0	100	Appointment expires May 29, 2024 Renewal of Appointment
Committee Member	Ke Zhi Huang	2	0	66.67	Elected as the 10th Independent Director on May 29, 2024 (2 meetings of the Audit

					Committee during the 2024 term, actually attended 2 meetings)
Committee Member	Ken Lin	1	0	33.33	May 29, 2024 Appointment expired without renewal (1 time on Board of Review during 2024 term, actually attended 1 time)

(3) The discussions and resolutions of the Remuneration Committee and the Company's response to the members' opinions:

Remuneration Committee	Content of Motions	Resolution Results	The Company's Actions in Response to the Remuneration Committee's Opinions
The 2nd Meeting of the 6th Session (2024.10.14)	1. The “2024 Cash Capital Increase Employee Stock Option Plan”. 2. Managers’ cash capital increase to subscribe for shares.	Adopted by all members of the Audit Committee with consents	Adopted by the Board of Directors with consents and implemented in accordance with the resolution.
The 1st Meeting of the 6th Session (2024.08.06)	1. Proposal to elect the convener and meeting chair of the 6th Remuneration Committee. 2. Directors’ meeting attendance travel allowance. 3. Independent director compensation.	Adopted by all members of the Audit Committee with consents	Adopted by the Board of Directors with consents and implemented in accordance with the resolution.
The 7th Meeting of the 5th Session (2024.02.19)	1. The Company's 2023 annual incentive and reward proposal for managers.	Adopted by all members of the Audit Committee with consents	Adopted by the Board of Directors with consents and implemented in accordance with the resolution.

Other information required to be disclosed:

- I. If the Board of Directors does not accept, or amends, any recommendation of the remuneration committee, specify the board meeting date, meeting session number, content of the recommendation(s), the outcome of the resolution(s) of the Board of Directors, and the measures taken by the Company with respect to the opinions given by of the remuneration committee (e.g., if the salary/compensation approved by the board is higher than the recommendation of the remuneration committee, specify the difference(s) and the reasons): None.
- II. With respect to any matter for resolution by the remuneration committee, if there is any dissenting or qualified opinion of a committee member that is on record or stated in writing,

specify the remuneration committee meeting date, meeting session number, content of the motion, the opinions of all members, and the measures taken by the Company with respect to the members' opinion: None.

(V) Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons Thereof

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the Board of Directors authorized senior management to handle related matters under the supervision of the board?	V		The Company has set up a "Sustainable Development Group", chaired by the President. Each department complies with the Company's Sustainable Development Best Practice Principles and other relevant policies to implement their responsibilities for sustainable development, and reports to the board on a quarterly basis.	No material deviation
II. Does the Company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V		The Company's risk assessment mainly focused on the Company itself. The Risk Management Measures was adopted by the Board of Directors in 2020 as the highest guiding principle of the Company's risk management. Each management unit regularly assesses and reviews risk matters and reports to the President, who shall then summarize major risk matters and report to the Board of Directors on a regularly basis. The Company conducts prevention and control of possible risks in the process of operation and management, and formulates relevant early warning measures. In addition, the Company conducts risk assessments related to the Company's operations based on the principle of materiality, as a reference for the Company's risk management and operation strategies to effectively identify, measure and control the risks of the Company and to control the risks arising from the operating activities within an acceptable range.	No material deviation
III. Environmental issues (I) Has the Company set an environmental management system designed to industry characteristics?	V		(I) The Company attaches great importance to environmental protection management and maintenance,	No material deviation

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			and has formulated relevant management measures according to the characteristics of the industry. The Company's main products are integrated circuit (IC) control chips, which are produced by outsourced processing. In addition to entrusting the production to a qualified processing third party that has passed the inspection and meets the requirements of environmental protection laws and regulations, the Company also requires such third party to meet the environmental protection testing requirements in terms of production process. In addition, in response to the implementation of the European Union Directive on the Restriction of Hazardous Substances (RoHS), the Company has designated special personnel to be responsible for responding to RoHS-related requirements and implementing countermeasures since 2006.	No material deviation
(II) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?	V		(II) The Company strives to reduce packaging materials and reuse packaging filling materials to reduce waste generation, reduce environmental load and achieve sustainable use of resources.	No material deviation
(III) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	V		(III) The Risk Management Measures was adopted by the Board of Directors in 2020 as the Company's highest guiding principle in managing climate change risk. Each management unit regularly assesses and reviews climate change risk issues and reports to the President, who shall then report to the Board of Directors on a regularly basis. In line with the government's 2050 net zero carbon emission target, the "Sustainable Operation	No material deviation

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			<p>Development Team" was established on March 31, 2022. The Company's current assessment in response to climate change focused on the increase in the price of greenhouse gas emissions. The Company takes action plans to reduce the consumption of natural resources, including improving product energy efficiency, green supply chain management, raw material and waste management, product packaging reduction and recycling, cloud office, reducing operating carbon dioxide concentration and improving energy efficiency in line with the industry. The Company also attaches great importance to the management and maintenance of environmental protection, and regularly carries out promotion and requires the cooperation of all units. The policy is as follows:</p> <ol style="list-style-type: none"> 1. Full use of paper - advocate double-sided printing to reduce logging and the degree of greenhouse effect. 2. Save energy - advise to turn off lights, turn off air conditioners when leaving and save water, and use energy-saving lamps. 3. Garbage classification - carry out garbage classification and resource recovery in accordance with the business waste control regulations of Environmental Protection Administration. 4. No smoking policy - promote tobacco hazard control law and enforce no-smoking policy in public places. 5. The Company pays attention to the cleanliness of the relevant internal and external 	No material deviation

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			environment, and strengthens the internal and external publicity of environmental maintenance, so as to develop a sustainable development environment.	

(IV)	Did the Company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?	V	(IV) The Company's greenhouse gas emissions, volume of water consumption and total weight of waste in the past two years are as follows: Inventory scope and category: The boundary of the inspection is the office area of the company. <u>Category one:</u> <u>2023 and 2024 Scope 1: Direct greenhouse gas emissions from sources owned or controlled by the company:</u> Year Total emissions (metric tons) 2023 2.483 2024 3.4483 <u>Category two:</u> <u>2023 and 2024 Scope 2: Indirect greenhouse gas emissions from the use of purchased electricity, heat, or steam:</u> Year Total emissions (t) 2023 139.484 2024 259.6888 <u>Statistics of water consumption in 2023 and 2024:</u> Year Water consumption (degrees) 2023 1,111 2024 1,031 <u>3S is a non-manufacturing company.</u> <u>Statistics of waste recycling in 2023 and 2024:</u> <table><tr><th>Year</th><th>PC</th><th>LCD</th><th>PCB</th><th>Metal</th><th>Waste ICs and Components</th></tr><tr><td>2023</td><td>18 Set</td><td>0 Set</td><td>0.01 (t)</td><td>0.03 (t)</td><td>0.123 (t)</td></tr><tr><td>2024</td><td>12 Set</td><td>4 Set</td><td>0.01 (t)</td><td>0.01 (t)</td><td>0.014 (t)</td></tr></table> (The above conversion of CO2 emissions is based on the power emission coefficients announced by the Energy Bureau. The Company's inventory of greenhouse gas emissions is self-managed and not verified by an outside party.)	Year	PC	LCD	PCB	Metal	Waste ICs and Components	2023	18 Set	0 Set	0.01 (t)	0.03 (t)	0.123 (t)	2024	12 Set	4 Set	0.01 (t)	0.01 (t)	0.014 (t)	No material deviation
Year	PC	LCD	PCB	Metal	Waste ICs and Components																	
2023	18 Set	0 Set	0.01 (t)	0.03 (t)	0.123 (t)																	
2024	12 Set	4 Set	0.01 (t)	0.01 (t)	0.014 (t)																	
			The Company has set a greenhouse gas reduction target by upgrading its energy-consuming equipment to energy-saving equipment. The target is to reduce greenhouse gas emissions in Scope 1+Scope 2 by 5% in FY2030 and Scope 1+Scope 2 by 10% in FY2040 compared to the base year of FY2024.	No material deviation																		

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
IV. Social issues (I) Has the Company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	V		<p>The Company abides by the relevant labor laws and regulations and has developed relevant management procedures with reference to the Universal Declaration of Human Rights formulated by the United Nations. Relevant issues in practice include:</p> <ol style="list-style-type: none"> 1. No operating locations or suppliers that violate or seriously endanger freedom of association and collective bargaining. 2. No operating locations and suppliers with significant risk of child labor. 3. No operating locations and suppliers with significant risk of forced or compulsory labor incidents. 4. No incidents in violating the rights of aborigines. 5. No human rights complaints. 6. No discrimination occurred. 7. No violation of laws and regulations related to the social issues, and no fines. 8. No significant physical or potential negative impact of the supply chain on human rights has occurred. As part of the global electronics industry supply chain, the Company takes the planning and implementation of the Code of Conduct for Responsible Business Alliance as its top priority, and treat all colleagues with dignity and respect. Meanwhile, we urge and require suppliers who have direct contact with the Company to follow the Code of Conduct for Responsible Business Alliance, hoping to enhance the social 	No material deviation
(II) Has the Company established and implemented reasonable employee welfare measures (include		(II)	<p>responsibility of the industry and the awareness of world citizens through the common efforts of the entire supply chain.</p> <p>Employee salary/compensation: The Company conducts employee performance appraisal every year,</p>	No material deviation

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?	V		<p>with department and individual performance results, and manages employee rewards, punishments and promotions.</p> <p>(1) Employee Welfare Measures: The Company has established an Employee Welfare Committee dedicated to planning diverse employee welfare programmes to enhance employee happiness and sense of belonging. For details of the measures adopted by the Company, please refer to pages 77 to 79 of the Annual Report under the section on Employee Welfare Measures.</p> <p>(2) Diversity and equality in workplace: The Company has achieved equal pay for equal work for men and women, provided equal promotion opportunities, and maintained over 7.5% women in executive positions, promoting sustainable and inclusive economic growth. In 2024, the Company' female employees accounted for 29 % on average, and female executives accounted for 7.5 % on average.</p> <p>(3) Business performance is reflected in employee salary/compensation: The Company conducts a market salary survey every year, and adjusts the salary according to the market salary level, economic trends and individual performance to maintain overall salary competitiveness.</p>	No material deviation
(III) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	V		<p>(III)</p> <p>3S adheres to the core philosophy of 'people-oriented' and is committed to creating a safe and healthy working environment. Relevant regulations are incorporated into the "Occupational Safety and Health</p>	No material deviation

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			Regulations.” For details of the measures taken by the company, please refer to pages 78-79 of the annual report, which outlines the measures for work environment and employee safety protection.	
(IV) Does the Company establish effective career development and training plans for its employees?	V		(IV) The Company organizes career development programs or educational training for employees from time to time, and provides online courses for employees and online learning platforms from external professional organizations to enhance employees' career skills.	No material deviation
(V) Does the Company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	V		(V) The Company is in compliance with relevant laws and regulations as well as international standards when it comes to marketing and labeling of products and services.	No material deviation
(VI) Has the Company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	V		(VI) The Company has established management policies related to suppliers, such as Suppliers' Environmental Prohibited Substances Management Regulations and Environmental Restricted Substances Control Procedures. For all products designed, manufactured and sold by the Company, the products produced by suppliers are regulated to be in compliance with the regulations on the restriction of prohibited and restricted substances and the recognition of green products of suppliers. The Company regularly commissions qualified ISO 17025-accredited laboratories for testing of returned product samples every year to ensure the compliance with laws and regulations of products.	No material deviation
V. Does the Company refer to international reporting standards or guidelines when preparing its sustainability report and other	V		The company will prepare a sustainability report for the year 2024 and publish it by the end of August 2025.	No material deviation

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
reports disclosing non-financial information? Does the Company obtain third party assurance or certification for the reports above?				
<p>VI. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations: The Company has formulated its Corporate Social Responsibility Best Practice Principles, Ethical Corporate Management Best Practice Principles, Rules of Procedure for Board of Directors Meetings, Remuneration Committee Charter, Rules of Procedure for Shareholders Meetings, the rules of shareholders' meeting, Internal Control System, Implementation Rules for Internal Audit, Procedures for Acquisition and Disposal of Assets, Procedures for Lending Funds to Others, etc. to follow.</p>				
<p>VII. Other important information to facilitate better understanding of the Company's promotion of sustainable development: Solid State always believes that, as a member of social citizens, an enterprise must fulfill its civic responsibilities and incorporate it into the operation mechanism of our daily operation. In practice, Solid State fulfills its civic responsibility through corporate commitment, social care and employee care. Corporate commitment: We improve corporate governance and take full responsibility for important stakeholders by operation and auditing systems such as the Board of Directors, audit committee and remuneration committee; We are committed to continuous innovation in the areas of design, manufacturing quality and reliability through a commitment to quality control that has become an important part of our corporate culture. We are responsible for our customers and the environment.</p>				

VIII. Climate Information

Project	Enforcement scenarios
1. The Board of Directors and management's oversight and governance of climate-related risks and opportunities. Governance.	3S has established a 'Sustainable Development Task Force' led by the General Manager as the Chairperson, responsible for formulating sustainable development strategies and promoting ESG-related initiatives, as well as regularly conducting climate risk and opportunity assessments in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) framework. For identified risks and opportunities, progress reports are submitted to the Board of Directors on a quarterly basis. The Board oversees the implementation of these initiatives and coordinates with relevant departments to assess and adjust operational risks in accordance with the Paris Agreement, the 2050 net-zero emissions target, and the Climate Change Response Act of the competent authorities. The Board of Directors regularly reviews climate-related risks and opportunities, incorporating them into the company's sustainability agenda and decision-making mechanisms. The Board specifically oversees carbon reduction strategies, energy efficiency

	improvements, and responses to extreme weather events to ensure the long-term stability and sustainability of the company's strategies.			
2. How the identified climate risks and opportunities affect the business, strategy and finances of the organization (short, medium and long term).	According to the 3S climate change and evaluation method, the short term is defined as the next 1-2 years, the medium term is the next 3-5 years, and the long term is more than 5 years in the future. The main risks and opportunities identified are the strengthening of emission reporting obligations, the increased severity of extreme weather events such as typhoons and floods, and the development and/or increase in low-carbon goods and services. The company has drawn up relevant response plans to reduce the potential financial impact. The relevant information is as follows:			

		Failure of new technology investment	Medium to long term	high
		Increased stakeholder concerns and negative feedback	Medium term	medium
		Low-carbon product substitution issues	Medium to long term	low
		Uncertain market information	Medium to long term	high
		Industry stigmatization	Medium to long term	low
	physical risk	Average temperature rises	Medium to long term	medium
		Extreme changes in climate patterns (changes in rainfall patterns and extreme climate changes, and an increase in the severity of extreme weather events such as typhoons and floods)	Short-, medium- and long-term	low
		Sea level rises	Medium- and long-term	low
	Our company identifies opportunities as follows			
	Type of opportunity	Opportunity description	Possible impact time period	

		Development of low-power products	Medium to long term			
		Government subsidies	Short, medium to long term			
		Technological innovation	Medium to long term			
		Participation in the carbon trading market	Medium to long term			
3. The financial impacts of extreme climate events and transformation actions.	The risks and opportunities identified by the company have an impact on the company as a whole, with different short-, medium- and long-term impacts and the following financial effects during the reporting period:					
	Risk/opportunity category	Risk/opportunity description	Time period of possible impact			Financial impact during the reporting period
			Short term	Medium term	Long term	
	transformation risk	Rising raw material prices		●	●	The possible impact of this risk may be medium to long term, and it has no material financial impact on the current period.
		Low-carbon technology transformation costs		●	●	The possible impact of this risk may be medium to long term, and it has no material financial impact on the current period.

						<p>This risk may have an impact in the short, medium, and long term, with the following relevant financial impacts for the current period: In the current period, expenses of approximately 300,000 yuan were incurred due to the strengthening of emission reporting obligations, such as the preparation of sustainability reports and greenhouse gas-related audits.</p>
		Strengthen the obligation to report emissions	●	●	●	
		Product service requirements and supervision		●		<p>The possible impact of this risk may be medium-term, and it has no material financial impact for the current period.</p>
		Litigation risk		●		<p>The possible impact of this risk may be medium-term, and it has no material financial impact for the current period.</p>

Failure to invest in new technologies		○	○	The possible impact of this risk may be medium-term and long-term, and it has no material financial impact for the current period.
Increased stakeholder concerns and negative feedback		○		The possible impact of this risk may be medium-term, and it has no material financial impact for the current period.
Problems with replacing low-carbon products		○	○	This risk may have an impact in the medium and long term, and there is no relevant financial impact in the current period.
Uncertain market information		○	○	This risk may have an impact in the medium and long term, and there is no relevant financial impact in the current period.

		Stigmatization of the industry		○	○	This risk may have an impact in the medium and long term, and there is no relevant financial impact in the current period.
		Rising average temperatures		○	○	This risk may have an impact in the medium and long term, and there is no relevant financial impact in the current period.
	Physical Risks	Extreme changes in climate patterns (changes in rainfall patterns and extreme climate changes, and an increase in the severity of extreme weather events such as typhoons and floods)	○	○	○	This risk may affect the short, medium, and long term, with the following material financial impact on the current period: To address the related risks, fire insurance has been purchased, resulting in a cash outflow of approximately NT\$40,000.

