

**FocalTech Systems Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2025 and 2024**

Notice to Readers

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

This is the translation of the financial statements. CPAs do not audit or review on this translation.

INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of Directors and Shareholders
FocalTech Systems Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of FocalTech Systems Co., Ltd. and its subsidiaries (collectively, the "Company") as of September 30, 2025 and 2024, the related consolidated statements of comprehensive income for the three months ended September 30, 2025 and 2024, and for the nine months ended September 30, 2025 and 2024, the consolidated statements of changes in equity and of cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Standards on Review Engagements of the Republic of China "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in Note 13 to the consolidated financial statements, the financial statements of non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of September 30, 2025 and 2024, combined total assets of these non-significant subsidiaries were NT\$3,409,491 thousand and NT\$3,282,360 thousand, respectively, representing 24% and 17%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$1,142,251 thousand and NT\$1,080,910 thousand, respectively, representing 25% and 11%, respectively, of the consolidated total liabilities; for the three months ended and nine months ended September 30, 2025 and 2024, the amounts of combined comprehensive income (loss) of these subsidiaries were NT\$104,515 thousand, NT\$(105,903) thousand respectively, NT\$(385,241) thousand and NT\$(7,173) thousand, representing 41%, (129)%, (1,263)%, (1)% .

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of September 30, 2025 and 2024, its consolidated financial performance and its consolidated cash flows for the three months ended September 30, 2025 and 2024 and for the nine months ended September 30, 2025 and 2024 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Huei-Min Huang and Chih-Ming Shao.

Deloitte & Touche
Taipei, Taiwan
Republic of China
November 7, 2025

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FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2025 (Reviewed)		December 31, 2024 (Audited)		September 30, 2024 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 3,824,170	27	\$ 8,247,879	44	\$ 8,615,453	45
Financial assets at fair value through profit or loss - current (Note 7)	435,791	3	280,700	2	268,428	1
Financial assets at fair value through other comprehensive income (Note 8)	-	-	54,014	-	134,432	1
Financial assets at amortized cost (Note 9)	120,259	1	-	-	-	-
Accounts receivables, net (Note 11)	935,101	6	1,339,654	7	1,240,960	7
Inventories (Note 12)	2,379,173	16	2,573,928	14	2,563,616	13
Other financial assets (Note 10)	199,825	1	912,274	5	887,783	5
Other current assets	251,887	2	271,013	1	263,787	1
Total current assets	<u>8,146,206</u>	<u>56</u>	<u>13,679,462</u>	<u>73</u>	<u>13,974,459</u>	<u>73</u>
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss (Note 7)	323,999	2	415,826	2	397,064	2
Financial assets at fair value through other comprehensive income (Note 8)	589,025	4	9,767	-	62,096	-
Financial assets at amortized cost (Note 9)	1,035,397	7	-	-	-	-
Investments accounted for using the equity method (Note 14)	280,060	2	-	-	-	-
Property, plant and equipment (Note 15)	2,524,749	18	2,529,675	14	2,463,285	13
Goodwill (Notes 16)	1,237,268	9	1,237,268	7	1,237,268	6
Other intangible assets (Note 17)	80,491	1	153,258	1	95,759	1
Deferred tax assets	190,042	1	165,739	1	175,846	1
Refundable deposits (Note 18)	5,208	-	459,603	2	766,654	4
Other non-current assets (Note 33)	10,168	-	12,282	-	13,179	-
Total non-current assets	<u>6,276,407</u>	<u>44</u>	<u>4,983,418</u>	<u>27</u>	<u>5,211,151</u>	<u>27</u>
TOTAL	<u>\$ 14,422,613</u>	<u>100</u>	<u>\$ 18,662,880</u>	<u>100</u>	<u>\$ 19,185,610</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term loans (Note 19)	\$ 171,816	1	\$ 935,802	5	\$ 1,283,453	7
Accounts payables (Note 20)	1,315,786	9	2,357,450	13	1,972,777	10
Other payables (Note 21)	1,789,660	13	2,019,653	11	1,599,850	8
Current tax liabilities (Note 4)	168,346	1	253,700	1	246,371	1
Current position of long-term loans (Note 19)	-	-	22,576	-	108,986	1
Other current liabilities (Note 25)	151,715	1	209,387	1	230,771	1
Total current liabilities	<u>3,597,323</u>	<u>25</u>	<u>5,798,568</u>	<u>31</u>	<u>5,442,208</u>	<u>28</u>
NON-CURRENT LIABILITIES						
Long-term loans (Note 19)	-	-	-	-	734,495	4
Deferred tax liabilities	220,360	1	217,109	1	217,623	1
Net defined benefit liabilities - non-current (Note 4)	10,440	-	10,817	-	13,586	-
Guarantee deposits received (Note 23)	822,508	6	2,514,805	14	3,010,421	16
Total non-current liabilities	<u>1,053,308</u>	<u>7</u>	<u>2,742,731</u>	<u>15</u>	<u>3,976,125</u>	<u>21</u>
Total liabilities	<u>4,650,631</u>	<u>32</u>	<u>8,541,299</u>	<u>46</u>	<u>9,418,333</u>	<u>49</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 24 and 29)						
Share capital						
Ordinary shares	2,213,129	15	2,192,168	12	2,192,709	11
Capital surplus	6,252,053	43	6,150,242	33	6,154,752	32
Retained earnings						
Legal reserve	805,146	6	747,512	4	747,512	4
Undistributed earnings	976,703	7	1,082,065	6	896,600	5
Total retained earnings	1,781,849	13	1,829,577	10	1,644,112	9
Other equity	(205,655)	(1)	112,201	-	(61,993)	-
Treasury shares	(269,871)	(2)	(163,060)	(1)	(163,060)	(1)
Equity attributable to owners of the parent	9,771,505	68	10,121,128	54	9,767,277	51
NON-CONTROLLING INTERESTS (Note 24)	477	-	453	-	757	-
Total equity	<u>9,771,982</u>	<u>68</u>	<u>10,121,581</u>	<u>54</u>	<u>9,767,277</u>	<u>51</u>
TOTAL	<u>\$ 14,422,613</u>	<u>100</u>	<u>\$ 18,662,880</u>	<u>100</u>	<u>\$ 19,185,610</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