		Rising sea levels		○	○	The impact of this risk may be medium- to long-term, and there is no relevant financial impact in the current period.
		Development of low-power products		○	○	The impact of this risk may be medium- to long-term, and there is no relevant financial impact in the current period
	Opportunities	Government subsidies	○	○	○	This risk may impact the short-term, medium-term, and long-term periods, with the following material financial implications for the current period: In 2024, the Company obtained a five-year post-pandemic recovery loan from the Ministry of Economic Affairs' Small and Medium Enterprise and Startup Agency, with a total subsidy of \$35,000,000. As of the date of this report, interest subsidy payments amount to \$417,000. The Company plans to allocate funds

						<p>from 2024 to 2029 for equipment replacement and related actions:</p> <ol style="list-style-type: none"> 1. Variable-frequency centrifugal chiller (including monitoring): \$NT20,549 thousand. 2. Lighting system: \$NT1,940 thousand. 3. Air compression system: \$NT3,539 thousand. 4. Transportation equipment: \$NT6,825 thousand. 5. Computer equipment: \$NT4,391 thousand. 6. ERP-based approval system: \$NT4,253 thousand. 	
--	--	--	--	--	--	--	--

		Technological innovation		○	○	The possible impact of this risk may be medium to long term, and it has no material financial impact for the current period.			
		Participation in the carbon trading market		○	○	The possible impact of this risk may be medium to long term, and it has no material financial impact for the current period.			
4. How climate risk identification, assessment and management processes are integrated into the overall risk management system.	3S has a “Risk Management Method” as the supreme guiding principle for internal risk management. The board of directors is the supreme decision-making unit for risk management, and under its jurisdiction, the seven major categories of “hazard risk”, “market risk”, “legal risk”, “credit risk”, “investment risk”, “information security risk”, “Operational risk” and ‘other risks’ seven categories have always been identified and summarized the significant risks that the company may face in its operations, and plan corresponding management methods and crisis response measures for each type of risk, with the expectation of minimizing the uncertainty of business operations (climate change risk falls under the category of ‘hazard risk’ management).								
5. Contextual analysis is used to assess the resilience to climate change risks, and the context, parameters, assumptions, factors analyzed, and major financial impacts should be described.	Under the TCFD framework, the SSP2-4.5 and SSP5-8.5 scenarios mentioned in the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) are used as the basis for assessing physical risks. The ‘Shared Socioeconomic Pathways’ (SSP) aim to enrich the previous Representative Concentration Pathways (RCP) scenarios, which only considered greenhouse gas concentration changes, by incorporating socio-economic development elements. Xinchuang conducts scenario analysis using interactive charts from the Taiwan Climate Change Projection Information and Adaptation Knowledge Platform (TCCiP), setting SSP2-4.5 and SSP5-8.5 as future simulation scenarios. The assessment of the Company's transition risk scenario analysis is as follows: <table><tr><td>SSP context</td><td>Transformation Risk Scenario Assumptions</td><td>Estimated Potential Financial Impact</td></tr></table>						SSP context	Transformation Risk Scenario Assumptions	Estimated Potential Financial Impact
SSP context	Transformation Risk Scenario Assumptions	Estimated Potential Financial Impact							

	<p>SSP 2-4.5</p>	<p>Global climate policies are advancing moderately, with stable economic growth and low-carbon transition proceeding in parallel, resulting in a temperature increase of approximately 2.7°C.</p>	<p>The most ideal low-emission scenario assumes that the world actively promotes sustainable development, reduces dependence on fossil fuels, and significantly adopts renewable energy and energy-saving technologies. In this scenario, the temperature increase can be kept within 1.5°C, in line with the Paris Agreement target.</p> <p>Due to increased market demand for low-carbon products, companies must invest in R&D resources to develop high-efficiency, low-power designs and adopt green manufacturing processes, which will increase R&D and manufacturing costs in the short term. Additionally, heightened sustainability requirements from supply chain partners may result in additional certification and compliance costs.</p>
	<p>SSP 5-8.5</p>	<p>Weak global cooperation, continued growth in fossil fuel use, lack of clear action to reduce emissions, and warming of approximately 3.6°C.</p>	<p>Based on the government's policy to impose a carbon fee of 1,200 to 1,800 yuan per tonne by 2030, and assuming the company's current estimated carbon emissions of 260 tonnes, with an average cost of 1,500 yuan per tonne, the estimated carbon fee is approximately 390,000 yuan. This impact on the company's overall cost estimate is currently considered manageable.</p> <p>Additionally, the increasing frequency of extreme weather events may disrupt supply chain stability, leading to rising raw material costs and the need for supply chain adjustments, thereby increasing operational risks for businesses.</p>

The assessment of the company's physical risk scenario is as follows:

SSP context	Physical risk scenario assumptions	Estimated potential financial impact
SSP 2-4.5	Global climate policies are advancing moderately, with stable economic growth and low-carbon transition proceeding in parallel, resulting in a temperature increase of approximately 2.7°C.	Considering external variables such as potential adjustments to insurance rates, the Company has made short- to medium-term forecasts for insurance premium expenditures related to fire risks and simultaneously assessed the reasonableness and necessity of allocating funds in advance. The following is a related analysis: Based on an annual increase of 0.005% in insurance rates from 2024 to 2025, it is estimated that each dollar of insurance premiums will accumulate an increase of approximately 0.02% over the short to medium term (through 2029).
SSP 5-8.5	Weak global cooperation, continued growth in fossil fuel use, lack of clear action to reduce emissions, and warming of approximately 3.6°C.	Considering external variables such as possible adjustments to insurance rates, the Company has made long-term forecasts of insurance premium expenditures for fire risks and simultaneously assessed the reasonableness and necessity of advance funding. The following is a related analysis: Based on an estimated annual increase of 0.005% in insurance rates from 2024 to 2025, each dollar of insurance premium is expected to increase by approximately 0.045% over the long term of ten years.

6. If there is a transition plan for managing climate-related risks, the content of the plan, and the indicators and targets for identifying and managing physical and transition risks

1. The Company's low-carbon transition plan primarily targets indirect emissions from energy use in Scope 2. The key indicators include upgrading high-energy-consuming equipment to energy-efficient equipment, with the goal of reducing the combined total of Scope 1 and Scope 2 carbon emissions by 5% compared to 2024 levels by 2030.
2. Physical and transition risk indicators are transparently disclosed to provide information on environmental protection measures and risk levels. The target is to complete greenhouse gas inventory by 2024 and disclose the 2027 individual inventory information and assurance status of the parent company by 2028.

should be described.	
7. If internal carbon pricing is used as a planning tool, describe the basis for price setting.	3S has not yet implemented internal carbon pricing at this stage. However, we understand that internal carbon pricing will be an effective tool to drive carbon reduction across all business units. In the future, 3S will continue to develop feasible methodologies and incorporate internal carbon pricing into its corporate carbon reduction strategy at an appropriate time
8. If climate-related targets are set, information on the activities covered, the scope of greenhouse gas emissions, the planning period, and the annual progress of achievement should be described; if carbon offsets or renewable energy certificates (RECs) are used to achieve the relevant targets, the source and amount of carbon reduction credits or renewable energy certificates (RECs) offset should be described. The amount of carbon credits or renewable energy certificates (RECs).	<p>1. Set greenhouse gas reduction targets by 2025 through the replacement of high-energy-consuming equipment with energy-efficient equipment, aiming to achieve the following targets compared to the baseline year of 2024: the following interim targets are planned to be achieved: a 5% reduction in the total emissions of greenhouse gas Scope 1 and Scope 2 carbon emissions by 2030, and a 10% reduction in the total emissions of greenhouse gas Scope 1 and Scope 2 carbon emissions by 2040.</p> <p>2. No plans have been made to use carbon offsets or renewable energy certificates (RECs).</p>
9. Greenhouse gas inventory and confirmation of the situation and reduction targets, strategies and specific action plans.	The Company will conduct its first greenhouse gas inventory in 2024 and disclose the 2027 fiscal year individual inventory information and assurance status of the parent company in its 2028 annual report in accordance with the dedicated roadmap for listed companies.

1-1 Greenhouse Gas Inventory and Assurance Status for the Last Two Fiscal Years

1-1-1 Greenhouse Gas Inventory Information

State the greenhouse gas emissions for the last two years (in metric tonnes of CO ₂ e), intensity
--

(metric tonnes of CO ₂ e per million dollars), and data coverage.				
1. The parent company should commence the inventory check from the year 2025; our company has already conducted the inventory check in advance in 2024.				
2. Subsidiaries included in the consolidated financial statements should commence the inventory check from the year 2026.				
Year	Category 1	Category 2	Total	Emissions intensity
2024	3.4483	259.6888	263.137	1.1005

Note 1: Direct emissions (Scope 1, i.e., emissions directly from sources owned or controlled by the company), energy-related indirect emissions (Scope 2, i.e., indirect greenhouse gas emissions resulting from the use of purchased electricity, heat, or steam), and other indirect emissions (Scope 3, i.e., emissions resulting from the company's activities that are not energy-related and originate from sources owned or controlled by other companies).

Note 2: The scope of data for direct emissions and energy-related indirect emissions shall be determined in accordance with the provisions of Article 4-1, Paragraph 2 of the 'Regulations on the Preparation and Submission of Sustainability Reports by Listed Companies' (hereinafter referred to as these Regulations) issued by the Taiwan Stock Exchange Corporation. Information on other indirect emissions may be disclosed on a voluntary basis.

Note 3: Greenhouse gas inventory standards: Greenhouse Gas Protocol (GHG Protocol) or ISO 14064-1 published by the International Organisation for Standardisation (ISO).

Note 4: The intensity of greenhouse gas emissions may be calculated per unit of product/service or revenue, but at least the data calculated based on revenue (in New Taiwan Dollars, million) must be disclosed.

1-1-2 Greenhouse Gas Assurance Information

A description of the assurance obtained in the last two years, including the scope of assurance, the assurance provider, the assurance criteria, and the assurance opinion.
1. The parent company should start disclosing the assurance status of the prior year's audit information on an annual basis starting from 2027.
2. Subsidiaries included in the consolidated financial statements should start conducting audits starting from 2028 and disclose the assurance status of the prior year's audit information on an annual basis.

Note 1: The procedures shall be carried out in accordance with the schedule specified in Article 4-1, Paragraph 3 of these operational guidelines.

Note 2: Assurance entities shall comply with the relevant provisions for assurance entities in sustainability reports established by the Taiwan Stock Exchange Corporation and the Taiwan Over-the-Counter Securities Market Association.

Note 3: The disclosure content may be referenced from the Best Practice Reference Examples available on the Corporate Governance Centre website of the Taiwan Stock Exchange.

1-2 Greenhouse gas reduction targets, strategies, and specific action plans

Describe the base year for greenhouse gas reduction, related data, reduction targets, strategies, specific action plans, and the status of achievement of reduction targets.
3S completed its first greenhouse gas inventory using consolidated financial statements as the boundary in 2024. The emissions for Scope 1 and Scope 2 were 3.4483 metric tonnes of CO ₂ e and 259.6888 metric tonnes of CO ₂ e, respectively.

Emissions Reduction Targets

3S plans to reduce the total emissions of greenhouse gases in Scope 1 and Scope 2 by 5% by 2030 and by 10% by 2040, steadily progressing toward its vision of net-zero emissions.

Greenhouse Gas Emissions Reduction Strategies and Specific Action Plans

3S integrates carbon management into its operational strategy and implements the following measures to achieve its carbon reduction targets:

1. Optimise resource use and reduce emissions:

Continue to promote various resource conservation measures covering internal operations and daily management:

► **Resource conservation:** Implement double-sided printing and digitalisation to reduce paper consumption, decrease demand for forest resources, and mitigate the greenhouse effect.

► **Energy Conservation and Emission Reduction:** Enhancing employees' energy conservation awareness, encouraging the practice of turning off lights and air conditioning when not in use, and promoting rational water usage. Additionally, the company has fully adopted energy-efficient lighting fixtures and high-efficiency electrical equipment to significantly improve energy usage efficiency.

► **Energy Transition:** Actively exploring the application of renewable energy and gradually transitioning towards an adjusted energy structure to lay the foundation for achieving net-zero emissions.

2. Promoting a circular economy and waste management:

Integrate circular economy principles into daily operations and product design, and improve waste management systems:

► **Resource Recycling:** Strictly comply with the Environmental Protection Agency's regulations on industrial waste management, establish a comprehensive recycling and sorting system to minimise the environmental impact of waste.

► **Packaging Optimisation:** Promote resource management models that prioritise efficient reuse, reduce packaging materials, enhance recyclability and biodegradability of packaging, and achieve environmentally friendly packaging.

3. Creating a healthy and low-carbon office environment:

3S is committed to establishing a healthy, environmentally friendly, and efficient office environment:

► **Intelligent management:** Adopting cloud technology and smart office solutions to reduce resource waste in traditional office models and effectively reduce energy consumption and carbon dioxide emissions during operations.

► **Healthy environment:** Implementing a comprehensive no-smoking policy to ensure that all public areas are smoke-free, providing employees with a safe and comfortable working environment.

4. Deepening sustainable development and educational advocacy:

3S integrates sustainable development principles into its corporate culture and promotes

company-wide environmental initiatives:

► **Employee and Supplier Education:** Regularly organise training sessions and seminars to enhance employees' and suppliers' understanding of energy conservation, carbon reduction, and environmental protection.

► **Supply Chain Collaboration:** Through the '3S Supplier Sustainability Handbook,' establish specific action guidelines and implement feedback mechanisms to facilitate the implementation and improvement of sustainable strategies.

5. Establish long-term climate action goals:

3S has established short-, medium-, and long-term emission reduction targets as key pathways to achieving net-zero emissions:

► **Environmental performance indicators:** Gradually improve energy efficiency, reduce carbon emissions per unit of output, and increase the proportion of green electricity used.

► **Transparency and disclosure:** Regularly publish greenhouse gas emissions data as the core basis for evaluating environmental performance.

► **Supply Chain Collaboration:** Strengthen collaboration with suppliers to ensure that all links in the value chain balance environmental and economic benefits, thereby achieving overall objectives.

Appendix 1

The absolute total greenhouse gas emissions (expressed in metric tonnes of carbon dioxide equivalent) generated by the Company during the reporting period of the 113th year of the Republic of China for Scope 1 and Scope 2 are listed below:

Absolute total greenhouse gas emissions table

Emission category	Emission item	Subtotal	Total emission in each category
Category 1	Fixed	0	3.4483
	Mobile	2.6847	
	Scattered	0.7636	
Category 2	Purchased electricity	259.6888	259.6888

(VI) Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons Thereof

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Establishment of ethical corporate management policies and programs (I) Does the Company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?	V		(I) The Company has formulated its Ethical Corporate Management Best Practice Principles, which is posted on the company website. It stipulates that all directors, managerial officers, employees and trustees of the Company shall uphold the principle of ethical management and actively implement the concept of ethical corporate management.	No material deviation
(II) Whether the Company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies?	V		(II) The Company has clearly set out in its Ethical Corporate Management Best Practice Principles the situation of preventing unethical conduct and the relevant operating procedures and behavior guidelines. The Company has also set out a whistleblowing system and procedures in the Ethical Corporate Management Best Practice Principles, and implemented accordingly.	No material deviation
(III) Does the Company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?	V		(III) The Company has clearly set out in its Ethical Corporate Management Best Practice Principles the situation of preventing unethical conduct and the relevant operating procedures and behavior guidelines. The Company has also set out a whistleblowing system and procedures in the Ethical Corporate Management Best Practice Principles. And the annual review procedures are in line with the	No material deviation

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			amendments of regulations and the actual operation of the Company.	
II. (I) Ethical management practice Does the Company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?		V	(I) The Company conducts basic assessments of the integrity records of its business partners, but does not include specific integrity clauses in contracts signed with business partners.	not signed
(II) Has the Company set up a dedicated unit to promote ethical corporate management under the Board of Directors, and does it regularly (at least once a year) report to the Board of Directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?	V		(II) To improve the management of corporate social responsibility, the President's office designates appropriate units to be responsible for the amendment, implementation, interpretation, consulting service and notification of the procedures or systems of ethical corporate management. And the annual review procedures are in line with the amendments of regulations and the actual operation of the Company.	No material deviation
(III) Has the Company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	V		(III) The Company has established a Code of Ethical Conduct to provided policies of interest conflicts prevention, as well as appropriate representation channels, and implement them.	
(IV) Does the Company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	V		(IV) In order to implement ethical management, the Company has formulated its Ethical Corporate Management Best Practice Principles, Code of Ethical Conduct and Work Rules, which specifically stipulate the matters to be paid attention to by directors, managerial officers, employees and persons with substantial control in the performance of their business, including but	

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			not limited to prohibition of receiving improper benefits, prohibition of illegal political donations, no business dealings with persons suspected of risks in ethical management, improper charitable donations and the confidentiality obligation of trade secrets and sensitive information obtained for business activities, and compliance with laws and regulations in performing business activities, etc. During the discussion and voting of each board meeting, the attending directors were informed to pay attention to recusal of interest. Regularly promote the education and training of insider trading to employees. The Company has set up complaint mailboxes on internal and external websites, and the audit office is responsible for accepting the investigation and tracking of complaints. In addition, the Company has established an effective accounting system and internal control system for business activities with high risk of unethical management. The audit unit is responsible for planning and executing the audit plan based on the risk assessment. In case of special circumstances, the Company will establish a separate project to audit. Up to now, the Auditing Office has not received reports or complaints of dishonesty or immorality.	No material deviation

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(V) Does the Company provide internal and external ethical corporate management training programs on a regular basis?	V		(V) The Company attaches great importance to the implementation of the principle of integrity for all employees in its daily business, and plans the "Information Environment and Information Security Promotion" course in the newcomer training course, emphasizing that tangible information equipment and intangible information assets should be properly kept and kept confidential to avoid leakage of company secrets. The Company also regularly implements "insider trading promotion" that the use the unpublicized information to engage in insider trading or disclose it to others is not allowed. The all-staff meeting held on 113.12.27 and the letter issued on 113.3.21 both announced the promotion of "insider trading" to all employees. In addition, in the first quarter of each year, insider trading promotion is regularly conducted to the directors and the board of directors is reported to the board of directors on the implementation of internal major information processing procedures. situation.	
III. Implementation of complaint procedures	V		(I) The company has established a code of ethical conduct, and	

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(I) Has the Company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistle-blowers?	V		employees are encouraged to report to the audit committee if they suspect or discover any violation of laws, regulations or the code of ethical conduct. In addition, if a director, independent director or manager violates the code, the independent director shall notify the chairman, who shall authorize an appropriate person to conduct an investigation and submit the results to the board of directors for a resolution.	No material deviation
(II) Has the Company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?	V		(II) In accordance with the reporting system as provided in Article 21 of the Ethical Corporate Management Best Practice Principles, any employee who discovers any illegal or ethical behavior may present it to the independent director. The Company will also makes every effort to protect the safety of the informant, and the follow-up measures and relevant confidentiality mechanisms to protect them from retaliation.	No material deviation
(III) Has the Company adopted proper measures to protect whistle-blowers from retaliation for filing complaints?	V		(III) The Company strengthens the promotion of moral concept, encourages employees to report the behavior violating laws and regulations. Whistle-blowers will be fully protected by the Company from retaliation for filing complaints.	

Evaluation Item	Implementation Status		Description	Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
IV. Strengthening information disclosure Does the Company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?	V		The Company has developed its Ethical Corporate Management Best Practice Principles and disclosed it on the company website.	No material deviation
V. If the Company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviations between the principles and their implementation: None.				
VI. Other important information to facilitate a better understanding of the status of operation of the Company's ethical corporate management policies: For relevant information about the Company's Ethical Corporate Management Best Practice Principles, please refer to the Market Observation Post System (MOPS) or the company website.				

(VII) Other significant information that will provide a better understanding of the state of

The Company's implementation of corporate governance:

The Company continues to invest resources to strengthen corporate governance operations, and set up a governance zone on the Company website to explain the state of corporate governance, attached with corporate governance related laws and regulations for inquiry and download, and immediately discloses major announcements. Website: <http://www.3system.com.tw/zh-tw/investor/rule>

(VIII)Implementation of internal control system:

1. Internal control statement:

Please refer to the Market Observation Post System for details.(<https://mopsov.twse.com.tw/mops/web/t06sg20>)

2. This year, no commissioned certified public accountant was engaged to perform a special audit of the internal control system.

(IX) Material Resolutions of A Shareholders Meeting or A Board of Directors Meeting

During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication Date of the Annual report:

1. 2024 Shareholders' Meeting

Resolutions of Shareholders Meetings	Implementation Status
Proposals matters: 1.To accept the 2023 Business Report and Financial Statements. 2.To accept the 2023 Deficit Compensation Statement	Proposals: 1.The 2023 Financial Statements of the Company, including the Consolidated Financial Statements, were audited by independent auditors, Ms. Lu Qian-Hui and Mr. Yu Wan-Yuan of KPMG.Also the Business Report and Financial Statements have been approved by the Board and examined by the Audit Committee of the Company. Adopted by voting. 2.The net loss of the Company for year 2023 is in the amount of NT\$220,015,573and the accumulated deficit is in the amount of NT\$220,015,578. Losses will not be made up for the time being.Adopted by voting.
Discussion matters: 1. To conduct a private placement for the issuance of ordinary shares by way of cash capital increase.	Discussions: 1. Number of voting rights of shareholders present: 36,720,103. The resolution was passed by voting.
Election matters: 1.Re-election of eight directors (including four independent directors) for the tenth term of office.	Election : 1.Four directors and four independent directors were elected based on the number of votes. The voting was passed.
Other motions: 1. lifting the restriction on non-competition of new directors and their representatives.	Other : 1. Number of voting rights of shareholders present: 36,720,103. Resolution passed by voting.

2. Board meetings in 2024 and during the current fiscal year up to the date of publication of the annual report

Session	Matters Specified in Article14-3 of the Securities and Exchange Act	Independent Directors' Opinions	Resolutions of Board Meetings
The 7th Meeting of the 10th Session (2025.03.19)		None	The company accepts written proposals from shareholders holding more than 1% of the shares, nominating a list of directors
		None	Release new directors and their representatives from non-competition restrictions
	✓	None	Private placement of common shares for cash capital increase
		None	Purchase of business use office or right-of-use assets for lease
The 6th Meeting of the 10th Session (2025.02.20)		None	Business Report and Financial Report for Fiscal Year 2024.
	✓	None	Accountant's Compensation and Assessment of Accountant's Independence and Competency.
		None	Loss appropriation for the year ended December 31, 2024.
	✓	None	Preparation of the “Statement on Internal Control System” for the year 2024.
		None	Amendments to the Company's Articles of Incorporation.
		None	Definition of basic level employees.
	✓	None	Changes to the original plan for a private placement of common shares for cash capital increase.
	✓	None	Processing of the issuance of common stock in a private placement for cash capital increase.
		None	Re-election of a director to the tenth session of the Board of Directors of the Company.
		None	Convening of the 2025 Annual General Meeting of Shareholders.
		None	The Company's managers have set performance targets for 2025.
The 5th Meeting of the 10th Session (2024.12.19)		None	Revision of the Company's “Code of Practice on Sustainable Development”.
	✓	None	Revision of the Company's “Internal Control System - Management Cycle”.
	✓	None	Audit plan for the year of 2025.

		None	Operating plan and budget for 2025.
The 4th Meeting of the 10th Session (2024.11.07)		None	Consolidated Financial Statements for the Third Quarter of 2024.
		None	Application for Bank Consolidated Loan Facility.
	✓	None	Application for bank forward foreign exchange quota.
The 3th Meeting of the 10th Session (2024.10.14)	✓	None	Proposed issuance of new shares by cash capital increase in 2024.
		None	Formulation of the “Regulations on Employee Stock Subscription for Cash Increase in 2024”.
		None	Subscription of shares by the Manager for cash capital increase.
The 2th Meeting of the 10th Session (2024.08.08)		None	Consolidated Financial Statements for the Second Quarter of 2024.
		None	Directors' travel expenses for attending meetings.
		None	Compensation for independent directors of the Company.
The 1th Meeting of the 10th Session (2024.05.29)		None	Election of the Tenth Chairman of the Board of Directors of the Company.
		None	Appointment of the sixth remuneration committee of the Company.
The 18th Meeting of the 9th Session (2024.05.09)		None	Consolidated Financial Statements for the First Quarter of 2024.
The 17th Meeting of the 9th Session (2024.04.23)	✓	None	Changes in the original plan for the private placement of common stock for cash capital increase.
	✓	None	Processing of the issuance of common stock in a private placement for cash capital increase.
The 16th Meeting of the 9th Session (2024.02.22)		None	The 2023 Business Report and Financial Statements
	✓	None	Change visa accountant.
	✓	None	Proposal for new CPA's compensation and evaluation of independence and competency of CPAs.
		None	The 2023 Deficit Compensation Statement
	✓	None	Proposal for the preparation of Statement of Internal Control System for 2023

		None	Revise the company's "Code of Corporate Governance Practice".
	✓	None	Revision of the company's "accounting system".
		None	Apply for a bank loan limit.
	✓	None	Application for bank forward foreign exchange quota.
	✓	None	The revisions to the original fundraising plan through the private placement of 3S common shares
	✓	None	The matter on the capital increase through the private placement of 3S common shares
		None	Comprehensively re-elected the tenth board of directors.
		None	The board of directors nominates directors (including independent directors) and reviews the list of independent director candidates.
		None	Lifting the non-competition restrictions of the new directors and their representatives.
		None	The convening of the 2024 general shareholders' meeting
		None	The Company's 2023 annual incentive and reward proposal for managers

(X) Where, During the most recent year and up to the date of publication of the annual report, the directors had dissenting opinions on important resolutions passed by the board of directors, which were recorded or stated in writing, the main contents of which: None.

IV. Information on CPA Professional Fees

- (I) The non-audit fees paid by the Company to the CPA, to the accounting firm of the CPA, and/or to any affiliated enterprise of such accounting firm in 2024 are as follows:

Monetary unit: NT\$ thousand

Name of Accounting Firm	Name of CPAs	Audit Period	Audit Fees	Non-audit Fees	Total	Note
Lan-Jai CPAs' Firm	Ting-Hsun Chan and Pei-Hua Huang	2024.01.01~2024.12.31	830	440	1,270	Transfer pricing service fees, Tax attestation fees and English financial report

- (II) When the Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed:

Monetary unit: NT\$ thousand

Name of Accounting Firm	Name of CPAs	Audit Period	Audit Fees	Non-audit Fees	Total	Note
Lan-Jai CPAs' Firm	Ting-Hsun Chan and Pei-Hua Huang	2024.01.01~2024.12.31	830	440	1,270	Transfer pricing service fees, Tax attestation fees and English financial report
KPMG Taiwan	Grace Lu and Alen Yu	2023.01.01~2023.12.31	1,515	750	2,265	Transfer pricing service fees, Tax attestation fees, English financial report and Commercial registration,

In 2024, in response to the needs of internal management, it was decided that

starting from 2024, all auditing and attestation work would be delegated to accountants Ding-Xun Zhan and Pei-Hua Huang of the Lianjie Lianhe Accounting Firm. The audit fee for 2024 was 685,000 yuan less than the audit fee for 2023, a 45% decrease.

- (III) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: The same as above.

V. Information on Replacement of CPAs:

(I) About the former accountant

Replacement date	2024/02/22		
Reason and explanation for replacement	To meet the needs of internal management.		
Indicate that the appointer or accountant has terminated or refused to accept the appointment.	litigant	accountant	client
	Condition		
	Voluntary termination of appointment		✓
	No longer accept (continue) appointment		
Opinion and reasons for audit reports other than unqualified opinions issued within the latest two years.	none.		
Have any disagreement with the issuer?	Yes		accounting principles or practices
			Financial Report Disclosure
			Check scope or steps
			other
	No	✓	

	explanation
Other disclosures (Items 1-4 to 1-7 of Paragraph 6 of Article 10 of this Code should be disclosed)	none.

(II) Regarding the successor accountant

Firm name	LAN-JAI CPAs Firm
Accountant's name	Jhan,Ding-Syun / Huang,Pei-Hua
Date of appointment	2024/02/22
Consultation matters and results regarding accounting treatment methods or accounting principles for specific transactions and possible issuance of opinions on financial reports before appointment.	none.
The successor accountant's written opinion on matters with which the predecessor accountant disagrees.	none.

(III) There are no matters that the company should respond to in writing within 10 days that the former accountant disagrees with the successor accountant.

VI. The Company's Chairman, President or any Managerial Officer in Charge of Finance or Accounting Matters Has in the Most Recent Year Held a Position at the Accounting Firm of Its Certified Public Accountant or at an Affiliated Enterprise of Such Accounting Firm: None.

VII. The State of Any Transfer of Equity Interests And/or Pledge of or Change in Equity Interests by a Director, Supervisor, Managerial Officer, or Shareholder with a Stake above More than 10 Percent During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report

(I) Changes in and Pledge of Shareholding of Directors, Managerial Officers, and Major Shareholders

Unit: In Thousands of Shares

Title	Name	2024		As of March 31, 2025	
		Change in Number of Shares Held	Change in Number of Shares Pledged	Change in Number of Shares Held	Change in Number of Shares Pledged
Chairman	Jeffrey Lin	400	0	0	0
Director and President	Tim Hu	19	0	0	0
Director	Kioxia Corporation	0	0	0	0
	Representative: Hatanaka Kojiro	0	0	0	0
Director	Kingston Technology Corporation(Note 1)	0	0	0	0
	Representative: Albert Yang(Note 1)	0	0	0	0
Independent Director	Cheermore Huang	(26)	0	0	0
Independent Director	Ken Lin(Note 1)	0	0	0	0
Independent Director	James Hou	0	0	0	0
Independent Director	Ke Zhi Huang	0	0	0	0
Independent Director	Anne Chan	0	0	0	0
Vice President of R&D	Cheng Liou	(22)	0	11	0
Senior Vice President	Flink Chiu	24	0	0	0
Financial and Accounting Manager and Corporate Governance Manager	Joepye Tseng	28	0	0	0

Note 1: Kingston Technology Co., Ltd. and Director Lin Gengbu did not stand for re-election during the Company's board of directors election held on 29 May 2024.

(II) Where the counterparty involved in the transfer or pledge of the shareholder's equity is a related party: None.

VIII. Relationship Information, if Among the Company's 10 Largest Shareholders Any One is A Related Party or A Relative Within the Second Degree of Kinship of Another

Unit: shares; March 31, 2025

Name	Current Shareholding		Shareholding by Spouse and Minor Children		Shareholding by Nominees		Name and Relationships of the Top 10 Shareholders Where They are Related Parties, Spouses, or Relatives within the Second Degree of Kinship to Another		Remark
	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	
ZHI HAO JIANG	7,264,386	9.95%	(Note)	(Note)	(Note)	(Note)	Non	None	None
TA YU CHEN	6,796,646	9.31%	(Note)	(Note)	(Note)	(Note)	Non	None	None
YU LIEN JIANG	5,828,568	7.98%	(Note)	(Note)	(Note)	(Note)	Non	None	None
Kingston Technology Corporation	3,484,652	4.77%	0	0	0	0	None	None	None
KIOXIA Corporation	3,375,480	4.63%	0	0	0	0	Non	None	None
Representative: Hatanaka Kojiro	0	0	0	0	0	0	Non	None	None
Tekcore Co. Ltd,	3,200,000	4.38%	0	0	0	0	Non	None	None
Representative: Ye Yin Fu	0	0	0	0	0	0	Non	None	None
CHIH LIANG TSAO	3,197,826	4.38%	(Note)	(Note)	(Note)	(Note)	Non	None	None
Jiang Yu Chun Ying	2,691,308	3.68%	(Note)	(Note)	(Note)	(Note)	Non	None	None
Jeffrey Lin	2,097,722	2.87%	8,162	0.01%	(Note)	(Note)	Non	None	None
UMC capital	1,599,170	2.19%	0	0	0	0	Non	None	None
Representative: CHIA TSUNG HUNG	0	0	0	0	0	0	Non	None	None

Note: No data available.

IX. Total Number of Shares and Total Equity Stake Held in Any Single Enterprise by the Company, Its Directors, Managerial Officers, and Any Companies Controlled Directly or Indirectly by the Company : not applicable.

Chapter 3. Capital Overview

I. Capital and Shares

(I) Source of Capital

Unit: thousand shares/NT\$ thousand; March 31, 2025

Month/Year	Issued Price	Authorized Capital		Paid-in Capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
1998.11.26	10	20,000	200,000	6,000	60,000	Incorporation capital	None	Note 1
2000.05.24	10	20,000	200,000	10,000	100,000	NT\$40,000 thousand, capital increase in cash	None	Note 2
2001.03.28	10	20,000	200,000	15,000	150,000	NT\$50,000 thousand, capital increase in cash	None	Note 3
2002.06.11	12	36,000	360,000	16,500	165,000	NT\$15,000 thousand, capital increase in cash	None	Note 4
2002.06.11	10	36,000	360,000	21,050	210,500	NT\$45,500 thousand, capital increase from earnings	None	Note 4
2003.01.13	75	36,000	360,000	27,650	276,500	NT\$66,000 thousand, capital increase in cash	None	Note 5
2003.08.28	10	50,000	500,000	33,555.3	335,553	NT\$59,053 thousand, capital increase from earnings	None	Note 6
2004.11.15	10	55,000	550,000	41,490.8	414,908.6	NT\$45,800.3 thousand, capital increase from earnings NT\$33,555.3 thousand, capital increase from capital surplus	None	Note 7
2005.09.30	10	62,000	620,000	45,596	455,960.55	NT\$24,455.61 thousand, capital increase from earnings NT\$16,596.34, capital increase from capital surplus	None	Note 8
2006.08.30	10	62,000	620,000	47,336	473,360	NT\$17,399.45 thousand, capital increase from earnings	None	Note 9
2007.03.05	15	62,000	620,000	47,537	475,370	NT\$2,010 thousand, conversion of employee stock options	None	Note 10
2007.05.03	15	62,000	620,000	47,646.7	476,467.5	NT\$1,097.5 thousand, conversion of employee stock options	None	Note 11
2007.09.07	15	62,000	620,000	50,002	500,020.53	NT\$22,653.03 thousand, capital increase from earnings NT\$900 thousand, conversion of employee stock options	None	Note 12
2007.11.16	17.9、15	62,000	620,000	50,280.8	502,808.03	NT\$2,787.5 thousand, conversion of employee stock options	None	Note 13
2008.01.10	25	62,000	620,000	56,620.8	566,208.03	NT\$63,400 thousand, capital increase in cash	None	Note 14
2008.06.04	15	62,000	620,000	54,793.6	547,936.78	NT\$4,008.75 thousand, conversion of employee stock options NT\$22,280 thousand, capital reduction by treasury shares	None	Note 15
2008.07.08	15	62,000	620,000	54,948.5	549,485.53	NT\$1,548.75 thousand, conversion of employee stock options	None	Note 16
2008.09.08	17.5	75,000	750,000	60,674.5	606,745.53	NT\$57,260 thousand, capital increase by private placement	None	Note 17
2009.01.23	15	75,000	750,000	60,689.5	606,895.53	NT\$150 thousand, conversion of employee stock options	None	Note 18
2009.05.27	15	75,000	750,000	60,902.5	609,025.53	NT\$2,130 thousand, conversion of employee stock options	None	Note 19
2009.08.28	15	75,000	750,000	60,940.5	609,405.53	NT\$380 thousand, conversion of employee stock options	None	Note 20
2009.11.27	15	75,000	750,000	61,483.5	614,835.53	NT\$5,430 thousand, conversion of employee stock options	None	Note 21
2010.04.01	15、24.3	75,000	750,000	61,676.8	616,768.03	NT\$1,932.5 thousand, conversion of employee stock options	None	Note 22
2010.05.31	15、24.3	75,000	750,000	62,154.5	621,545.53	NT\$4,777.5 thousand, conversion of employee stock options	None	Note 23

Month/Year	Issued Price	Authorized Capital		Paid-in Capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
2010.09.06	24.3	75,000	750,000	62,189.5	621,895.53	NT\$350 thousand, conversion of employee stock options	None	Note 24
2010.12.13	15 、 24.3	75,000	750,000	62,238.8	622,388.03	NT\$492.5 thousand, conversion of employee stock options	None	Note 25
2011.07.21	14.6 、 23.9	75,000	750,000	62,467.8	624,678.03	NT\$2,290 thousand, conversion of employee stock options	None	Note 26
2011.09.15	14.6 、 23.9	75,000	750,000	62,492.8	624,928.03	NT\$250 thousand, conversion of employee stock options	None	Note 27
2011.12.16	14.6 、 23.9	75,000	750,000	62,548.5	625,485.53	NT\$557.5 thousand, conversion of employee stock options	None	Note 28
2013.12.25	19.2	75,000	750,000	70,048.5	700,485.53	NT\$75,000 thousand, private common stock	None	Note 29
2014.03.05	23.9	75,000	750,000	70,249.5	702,495.53	NT\$2,010 thousand, conversion of employee stock options	None	Note 30
2014.06.04	23.9	75,000	750,000	70,423.5	704,235.53	NT\$1,740 thousand, conversion of employee stock options	None	Note 31
2014.08.29	23.4	75,000	750,000	70,563.5	705,635.53	NT\$1,400 thousand, conversion of employee stock options	None	Note 32
2014.11.26	23.4	75,000	750,000	70,773.5	707,735.53	NT\$2,100 thousand, conversion of employee stock options	None	Note 33
2015.04.07	23.4	75,000	750,000	70,859.5	708,595.53	NT\$860 thousand, conversion of employee stock options	None	Note 34
2015.08.13	27	120,000	1,200,000	80,859.5	808,595.53	NT\$100,000 thousand, capital increase in cash	None	Note 35
2020.08.25	10	120,000	1,200,000	64,687.6	646,876.42	NT\$161,719, capital reduction	None	Note 36
2021.12.07	10	120,000	1,200,000	74,687.6	746,876.42	NT\$100,000 thousand, capital increase in cash	None	Note 37
2023.07.12	10	120,000	1,200,000	49,765.9	497,659.34	NT\$249,217, capital reduction	None	Note 38
2023.12.21	20.62	120,000	1,200,000	56,965.9	569,659.34	NT\$72,000 thousand, capital increase in cash	None	Note 39
2025.02.08	22.00	120,000	1,200,000	72,965.9	729,659.34	NT\$160,000 thousand, capital increase in cash	None	Note 40

Note 1. Incorporated as approved by Letter No. 87352342 issued on November, 26, 1998.

Note 2. Approved by Letter No. (089) 115806 issued on May 24, 2000.

Note 3. Approved by Letter No. (090) 9001105070 issued on March 28, 2001.

Note 4. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09101206500 issued on June 11, 2002.

Note 5. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09201003450 issued on January 13, 2003.

Note 6. Approved by the Ministry of Economic Affairs Letter No. Economic-Central-09232589900 issued on August 28, 2003.

Note 7. Approved by the Ministry of Economic Affairs Letter No. Economic-Central-09333029510 issued on November 15, 2004.

Note 8. Approved by the Ministry of Economic Affairs Letter No. Economic-Central-09432893200 issued on September 30, 2005.

Note 9. Approved by the Ministry of Economic Affairs Letter No. Economic-Central-09532759340 issued on August 30, 2006.

Note 10. Approved by the Ministry of Economic Affairs Letter No. Economic-Central-09631762180 issued on March 5, 2007.

Note 11. Approved by the Ministry of Economic Affairs Letter No. Economic-Central-09632050500 issued on May 3, 2007.

Note 12. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09601221330 issued on September 7, 2007.

Note 13. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09601282450 issued on November 16, 2007.

Note 14. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09701004610 issued on January 10, 2008.

Note 15. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09701130370 issued on June 4, 2008.

- Note 16. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09701156790 issued on July 8, 2008.
- Note 17. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09701229600 issued on September 8, 2008.
- Note 18. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09801016120 issued on January 23, 2009.
- Note 19. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09801106410 issued on May 27, 2009.
- Note 20. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09801197960 issued on August 28, 2009.
- Note 21. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09801274890 issued on November 27, 2009.
- Note 22. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09901063790 issued on April 1, 2010.
- Note 23. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09901111100 issued on May 31, 2010.
- Note 24. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09901201580 issued on September 6, 2010.
- Note 25. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09901273770 issued on December 13, 2010.
- Note 26. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-10001155000 issued on July 21, 2011.
- Note 27. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-10001214440 issued on September 15, 2011.
- Note 28. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-10001281590 issued on December 16, 2011.
- Note 29. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-10201261980 issued on December 25, 2013.
- Note 30. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-10301037510 issued on March 5, 2014.
- Note 31. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-10301098880 issued on June 4, 2014.
- Note 32. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-10301180600 issued on August 29, 2014.
- Note 33. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-10301245970 issued on November 26, 2014.
- Note 34. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-10401046520 issued on April 7, 2015.
- Note 35. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-10401161940 issued on August 13, 2015.
- Note 36. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-10901147120 issued on August 25, 2020.
- Note 37. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-11001226400 issued on December 7, 2021.
- Note 38. Approved by the Ministry of Economic Affairs Letter No. Economic-Central-11233409970 issued on July 12, 2023.
- Note 39. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-11230230440 issued on December 21, 2023.
- Note 40. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-11430006400 issued on February 08, 2025.

Unit: shares; March 31, 2025

Type of Stock	Authorized Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Registered Ordinary Shares	72,965,934	47,034,066	120,000,000	Listed OTC stock

- Note 1. The Company's shares are listed on TWSE, of which 14,250 thousand private shares are restricted from being traded on TWSE.
- Note 2. Information relating to the shelf registration system: Not applicable.

(II) List of Major Shareholders: Name, Number of Shares Held, and Shareholding Ratio of Shareholders with a Stake of 5 Percent or Greater, or Shareholders Who Rank in the Top 10 in Shareholding Percentage

Unit: shares; March 31, 2025

Shares Name of major shareholder	Number of shares	Shareholding ratio
ZHI HAO JIANG	7,264,386	9.95%
TA YU CHEN	6,796,646	9.31%
YU LIEN JIANG	5,828,568	7.98%
Kingston Technology Corporation	3,484,652	4.77%
KIOXIA Corporation	3,375,480	4.63%
Tekcore Co. Ltd,	3,200,000	4.38%
CHIH LIANG TSAO	3,197,826	4.38%
Jiang Yu Chun Ying	2,691,308	3.68%
Jeffrey Lin	2,097,722	2.87%
UMC capital	1,599,170	2.19%

(III) Dividend Policy and Its Implementation

1. Dividend policy adopted in the Company's Articles of Incorporation

If there is any earnings in the Company's annual final account, the Company shall first pay taxes and make up for losses of previous years, and then set aside 10% of the remaining earnings as the statutory surplus reserve, and make provision or reversal for the special surplus reserve according to the regulations of the competent authority. If there is still remaining earnings, not more than 2% of the remaining earnings shall be set aside as remuneration to directors and supervisors and not less than 10% as employee bonus. Qualification requirements of employees entitled to receive bonus include the employees of parents or subsidiaries of the Company meeting the conditions set by the Board of Directors. The Board of Directors shall draw up the earnings distribution plan, submit it to the shareholders' meeting for resolution and distribute accordingly.