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FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2025		2024		2025		2024	
	Amount	%	Amount	%	Amount	%	Amount	%
REVENUE (Note 25)	\$ 3,106,827	100	\$ 3,813,063	100	\$ 9,150,930	100	\$ 10,350,922	100
COSTS OF SALES (Note 12 and 26)	<u>(2,293,935)</u>	<u>(74)</u>	<u>(2,964,003)</u>	<u>(78)</u>	<u>(6,767,848)</u>	<u>(74)</u>	<u>(7,987,771)</u>	<u>(77)</u>
GROSS PROFIT	<u>812,892</u>	<u>26</u>	<u>849,060</u>	<u>22</u>	<u>2,383,082</u>	<u>26</u>	<u>2,363,151</u>	<u>23</u>
OPERATING EXPENSES (Note 26, 30 and 32)								
Selling and marketing expenses	(126,142)	(4)	(123,547)	(3)	(372,341)	(4)	(379,063)	(4)
General and administrative expenses	(106,099)	(3)	(120,171)	(3)	(325,453)	(3)	(333,651)	(3)
Research and development expenses	<u>(569,113)</u>	<u>(18)</u>	<u>(516,991)</u>	<u>(14)</u>	<u>(1,617,148)</u>	<u>(18)</u>	<u>(1,553,100)</u>	<u>(15)</u>
Total operating expenses	<u>(801,354)</u>	<u>(25)</u>	<u>(760,709)</u>	<u>(20)</u>	<u>(2,314,942)</u>	<u>(25)</u>	<u>(2,265,814)</u>	<u>(22)</u>
OPERATING INCOME	<u>11,538</u>	<u>1</u>	<u>88,351</u>	<u>2</u>	<u>68,140</u>	<u>1</u>	<u>97,337</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES								
Finance costs (Note 26)	(1,256)	-	(15,651)	-	(13,741)	-	(43,850)	-
Interest income	49,840	2	97,223	2	184,598	2	273,090	3
Share of loss of associates (Note 14)	(131)	-	-	-	(131)	-	-	-
Gain on financial assets and liabilities at fair value through profit or loss	9,527	-	1,230	-	21,329	-	6,616	-
Other gains and losses - net	29,787	1	16,047	-	75,594	1	55,981	-
Loss on foreign exchange	<u>(19,124)</u>	<u>(1)</u>	<u>(16,458)</u>	<u>-</u>	<u>(25,966)</u>	<u>(1)</u>	<u>(920)</u>	<u>-</u>
Total non-operating income and expenses	<u>68,643</u>	<u>2</u>	<u>82,391</u>	<u>2</u>	<u>241,683</u>	<u>2</u>	<u>290,917</u>	<u>3</u>
INCOME BEFORE INCOME TAX	80,181	3	170,742	4	309,823	3	388,254	4
INCOME TAX BENEFIT (EXPENSE) (Note 27)	<u>2,022</u>	<u>-</u>	<u>(3,045)</u>	<u>-</u>	<u>20,499</u>	<u>-</u>	<u>(2,669)</u>	<u>-</u>
NET INCOME	<u>82,203</u>	<u>3</u>	<u>167,697</u>	<u>4</u>	<u>330,322</u>	<u>3</u>	<u>385,585</u>	<u>4</u>
OTHER COMPREHENSIVE INCOME								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences from translating the financial statements of foreign operations	172,783	5	(87,800)	(2)	(300,852)	(3)	107,226	1

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	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2025		2024		2025		2024	
	Amount	%	Amount	%	Amount	%	Amount	%
Unrealized gain (loss) from debt instrument investments measured at fair value through other comprehensive loss	<u>128</u>	<u>-</u>	<u>2,307</u>	<u>-</u>	<u>1,025</u>	<u>-</u>	<u>5,508</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss	<u>172,911</u>	<u>5</u>	<u>(85,493)</u>	<u>(2)</u>	<u>(299,827)</u>	<u>(3)</u>	<u>112,734</u>	<u>1</u>
Total other comprehensive loss	<u>172,911</u>	<u>5</u>	<u>(85,493)</u>	<u>(2)</u>	<u>(299,827)</u>	<u>(3)</u>	<u>112,734</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 255,114</u>	<u>8</u>	<u>\$ 82,204</u>	<u>2</u>	<u>\$ 30,495</u>	<u>-</u>	<u>\$ 498,319</u>	<u>5</u>
NET INCOME ATTRIBUTABLE TO:								
Owners of the Company	<u>\$ 82,233</u>	<u>3</u>	<u>\$ 168,067</u>	<u>4</u>	<u>\$ 330,272</u>	<u>(3)</u>	<u>\$ 390,871</u>	<u>4</u>
Non-controlling interests	<u>(30)</u>	<u>-</u>	<u>(370)</u>	<u>-</u>	<u>50</u>	<u>-</u>	<u>(5,286)</u>	<u>-</u>
	<u>\$ 82,203</u>	<u>3</u>	<u>\$ 167,697</u>	<u>4</u>	<u>\$ 330,322</u>	<u>(3)</u>	<u>\$ 385,585</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Company	<u>\$ 255,133</u>	<u>8</u>	<u>\$ 82,587</u>	<u>2</u>	<u>\$ 30,471</u>	<u>3</u>	<u>\$ 503,589</u>	<u>5</u>
Non-controlling interests	<u>(19)</u>	<u>-</u>	<u>(383)</u>	<u>-</u>	<u>24</u>	<u>-</u>	<u>(5,270)</u>	<u>-</u>
	<u>\$ 255,114</u>	<u>8</u>	<u>\$ 82,204</u>	<u>2</u>	<u>\$ 30,495</u>	<u>3</u>	<u>\$ 498,319</u>	<u>5</u>
EARNINGS PER SHARE (Note 28)								
Basic	<u>\$ 0.39</u>		<u>\$ 0.79</u>		<u>\$ 1.55</u>		<u>\$ 1.85</u>	
Diluted	<u>\$ 0.38</u>		<u>\$ 0.78</u>		<u>\$ 1.53</u>		<u>\$ 1.81</u>	

The accompanying notes are an integral part of the consolidated financial statements

(Concluded)

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FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent											
	Share Capital		Retained Earnings			Other Equity			Treasury Shares	Total	Non-controlling Interests	Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Undistributed Earnings	Exchange Differences from Translating the Financial Statement of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Unearned employee compensation					
BALANCE, JANUARY 1, 2024	\$ 2,178,900	\$ 6,031,904	\$ 712,562	\$ 757,830	\$ 11,178	\$ (6,519)	\$ (214,722)	\$ (163,060)	\$ 9,308,073	\$ 6,027	\$ 9,314,100	
Appropriation of 2023 earnings												
Legal reserve	-	-	34,950	(34,950)	-	-	-	-	-	-	-	
Cash dividends	-	-	-	(217,151)	-	-	-	-	(217,151)	-	(217,151)	
Net income for the nine months ended September 30, 2024	-	-	-	390,871	-	-	-	-	370,871	(5,286)	385,585	
Other comprehensive income (loss) for the nine months ended September 30, 2024, net of income tax	-	-	-	-	107,210	5,508	-	-	112,718	16	112,734	
Total comprehensive income (loss) for the nine months ended September 30, 2024	-	-	-	390,871	107,210	5,508	-	-	503,589	(5,270)	498,319	
Changes in other additional paid-in capital	-	(2,571)	-	-	-	-	-	-	(2,571)	-	(2,571)	
Compensation cost of employee share options	-	6,153	-	-	-	-	-	-	6,153	-	6,153	
Issuance of restricted stock employees	17,800	163,276	-	-	-	-	(163,276)	-	17,800	-	17,800	
Compensation cost of restricted stock to employees	-	-	-	-	-	-	154,618	-	154,618	-	154,618	
Retirement of restricted stock employees	(3,991)	(44,010)	-	-	-	-	44,010	-	(3,991)	-	(3,991)	
BALANCE, SEPTEMBER 30, 2024	\$ 2,192,709	\$ 6,154,752	\$ 747,512	\$ 896,600	\$ 118,388	\$ (1,011)	\$ (179,370)	\$ (163,060)	\$ 9,766,520	\$ 757	\$ 9,767,277	
BALANCE, JANUARY 1, 2025	\$ 2,192,168	\$ 6,150,242	\$ 747,512	\$ 1,082,065	\$ 243,338	\$ (268)	\$ (130,869)	\$ (163,060)	\$10,121,128	\$ 453	\$10,121,581	
Appropriation of 2024 earnings												
Legal reserve	-	-	57,634	(57,634)	-	-	-	-	-	-	-	
Cash dividends	-	-	-	(378,000)	-	-	-	-	(378,000)	-	(378,000)	
Net income for the nine months ended September 30, 2025	-	-	-	330,272	-	-	-	-	330,272	50	330,322	
Other comprehensive income (loss) for the nine months ended September 30, 2025, net of income tax	-	-	-	-	(300,826)	1,025	-	-	(299,801)	(26)	(299,827)	
Total comprehensive income (loss) for the nine months ended September 30, 2025	-	-	-	330,272	(300,826)	1,025	-	-	30,471	24	30,495	
Compensation cost of employee share options	-	1,766	-	-	-	-	-	-	1,766	-	1,766	
Issuance of ordinary shares from exercise of employee share options	630	176	-	-	-	-	-	-	806	-	806	
Issuance of restricted stock employees	22,981	131,044	-	-	-	-	(154,025)	-	-	-	-	
Compensation cost of restricted stock to employees	-	-	-	-	-	-	104,918	-	104,918	-	104,918	
Treasury shares buyback	-	-	-	-	-	-	-	(193,998)	(193,998)	-	(193,998)	
Retirement of restricted stock employees	(2,650)	(30,552)	-	-	-	-	31,052	-	(2,150)	-	(2,150)	
Treasury shares transferred to employees	-	-	-	-	-	-	-	87,187	87,187	-	87,187	
Other	-	(623)	-	-	-	-	-	-	(623)	-	(623)	
BALANCE, SEPTEMBER 30, 2025	\$ 2,213,129	\$ 6,252,053	\$ 805,146	\$ 976,703	\$ (57,488)	\$ 757	\$ (148,924)	\$ (269,871)	\$ 9,771,505	\$ 477	\$ 9,771,982	