The dividend distribution of the Company is based on the current year's earnings and the Company's future capital budget plan and other factors. Dividends and bonuses may be paid in the form of cash or stock, of which the cash dividend shall not be less than 10%. The aforesaid payment method and ratio may be adjusted by resolution of the shareholders' meeting base on actual needs.

2. Distribution of dividends proposed in the shareholders' meeting:

The Company's 2024 Losses Distribution Plan has been adopted by resolution of the Board of Directors on Feb. 20, 2025. As the net loss after tax for 2024 was NT\$177,087,428 dollars, the capital reserve was used to make up for the loss of NT\$ 190,984,900, and the accumulated loss was NT\$129,654,106 dollars. The shareholders' meeting proposed no dividend distribution in the current year (2025).

(IV) Effect on Business Performance and Earnings per Share of Distribution of Stock Dividends Proposed or Adopted at the Most Recent Shareholders' Meeting
The Company proposed in the Shareholders' Meeting in 2025 that no stock dividends would be distributed to shareholders and employees. Therefore, there is no effect on the Company's business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting.

(V) Remuneration of Employees and Directors

1. The percentages or ranges with respect to the remuneration of the employee and Directors, as set forth in the Company's Articles of Incorporation:

(1) The remuneration for employees shall not be less than 10%.

(2) If the Company has accumulated losses from previous year and gained profit in current year, prior to the appropriation of remuneration for employees and directors, a certain amount shall be reserved for loss recovery in advance, and not less than 10% of the remaining earnings shall be appropriated for employees and not more than 2% for directors. Qualification requirements of employees entitled to receive stock or cash set out in the preceding paragraph include the employees of parents of the Company meeting certain specific requirements. The remuneration to independent directors of the Company shall be paid in the form of monthly fixed remuneration, and the distribution as provided in the first paragraph is not applicable.

2. The basis for estimating the amount of employee and director remunerations, for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: Not applicable.

3. Distribution of remuneration approved by the Board of Directors: The Company does not intend to distribute any dividend in 2025.

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

The employee bonus and director remuneration to be distributed as resolved by the shareholders' meeting in previous year (2024) of the Company were the same as the original one that proposed for distribution adopted by the Board of Directors and there is no deviation.

(VI) Share Repurchases: None.

II. Issuance of Corporate Bonds: None.

- III. Issuance of Preferred Shares: None.
- IV. Issuance of Global Depositary Receipts: None.
- V. Employee Share Subscription Warrants: None.
- VI. New Restricted Employee Shares: None.
- VII. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies: None.

VIII. Capital Utilization Plan and Its Implementation:

On November 21, 2024, the company was approved by the Financial Supervisory Commission's Jin-Guan-Zheng-Fa-Zi No. 1130361038 to issue new shares through a cash capital increase in 2024, raising a total of 352,000,000 yuan, and all shares were paid in full on December 31, 2024. The planned use of funds and evaluation of the company's current fundraising plan are described below:

(I) Program content:

Unit: NT thousand

Project	Planned completion year	Total funding required	Schedule the progress of capital			
			Q1	Q2	Q3	Q4
R&D expenditure	2024	10,010	-	-	-	10,010
	2025	101,005	49,778	14,100	19,435	17,692
	2025	240,212	104,355	17,460	94,327	24,070
	2027	86,505	23,060	20,150	20,273	23,022
total		437,732				

(II) Implementation status

(1) R&D expenditure

The Company, after receiving the full subscription amount, allocated 10,010 thousand yuan in accordance with the pre-established plan to hire research and development personnel by the end of the fourth quarter of 2024, with an actual expenditure of 5,729 thousand yuan. The difference between the planned and actual use of funds is 0.98%, primarily due to the fact that the development of HBM in the fourth quarter of 2024 is still in its initial stages. As a result, the AI department currently has 19 R&D personnel, which is fewer than the originally planned number, leading to lower actual expenditures on R&D personnel salaries compared to the original plan.

The Company's current fundraising plan is expected to be completed by the end of the fourth quarter of 2024, with a total fundraising amount of 352,000 thousand yuan to be used for R&D expenses. In response to the development trends of the semiconductor industry and the Company's operational needs, the funds raised this time are primarily allocated for R&D

expenses related to the development of high-bandwidth memory HBM from 2024 to 2027, with development expected to be completed by mid-2027.

(2) Evaluation of implementation benefits

The Company's planned R&D expenditure for this fundraising plan is NT\$352,000 thousand. The R&D expenditure for the development of high-bandwidth memory HBM controllers (hereinafter referred to as HBM Base Die/ASIC) has commenced in accordance with the scheduled plan as of December 2024. The anticipated benefits from the product projects are expected to materialise upon completion of development by mid-2027.

Chapter 4. Operational Highlights

I. Business Activities

(I) Scope of Business

1. Major Contents of Business

The Company is mainly engaged in the design, testing, production and marketing of NAND Flash controller ICs and MEMS (micro-electromechanical) microphones.

2. Proportion of business

Unit: NT\$ thousand

Fiscal Year Type of Product	2024	
	Amount	Revenue Proportion (%)
NAND Flash Controller IC	48,496	20.28
Audio IC and others	188,832	78.97
Revenue from design services	1,782	0.75
Total Net Operating Revenue	239,110	100.00

3. Current Products (Services)

- (1) NAND Flash controller IC
- (2) MEMS microphone IC
- (3) Audio IC
- (4) Intellectual Property and Design Services

4. New Products (Services) Planned for Development

- (1) USB 3.2 Gen 1 NAND Controller IC
- (2) SATA/ PCIe SSD (Solid State Disk/Drive) NAND Controller Solution
- (3) Digital High SNR MEMS Microphone IC

- (4) Digital High AOP MEMS Microphone IC
- (5) USB with high sound quality, 24 Bits/96K sample rate Audio Controller and Type C Hi-RES Audio Controller and Audio Controller with external 3D surround sound effect and EQ function.
- (6) HBM solutions, etc.

(II) Overview of the Industry

1. Status and Development of the Industry

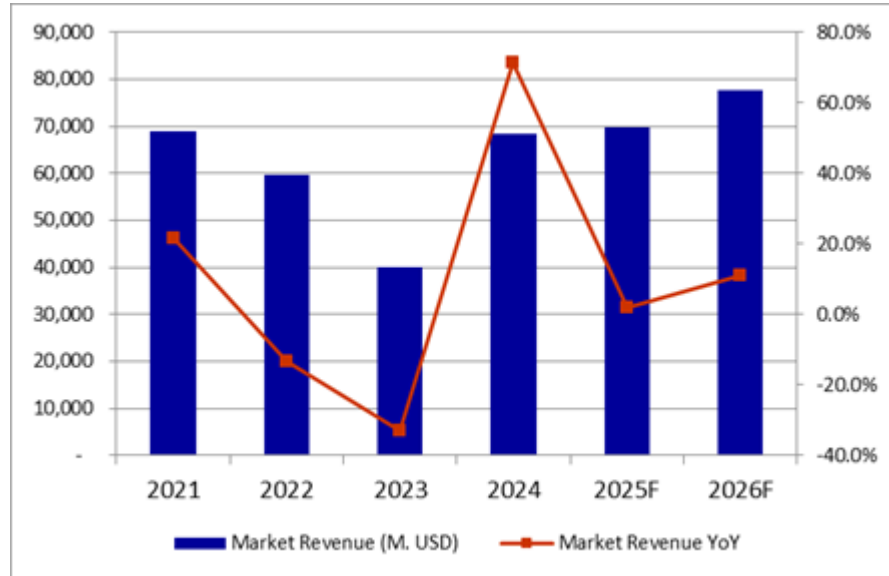
(1) NAND Flash

NAND Flash Maker In order to reduce costs, the process has been continuously miniaturized from 90 nanometers to 1x nanometers, but it has been unable to overcome yield and reliability issues. As a result, the industry has turned to 3D NAND Flash TLC chips with a three-dimensional stacking structure and the development of QLC with a 4-bit-per-cell structure, which continue to provide a continuous increase in memory storage capacity per unit area and continue to expand the overall industry.

NAND Flash demand is not only for flash memory cards and USB flash drives, but also for embedded storage media such as eMMC, which is widely used in tablet computers and eMMC/UFS applications in smart phones and other smart platforms and mobile devices. Solid state drives (SSDs) are widely used in notebook computers, desktop computers and servers, and flash memory is used as the main storage memory.

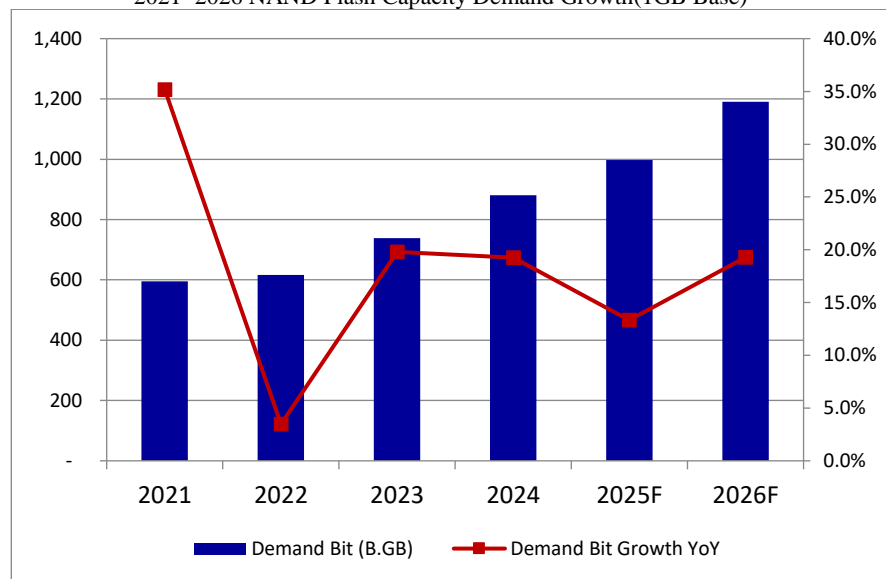
According to the survey by IL CONSULTANT, the electronic products demand decrease because COVID-19 epidemic slowed down since 2022 2nd half year, and every country opened borders. NAND Flash Market Sales Scale NAND in 2022 is worse than 2021. The destocking to the healthy level is from 2023Q1 to 2023Q3, and 2024 market demand has been recovered as usual. The total market sales amount also starts to grow. 2025 market demand and sales amount is expected to grow slightly.

2021~2026 WWW NAND Flash Market Sales Scale and Growth Rate



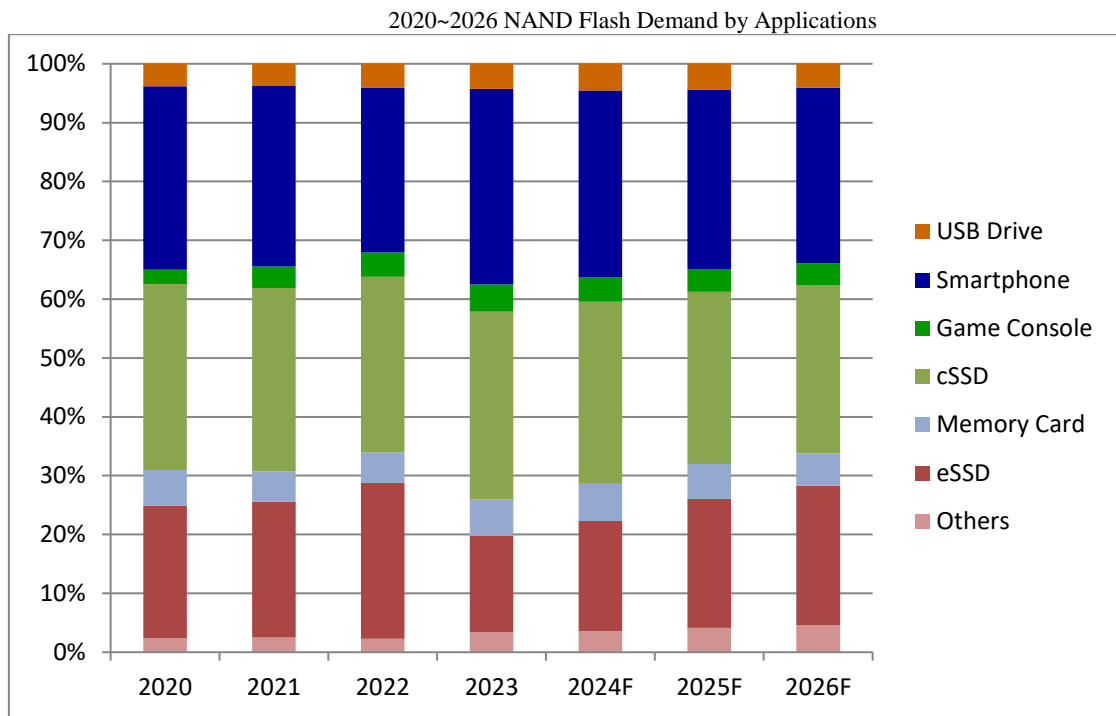
Source: IL CONSULTANT

2021~2026 NAND Flash Capacity Demand Growth(1GB Base)



Source: IL CONSULTANT

According to the survey for NAND Flash application the demand of USB flash drive is stable, and the demand of SSD keeps growing.

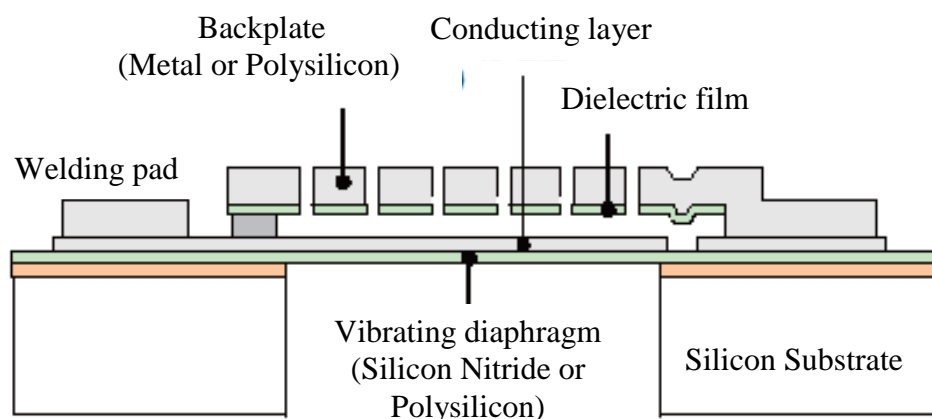


Source: : IL CONSULTANT

(2) MEMS microphones

A microphone is a transducer that converts sound into an electrical signal for transmission and processing. Microphones are used in many applications as long as it is required voice pick up, such as smart phones, hearing aids, notebooks, tablet, television, surveillance, intercom, smart applications, voice control, vehicle and other applications.

MEMS Microphone sensing chip structure diagram



Source: National Nano Device Laboratories

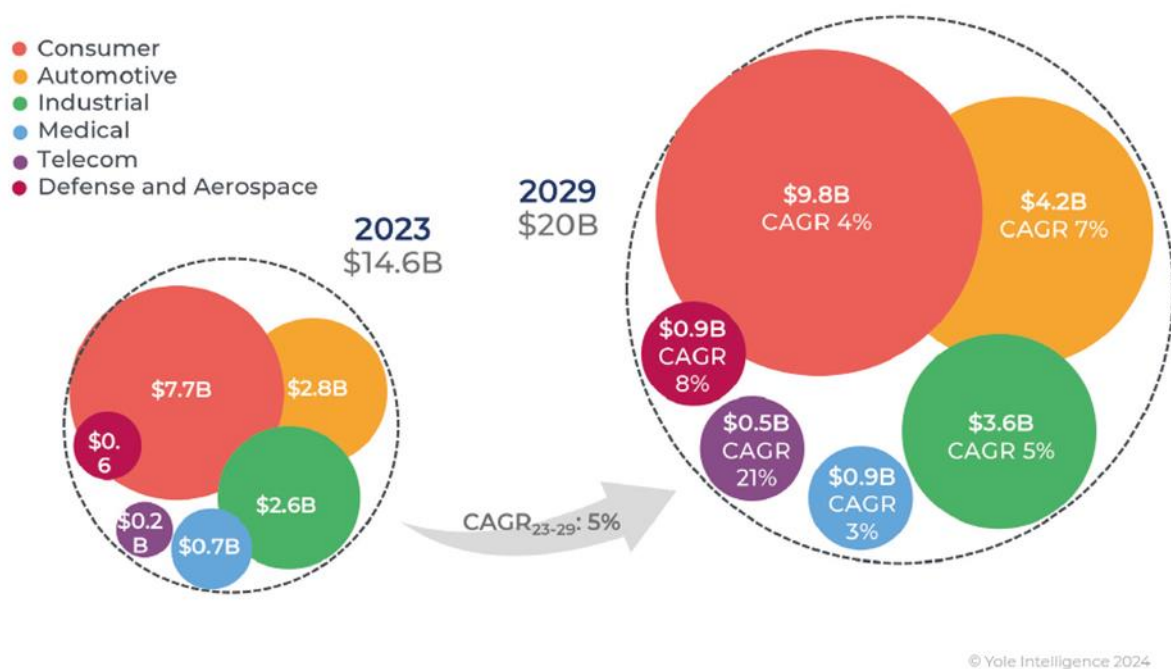
At present, the main types of microphones for sale are ECM electret condenser microphone and MEMS microphone. MEMS means using semiconductor manufacturing processes or other micro-precision technologies to integrate various functions like electronics, motors or mechanics into a miniaturized component or device. MEMS microphones

are designed to be small in size, low in power consumption, and have the following advantages: better suppression of surrounding environmental interference (temperature changes, electromagnetic interference, power fluctuations, etc.), and monomers are consistent highly in performance indicators, and can be mounted automatically. Furthermore, the MEMS components are formed by silicon wafers and mature semiconductor manufacturing processes, so that they can withstand high temperature up to 260°C by surface mounted SMT without impacting performance.

According to the survey by Yole Development in 2024, the MEMS world market will grow from \$14.6 billion in 2023 to \$20 billion in 2029, with a steady growth rate of 23%~29,5% annually.

2023–2029 MEMS market forecast by end-market (in \$M)

(Source: Status of the MEMS Industry 2024, Yole Intelligence, June 2024)



Source: Yole Development, 2024

Smart home device is an intelligent device that uses voice recognition technology, allowing users to control its functions through voice commands. Among these, the microphone is one of the key components for voice operation. However, in a smart home environment, due to the distance between the user and the device, it is often affected by factors such as background noise, interference from other sounds, and echoes, which in turn affect the accuracy of voice recognition. Nevertheless, with the continuous development of speech recognition technology, these problems are gradually being overcome, and smart home devices are quickly becoming integrated into people's daily lives.

According to IDC statistics, the main applications of smart home devices include audio-visual entertainment, security monitoring, smart lighting, smart speakers, etc. Worldwide shipments of smart home devices will grow from 895 million units in 2023 to 1.02 billion units in 2027. Considering that each device is typically equipped with one to four MEMS microphones, the total demand could be between 1 billion and 4 billion units, showing the huge growth potential of this market. With the popularity of smart home devices, people's expectations for a comfortable and intelligent life are constantly increasing. In addition to voice recognition technology, smart home devices are also being upgraded with advanced technologies such as machine learning and artificial intelligence to enhance their functions and performance. This trend will continue to drive the development of the smart home industry and bring people more convenient and comfortable living experiences.