The accompanying notes are an integral part of the consolidated financial statements.

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FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30 (In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 309,823	\$ 388,254
Adjustments for:		
Depreciation expenses	170,472	93,575
Amortization expenses	132,021	74,559
Net gain on financial assets at fair value through profit or loss	(21,329)	(6,616)
Finance costs	13,741	43,850
Interest income	(184,598)	(273,090)
Compensation cost of employee share options	1,766	6,153
(Gain) loss on disposal of property, plant and equipment	(34,623)	176
Gain on disposal of investments	(4,203)	(3,350)
Share of loss of associates accounted for using the equity method	131	-
Reversal gain on write-down of inventories	(227,651)	(386,903)
Unrealized (gain) loss on foreign exchange	(44,612)	8,265
Compensation cost of restricted stock to employees	104,918	154,618
Changes in operating assets and liabilities		
Financial assets mandatorily measured at fair value through profit or loss	(69,035)	(27,447)
Accounts receivables	375,632	419,924
Inventories	376,312	544,928
Other current assets	12,614	(46,138)
Accounts payables	(1,001,362)	475,061
Other payables	(140,655)	102,485
Other current liabilities	(48,215)	150,145
Net defined benefit liabilities	(377)	(369)
Cash (used) generated from operations	(279,230)	1,718,080
Interest paid	(14,104)	(44,019)
Income tax paid	(79,165)	(165,853)
Net cash (outflow) inflow from operating activities	<u>(372,499)</u>	<u>1,508,208</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial asset at fair value through other comprehensive income	(542,830)	(9,750)
Acquisition of financial assets at amortized cost	(1,175,546)	-
Acquisition of investments accounted for using the equity method	(280,000)	-
Acquisition of property, plant and equipment	(244,141)	(68,295)
Disposal of property, plant and equipment	37,368	-
Decrease in refundable deposits	454,062	1,091,318
Acquisition of intangible assets	(60,908)	(55,714)
Decrease in other financial assets	708,542	1,959,011
Decrease in other non-current assets	1,640	14,747
Interest received	190,258	306,537
Net cash (outflow) inflow from investing activities	<u>(911,555)</u>	<u>3,237,854</u>

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FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30	
	2025	2024
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term loans	\$ (719,325)	\$ 386,344
Decrease in long-term loans	(21,569)	(122,364)
Decrease in guarantee deposits	(1,689,317)	(678,175)
Dividends paid to owners of the Company	(377,575)	(217,151)
Exercise of employee share options	806	-
Treasury shares buyback	(193,998)	-
Treasury shares transferred to employees	87,187	-
Issuance of restricted stock employees	22,981	17,800
Retirement of restricted stock employees	(2,650)	(3,991)
Other	<u>(623)</u>	<u>(2,571)</u>
Net cash outflow from financing activities	<u>(2,894,083)</u>	<u>(620,108)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>(245,572)</u>	<u>44,695</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		
	(4,423,709)	4,170,649
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		
	<u>8,247,879</u>	<u>4,444,804</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD		
	<u>\$ 3,824,170</u>	<u>\$ 8,615,453</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

This is the translation of the financial statements. CPAs do not audit or review on this translation.

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025 AND 2024 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

FocalTech Systems Co., Ltd. (“FocalTech” or “the Company”), formerly named as Orise Technology Co., Ltd., was incorporated in the Republic of China (“ROC”) in January 2006. The Company’s shares have been listed on the Taiwan Stock Exchange (“TWSE”) since July 2007. On January 2, 2015, the Company acquired FocalTech Corporation, Ltd. through a share swap and renamed on January 27, 2015. This acquisition was comprehensively considered as a reverse merger, where FocalTech Corporation, Ltd. was treated as the acquirer in the financial statements. The Company mainly engages in the research, development, design, manufacturing, and sales of Human-Machine Interface solutions, such as Display Driver IC, Touch Control IC and so on.

The consolidated financial statements are presented in the Company’s functional currency of New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on November 7, 2025.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The initial application of the amendments to the IFRSs endorsed and issued in to effect by the FSC did not have a significant impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2026:

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 9 and IFRS 7 “Amendments to the classification and Measurement of Financial Instruments” - the amendments to the application guidance of classification of financial assets	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”	January 1, 2026
Annual Improvements to IFRS Accounting Standards – Volume 11	January 1, 2026
IFRS 17 “Insurance Contracts” (including the 2020 and 2021 amendments to IFRS 17)	January 1, 2023

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will not have impact on the Group’s financial position and financial performance.

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- c. The IFRSs issued by International Accounting Standards Board (IASB), but not yet endorsed and issued into effect by the Financial Supervisory Commission (FSC):

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027 (Note 2)
IFRS 19 “Subsidiaries without Public Accountability: Disclosures” (including the 2025 amendments to IFRS 19)	January 1, 2027

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: On September 25, 2025, the FSC announced that IFRS 18 will take effect starting from January 1, 2028. Domestic entities could elect to apply IFRS 18 for an earlier period after the endorsement of IFRS 18 by the FSC.

IFRS 18 “Presentation and Disclosure in Financial Statements”

IFRS 18 will supersede IAS 1” Presentation of Financial Statements”. The main changes comprise:

- Items of income and expenses included in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discontinued operations categories.
- The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.
- Provides guidance to enhance the requirements of aggregation and disaggregation: The Group shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Group shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Group labels items as “other” only if it cannot find a more informative label.
- Disclosures on Management-defined Performance Measures (MPMs): When in public communications outside financial statements and communicating to users of financial statements management’s view of an aspect of the financial performance of the Group as a whole, the Group shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have impact on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The present Consolidated Financial Report has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by Financial Supervisory Commission.