In the field of surveillance, the application of access control intercoms and security cameras continues to grow. Access control intercoms not only provide basic access control functions but also incorporate features such as voice interaction, voice recognition, and remote control, making them popular in the market. Through advanced communication technology, users can remotely open access controls, monitor visitors in real-time, and engage in real-time communication. The multifunctionality and intelligence of access control intercoms have led to their widespread use in various scenarios such as enterprises, residences, and public places. Additionally, as customer demand for voice calling and recognition functions increases, the number of microphones configured per device is gradually increasing. According to IHS estimates, by 2023, global shipments of network cameras are expected to reach 200 million units, gradually transitioning from ECM microphones to 1 MEMS microphone per configuration.



Source: DIGITIMES 2025

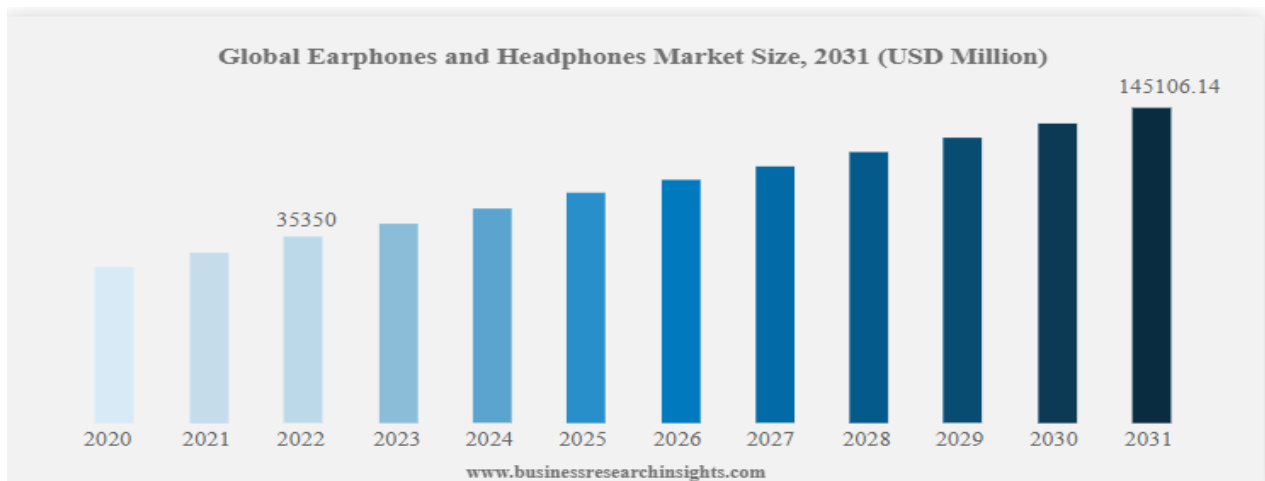
According to statistics from DIGITIMES, global electric vehicle shipments will show steady growth between 2018 and 2025. From a functional perspective, the main functions of in-vehicle application microphones include in-vehicle communication, smart cockpits, eCall, and active noise cancellation.

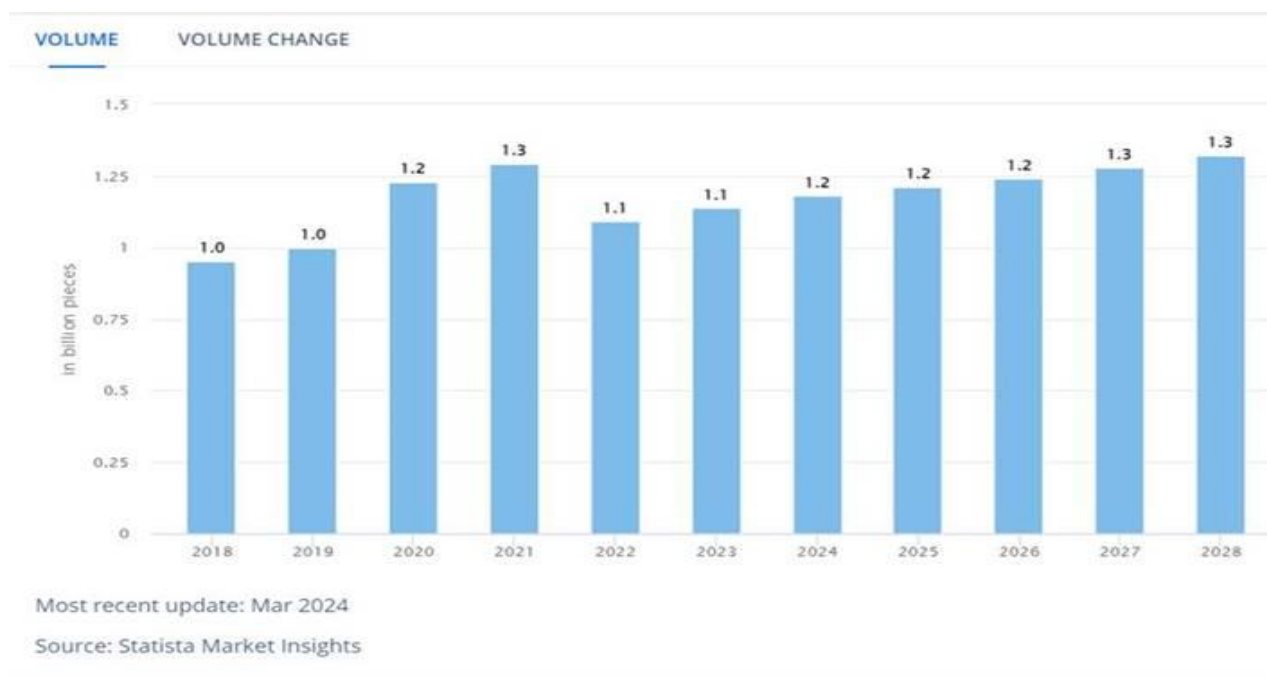
Intelligent cabins and in-car communication systems typically feature 2 to 8 microphones, used to receive each passenger's voice and actively adjust and enhance spoken words to reduce unnecessary noise. eCall systems typically have 1 to 2 microphones to facilitate direct voice communication between the vehicle and local emergency services during emergencies. Active noise cancellation systems install 2 to 6 microphones throughout the cabin to measure internal noise, transmitting audio data for active noise reduction calculations before emitting anti-noise signals through the speakers.

Entry-level vehicles typically include 2 to 4 microphones for active noise control systems, while high-end models can have up to 8 microphones. In summary, depending on their functionality and positioning, each vehicle may require between 5 to 18 microphones. Market feedback suggests that electric vehicles are adopting microphone functionality at a faster rate than traditional fuel-powered vehicles, making this a promising and important market for microphones.

(3) USB Audio IC

It is estimated that the global headphone market is expected to grow to US\$77.76 billion between 2021 and 2025, with a compound annual growth rate of 8% during the period.





In the second half of 2024, the destocking of the company's USB AUDIO products at the client side has basically been completed. However, due to the ongoing U.S.-China trade issues, customers continue to adopt a zero-inventory and no-stockpiling conservative strategy throughout 2024. Additionally, the destocking of consumer Audio products from various original manufacturers of other brands has not yet been completed, leading to continued market disruption caused by cross-border low-price competition. For example, TWS analog UAC has impacted the sales of low-end AUDIO products, and the market situation has not yet improved.

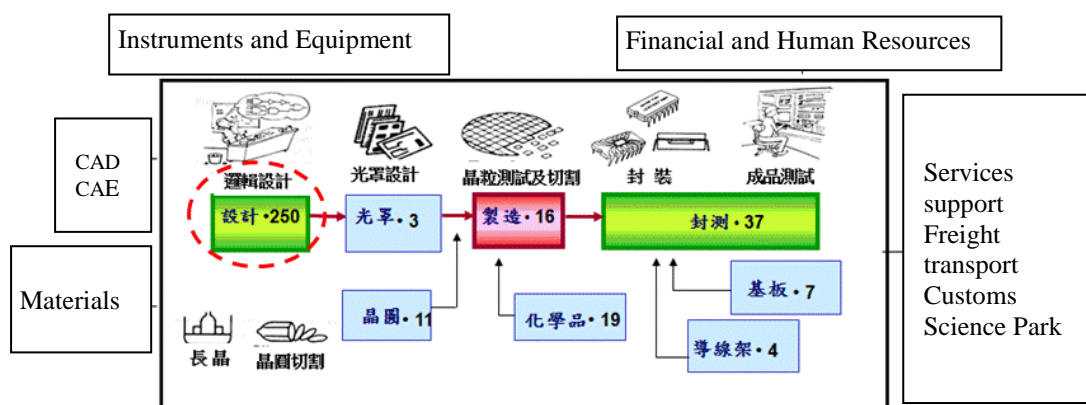
2. The Links between the Upstream, Midstream, and Downstream Segments of the Industry Supply Chain

The IC design industry was originally at the forefront of the semiconductor industry system, no upstream. Its midstream and downstream industries were wafer foundry, wafer manufacturing, assembly and testing. Taiwan's IC industry is different from foreign manufacturers in vertical integration of design, manufacturing, assembly and testing. In each production link individual manufacturers join in and have their own specialties, forming a horizontal division of labor system. Taiwan's IC industry ranks first in the world in both wafer foundry and packaging testing, second only to the United States in THE IC design industry, and has become the most important supply chain for the global IC industry.

IC design companies, whose main business is to sell self-designed products or accept designs commissioned by customers, are brain-intensive industries, which require far less capital than wafer manufacturers. IC design industry is an upstream industry in the industrial value chain. Before completing the final product, firstly it must be manufactured into semi-finished wafer products by professional wafer foundry or IDM factory (integrated device manufacturer

who is engaged in design, manufacturing, packaging, testing and sales), are then performed a front-end test. Then, it will be transferred to a professional packaging factory for dice cutting and packaging. Finally, the professional testing factory does the post-testing, and after the test, the finished product is sold to the system manufacturers through the sales channel to be a system product.

The correlation diagram of the IC design industry between upstream, midstream and downstream is as follows:



Source: Industrial Technology Research Institute IEK(2013/07)

3. Trends of Products

(1) Flash Data Storage Industry

Flash Controller is the most important SOC key component in the Flash Data Storage industry besides NAND Flash, and the development direction of the whole industry will also lead the development of Flash Controller.

A. Application of portable digital consumer electronics products

Driven by Intel and AMD new chip sets, USB 3.x has become the built-in standard interface for personal computers. The supply ratio of USB 3.x flash drives in the market has also gradually increased. Type C interface is also widely used in mobile phones, tablets and note books, and the demand for flash drives with Type C interface is also gradually increasing. By the way, iphone 15 has changed the interface from the lightning to Type C, and the demand of USB flash disks will increase. Because the price of USB external hard drive is raised, the demand of USB high capacity external SSD increases.

B.The storage device replacement effect in notebook and desktop Computers

SSD uses a random access mechanism. It surpasses the semi-sequential and semi-random access modes of hard disk drives, and can speed up program execution and data reading and writing, which is a great advantage for the operating system. SSD becomes a standard storage for notebooks. SSD has the characteristics of low power consumption, fast startup, good reliability, good efficiency, low noise, thin and short, and is the best weapon to improve the working efficiency of computers. The market for notebooks and desktop computers has significantly replaced hard disk drives with SSD. Because of the sufficient supply of NAND flash, NAND flash and SSD price went down accordingly which led to an increased quantity and expanded capacity for the SSD shipment. SSD has become the mainstream storage in the notebooks, and the interface has gradually migrated from SATA/ PCIe Gen3 to PCIe Gen4. PCIe G5 SSD would be available in this second half year. This market would keep growing in the following years.

C. Storage in network server

SSD doesn't have read-write arm, magnetic head and motor as the hard disk drive does. It owns advantages of low operating current, low power consumption, lower operational temperature, and fast access speed.,ext. SSD has become the best choice for the fastest cache storage in the new generation of giant data center (Data Center) network server data storage hierarchy. Because Nvidia and AMD GPU supports on high speed AI sever strongly, AI server demand grows up rapidly and enterprise SSD raises up simultaneously.

D. Application in other industries

Under the stringent environmental tolerance requirements of certain industries (including the automotive and machine tool sectors), the application market for this segment currently represents a niche, high-profit segment. Until more suitable solutions emerge, the market is expected to retain its growth potential. AI servers require powerful GPUs and high-speed enterprise-grade solid-state drives (SSDs) to process massive amounts of data for learning and generation. The confidentiality of this data is critically important. For users involved in intellectual property rights, the focus is on Edge Computing IoT applications, which also necessitate on-site data storage, presenting another promising market opportunity.

(2) MEMS Microphone Industry

Microphone is a basic sound input component, which is widely used everywhere in various products, such as smart phones, toys, mobile phones, headsets, computers, hearing aids, digital cameras, video cameras and stereos, etc. Compared with traditional ECM microphones, MEMS microphones have the advantages of thin and short, tolerable to high and low temperatures, high signal-to-noise ratio, high resistance to electromagnetic interference, excellent high-frequency response, and

consistent quality. It has greatly replaced traditional ECM microphones in 3C products application, and the market growth trend is clear.

From the perspective of market application trend, voice input is current mainstream trend, and it is the most direct and convenient way for man-machine interface input. In recent years, voice recognition has made a great leap in cloud data and big data algorithms. In addition, MEMS microphone IC manufactured by semiconductor process can provide the characteristics of higher signal-to-noise ratio (SNR), more consistent Sensitivity and phase quality. Combined with advanced audio source separation, array pointing and other technologies, it can provide higher radio quality for back-end voice recognition and processing. It is remarkable and has become a new development direction of man-machine interface. Now it has been widely used in various applications like smart appliances, smart homes, security monitoring, vehicle and so on, and the market is growing rapidly.

The MEMS microphones will develop towards high performance and diversified applications in the future. Various applications have different requirements of specifications: high SNR, high AOP, frequency response, phase consistency, highly tolerable to special harsh environment and special sensitivity.

(3) USB Audio IC Industry

From audio playback equipments to smart platforms, and from mobile phone accessories to independent terminals, audio terminals represented by speakers and headsets are going through three transformations:

- a. Wireless connection: the first step towards an independent terminal. On the one hand, with the development of Bluetooth technology, with the improvement of transmission rate and bandwidth, it has evolved from wired to wireless headsets/speakers, realizing the wireless connection of audio terminals and audio sources; On the other hand, due to the great stability and practicability of wired audio equipment, it is still widely used in most application scenarios, so it is hard to replace in the short term.
- b. Intelligent interface: The computing power of the audio main chip is improved to the platform level, the voice wake-up + active noise-cancelling is fitted as a standard. With the computing power and functional integration requirements of the audio (headset/speaker) main chips greatly increased, the audio chips had evolved gradually from simply completing the data transmission (Connectivity) of Bluetooth/WiFi to an developing independent intelligent computing platform. In addition, the headset terminal integrates voice wake-up to further free users' hands and realize a more natural man-machine interface.
- c. Terminal diversification: smart audio Terminals are not only headsets and speakers, but also endless possibilities of diversification in the future. In the short- to medium term, smart headsets will be an effective means for diversified competition by mobile phone manufacturers, and

with the possibility to be a standard configuration in mid-to-high-end mobile phones. Smart speakers benefit from the continuous increase in the penetration rate of the home end, and will evolve to either poles of "heavyweight scene interaction center" or "featherweight voice entrance". In the medium and long term, on the one hand, the headset/speaker terminal will further evolve to multi-function, scene customization, and relatively stand-alone. On the other hand, with the penetration of intelligent scenarios, the audio entrance will also break through the form of headset/speaker and develop diversified appearances.

After 2024, the advancement of 5G + AI technologies will further drive audio as a key entry point in the era of IoT (Internet of Everything), making it an essential indicator for future development. Focusing on the current mainstream product, USB Audio, under USB 1.1 / 2.0 interfaces, it can provide users with multi-channel audio and 32/24-bit resolution at 48/96/192/384/768KHz for both input and output. Compared to other built-in interfaces, USB Audio is just as competitive, if not superior, due to its inherent advantages as a digital interface—ensuring no further distortion and better resistance to signal interference, ultimately delivering superior overall performance. Because USB Audio offers users a more convenient, higher-grade, and, in some cases, the only available solution for audio upgrades, it has created a new market for external audio solutions. Additionally, with the rapid rise of handheld devices in recent years—especially smartphones and tablets—there has been a subtle yet significant impact on the PC and notebook (NB) markets. Fortunately, while these new handheld devices may not always retain direct USB ports, they universally continue to support USB functionality. Through various adapter hubs, users can still easily access USB Audio features. Across different device categories, USB remains a highly expandable option, fully compatible with the advanced USB Type-C interface. Moreover, in wireless products operating on 2.4GHz / 5.8GHz, USB often serves as a critical bridge between the Tx (transmitter) and devices, further boosting the expansion of the USB Audio market.

4. Product Competition

At present, NAND flash memory major makers are Samsung, KIOXIA (Toshiba)/ Western Digital (Sandisk), Intel (Solidigm), Micron, and SK Hynix. Now all of them have introduced 3D structure, which has become the key point for growth and competition. YMTC (mainland China) with strong capital background, has begun to aggressively build R&D and manufacturing, and penetrate into this market gradually with China strong domestic demand, and hold the place in this market. Flash memory controller vendors are also facing fierce competition. Due to the general direction of localization of Controller IC usage in mainland China, several domestic USB Controller IC design companies of mainland China have founded and fulfilled China's internal demand. In addition to SSD Controller IC design companies located in the

United States and Taiwan, several SSD Controller IC design companies have been established in mainland China, and the competition becomes even fierce.

MEMS microphones are developed by using foundry offered typical MEMS process. 3S has successfully launched several Digital /analog MEMS microphones are suitable for different applications with different packaging forms. At present, there are many MEMS microphone suppliers in a fiercely competitive market, but there are few manufacturers that actually develop both MEMS sensor and pre-amp ASIC which is the only way to meet the diversified application needs and ensure the stability of product characteristics and supply. Some of MEMS microphone suppliers purchase MEMS sensors, or ASIC, or both, and only engage in packaging and sales. The company is the only MEMS microphone supplier in Taiwan capable of developing products with its own technology and patents on both MEMS Sensor and ASIC. In terms of global market competition, there are roughly five types of suppliers:

Classification	MEMS Sensor	ASIC	Representative enterprises
Type 1	Self-developed	Self-developed	<ul style="list-style-type: none"> ■ Knowles (acquired by Syntiant) (MEMS Sony, ASIC AMS) ■ Infineon (MEMS Infineon, ASIC Infineon) ■ Solid State System Co., Ltd. (3S) (MEMS UMC, ASIC X-fab+UMC) ■ MEM Sensing (MEMS CRMICRO, ASIC SMIC) ■ STMicro (MEMS Omron, ASIC STM)
Type 2	MEMS sensors / ASICs used in high-end products are purchased from Infineon, and self-developed MEMS sensors / ASICs are used for low-end products		<ul style="list-style-type: none"> ■ Goertek ■ AAC (buy out the production of Omron MEMS Microphone in SMIC)
Type 3	Supply MEMS Sensor separately or outsource ASIC for sale after testing and sealing		<ul style="list-style-type: none"> ■ NISD ■ Fortemedia ■ GMEMS
Type 4	Outsourcing	Self-developed and sells ASIC	<ul style="list-style-type: none"> ■ Zilltek ■ Navosense
Type 5	Outsourcing	Outsourcing	Japan(Hosiden), South Korea(BSE) and many manufacturers mainly from mainland China (such as Gongda..)

These five different types of suppliers all exist in the competitive global market. At present, Infineon is the top one in technology and has the best-selling in MEMS chips market, Knowles has the highest market share in MEMS Microphone, 3S market positioning is high SNR and stable quality, and 3S takes advantage of capabilities of self-developed MEMS Sensor and ASIC, can quickly adapt to new MEMS sensor or ASIC to meet application specifications

required by customers, and gradually replaces the market of European and American brands.