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b. Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments measured at fair value and the net defined benefit liabilities recognized in the amount of the present value of defined benefit obligation less the fair value of any plan assets.

The evaluation of fair value could be classified into Level 1 to Level 3 by the observable intensity and importance of related input value:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

The detail information, holding percentages, and main business of the subsidiaries could be found in Note 13, TABLE 5 and TABLE 6.

d. Other significant accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2024.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, and adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income and the tax rate that would be applicable to expected total annual earnings.

3) Investment in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates attributable to the Group.

When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive

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obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate and that are not related to the Group.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical accounting judgments, estimations and assumptions applied in these consolidated financial statements are consistent with those in the consolidated financial statements for the year ended December 31, 2024.

6. CASH AND CASH EQUIVALENTS

	September 30, 2025	December 31, 2024	September 30, 2024
Cash on hand	\$ 4,300	\$ 4,599	\$ 4,608
Checking accounts and demand deposits	1,991,822	2,949,518	4,193,741
Cash equivalent (time deposits with original maturities within three months)	<u>1,828,048</u>	<u>5,293,762</u>	<u>4,417,104</u>
	<u>\$ 3,824,170</u>	<u>\$ 8,247,879</u>	<u>\$ 8,615,453</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2025	December 31, 2024	September 30, 2024
<u>Current</u>			
Mandatorily measured at fair value through profit or loss (FVTPL)			
Government bonds	\$ 224,216	\$ 275,228	\$ 262,936
Structured deposit	121,739	-	-
Beneficiary certificate	47,434	5,472	5,492
Gold passbook	<u>42,402</u>	<u>-</u>	<u>-</u>
	<u>\$ 435,791</u>	<u>\$ 280,700</u>	<u>\$ 268,428</u>
<u>Non – Current</u>			
Mandatorily measured at fair value through profit or loss (FVTPL)			
Listed preferred shares	\$ 10,540	\$ 10,285	\$ 10,200
Private funds	304,477	275,263	261,342
Convertible Bonds	8,982	-	-
Structured investments	<u>-</u>	<u>130,278</u>	<u>125,522</u>
	<u>\$ 323,999</u>	<u>\$ 415,826</u>	<u>\$ 323,999</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	September 30, 2025	December 31, 2024	September 30, 2024
Investments in debt instruments			
<u>Current</u>			
Foreign investments			
Fixed income bonds	<u>\$ -</u>	<u>\$ 54,014</u>	<u>\$ 134,432</u>
<u>Non – Current</u>			
Domestic investments			
Fixed income bonds	\$ 9,870	\$ 9,767	\$ -
Foreign investments			
Fixed income bonds	<u>579,155</u>	<u>-</u>	<u>62,096</u>
	<u>\$ 589,025</u>	<u>\$ 9,767</u>	<u>\$ 62,096</u>

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9. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2025	December 31, 2024	September 30, 2024
<u>Current</u>			
Foreign investments			
Fixed income bonds	\$ <u>120,259</u>	\$ <u>-</u>	\$ <u>-</u>
<u>Non – Current</u>			
Domestic investments			
Fixed income bonds	\$ 260,000	\$ -	\$ -
Foreign investments			
Fixed income bonds	<u>775,397</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,035,397</u>	<u>\$ -</u>	<u>\$ -</u>

10. OTHER FINANCIAL ASSETS

	September 30, 2025	December 31, 2024	September 30, 2024
Time deposits with original maturities more than three months	\$ <u>199,825</u>	\$ <u>912,274</u>	\$ <u>887,783</u>

11. ACCOUNTS RECEIVABLES, NET

	September 30, 2025	December 31, 2024	September 30, 2024
Accounts receivables	\$ <u>935,101</u>	\$ <u>1,339,654</u>	\$ <u>1,240,960</u>

The average credit term for sales of goods was 30-120 days. In order to minimize credit risk, management of the Group has delegated a team responsible for determining line of credit, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual accounts receivable at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, the Group's management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach prescribed by IFRS 9, which permits the use of allowances of expected credit losses over the lifetime for all accounts receivables. The expected credit losses on accounts receivables are estimated by using an allowance matrix with references to past customer default records, customer's current financial position, and general economic conditions of the industry. Due to the past experiences, there is no significant difference in the loss patterns of different customer groups. Therefore, the allowance matrix does not further distinguish the customer base, and only sets the expected credit loss rate based on the overdue days of accounts receivable.

The following table details the loss allowance of accounts receivables based on the Group's allowance matrix.

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September 30, 2025

	Not Past Due	Overdue 1-60 Days	Overdue 61-180 Days	Overdue Over 180 Days	Total
Expected credit loss rate	0%	0%	0%	0%	0%
Gross carrying amount and Amortized cost	\$ 935,002	\$ 99	\$ -	\$ -	\$ 935,101

December 31, 2024

	Not Past Due	Overdue 1-60 Days	Overdue 61-180 Days	Overdue Over 180 Days	Total
Expected credit loss rate	0%	0%	0%	0%	0%
Gross carrying amount and Amortized cost	\$ 1,323,110	\$ 16,544	\$ -	\$ -	\$ 1,339,654

September 30, 2024

	Non Past Due	Overdue 1-60 Days	Overdue 61-180 Days	Overdue Over 180 Days	Total
Expected credit loss rate	0%	0%	0%	0%	0%
Gross carrying amount and Amortized cost	\$ 1,240,960	\$ -	\$ -	\$ -	\$ 1,240,960

12. INVENTORIES

	September 30, 2025	December 31, 2024	September 30, 2024
Finished goods	\$ 852,635	\$ 817,182	\$ 708,653
Work in process	796,221	1,010,960	1,066,077
Raw materials and supplies	<u>730,317</u>	<u>745,786</u>	<u>788,886</u>
	<u>\$ 2,379,173</u>	<u>\$ 2,573,928</u>	<u>\$ 2,563,616</u>

The cost of goods sold were including amounts of which write-down inventory cost to net realizable value and reverse of write-down inventories due to sales. The amounts are illustrated below:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
Reversal gain on write-down of inventories	<u>\$ 60,578</u>	<u>\$ 83,662</u>	<u>\$ 227,651</u>	<u>\$ 386,903</u>

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13. SUBSIDIARIES

Details of the Company's subsidiaries included in the consolidated financial statements were as follows:

Investor	Investee	Main Businesses	Percentage of Ownership			Note
			September 30, 2025	December 31, 2024	September 30, 2024	
FocalTech Systems Co., Ltd.	FocalTech Corporation, Ltd.	Investment activity	100%	100%	100%	-
FocalTech Systems Co., Ltd.	FocalTech Electronics, Ltd.	Investment activity	100%	100%	100%	Note1
FocalTech Systems Co., Ltd. And FocalTech Electronics Co., Ltd.	FocalTech Smart Sensors, Ltd.	Investment activity	66.45%	66.45%	66.45%	Note1
FocalTech Smart Sensors, Ltd.	FocalTech Smart Sensors Co., Ltd.	Research, development, manufacturing and sale of integrated circuits	100%	100%	100%	Note1&2
FocalTech Corporation, Ltd.	FocalTech Systems, Inc.	Investment activity	100%	100%	100%	-
FocalTech Systems, Inc.	FocalTech Systems, Ltd.	Investment activity	100%	100%	100%	Note1
FocalTech Systems, Ltd.	FocalTech Electronics Co., Ltd.	Import and export of integrated circuits	100%	100%	100%	Note1
FocalTech Electronics, Ltd.	FocalTech Electronics (Shanghai) Co., Ltd.	Sales support and post-sales service for IC products	100%	100%	100%	Note1
FocalTech Electronics, Ltd.	FocalTech Electronics (Shenzhen) Co., Ltd.	Research, development, manufacturing and sale of integrated circuits	100%	100%	100%	-
FocalTech Electronics (Shanghai) Co., Ltd.	Chengdu FocalTech Systems Co., Ltd.	Research, development, manufacturing and sale of integrated circuits	100%	100%	100%	Note1
FocalTech Electronics (Shenzhen) Co., Ltd.	FocalTech Systems (Shenzhen) Co., Ltd.	Design and research of integrated circuits	100%	100%	100%	-
FocalTech Electronics (Shenzhen) Co., Ltd.	Hefei PineTech Electronics Co., Ltd.	Research, development and sale of integrated circuits	100%	100%	100%	Note1

Note 1 : Immaterial subsidiaries of the Company, whose financial statements had not been reviewed by auditors.

Note 2 : FocalTech Smart Sensors Co., Ltd. has resolved to dissolve, and the liquidation process is currently in progress.

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14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in associates

	September 30, 2025	December 31, 2024	September 30, 2024
Associates that are not individually material	<u>\$ 280,060</u>	<u>\$ -</u>	<u>\$ -</u>

In July 2025, the Group acquired 28,000 thousand ordinary shares of individually immaterial associates for a cash consideration of NT\$280,000 thousand, representing an ownership interest of 33.73%. The Group accounts for the aforementioned associates using the equity method.

The investments accounted for using the equity method, as well as the Group's share of profit or loss and other comprehensive income therefrom, were calculated based on financial statements that have not been reviewed by independent auditors. However, the Group's management believes that the use of unreviewed financial reports of the aforementioned investees would not result in a material impact.

15. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Buildings</u>	<u>Development Equipment</u>	<u>Office Equipment</u>	<u>Information Equipment</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<u>Cost</u>							
Balance, January 1, 2024	\$ 557,110	\$ 1,834,420	\$ 491,480	\$ 149,461	\$ 41,406	\$ 21,632	\$ 3,095,509
Additions	-	-	25,700	3,321	668	-	29,689
Disposals	-	-	(128)	(198)	(1,459)	-	(1,785)
Effect of foreign currency exchange differences	-	65,205	16,051	507	1,841	696	84,300
Balance, September 30, 2024	<u>\$ 557,110</u>	<u>\$ 1,899,625</u>	<u>\$ 533,103</u>	<u>\$ 153,091</u>	<u>\$ 42,456</u>	<u>\$ 22,328</u>	<u>\$ 3,207,713</u>
<u>Accumulated depreciation</u>							
Balance, January 1, 2024	\$ -	\$ 232,937	\$ 341,371	\$ 27,010	\$ 32,829	\$ 21,632	\$ 655,779
Depreciation	-	27,978	51,143	12,720	1,734	-	93,575
Disposals	-	-	(130)	(179)	(1,312)	-	(1,621)
Effect of foreign currency exchange differences	-	8,838	7,736	293	1,181	580	18,628
Balance, September 30, 2024	<u>\$ -</u>	<u>\$ 269,753</u>	<u>\$ 400,120</u>	<u>\$ 39,844</u>	<u>\$ 34,432</u>	<u>\$ 22,212</u>	<u>\$ 766,361</u>
Carrying amounts as of September 30, 2024	<u>\$ 557,110</u>	<u>\$ 1,618,925</u>	<u>\$ 164,071</u>	<u>\$ 115,268</u>	<u>\$ 7,911</u>	<u>\$ -</u>	<u>\$ 2,463,285</u>
<u>Cost</u>							
Balance, January 1, 2025	\$ 557,110	\$ 1,901,898	\$ 627,255	\$ 155,810	\$ 43,085	\$ 22,353	\$ 3,307,511
Additions	-	-	238,731	3,154	2,256	-	244,141
Disposals	-	-	(78,828)	-	(13)	-	(78,841)
Effect of foreign currency exchange differences	-	(82,580)	(26,273)	(879)	(2,367)	(883)	(112,982)
Balance, September 30, 2025	<u>\$ 557,110</u>	<u>\$ 1,819,318</u>	<u>\$ 760,885</u>	<u>\$ 158,085</u>	<u>\$ 42,961</u>	<u>\$ 21,470</u>	<u>\$ 3,359,829</u>
<u>Accumulated depreciation</u>							
Balance, January 1, 2025	\$ -	\$ 281,477	\$ 394,433	\$ 44,272	\$ 35,301	\$ 22,353	\$ 777,836
Depreciation	-	27,246	128,034	13,606	1,586	-	170,472
Disposals	-	-	(76,084)	-	(12)	-	(76,096)
Effect of foreign currency exchange differences	-	(15,318)	(18,542)	(506)	(1,883)	(883)	(37,132)
Balance, September 30, 2025	<u>\$ -</u>	<u>\$ 293,405</u>	<u>\$ 427,841</u>	<u>\$ 57,372</u>	<u>\$ 34,992</u>	<u>\$ 21,470</u>	<u>\$ 835,080</u>
Carrying amounts as of December 31, 2024 and January 1, 2025	<u>\$ 557,110</u>	<u>\$ 1,620,421</u>	<u>\$ 232,822</u>	<u>\$ 111,538</u>	<u>\$ 7,784</u>	<u>\$ -</u>	<u>\$ 2,529,675</u>

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	<u>Land</u>	<u>Buildings</u>	<u>Development Equipment</u>	<u>Office Equipment</u>	<u>Information Equipment</u>	<u>Leasehold Improvements</u>	<u>Total</u>
Carrying amounts as of September 30, 2025	\$ 557,110	\$ 1,525,913	\$ 333,044	\$ 100,713	\$ 7,969	\$ -	\$ 2,524,749

Property, plant and equipment were depreciated on a straight-line basis over the estimated useful life as follows:

Buildings	45-50 years
Development equipment	2-5 years
Office equipment	3-5 years
Information equipment	3-5 years
Leasehold improvements	1-5 years

Property, plant and equipment were pledged as collateral. Refer to Note 33.

16. GOODWILL

	September 30, 2025	December 31, 2024	September 30, 2024
Ending balance	\$ 1,237,268	\$ 1,237,268	\$ 1,237,268

Considering the synergy of integration of LCD driver and touch controller under the industry trend, the reverse merger was triggered by FocalTech Corporation, Ltd. on January 2, 2015, accounted for goodwill according to business combination. The Group estimated cash flows from sales of IDC (Integrated Driver Controller) based on smartphone market growth rate and market share. Refer to Note 14 in consolidated financial statements in 2024 for related information.