For USB audio, there are some similar type of products in the market, however, they are in different market positioning. 3S's USB Audio market positioning is mainly high universality, good compatibility, high cost-performance ratio, with high stability based on a pure hardware architecture. 3S's position is quite different from some similar products in the market which focus more on the developments of DSP and algorithm, 3S's USB Audio mainly focuses on entry-level, easy-to-use and effective product lines, reduces the manpower needs of engineering support and the burden of excessive resources required for customized firmware, and minimizes the dilemma of several IDM manufacturers developing the same type of products to reach brand customers. Most customers believe that our products are substantially different from other brands.

(III) Overview of Technologies and R&D Work

1. R&D expenditures during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

Unit: NT\$ thousand

Item/Fiscal Year	2024
R&D Expenses	107,988
Net Operating Revenue	239,110
Percentage of R&D Expenses to Net Operating Revenue (%)	45.16

The Company's R&D expenses are mainly invested in analyzing future market development trends and application technologies for new product promotion, and assisting customers in solving production and design problems, so as to improve the ability of the overall solution. R&D expenses mainly include personnel salary expenses, project expenses and various depreciation and amortization.

2. Technologies or products successfully developed during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

Fiscal Year	R&D results
2024	(1) Completed Enhanced version of USB Cap-less Headphone Drive 24bit/96k Hi-Res Audio IC (2) Design ready new BCH ECC NAND Flash Controller with Type A & Type C control IC, support TLC/QLC NAND Flash . (3) Launch of analog differential interface MEMS microphone (4) Launched a series of MEMS microphones with high wind pressure resistance (5) Hearing aid anti-UV analog MEMS microphone (6) Launched USB3.2 Gen I LDPC control IC developed to support KIOXIA BiCS6 TLC NAND Flash.

Fiscal Year	R&D results
	(7) Launch of 1300um x1300um MEMS chip.
2025.3.31	(1) Launched New USB3.2 Gen I ASIC With Auto SwitchType A & Type C USB Interface and developed higher speed I/O , Advanced ECC for new 3D NAND (2) Launch of high SNR 67dB + digital MEMS microphone (3)Tape out high AOP 130dB digital MEMS microphone

(IV) Long-term and Short-term Business Development Plans

1. Short-term Business Development Plans

Since the most advanced process of NAND Flash has migrated as the structure of 3D TLC/QLC. We should consider the characteristics of 3D NAND Flash into the design of our Flash controller ICs and solutions. Our company keeps developing NAND Flash controller ICs and solutions to support the latest generation of 3D TLC/QLC. We continuously strengthen product competitiveness, reduce product costs, improve customer service quality, stabilize existing customers, and prudently develop new customers in existing markets and mainland China to enhance the revenue. AI brings the demand of mass storage. AI brings the era of QLC to come earlier. USB product line will support QLC from the different flash makers more.

In terms of MEMS microphone IC products, the company independently develops MEMS sensors and ASIC chips, designs microphone packaging structures, and independently develops mass production testing equipment to ensure consistent product quality and stable supply. It emphasizes considering different application requirements from the chip development stage and developing products that best meet market needs. With the successive launch of high SNR/high AOP D-mic products this year, it will help expand market share in application markets such as digital TVs, security monitoring, smart wearables, and notebook computers.

In terms of USB Audio, we will maintain our existing market share in the short term using current and updated products, while continuing to promote the updated features of these products and increase customer upgrade rates. This approach will help us maintain our reputation for high-quality customer service and ensure stable market supply. Additionally, we are actively developing new product research and development plans, with the goal of launching a new product generation by 2025.

2. Long-term Business Development Plans

3D NAND Flash has become the mainstream usage, and the application markets are expansible in the long term. We aim to stabilize the overall gross margin in USB NAND Flash controller in the consumer market. In

information products, we will continue the development of high-speed SSD controller ICs, and continuously and prudently review and distribute existing markets and other rapidly emerging regional markets.

In terms of MEMS microphone IC products, we will target products applicable for seven application areas, including ANC active noise-canceling headsets, AI intelligent applications, security monitoring, automotive, notebook computers, TWS Bluetooth headsets and mobile phones. We have long been operating with brand customers in these seven application fields, and assisting agents to develop various types of customers on the client side. On the other hand, we have conducted in-depth cooperation with the back-end main chip manufacturers to jointly develop the market.

In the USB Audio sector, our long-term goal will be to focus on the development of wireless audio products, optimise existing codecs for the market, and enhance algorithm support (e.g., ENC/AEC) to create differentiated new products that increase customer adoption and consumer experience. This will gradually establish a roadmap for USB Audio products as entry-level devices for the AI era, such as the JETSON NANO application.

In the high-bandwidth memory (HBM) product segment, the company will focus on Edge AI (inference) applications and, based on customer needs, plan the following business models:

- (1) Provide high-bandwidth memory modules (stacked or unstacked) to AI processor/GPU manufacturers.
- (2) License IP to AI processor/GPU manufacturers for integration.

II. Overview of Market, Production and Sale

(I) Market Analysis

1. Geographic Areas where the main Products and Services are Provided and Supplied

Unit: NT\$ thousand

Sales Region	Fiscal Year	2024	
		Amount	%
Domestic Sales		64,996	27.18
Foreign Sales		174,114	72.82
Total		239,110	100.00

2. Market Share

The Company is a professional IC design manufacturer. Its main products include NAND Flash controllers ICs, MEMS microphones and audio application ICs, as well as related integrated circuit design and technical services. According to the latest report by the market research agency IC Insights, the output value of global overall IC design industry in 2024 has reached US\$165,600 million, or approximately NT\$5,315 billion. While the net consolidated operating income of the Company was NT\$239 million in

2024, accounting for about 0.0045% of the total output value. Although the overall IC design market share is currently small, the Company will continue to further develop the NAND Flash controller IC product line and customer base in the future, and expand the MEMS microphone IC product line. Therefore, there will be considerable room for growth in the future.

Unit: NT\$ million; %

Item	2024
The Company's operating revenue (A)	239
Output value of global IC design industry (B)	NT\$5,315billion
Market share of IC design industry (A)/(B)	0.0045%

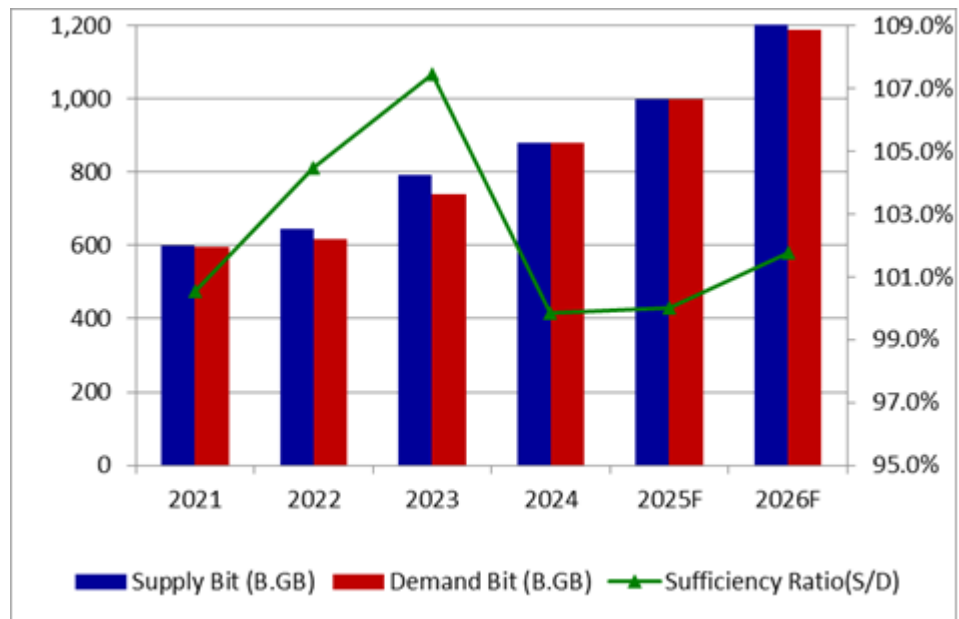
Source: Department of Statistics

3. Supply and Demand in the Market and Possible Future Growth

(1) NAND Flash

According to IL CONSULTANT, NAND Flash has become the main storage for all kinds of electronic products. COVID-19 epidemic slows down, and every country reopens borders. This leads electronic products demand decline. From 2022 to 2023, the sufficiency ratio between supply and demand shows the oversupply. In 2024, the supply and demand is almost balanced. Although the NAND Flash industry has some oversupply or shortages at certain time points, the overall supply and demand is still in a healthy balance and is still growing steadily. In the long term, market research estimates that the overall NAND Flash Memory market will continue to grow from 2021 to 2026. From the application point of view, NAND Flash applications have spread rapidly. In addition to UFS or eMMC for smartphones and eMMC for tablets, the demand for solid-state drives (SSD) for notebooks and data centers is also increasing rapidly. According to market research reports, SSD consumed 50% of the global NAND. In the long term, SSD is the primary application market for capacity growth, and our company also puts major engineering effort and support on SSD.

Forecast of supply and demand of NAND Flash from 2021 to 2026



Source: IL CONSULTANT

(2) MEMS microphones

According to data released by market research firm Yole Development in 2024, the global MEMS microphone market is projected to grow from USD 14.6 billion in 2024 to USD 20 billion by 2029. On the supply side, MEMS microphones require special semiconductor equipment and processes for their sensors, which will be the most significant constraint on supply. General semiconductor foundries cannot produce these sensors without investing in specialised equipment, and collaborate with MEMS microphone manufacturers to develop the manufacturing process, they will be unable to produce or mass-produce these sensors. Currently, only a limited number of semiconductor manufacturers have mass production capacity, including Sony and NJR in Japan, Infineon in Germany and Malaysia, SMIC and Huaxun Microelectronics in China, and UMC in Taiwan, among others, operating 8-inch/6-inch semiconductor fabs. The current supply is currently sufficient. In the coming years, the demand for MEMS microphones is expected to grow strongly due to the integration of cloud voice recognition (Cloud Voice Recognition) with artificial intelligence (AI) functions and the emergence of new application trends such as edge voice recognition (Edge Voice Recognition) combined with AI at the device level. This growth may face bottlenecks as new 8-inch semiconductor production capacity continues to be invested.

(3) USB Audio IC

The USB audio market has entered the audio ecosystem phase following traditional audio and digital audio, with growth primarily driven by mature user audio usage habits, diversified expansion of audio content products, and the rise of audio live streaming driving user payments. Looking ahead, the market's growth potential will expand further as audio products and

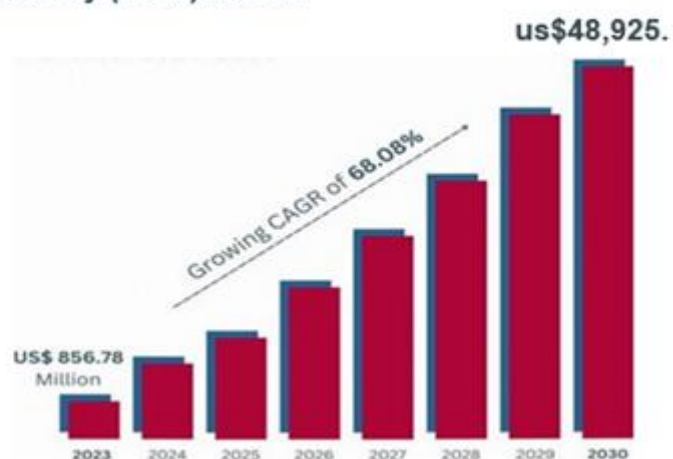
business models mature and the benefits of the audio ecosystem are refined. In particular, the upgrade of AI applications in 2024 will drive audio as a key entry point in the era of the Internet of Everything, significantly expanding the market's boundaries.

(4) HBM(High Bandwidth Memory)

In recent years, the rapid development of AI technology has led to a surge in demand for memory bandwidth that traditional DRAM (GDDR) cannot meet, driving the industry's demand for HBM (High Bandwidth Memory). HBM is a new type of memory technology that stacks multiple DRAM chips vertically and uses vertical interconnects to achieve higher bandwidth and lower latency, providing higher bandwidth and lower power consumption. to meet the growing demands of data-intensive applications, particularly in AI applications such as deep learning and machine learning, which require large amounts of HBM for AI model training and inference tasks. Additionally, HBM helps enhance computational performance in areas such as autonomous driving, scientific simulation, and data analysis. Overall, driven by the rapid growth of HBM in AI applications, high-performance computing (HPC), AI servers, supercomputers, and other applications, market demand for HBM is expected to see significant growth.

Global HBM high-bandwidth memory growth rate Unit: Million (US\$ million)

High Bandwidth Memory (HBM) Market



Source: Intel Market Research

According to estimates by Intel Market Research, the HBM market will grow to 48.9 billion US dollars by 2030, with a compound annual growth rate (CAGR) of about 68.08% from 2023 to 2030.

4. Competitive Niches

(1) Close cooperation with upstream and downstream industries

Our company specialises in chip design and solution development. Through strategic investment partnerships, we have established a strong presence in the NAND Flash control IC product sector. Our upstream manufacturing partner produces NAND Flash, while our downstream partner is the international brand KIOXIA. This collaboration enables us to access advanced NAND Flash technology data in advance and develop control ICs and solutions tailored to market demands in a timely manner, ensuring the successful introduction of next-generation NAND Flash and related consumer applications into the market. In the SSD market, we collaborate with hardware manufacturers offering advanced manufacturing processes to provide SSD turnkey solutions. Leveraging our firmware expertise and extensive experience in mass-producing NAND Flash application products, we have successfully entered the market.

In terms of MEMS microphone IC products, the Company has long cooperated with semiconductor manufacturers to develop MEMS Sensor process, with packaging plants to develop packaging process, and with equipment plants to develop automatic testing equipment, mastering the process from semiconductor process, packaging process to automated testing equipment. Based on the market demand, we emphasize considering the application demand from the chip development stage, developing the products closest to the market demand, and providing customers with the most suitable products with close cooperation between the upstream and downstream of the entire industry to create a win-win situation.

The USB Audio product line has long been closely related to the upstream and downstream of the industry chain. In the future, the Company will deepen its relationship with the upstream and downstream of the industrial chain to maintain better product yield and cost advantages.

(2) Master key core technologies

In addition to the key core technologies accumulated in NAND Flash controller IC products, the Company is also actively developing new MEMS microphone IC products. From the early launch of the world's only single-chip CMOS MEMS microphone that entered mass production, to the separate design of ASIC and MEMS Sensor in response to mainstream market demand, the Company has launched dual-chip MEMS microphones, accumulated technologies and patents for process components, circuit design, acoustic mechanism and packaging and testing, and fully grasped the relevant key core technologies thereof.

(3) Master good customer relations

The USB Audio product line has long been closely related to upstream and downstream customers in the industry chain.

In the future, we will deepen the relationship with the upstream and downstream of the industrial chain to maintain better product yield and

cost. Based on this advantage, provide high-stability consumer-grade products to maintain customer stickiness.

5. Positive and Negative Factors for Future Development, and the Company's Response to Such Factors

(1) Positive Factors:

A. Flash Controller

- a. NAND Flash supply and its application markets continue to grow strongly

Various NAND flash manufacturers have adopted 3D design and manufacturing technologies based on stacked structures to develop NAND flash. In terms of storage technology, the industry is gradually transitioning from TLC (3 bits per cell) to QLC (4 bits per cell) to meet the growing market demand for higher capacity, with the aim of sustaining the overall industry's growth in the coming years. In addition to the ongoing demand for increased Flash capacity in mobile internet and computing platforms (such as smartphones), another rapidly growing application market is solid-state drives (SSDs) replacing traditional mechanical hard drives. Whether it is providing high-speed, low-power data access for high-end servers or offering a better alternative to traditional hard drives in notebook and desktop computers with their lightweight, slim, compact, energy-efficient, and low-noise data access capabilities, coupled with the growing demand for embedded storage applications driven by the rapid development of the Internet of Things (IoT), the overall market growth is expected to be promising.

- b. Long-term accumulated firmware and mass production experience on NAND Flash applications finished goods.

Our company works hard on NAND Flash application market many years. We support the latest NAND Flash technology from SLC(1-bit-per-cell) to MLC(2-bit-per-cell), then to TLC(3-bit-per-cell) majorly used now, then to the newest QLC(4-bit-per-cell). Along with the more layers process of NAND Flash, we design Flash controller ICs to support them, and assist the mass production of NAND Flash storage finished goods. These years, NAND Flash progresses 3D structure. We continue releasing USB 2.0 and USB 3.x flash controller ICs to support them for USB Flash Disk at the module house. With our own firmware development and finished goods mass production experience, we co-operate with the international IC design company. We use their advanced SSD controller IC to provide our firmware and software solution to get into rapid growth SSD market. SSD's core technology is included of firmware ability and the mass production experience of NAND Flash finished goods except the advanced

process node of SSD hardware. Since we have the ability and experience, we have the change to get into this rapid growth SSD market in the short term under the absence condition of SSD hardware.

c. Close cooperation with upstream and downstream industries

Our company focuses on changes in the industrial environment and actively strengthens cooperative relationships with upstream and downstream companies in the industry. We have established a long-term strategic partnership with KIOXIA, a leading technology partner. In addition, based on our long-standing reputation, we are also in discussions with other memory module manufacturers regarding potential cooperation opportunities. In the SSD market, we are collaborating with hardware manufacturers that offer advanced manufacturing processes to launch an SSD Turnkey Solution model and enter the market.

B. MEMS microphones

a. The MEMS microphone market will continue to grow strongly

Voice recognition brings humans the most natural voice and the convenience of communicating with machines. Combined with increasingly sophisticated AI technologies, the market for MEMS microphones will continue to grow strongly. All kinds of Cloud Applications and terminal Applications Edge Applications have been launched continuously, liberating human hands and vision, improving human efficiency and enabling people to work on multiple matters at the same time. There will also be breakthroughs in human hearing applications. As a result, the development of voice-related applications would be full of imagination, and the market for MEMS microphones will continue to grow strongly with the popularity of voice applications.

b. Continue to introduce dual-chip digital/analog MEMS microphones for different applications

The Company initially adopted the standard CMOS process for the mass production of single-chip CMOS MEMS microphones. In response to the mainstream market trend, the Company switched to a special MEMS process for the development of dual-chip MEMS microphones. It has successively launched a variety of digital/analog models suitable for different applications and in different packaging forms. By 2023, three Sensors with different structures and with different sizes of 1300um x 1300um, 1100um x 1100um, 850um x 850um, 700um x 700um, and multiple digital/analog ASICs with different demands have been launched, together with a portfolio of digital/analog MEMS microphones for a wide variety of applications. In the near future, the Company will introduce a sensor with a smaller area to meet the demand for low-cost TWS headset calls, and a sensor with a larger area and an

improved structure to meet the market demand for higher SNR. The future development trend of MEMS microphones will be towards high performance and diversified applications. Various applications require different specifications, some of which are met by ASIC circuit design, some are solved by MEMS Sensor structure design or different processes, different materials, and some are related to packaging structure design. Therefore, suppliers who do not carry out self-development and do not have enough technology accumulation will face great pressure in response to the requirements of different applications of customers.

c. Manufacturers planning for new investment are challenged by the MEMS microphone market

Different from general semiconductor process, MEMS processes require special equipment investments such as Double Side alignment, Deep RIE... and other special process equipment. General semiconductor foundries will first evaluate the investment risk and then the feasibility of the process technology, and then invest the process development personnel to cooperate with MEMS Microphone design, and continue to invest manpower and time to improve the yield. The reliability issue can only be verified successively after the product is put on the market. It can be a huge challenge for manufacturers planning for new investment in terms of determination and technology.

In addition to the R&D of MEMS microphone components, the Company has also long been developing MEMS microphone-related applications, and has established and accumulated system application technologies as its foundation such as ANC (Active Noise Cancellation), DOA (Direction of Arrival), Beamformer (directional microphone), Offline Voice Recognition etc. By investing in the application market, we can peep and grasp the demands and trends of future product development.

C. USB Audio

USB Audio products are irreplaceable after passing the relevant certification, unless the customer is willing to redesign and re-certify the entire finished product. However, the cost of finished product certification is extremely high. Generally, customers do not easily replace the certified products unless there is a long-term shortage or cost problems, which is an extremely favorable factor for us, who currently occupy the position of entry-level products in the client side for a long time. .