17. OTHER INTANGIBLE ASSETS

	Licenses and Franchises	Software	Patents	Trademark	Total
<u>Cost</u>					
Balance, January 1, 2024	\$ 125,757	\$ 314,510	\$ 76,706	\$ 74,000	\$ 590,973
Additions	-	55,714	-	-	55,714
Disposal	-	(24,084)	-	-	(24,084)
Effect of foreign currency exchange differences	<u>3,733</u>	<u>4,346</u>	<u>10</u>	<u>-</u>	<u>8,089</u>
Balance, September 30, 2024	\$ 129,490	\$ 350,486	\$ 76,716	\$ 74,000	\$ 630,692
<u>Accumulated amortization</u>					
Balance, January 1, 2024	\$ 125,757	\$ 214,691	\$ 69,406	\$ 66,600	\$ 476,454
Amortization expenses	-	63,534	5,475	5,550	74,559
Disposal	-	(24,084)	-	-	(24,084)

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Effect of foreign currency exchange differences	<u>3,733</u>	<u>4,261</u>	<u>10</u>	<u>-</u>	<u>8,004</u>
Balance, September 30, 2024	<u>\$ 129,490</u>	<u>\$ 258,402</u>	<u>\$ 74,891</u>	<u>\$ 72,150</u>	<u>\$ 534,933</u>
Carrying amounts as of September 30, 2024	<u>\$ -</u>	<u>\$ 92,084</u>	<u>\$ 1,825</u>	<u>\$ 1,850</u>	<u>\$ 95,759</u>
<u>Cost</u>					
Balance, January 1, 2025	\$ 133,974	\$ 458,546	\$ 76,718	\$ 74,000	\$ 743,238
Additions	-	60,908	-	-	60,908
Disposal	-	(73,146)	-	-	(73,146)
Effect of foreign currency exchange differences	<u>(9,244)</u>	<u>(12,925)</u>	<u>(14)</u>	<u>-</u>	<u>(22,183)</u>
Balance, September 30, 2025	<u>\$ 124,730</u>	<u>\$ 433,383</u>	<u>\$ 76,704</u>	<u>\$ 74,000</u>	<u>\$ 708,817</u>
<u>Accumulated amortization</u>					
Balance, January 1, 2025	\$ 133,974	\$ 305,288	\$ 76,718	\$ 74,000	\$ 589,980
Amortization expenses	-	132,021	-	-	132,021
Disposal	-	(73,146)	-	-	(73,146)
Effect of foreign currency exchange differences	<u>(9,244)</u>	<u>(11,271)</u>	<u>(14)</u>	<u>-</u>	<u>(20,529)</u>
Balance, September 30, 2025	<u>\$ 124,730</u>	<u>\$ 352,892</u>	<u>\$ 76,704</u>	<u>\$ 74,000</u>	<u>\$ 628,326</u>
Carrying amounts as of December 31, 2024 and January 1, 2025	<u>\$ -</u>	<u>\$ 153,258</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,258</u>
Carrying amounts as of September 30, 2025	<u>\$ -</u>	<u>\$ 80,491</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,491</u>

Other intangible assets were amortized on a straight-line basis over the estimated useful life as follows:

Licenses and franchises	1-5 years
Software	1-5 years
Patents	7-10 years
Trademark	10 years

18. REFUNDABLE DEPOSITS

	September 30, 2025	December 31, 2024	September 30, 2024
Capacity guarantee deposits and others	<u>\$ 5,208</u>	<u>\$ 459,603</u>	<u>\$ 766,654</u>

Guarantee deposits mainly consists of cash paid to suppliers to ensure stable foundry capacity.

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19. BANK LOANS

a. Short-term bank loans

	September 30, 2025	December 31, 2024	September 30, 2024
Unsecured bank loans	<u>\$ 171,816</u>	<u>\$ 935,802</u>	<u>\$1,283,453</u>
Annual interest rate			
Unsecured bank loans	1.70-2.55%	1.85~3.15%	2.10-3.35%

b. Long-term bank loans

	September 30, 2025	December 31, 2024	September 30, 2024
Secured bank loans (1)	\$ -	\$ -	\$ 776,635
Unsecured bank loans (2)	<u>-</u>	<u>22,576</u>	<u>66,846</u>
	-	22,576	843,481
Less: reclassification to Current position of long-term borrowings	<u>-</u>	<u>(22,576)</u>	<u>(108,986)</u>
Long-term borrowings	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 734,495</u>
Annual interest rate			
Secured bank loans	-	-	1.875~2.00%
Unsecured bank loans	-	3.00%	3.00~3.10%

(1) For secured bank loans, the principals will be paid monthly or quarterly after three years from drawdown date. The period of loans is from September, 2021 to September, 2036. Commercial building is pledged as collateral for the long-term loans, please refer to Note 33. This loan was fully repaid early in December 2024.

(2) For unsecured bank loans, the principals will be paid according to the contract. The period of loans is from June, 2024 to September, 2025. This loan was fully repaid early in September 2025.

20. ACCOUNTS PAYABLES

	September 30, 2025	December 31, 2024	September 30, 2024
Accounts payables	<u>\$ 1,315,786</u>	<u>\$ 2,357,450</u>	<u>\$ 1,972,777</u>

The average credit period on purchases was 30-60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

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21. OTHER PAYABLES

	September 30, 2025	December 31, 2024	September 30, 2024
Payable for rebates	\$ 969,777	\$1,132,417	\$ 938,563
Payable for salaries and bonus	502,600	576,337	416,622
Payable for labor, health and social insurance	19,436	14,837	14,966
Reserve for litigations	88,369	95,678	53,652
Payable for dividends	425	-	-
Payable for professional services and others	<u>209,053</u>	<u>200,384</u>	<u>176,047</u>
	<u>\$1,789,660</u>	<u>\$2,019,653</u>	<u>\$1,599,850</u>

22. RETIREMENT BENEFIT

Pension expenses under the defined benefit plans, calculated using the actuarially determined pension cost rate as of December 31, 2024 and 2023, were NT\$39 thousand, NT\$43 thousand, NT\$117 thousand and NT\$132 thousand for the three months ended and the nine months ended September 30, 2025 and 2024, respectively.

23. GUARANTEE DEPOSITS RECEIVED

	September 30, 2025	December 31, 2024	September 30, 2024
Capacity guarantee deposits and others	<u>\$ 822,508</u>	<u>\$2,514,805</u>	<u>\$ 3,010,421</u>

Guarantee deposit mainly consists of cash received from customers to ensure they have access to the Group's specified capacity

24. EQUITY

a. Share capital

Ordinary shares (par value at NT\$10 per share)

	September 30, 2025	December 31, 2024	September 30, 2024
Numbers of shares authorized (in thousands)	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
Shares authorized	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>221,313</u>	<u>219,217</u>	<u>219,271</u>
Shares issued	<u>\$ 2,213,129</u>	<u>\$ 2,192,168</u>	<u>\$ 2,192,709</u>

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b. Capital surplus

The categories of uses and the sources of capital surplus based on regulations were as follows:

	September 30, 2025	December 31, 2024	September 30, 2024
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Additional paid-in capital	\$5,748,566	\$5,441,496	\$5,441,090
Treasury stock	220,316	211,325	210,887
Employee share options-expired	34,448	34,448	34,448
May be used to offset a deficit only			
Other – unclaimed dividend	20	14	14
Other –exercise the right of subrogation	32	32	-
May not be used for any purpose			
Restricted stock for employees	248,671	454,651	461,256
Employee share options	<u>-</u>	<u>8,276</u>	<u>7,057</u>
	<u>\$6,252,053</u>	<u>\$ 6,150,242</u>	<u>\$6,154,752</u>

- (1) This type of capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (at a certain percentage of the Company's capital surplus annually).

c. Retained earnings and dividend policy

Under the Company's Article of Incorporation, when distributing annual earnings, the Company shall pay taxes, offset its losses, set aside 10% as legal reserve, then set aside or reverse a special reserve in accordance with relevant laws or regulations. The Board of Directors shall prepare a distribution proposal for the remaining earnings plus the unappropriated retained earnings of previous years. Earnings distribution may be made in the form of shares after an approved resolution made by the shareholders' meeting.