Since the official launch of our 24-bit/96k products, we have effectively addressed the long-standing gap in our product portfolio by introducing a practical mid-range specification. Leveraging our strong customer relationships, the updated products have successfully driven customers to develop new solutions and products. However, due to some unresolved functional and performance issues, the

implementation progress of certain customers' new solutions has not met expectations. Once this improvement and upgrade are completed, we anticipate that customers will resume submitting new product designs for certification, enabling us to enter a difficult-to-replace positive feedback loop and further enhance customer loyalty to our products.

D. HBM

The strong growth in demand for AI applications is the biggest driver for HBM. As AI applications continue to demand higher computational power, AI processors (GPUs) are driving the advancement of advanced logic processes, leading to exponential growth in AI computing power. In contrast, DRAM process technology faces limitations due to the extremely small effective capacitance of memory cells, making further improvements challenging. As a result, DRAM memory bandwidth has become the bottleneck for overall AI computing performance, especially in the AI learning (training) phase. The HBM specifications required for AI learning and training demand high bandwidth, capacity, and thermal management capabilities, necessitating the use of higher-tier DRAM manufacturing processes. Currently, only the world's three major DRAM manufacturers—Hynix, Samsung, and Micron—can meet these specifications. For AI processor/GPU manufacturers, multiple HBM supply sources are also required. Therefore, HBM compliant with the JEDEC standard is the optimal business choice for the three major DRAM manufacturers and AI processor/GPU giants such as NVIDIA and AMD. According to market information, by 2025, the annual production capacity of JEDEC-standard HBM from the three major DRAM manufacturers will be entirely reserved by leading AI processor manufacturers (NVIDIA, AMD). Other AI processor manufacturers will also find it difficult to secure production capacity support from the three major DRAM manufacturers. For AI processor/GPU manufacturers targeting the growing Edge AI (inference) application market, competing with market leader NVIDIA in the Edge AI application market requires careful consideration of high-bandwidth memory options. Given the supply constraints and high costs of JEDEC standard HBM, customised HBM solutions may offer a more viable alternative. These solutions can provide a wider range of capacity, bandwidth, power consumption options will be a trend. This also creates a market differentiation from the existing three major DRAM manufacturers, providing us with an opportunity to enter the AI memory market.

(2) Harmful Factors and Countermeasures

A. NAND Flash Controller

NAND Flash controller ICs market grows substantially. The domestic/foreign IC design companies face fierce competition. So, the price and gross profit of some Controller ICs declined year by year.

From the perspective of NAND Flash supply, it is harmful for NAND Flash finished goods sales as NAND Flash price increases. At that time, it will impact Sales of NAND Flash controller ICs. The unchangeable rule is that our NAND Flash controller ICs support all kinds of NAND our customers use in time to overcome the big change in this market. Since 2020, the logic wafer supply shortage has resulted into the decline of Controller IC's sales. Inventory destocking in the consumer market during 2022 and 2023 also caused the pressure of gross margin and profit. As the demand of AI application increased in 2024, the enterprise SSD usage on the cloud is very prosperous. The consumer demand continued downturn.

Countermeasures:

Keep strengthening the cooperation relationship with the strategic partners on USB Flash Controller IC, and enhance the additional value of the controller ICs together. For the controller IC design, we choose the cost-effective process, simplify design, enhance the error correction ability to slow down the cost, enhance product features and keep product competitive. We would also support different kinds of NAND from different NAND vendors, and approach more customers. To reduce NAND Flash supply variation to the sales impact of SSD Turnkey Solution, we keep supporting all kinds of Flash, and the customers who can get Flash steadily in the long term.

B. MEMS microphones

At present, many MEMS microphone suppliers on the market are international manufacturers. Infineon and Knowles(Syntiant) are leading in technology development and market share, ranking the top two in the world. STM has lost its market share, while TDK continues to develop. In the dual-chip MEMS microphone market, the Company is relatively lagging behind the market.

Response Strategies:

The MEMS microphones is developing towards high performance and diversified applications in the future. In response to this trend, the Company will make full use of its own technology development advantages to introduce in a flexibly manner a variety of MEMS Sensors with different characteristics, ASICs with different performances and different packages, with a combination of MEMS microphones with advanced, medium and low-end product application specifications as required by customers. In areas with more mature market applications, such as notebook and mobile phone applications, the market supply and demand situation is also more mature. The Company will strive for opportunities of standby suppliers based on product quality and cost performance. In new application fields such as AI intelligent application, surveillance and vehicle-mounted, the

Company will continue to increase its market share by strategically and flexibly expanding diversified products to brand customers.

C. USB Audio

The biggest challenge currently facing sales is the rise of similar products from mainland China. Due to China's policy of promoting domestic production and use of its own chips, many mainland Chinese brands have launched mid- to high-end USB audio products for both domestic and international markets. It must be acknowledged that these products offer excellent value for money. In the long term, we need to actively develop new product specifications and enhance algorithmic functionality, as well as provide more comprehensive and user-friendly audio applications, in order to maintain our competitive edge in the market.

Response Strategies:

USB Audio IC was originally one of the overall AUDIO market, and there are not so many manufacturers who develop deeply in this field. But the overall market has actually been fairly stable for more than 20 years. In the early stage, the market was dominated by TI and other American manufacturers, and the 3S USB Audio product line was actually not rich in projects. However, over the past 10 years, although we have been exposed to every unfavorable factor in the market, the Company still has been able to truly understand the needs of customers, make products that are truly differentiated from other manufacturers, and provide good customer service. Only by continuously developing Audio-related technologies, launching products suitable for customers reasonably and efficiently, and maintaining a good market price positioning, can we continue to develop in the fierce competition.

D. HBM

Need to collaborate with DRAM manufacturers and coordinate with AI processor/GPU companies to launch customised HBM.

Response Strategies:

The company will seek cooperation with DRAM manufacturers in AI application innovation projects that require high bandwidth and heat dissipation. The company will utilise a comprehensive system approach to enhance effective AI computing performance.

(II) Usage and Manufacturing Processes for Main Products

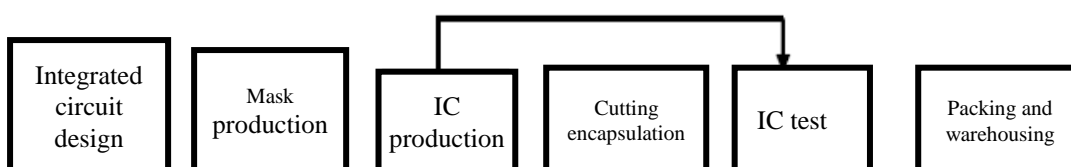
1. Important Applications of Main Products

Type of Main Products	Important Applications of Functions
NAND Flash controller IC	Data access with USB Flash Disk through the computer data security control, data storage in mobile device, main data storage for desktop computers and servers, data storage for Edge Computing IOT Device
Audio IC	Phone headsets, gaming headsets, headsets and microphones for desktop and notebook computers, TYPE-C headsets, audio converters, computer recording equipment, Type C extended HUB audio source, online live streaming and song-related products, POS and IPC-related audio source devices
MEMS microphone IC	TWS Bluetooth headsets, ANC active noise-canceling headsets, smart applications, notebooks, surveillance, vehicle and mobile phones
HBM	AI inference, Edge AI, and other application products

2. Manufacturing Processes for Main Products

a. IC (NAND controller) & MEMS microphone

The Company is an IC design company, and its wafer manufacturing is commissioned to the foundry. After the initial testing, the wafer produced by the foundry will be sent to the packaging and testing factory for packaging and complete IC function testing.



(III) Supply Situation for Major Raw Materials

The company's main raw material is silicon wafers, and its suppliers are well-known domestic and foreign wafer foundries. It is a professional wafer foundry, so the quality is stable and the production capacity is good. There should be no doubts about the source of wafer supply.

Main Raw Materials	Main Suppliers
Wafer	Company A
Wafer	Company B

(IV) List of Major Suppliers/Customers

1. Information on Major Suppliers for the Most Recent Two Years

Unit: NT\$ thousand; %

Item	2023				2024			
	Name	Amount	Percentage of Annual Net Purchases (%)	Relationship with the Issuer	Name	Amount	Percentage of Annual Net Purchases (%)	Relationship with the Issuer
1	Company A	1,835	4.00	None	Company A	26,130	55.50	None
2	Company B	30,002	65.32	None	Company B	15,812	33.59	None
3	Others (Note)	14,094	30.68	None	Others (Note)	5,138	10.91	None
	Net purchase	42,117	100.00	N/A	Net purchase	47,080	100.00	N/A

Note: All suppliers accounting for 10 percent or more of the Company's total procurement amount.

2. Information on Major Customers for the Most Recent Two Fiscal Years

Unit: NT\$ thousand; %

Item	2023				2024			
	Name	Amount	Percentage of Annual Net Sales (%)	Relationship with the Issuer	Name	Amount	Percentage of Annual Net Sales (%)	Relationship with the Issuer
1	KIC	10,710	3.89	Corporate Director	KIC	32,107	13.43	Corporate Director
2	Company A	36,235	13.15	None	Company A	56,232	23.52	None
3	Company B	13,248	4.81		Company B	29,212	12.22	None
4	Others (Note)	215,448	78.15	None	Others (Note)	121,559	50.83	None
	Net sales	275,641	100.00		Net sales	239,110	100.00	

Note: All customers accounting for 10 percent or more of the Company's total sales amount.

III. Information on Employees for the Most Recent Two Fiscal Years and during the Current Fiscal Year Up to the Date of Publication of the Annual Report

Year		2023	2024	Year ended March 31
Number of employees	R & D	57	53	54
	Sales	23	21	21
	manager	21	21	21
	manufacturing staff	6	5	5
	Total	107	100	101
Average age		44.7	45.3	45.1
Average years of seniority		10.5	10.9	11.0

Year		2023	2024	Year ended March 31
Educational level (%)	PhD	1.0	1.0	1.0
	Master	49.5	51.0	51.5
	College	48.6	47.0	46.5
	High school	0.9	1.0	1.0

IV. Disbursements for Environmental Protection

The total amount of losses (including compensation) and disposals due to environmental pollution in the most recent year and up to the date of publication of the annual report, And explain the future countermeasures (including improvement measures) and possible expenditures (including possible if the estimated amount of loss, disposal and compensation cannot be reasonably estimated, it shall explain that it cannot be reasonably estimated Facts): None.

V. Labor Relations

1. Employee Benefit Plans, Continuing Education, Training, and Retirement Systems and the Status of Their Implementation, and the Status of Labor-management Agreements and Measures for Preserving Employees' Rights and Interests

(1) Employee benefit plans

The company has an employee welfare committee that is dedicated to planning a wide range of employee benefits to enhance employee happiness and sense of belonging. These include

1. Caring subsidies and activities: full subsidies for family days (including single employees bringing a friend), domestic and international travel subsidies, gym membership subsidies, club activities, subsidies for weddings, funerals and other celebrations, as well as monthly birthday gifts and birthday afternoon tea for employees, to ensure that employees feel the company's support and care at all stages of life, to enhance employee cohesion and sense of belonging and boost overall morale.

2. The company has established a long-term partnership with visually impaired massage therapists recommended by the Visually Impaired Association. Employees can enjoy free massage services during their lunch breaks, after work, or on weekends and holidays by making an appointment. This initiative also helps improve the employment stability of individuals with disabilities. In 2024, 720 employees utilized this service, accumulating approximately 360 hours of service, with a total cooperation amount of NT\$343,000.

3. The company adopts a flexible work schedule, with employees taking consecutive holidays together and not having to work overtime. There is no culture of irregular and inefficient overtime work. At the same time, in response to the needs of colleagues for family care, the company adopts highly humane management methods such as flexible adjustment of working hours, advance leave, and remote connection to work from home, to create a harmonious and friendly working atmosphere.

4. To encourage work-life balance, employees are encouraged to plan their annual leave, and a leave bonus is given according to the number of days off. In addition, the company provides high-value group medical insurance, subsidises 60% of the premium for employees' dependents, and provides better health protection for employees' families. The company also cooperates with group insurance companies to organise walking activities and provide bonuses to encourage employees to participate.

5. We have signed contracts with local hospitals to provide our employees with subsidies for annual health checks, as well as regular health consultation services by occupational health nurses and specialist doctors.

6. The company provides a shareholding trust incentive mechanism for outstanding employees, as well as interest subsidies for employee housing/car loans, subsidies for parking fees for cars/motorcycles, exclusive parking spaces for pregnant employees, and free automatic ground coffee throughout the day. The company not only cares about the health and long-term development of its employees, but also takes care of its employees in all aspects of life, including food, clothing, housing, transportation, education, and entertainment, with corresponding assistance measures.

The company values good relations between management and employees and has set up transparent communication channels. Labour-management meetings are held quarterly. Although there is no trade union and no collective agreement, the resolutions of all labour-management meetings apply to all employees, demonstrating our high level of concern for the well-being of our employees.

3S is committed to creating a diverse, inclusive and equal workplace, actively promoting gender equality policies, and valuing the balance between employees' work and family lives. We follow the Act of Gender Equality in Employment and provide measures such as contracted child care services and maternity subsidies to support employees' family care benefits.

In addition, in order to ensure that employees with children can balance work and family, in accordance with the provisions of the 'Gender Equality Act,' employees who have worked for the company for at least six months may apply for unpaid parental leave until the child reaches the age of three, for a period of up to two years. Before the application period expires, the company will take the initiative to confirm with the employee whether they wish to return to work, and arrange the follow-up reinstatement procedures, in the hope that the employee can return to work smoothly. The relevant statistics are as follows:

Statistics on the number of people taking parental leave	Male	Female
Number of people eligible to apply for parental leave in 2024 (A)	4	1
Number of people who actually applied for parental leave in 2024 (B)	0	0
Number of people who should have returned to work after parental leave in 2024 (C)	0	0
Number of people who should have returned to work after parental leave in 2024 and did return to work (D)	0	0
Number of employees who returned to work after parental leave in 2023 (E)	0	1
Number of employees who returned to work after parental leave in 2023 and remained in the company for one year (F)	0	1
Parental leave return rate (D/C)		
Parental leave retention rate (F/E)		100%
<p>Note:</p> <p>A. Number of people eligible to apply for parental leave in 2024: the number of people with children under the age of 3 during the period from 1/1/2024 to 12/31/2024 (Source: based on the year-end group insurance register OR the list of applicants for the birth gift in the past 3 years).</p> <p>B. Actual number of people applying for parental leave in 2024: the number of people applying for parental leave between 2024/01/01 and 2024/12/31.</p> <p>C. Estimated number of employees returning to work after parental leave in 2024: the number of employees whose parental leave expires between 2024/01/01 and 2024/12/31.</p> <p>D. Number of employees who returned to work after parental leave in 2024: the number of employees whose parental leave expired between 2024/01/01 and 2024/12/31 and who returned to work during this period.</p> <p>E. Number of employees returning to work after parental leave in 2023: the number of employees returning to work after parental leave between 2023/01/01 and 2023/12/31.</p> <p>F. Number of employees who returned to work after parental leave and stayed in the company for one year in 2023: the number of employees who returned to work after parental leave and stayed in the company for one year between 2023/01/01 and 2023/12/31.</p>		

(2) Employee training

The Company attaches great importance to the professional talents in various fields. In order to enhance the overall competitiveness of the Company and cultivate talents for the Company's sustainable development, the Company has established an education and training program to provide complete pre-service and in-service training, regularly organizes internal training based on the Company's development priorities or internal needs, and encourages colleagues to participate in a variety of external training courses, including short-term study

courses and long-term training courses, to meet the Company's business needs and personal development needs.

The Company provides general, professional and management training courses for employees of different positions in a systematically manner, including:

- 2.1 Management training: The Company plans relevant courses according to the management skills and responsibilities of executives at all levels.
- 2.2 General training: It refers to the general training activities throughout the whole company or at all levels, such as: stress adjustment, health management, career development courses and quality audit courses.
- 2.3 Professional/functional training: It refers to the technical and professional training required by each functional unit.
- 2.4 New employee training: It includes guidance and basic training for new employees.

(3) Retirement System and Its Implementation

3S has now fully applied the new system to replace the old labour retirement system. The employee retirement system is handled in accordance with the 'Labour Pension Act' formulated by the government. In addition, the negotiated deferred retirement and employee stock ownership trust systems are as follows:

1. Negotiated extension of retirement age:

In line with the amendments to the Labour Standards Act, the company has a deferred retirement system. The company may negotiate with employees who have served the company for 65 years to extend their retirement time.

2. Employee stock ownership trust system:

In addition to regularly allocating reserve funds to the statutory retirement account in accordance with the provisions of the Labour Standards Act and the Labour Pension Act, the company has also established a shareholding trust committee. After regular employees have worked for the company for one year, the company will calculate the monthly contribution amount according to the salary range and use this to purchase company shares on a regular and fixed basis. The company will also allocate a shareholding incentive fund in proportion to the amount of the employee's monthly contribution.

(4) Labor-management agreements and measures for preserving employees' rights and interests

The Company has always maintained a harmonious labor-management relationship. It holds a "labor-management meeting" on a quarterly basis to fully establish communication channels between labor and management. There was no dispute between labor and management, thus no coordination was required.

(5) Protection measures for work environment and employees' personal safety

3S adheres to the core concept of 'people-oriented' and is committed to creating a safe and healthy working environment, and has incorporated the relevant norms into the Labour Safety and Health Code. The company takes the following measures to fully protect the safety and health of employees:

1. Setting up a 24-hour access control system and implementing access control to ensure the safety of the office environment and restrict the entry of unauthorised personnel, as well as setting up an emergency response liaison mechanism.
2. Regularly inspect fire-fighting equipment, including fire extinguishers, alarms, and emergency lighting systems, to ensure that all equipment is in good working order. Arrange fire escape drills at least twice a year to enhance staff's ability to respond to emergencies, and clearly mark the escape routes and configure emergency equipment in each office area.
3. Carry out monthly maintenance and cleaning of air-conditioning equipment to ensure indoor air quality, and carry out regular disinfection of the office, especially during the influenza season or the high incidence of infectious diseases, to strengthen anti-epidemic measures and create a healthy working environment.
4. Establish an emergency response mechanism, formulate a detailed response plan for fire, earthquake and other disasters, and set up a task force to ensure the implementation of in place; the company is also equipped with first aid kits and medical equipment, and first aid knowledge training on a regular basis.
5. Regular safety and health meetings are held to collect staff's suggestions on the working environment and to further optimise the facilities; in addition, internal and external safety audits are conducted to ensure that all equipment and procedures comply with regulatory requirements and are in line with international standards.
6. The Company has a workplace health service that provides comprehensive care for employee health, such as occupational safety and health, employee health management, health promotion, and safety and health management and education and training, to ensure that employees work in a safe and healthy environment, and to enhance overall job satisfaction and productivity; the doctor conducts two sessions per year, and the nurse practitioner conducts two sessions per month.
7. In addition, the Company has a Type A Occupational Safety and Health Supervisor, who regularly receives relevant courses from the Hsinchu Vocational Training Centre attached to the Taiwan Association of Industrial and Mining Safety and Health Technicians, and in 2024, participated in a total of 48 hours in 2 courses on relevant occupational safety and health.

Equipment and safety management:

We have a Type A Occupational Safety and Health Supervisor and a fire prevention manager who is regularly retrained. The office and factory areas are equipped with card access systems, surveillance equipment and security controls to ensure safety management. The company regularly commissions professional organisations to carry out public safety inspections of buildings and obtains certificates of compliance.

In addition, we regularly maintain and inspect electrical and mechanical, fire-fighting, air-conditioning and drinking water equipment, and conduct self-

defence and fire-fighting drills every six months to ensure that our staff are well-equipped to deal with emergencies.

Overview of Occupational Safety and Health Promotion

Programmes	Frequency	Specific Measures																																										
Fire Drill Talks and Staff Escape Drills	Yearly	◆Twice a year, in conjunction with the Taipower Technology Park, the company conducts firefighting training for firefighters and indoor fire hydrant drills to enhance the emergency response capability of employees.																																										
Regular water dispenser filter replacement	Monthly	◆Monthly replacement of water dispenser filters to ensure clean water quality. ◆Monthly checking of water dispenser operation.																																										
Regular carpet cleaning	Yearly	◆Hire cleaners to deep clean the carpets once a year. ◆Use environmentally friendly cleaning agents to ensure a healthy office environment.																																										
Health Talks	Yearly	◆Medical professionals are invited to conduct staff health promotion seminars every year, including three-high weight management, cardiovascular disease, stretching exercise, etc. In 2024, a total of 5 seminars were held with 119 participants. <table><tr><th>number</th><th>Course name</th><th>Number of hours</th><th>Estimated number of people</th><th>Actual number of people</th><th>Attendance rate</th></tr><tr><td>1</td><td>A lifestyle strategy for the three highs and weight</td><td>1</td><td>25</td><td>24</td><td>96%</td></tr><tr><td>2</td><td>Cardiovascular disease and health</td><td>2</td><td>25</td><td>28</td><td>112%</td></tr><tr><td>3</td><td>Which is the most effective type of exercise for fat loss? Cardio, interval or strength training</td><td>2</td><td>25</td><td>23</td><td>92%</td></tr><tr><td>4</td><td>Office stretching for relaxation</td><td>2</td><td>25</td><td>22</td><td>88%</td></tr><tr><td>5</td><td>Digestive diseases and health</td><td>2</td><td>25</td><td>22</td><td>88%</td></tr><tr><td></td><td></td><td>9</td><td>125</td><td>119</td><td>95%</td></tr></table>	number	Course name	Number of hours	Estimated number of people	Actual number of people	Attendance rate	1	A lifestyle strategy for the three highs and weight	1	25	24	96%	2	Cardiovascular disease and health	2	25	28	112%	3	Which is the most effective type of exercise for fat loss? Cardio, interval or strength training	2	25	23	92%	4	Office stretching for relaxation	2	25	22	88%	5	Digestive diseases and health	2	25	22	88%			9	125	119	95%
number	Course name	Number of hours	Estimated number of people	Actual number of people	Attendance rate																																							
1	A lifestyle strategy for the three highs and weight	1	25	24	96%																																							
2	Cardiovascular disease and health	2	25	28	112%																																							
3	Which is the most effective type of exercise for fat loss? Cardio, interval or strength training	2	25	23	92%																																							
4	Office stretching for relaxation	2	25	22	88%																																							
5	Digestive diseases and health	2	25	22	88%																																							
		9	125	119	95%																																							

■ Institutionalised management:

Labour meetings were held every three months to enhance communication and cooperation and to continuously improve safety and health policies and measures.

In FY2024, there were no occupational disasters, demonstrating the effectiveness of the company's safety management.

3S will continue to make employee safety its primary goal, optimise the workplace environment, promote a zero-accident culture, and demonstrate its commitment to employee health and safety through various measures, so as to realise the mutual growth and sustainable development of the company and its

employees, and to continue to create a high-quality working environment and welfare for its employees.

2. Any Losses Suffered by the Company in the Most Recent Two Fiscal Years and up to the Annual Report Publication Date due to Labor Disputes, and Disclosing an Estimate of Possible Expenses that could be Incurred Currently and in the Future and Measures Being or to be Taken. If a Reasonable Estimate Cannot be Made, an Explanation of the Facts of Why It Cannot be Made Shall be Provided:
 - (1) Any losses suffered by the Company in the most recent two fiscal years and up to the annual report publication date due to labor disputes: None.
 - (2) Possible expenses that could be incurred in the future and measures to be taken: The Company attaches great importance to the welfare of its employees and maintains harmonious labor relations. There has been no labor dispute in the most recent two fiscal years and up to the annual report publication date. It is expected that there will be no major labor dispute in the future.

VI. Cyber Security Management:

- (I) Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

The Company attaches great importance to information security and personal data protection management. The Company has established an information security organization to review various information security policies, assess information system risks, plan appropriate response measures and emergency recovery procedures. The Company conducts data backup and restoration tests on a regular basis, and regularly reviews and drills the emergency response and recovery procedures of the system. The Company has established a personal data protection enforcement team to ensure the compliance of protection and management of personal data with laws and regulations. The Company takes inventory of personal data by category to protect the personal data of employees and external customers and manufacturers. The Company promotes information security to internal colleagues from time to time, and establishes the concept of information security and personal information protection among employees. The Company prevents employees from being attacked by the network when operating the computer information system due to employees' lack of security concept, and prevents the system from being hacked or infected by computer viruses.

The Company has not suffered from any significant cyber security incidents in the most recent two fiscal years and up to the annual report publication date.

- (II) The Company has not suffered from any losses in the most recent two fiscal years and up to the annual report publication date due to significant cyber security incidents.

VII. Important Contracts

Supply/distribution contracts, technical cooperation contracts, engineering/construction contracts, long-term loan contracts, and other contracts that would affect shareholders' equity, where said contracts were either still effective as of the date of publication of the annual report, or expired in the most recent fiscal year.

Type of Contract	Contracting Parties	Commencement and Expiration Date	Major Content	Restrictive Clauses
Lease contract	Yu Long Construction Co., Ltd.	2024.8.1~2026.7.31	Office lease	None
Lease contract	Hao Peng Investment Co., Ltd. Huang Wei Investment Co., Ltd.	2020.6.3~2025.06.30	Office lease	None
Credit contract	Land Bank of Taiwan	2024.12.11 ~ 2025.12.11	Loan	None
Credit contract	Taishin International Bank	2024.12.31 ~ 2025.12.31	Loan	None
Credit contract	First Commercial Bank	2024.3.4~2029.3.4	Loan	None

Chapter 5.

Review and Analysis of Financial Position and Financial Performance, and Risk Issues

I. Analysis of Financial Position

Unit: NT\$ thousand

Item \ Fiscal Year	2024	2023	Difference	
			Amount	%
Current Assets	663,785	451,953	211,832	47
Property, Plant, and Equipment	28,065	29,352	(1,287)	(4)
Intangible Assets	7,360	9,042	(1,682)	(19)
Other Assets	21,185	18,588	2,597	14
Total Assets	720,395	508,935	211,460	42
Current Liabilities	96,564	80,616	15,948	20
Non-current Liabilities	27,891	2,211	25,680	1,161
Total Liabilities	124,455	82,827	41,628	50
Common Stock	729,659	569,659	160,000	28
Capital Surplus	190,985	76,464	114,521	150
Accumulated Deficits	(324,704)	(220,015)	(104,689)	(48)
Total Equity	595,940	426,108	169,832	40

Explanation of increase (decrease) of 20% or more:

- (1) The increase in current assets in the current period was mainly due to the cash inflow from the issue of shares.
- (2) The increase in current liabilities, non-current liabilities and liabilities in the current period was mainly due to the new long-term borrowings.
- (3) The increase in common stock, capital surplus and equity in the current period was mainly due to the issue of shares and the premium of stocks.

The decrease in accumulated deficits decline was mainly due to the decline in market demand for USB products.

II. Analysis of Financial Performance

Unit: NT\$ thousand

Item \ Fiscal Year	2024	2023	Amount of Increase (Decrease)	Rate of Change (%)
Operating Revenues	239,110	275,641	(36,531)	(13)
Operating Costs	225,924	260,326	(34,402)	(13)
Gross Profit	13,186	15,315	(2,129)	(14)
Operating Expenses	201,346	223,270	(21,924)	(10)
Net Operating Loss	(188,160)	(207,955)	19,795	10
Non-operating Income and Expenses	7,007	(13,778)	20,785	151
Profit Expenses (Loss) before Tax	(181,153)	(221,733)	40,580	18
Income Tax Profit Expenses	-	(1,718)	1,718	100
Net (Loss) Profit for the period	(181,153)	(220,015)	38,862	18
Explanation of increase (decrease) of 20% or more:				

(1) The increase in non-operating income and expenses in the current period was mainly due to the recognition of impairment losses on property, plant and equipment in the same period last year.

The decrease in income tax expense for the current period was mainly due to the reversal of deferred income tax liabilities in the same period last year.

III. Cash Flow Analysis

(I) Analysis of Changes in Cash Flows in the Most Recent Fiscal Year

Unit: NT\$ thousand

Fiscal Year Item	2024	2023	Rate of Change (%)
Operating Activities	(65,455)	(18,732)	(249)
Investing Activities	(14,948)	(9,747)	(53)
Financing Activities	369,343	105,590	250
Total	288,940	77,111	275
Analysis:			
<ol style="list-style-type: none"> 1. The decrease in net cash inflow from operating activities in this period was mainly due to the decline of operating revenues. 2. The decrease in net cash inflow from investing activities in this period was mainly due to the revision of the Audio product mask in this period. 3. The increase in net cash inflow from financing activities in this period was mainly due to the issue of shares. 			

(II) Future Cash Flow Analysis:

The actual cash and equivalent cash balance in 2024 increased by NT\$ 246,484 thousand compared with the estimated amount, which mainly brought sufficient cash inflow for the issue of shares. The expected full-year cash flow situation in 2025 is as follows:

Unit: NT\$ thousand

Cash and cash equivalents at beginning of 2024 (1)	Cash flows from operating activities for the Coming Year (2)	Cash flows used in operating activities for the Coming Year (3)	Cash and cash equivalents at end of 2023 (1)+(2)-(3)	Future plan for unenough cash and cash equivalents	
				Investment plan	Financial plan
430,667	8,516	326,067	113,116	N/A	N/A
<ol style="list-style-type: none"> 1. Future cash flow analysis : Operating activities: Net cash inflow is expected in 2025, mainly from the sale of 2024 inventory in 2025. Investment activities: Net cash outflow is expected in 2025, mainly due to the time deposits. Financing activities: Net cash outflow is expected in 2025, mainly due to the new borrowings. 2. Future plan for unenough cash and cash equivalents : N/A 					

IV. Effect on Financial Operations of Any Major Capital Expenditures during the Most Recent Fiscal Year: None.

V. The reinvestment policy of the most recent year, the main reasons for its profits or losses, improvement plans and investment plans for the next year: None.

VI Risk Analysis and Assessment

(I) Effect on the Profit (Loss) of Interest and Exchange Rate Fluctuations and Changes in the Inflation Rate, and Response Measures to Be Taken in the Future

1. Effect on the Profit (Loss) of Changes in Interest Rate and Response Measures to Be Taken in the Future

(1) Effect on the profit (loss) of changes in interest rate

Unit: NT\$ thousand; %	
Item/Fiscal Year	2024
Interest Expense(A)	1,608
Net Operating Revenue(B)	239,110
Net Profit (Loss) before Tax(C)	(181,153)
Interest Expense/Operating Revenue(A)/(B)	0.67%
Interest Expense/Net Profit (loss) before Tax(A)/(C)	0.89%

The Company's interest expense was NT\$1,608 thousand in 2024, which accounted for approximately 0.67% of the operating revenue. The changes in interest rate did not have a material impact on the Company's operations.

(2) Specific measures taken by the Company in response to changes in interest rate

The Company always pays attention to the changes in domestic and foreign economic environment and interest rate, and keeps close contact with banks for more favorable interest rate terms.

2. Effect on the Profit (Loss) of Changes in Exchange Rate and Response Measures to Be Taken in the Future

(1) Effect on the profit (loss) of changes in exchange rate

Unit: NT\$ thousand; %	
Item/Fiscal Year	2024
Net Exchange Gain (Loss)	2,590
Net Operating Revenue	239,110
Net Profit (loss) before Tax	(181,153)

Ratio of Net Exchange Gain (Loss) to Net Operating Revenue	1.08%
Ratio of Net Exchange Gain (Loss) to Net Profit (loss) before Tax	1.43%

The products sold by the Company were mainly denominated in US dollars, and the purchases were also mainly denominated in US dollars. Therefore, the trend of US dollar exchange rate is quite correlated with the change of the Company's exchange gains and losses. The Company's exchange gain was NT\$ 2,590 thousand in 2024 which accounted for approximately 1.08% of the net operating revenue. The changes in exchange rate did not have a material impact on the Company's earnings.

(2) Specific measures taken by the Company in response to changes in exchange rate

The specific measures taken by the Company in response to the risk of exchange rate fluctuations mainly focused on offsetting the foreign currency payable due to purchase and short-term foreign currency bank loans by the increase in foreign currency receivable from the US dollar transactions, so as to achieve the effect of Natural Hedge. In addition, the financial department collects exchange rate information on a daily basis to analyze the future trends of exchange rate, and purchases forward exchange to hedge the net foreign currency position remained after natural hedging in accordance with the Company's Operation Procedures for Acquisition or Disposal of Assets, so as to reduce the risk of exchange rate fluctuations.

3. Effect on the Profit (Loss) of Changes in the Inflation Rate and Response Measures to Be Taken in the Future

A. Effect on the profit (loss):

The Company is always aware of fluctuations in market prices and has not suffered from any significant impact on profit and loss due to inflation.

B. Response measures to be taken in the future:

The Company pays close attention to the changes in the relevant economic environment and market conditions, keeps a good interaction with suppliers and customers to ensure stable prices for raw materials, and seeks diversified suppliers to reduce the significant impact on profit and loss due to inflation.

(II) Policy regarding High-risk Investments, Highly Leveraged Investments, Loans to Other Parties, Endorsements/Guarantees, and Derivatives Transactions, Main Reasons for the Profit (Loss) Generated Thereby, and Response Measures to Be Taken in the Future

1. The Company has formulated its Operation Procedures for Acquisition and Disposal of Assets, Operation Procedures for Loaning Funds to Others and the Operation Procedures for Endorsements and Guarantees, which have been adopted by the resolution of the shareholders' meeting for compliance. During the current fiscal year and up to the date of publication of the annual report, the Company have carefully evaluated all its investments, and it did not engage in high-risk investments, highly leveraged investments, loans to other parties, endorsements or guarantees.
2. The Company's policy regarding derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future
 - (1) The Company conducts trading and management of derivatives in accordance with the Operation Procedures for Acquisition and Disposal of Assets adopted by the board of shareholders.
 - (2) The Company mainly trades derivatives for non-trading purposes, mainly in the form of forward exchange contracts, to avoid the risk of assets or liabilities denominated in foreign currencies arising from exchange rate fluctuations.
 - (3) The Company conducts operation in a conservative and prudent manner and will continue to hedge its foreign exchange position and avoid inappropriate risky transactions.

(III) R&D Work to Be Carried Out in the Future and Further Expenditures Expected for R&D Work

Unit: NT\$ thousand

	Products Description	Current Progress	Expected R&D Expenditure	Expected Mass Production Time	Major Factors Influencing the Success of Future R&D
1	PCIe4x4 SSD Flash Controller FW&MP For NEW 3D NAND Flash	Under Development	30,000	2025.4Q	1.Product firmware architecture design 2.Finished product compatibility 3.Product read-write speed and high debugging efficiency
2	New USB3.2 Controller for New 3D NAND Flash	Under Development	80,000	2026.1Q	1.Product architecture design 2.Finished product compatibility 3.Product read-write speed
3	High performance Digital MEMS Microphone (Sen-26dB, SNR>69dB)	Under Development	15,000	2026.4Q	1. MEMS diaphragm design 2. Preamp high SNR circuit design 3. Sigma Delta ADC circuit design

	Products Description	Current Progress	Expected R&D Expenditure	Expected Mass Production Time	Major Factors Influencing the Success of Future R&D
4	High performance Digital MEMS Microphone (SNR 67 DB/AOP 130DB)	Under Development	15,000	2026.4Q	1.MEMS diaphragm design 2.Preamp high SNR circuit design 3.Sigma Delta ADC circuit design
5	HBM	Product planning	286,675	2027	Design effectiveness

(IV) Effect on the Financial Operations of Important Policies Adopted and Changes in the Legal Environment at Home and Abroad, and Measures to Be Taken in Response

The Company abides by national policies and laws. Relevant units pay close attention to changes in important policy and legal environment, and coordinate with the adjustment of the Company's internal system and business activities to ensure smooth operation of the Company. The Company will continue to keep an eye on the changes in important policy and legal environment at home and abroad in the future, and evaluate and respond to the changes as appropriate.

(V) Effect on the Financial Operations of Developments in Science and Technology (Including Cyber Security Risks) as well as Industrial Change, and Measures to Be Taken in Response

The Company attaches great importance to technical support manpower and capabilities, and actively develops deeply in the market to quickly respond to industrial changes. In the future, it will continue to keep eye on the changes and developments in science and technology related to the industry in which it operates, so as to launch products that meet market trends.

The Company has established a comprehensive network and computer-related information security protection measures, including network firewalls, spam attacks, computer anti-virus and anti-hacking, and remote backup of important data. The Company always pays close attention to the new types of information security threats and hardware and software vulnerability attacks, and introduces security equipment as appropriate.

The Corporation continuously reviews and evaluates information security policies and procedures to ensure their appropriateness and effectiveness.

(VI) Effect on the Crisis Management of Changes in the Corporate Image, and Measures to Be Taken in Response

Since its establishment, the Company has been adhering to the business philosophy of integrity, professionalism, quality and innovation, and has moved towards the vision of a world-class manufacturer, actively strengthened internal management and improved management quality and performance, and maintained harmonious labor relations to maintain a good corporate image. No

any event that damage the corporate image occurred during the current fiscal year and up to the date of publication of the annual report.

(VII) Expected Benefits and Possible Risks Associated with Any Mergers and Acquisitions, and Measures to Be Taken in Response

The Company has no merger or acquisition plans during the current fiscal year up to the date of publication of the annual report. If any, we will prudently evaluate and consider whether the merger will bring benefits to ensure shareholders' equity.

(VIII) Expected Benefits and Possible Risks Associated with Any Plant Expansion, and Measures to Be Taken in Response

The Company had no plans for plant expansion during the most recent year up to the date of publication of the annual report.

(IX) Risks Associated with Any Consolidation of Sales or Purchasing Operations, and Measures to Be Taken in Response

1. Purchase:

Since 2021, the production capacity of foundry production and packaging and testing available to the Company has been limited due to the increase in global wafer demand. The Company is currently actively working with major suppliers to increase production capacity and seeking new capacity cooperation with other foundries. In addition, we are also actively switching to more price-competitive packaging and testing manufacturers to increase our cost competitiveness.

2. Sale:

3S's measures to cope with the sales or concentration are as follows:

- (1) Continue to deeply develop technology and do a good job of product planning, and provide customers with the best products in a timely manner.
- (2) Strengthen strategic alliances with equity policies (e.g. private placement).
- (3) Expand customer base to diversify customer concentration by adding the following products.
 - A. Add controller IC products that support NAND Flash applications, such as SSD.
 - B. Add controller IC products that support different NAND Flash companies, such as Micron and YMTC.
- (4) Strengthen sales of MEMS microphone IC and USB Audio to increase product lines and diversify product risks.
- (5) Develop customers in the Greater China region and expand the customer base to diversify the risk of customer consolidation.

(X) Effect upon and Risk to the Company in the Event a Major Quantity of Shares Belonging to a Director, or Shareholder Holding Greater than a 10 Percent Stake

in the Company has been Transferred or has otherwise Changed Hands, and Mitigation Measures being or to be Taken: None

- (XI) Effect upon and Risk to Company Associated with Any Change in Governance Personnel or Top Management, and Mitigation Measures being or to be Taken

In recent years and up to the printing date of the annual report, although more than one-third of the directors were re-elected in fiscal year 113, there were no significant changes in the Company's shareholding and management team, no significant changes in the Company's operating strategies and business policies, and no change in the Company's management rights.

- (XII) Litigation or Non-litigation: None.

- (XIII) Other Important Risks, and Mitigation Measures being or to be Taken: None.

VII. Other Important Matters: None.

Chapter 6. Special Disclosure

- I. Information on Affiliates : Not applicable

- II. Private Placement of Securities during the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report: None.

- III. Other Supplementary Information: None.

Solid State System Co., Ltd.

Chairman: Jeffrey Lin