See Note 26(d) for policy stipulated in the Articles of Incorporation regarding to the remuneration for employees and directors.

Considering current and future development plans, investment conditions, capital requirements, and market competition situations, and shareholder benefits, The Company would appropriate the dividends to the shareholders not less than 10% of the current year's earnings. The dividends could be paid in cash or shares. The cash portion should be equal or more than 10% of the total dividends. It is allowed not to distribute any cash dividend if the cash amount per share is less than NT 0.5.

Legal reserve should be appropriated from earnings until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

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The Company is required to set aside additional special capital reserve equal to the total amount of items that are accounted for as deductions from stockholders' equity shall be set aside from prior-year earnings.

The appropriations of earnings for 2024 and 2023 were resolved by the annual shareholders' meeting on May 26, 2025, and June 7, 2024, respectively. The details of the distribution are as follows:

	<u>2024</u>	<u>2023</u>
Legal reserve	\$ 57,634	\$ 34,950
Cash dividends	\$ 378,000	\$ 217,151
Cash dividends per share	\$ 1.72	\$ 1.00

d. Treasury stock

	<u>Shares (In Thousands)</u>
Number of shares on January 1, 2024 and September 30, 2024	<u>1,285</u>
Number of shares on January 1, 2025	1,285
Increase during the period	3,000
Decrease during the period	<u>(687)</u>
Number of shares on September 30, 2025	<u>3,598</u>

The detailed information for other treasury stock transferred to employee programs could be found in Note 29 (b).

The treasury shares held by the company cannot be pledged and no dividend and voting right is attached in accordance with the Regulations of Securities and Exchange Act.

e. Unearned employee compensation

	<u>For the Nine Months Ended September 30</u>	
	<u>2025</u>	<u>2024</u>
Balance, beginning	(\$ 130,869)	(\$ 214,722)
Issuance of shares	(154,025)	(163,276)
Retirement of shares	31,052	44,010
Share-based payment expenses recognized	<u>104,918</u>	<u>154,618</u>
Balance, ending	<u>(\$ 148,924)</u>	<u>(\$ 179,370)</u>

The detailed information for restricted share for employees program referred to Note 29 (c).

25. REVENUE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
IC for human and machine interface devices	<u>\$ 3,106,827</u>	<u>\$ 3,813,063</u>	<u>\$ 9,150,930</u>	<u>\$ 10,350,922</u>
<u>Contract balances</u>				
	<u>September 30, 2025</u>	<u>December 31, 2024</u>	<u>September 30, 2024</u>	<u>January 1, 2024</u>
Contract liabilities (classified as current liabilities)				
Sales of goods	<u>\$ 93,829</u>	<u>\$ 145,387</u>	<u>\$ 164,991</u>	<u>\$ 24,732</u>

26. NET INCOME

a. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
Interest on bank loans	<u>\$ 1,256</u>	<u>\$ 15,651</u>	<u>\$ 13,741</u>	<u>\$ 43,850</u>

b. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
Property, plant and equipment	\$ 63,378	\$ 34,503	\$ 170,472	\$ 93,575
Intangible assets	<u>43,972</u>	<u>25,729</u>	<u>132,021</u>	<u>74,559</u>
	<u>\$ 107,350</u>	<u>\$ 60,232</u>	<u>\$ 302,493</u>	<u>\$ 168,134</u>
An analysis of depreciation by function				
Operating costs	\$ 16,101	\$ 6,628	\$ 38,763	\$ 19,474
Operating expenses	<u>91,249</u>	<u>53,604</u>	<u>263,730</u>	<u>148,660</u>
	<u>\$ 107,350</u>	<u>\$ 60,232</u>	<u>\$ 302,493</u>	<u>\$ 168,134</u>

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c. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
Post-employment benefits				
Defined contribution plans	\$ 8,852	\$ 8,594	\$ 27,984	\$ 25,282
Defined benefit plans (Note 22)	39	43	117	132
Share-based payments (Note 29)				
Cash-settled	548	792	2,056	1,579
Equity-settled	34,408	40,655	106,684	160,771
Other employee benefits	<u>524,575</u>	<u>515,672</u>	<u>1,565,015</u>	<u>1,466,483</u>
Total employee benefits expense	<u>\$ 568,422</u>	<u>\$ 565,756</u>	<u>\$ 1,701,856</u>	<u>\$ 1,654,247</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 48,280	\$ 42,798	\$ 142,938	\$ 131,386
Operating expenses	<u>520,142</u>	<u>522,958</u>	<u>1,558,918</u>	<u>1,522,861</u>
	<u>\$ 568,422</u>	<u>\$ 565,756</u>	<u>\$ 1,701,856</u>	<u>\$ 1,654,247</u>

d. The remuneration of employees and directors

According to the Company's Articles of Incorporation, the distributable compensation to employees and remuneration to directors shall not be less than 1% and not more than 1.5%, respectively, of net profit before income tax.

In accordance with the amendments to the Securities and Exchange Act in August 2024, the Company plans to propose an amendment to its Articles of Incorporation for approval at the shareholders' meeting on May 27, 2025. The amendment will stipulate that the Corporation shall distribute no less than 2% of its remuneration of employees for rank-and-file employees.

The accrued employees' compensation and remuneration of directors for the three months and nine months ended September 30, 2025 and 2024 are as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
Employees' compensation	<u>\$ 815</u>	<u>\$ 1,615</u>	<u>\$ 3,147</u>	<u>\$ 3,800</u>
Remuneration of directors	<u>\$ 43</u>	<u>\$ 85</u>	<u>\$ 166</u>	<u>\$ 200</u>

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If there is any change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The board of directors resolved the remuneration of employees and directors for 2024 on February 21, 2025. There is no difference between the actual amount of remuneration to employees and directors resolved and the amount of remuneration to employees and directors accounted for in 2024 consolidated financial statements.

Information on the employees' compensation and remuneration to directors resolved by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

27. INCOME TAXES

- a. Major components of tax (benefit) expense recognized in profit or loss:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
Current income tax expense				
In respect of the current year	\$ 138	\$ 57	\$ 553	\$ 334
Deferred income tax expense				
In respect of the current year	(2,160)	2,988	(21,052)	2,335
Income tax expense recognized in profit or loss	<u>(\$ 2,022)</u>	<u>\$ 3,045</u>	<u>(\$ 20,499)</u>	<u>\$ 2,669</u>

- b. Income tax assessments

The Company's tax returns through 2022, FocalTech Smart Sensors Co., Ltd., and FocalTech Electronics Co., Ltd.'s tax returns through 2023 have been examined by the tax authorities.

28. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
Basic earnings per share	<u>\$ 0.39</u>	<u>\$ 0.79</u>	<u>\$ 1.55</u>	<u>\$ 1.85</u>
Diluted earnings per share	<u>\$ 0.38</u>	<u>\$ 0.78</u>	<u>\$ 1.53</u>	<u>\$ 1.81</u>

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
Earnings used in the computation of basic earnings per share	<u>\$ 82,233</u>	<u>\$ 168,067</u>	<u>\$ 330,272</u>	<u>\$ 390,871</u>

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
Weighted average number of ordinary shares in computation of basic earnings per share	212,680	213,022	213,181	211,499
Effect of potentially dilutive ordinary shares:				
Treasure share issued to employee	633	386	524	1,468
Employees stock options (share)	-	54	14	54
Restricted stock for employees (share)	1,509	1,856	1,984	2,547
The compensation to employees	<u>12</u>	<u>12</u>	<u>249</u>	<u>198</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>214,834</u>	<u>215,330</u>	<u>215,952</u>	<u>215,766</u>

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29. SHARE-BASED PAYMENT ARRANGEMENTS

The Group did not have new share option plan issued for employees for the nine months ended September 30, 2025 and 2024. The detailed information could be found in Note 27 of the consolidated financial statements of the year ended December 31, 2024.

a. Employee share option plan

Information on outstanding options for the nine months ended September 30, 2025 and 2024 were as follows:

September 30, 2025

Employee Stock Option Plan	Beginning Balance		Options exercised		Options expired		Ending Balance	
	Units of Option	Weighted-Average Exercise Price (NT\$)	Units of Option	Weighted-Average Exercise Price (NT\$)	Units of Option	Weighted-Average Exercise Price (NT\$)	Units of Option	Weighted-Average Exercise Price (NT\$)
2015	63,000	12.80	(63,000)	12.80	-	-	-	-

September 30, 2024

Employee Stock Option Plan	Beginning Balance		Options exercised		Options expired		Ending Balance	
	Units of Option	Weighted-Average Exercise Price (NT\$)	Units of Option	Weighted-Average Exercise Price (NT\$)	Units of Option	Weighted-Average Exercise Price (NT\$)	Units of Option	Weighted-Average Exercise Price (NT\$)
2015	63,000	12.80	-	-	-	-	63,000	12.80

b. Treasury stock transferred to employees

Information about treasury stock transferred to employee are as follows:

Items	The date of board of directors approved	Buyback shares (In thousand share)	Transferred shares (In thousand share)	Transferred price (in dollar)
The 6th treasury stock transferred to employee program	2022/2/23	4,000	3,402	126.91
The 7th treasury stock transferred to employee program	2025/2/21	3,000	-	-

Information about treasury stock transferred to employee as of September 30, 2025 are as follows:

The 6th treasury stock transferred to employee program		
Employee subscription base date	Shares transferred (In Thousands)	The fair value of the right to subscribe (NT\$)
2022/06/21	2,315	\$ -
2022/11/11	140	-
2023/02/23	260	-
2025/03/10	588	-
2025/08/08	99	-
Total	3,402	

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c. Restricted stock for employees

The Company's shareholders' meeting resolved to issue restricted stocks for employees up to 30,000 thousand dollars on May 26, 2025, the issued price is NT\$10 per share and issued 3,000 thousand shares. The restricted stocks plan was approved by Financial Supervisory Commission on July 25, 2025.

The information of the issued restricted stock for employees as of September 30, 2025 are as follows:

Items	Grant date	Fair value per share (in dollar)	Actual shares of issued (in thousand)
2020 restricted stocks for employee's plan	2021/04/07	\$ 205.00	5,749
2020 restricted stocks for employee's plan	2021/07/29	265.00	236
2023 restricted stocks for employee's plan	2023/09/26	67.40	2,033
2023 restricted stocks for employee's plan	2024/02/23	94.00	1,597
2023 restricted stocks for employee's plan	2024/08/09	67.30	183
2023 restricted stocks for employee's plan	2025/04/18	67.90	2,138
2025 restricted stocks for employee's plan	2025/08/08	55.30	160

2020 restricted stocks for employee's plan

From the date when employees are granted restricted stock units, they have to fulfill the service metrics, and should not violate the company's labor contract, work rules or the company's employee management measures, etc. The vesting condition are as follows:

- 1) Upon service for two years: the shares vested in 50% to employees.
- 2) Upon service for three years: the shares vested in 25% to employees.
- 3) Upon service for four years: the shares vested in 25% to employees.

2023 and 2025 restricted stocks for employee's plan

From the date when employees are granted restricted stock units, they have to fulfill the service metrics, and should not violate the company's labor contract, work rules or the company's employee management measures, etc. One third of granted shares can be vested after every one year of employment, total for three years.

The constraints of restricted stock are as follows:

- 1) Employees are restricted to sell, pledge, transfer, and give to another, create any encumbrance on, or otherwise dispose of, any shares before vested.
- 2) The rights of restricted stock are same as ordinary share including attendance, propose, speak, voting right and so on at the Company's shareholders' meeting. The exercise of such rights shall be performed in accordance with the trust agreement or the securities custodies by the Company's prescribed.
- 3) Stock dividends and cash dividends yielding from restricted stock will be distributed to employees in the current year, and will not be restricted.
- 4) National employee should transfer the granted shares to trustee appointed by the Company immediately. Before they are vested, the restriction should be kept in trustee. Non-national

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employee' granted share should be kept by bank appointed by the Company.

The Company will buy back the restricted shares at issued price and write off the shares if employees do not fulfill the vesting condition.

For the restricted share plan for employees with a purchase price, which was granted before October 10, 2024, the Group did not retrospectively apply the Q&A "Accounting Treatment for Restricted Share Plan for Employees" issued by the Accounting Research and Development Foundation (ARDF) on October 11, 2024 in accordance with the Q&A issued by the FSC. Therefore, the Group continuously measured the liabilities of the expected repayments to the employees leaving during the vesting period based on its estimated turnover rate.

- d. Compensation cost of aforementioned share-based payments for the nine months ended September 30, 2025 and 2024 are as follows:

	For the Nine Months Ended September 30	
	2025	2024
Shares buyback programs	\$ 1,766	\$ 6,153
Restricted stock for employees	<u>104,918</u>	<u>154,618</u>
	<u>\$ 106,684</u>	<u>\$ 160,771</u>
Adjustment account:		
Capital surplus - employee stock options	\$ 1,766	\$ 6,153
Other equity - unearned employee compensation	<u>104,918</u>	<u>154,618</u>
	<u>\$ 106,684</u>	<u>\$ 160,771</u>

- e. Cash-settled share-base payment agreements of subsidiaries

Focaltech Electronics (Shenzhen) Co., Ltd. granted its specific employees and employees in its subsidiaries 1,500,000 units cash-settled stock appreciation rights. The expected option life of the stock appreciation rights is 8 years. The employees could exercise the stock appreciation rights after they were granted 12 months, 24 months, 36 months and 48 months separately, and the subsidiaries will pay cash when its employees exercise the stock appreciation rights according to the agreement.

The fair value of cash-settled share-base payment use the Black-Scholes Option Pricing Model, and assumption used in calculating the fair value are disclosed as follows:

Stock price at measurement date (in dollars)	RMB 2.50
Exercise Price per share	-
Expected price volatility	36.48~37.34%
Expected option life	8 years
Expected dividend yield	-
Risk-free interest rate	2.31~2.38%

The compensation cost of the cash-settled share-base payment was NT\$548 thousand, NT\$792 thousand, NT\$2,056 thousand and NT\$1,579 thousand for the three months ended and the nine months ended September 30, 2025 and 2024.

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30. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

The Company and its subsidiaries have lease contracts in relation to office, plant and part of office equipment, and they would expire by September, 2026. Those agreements are short-term leases and qualified for the recognition exemption to leases so the Company does not recognize right-of-use assets and lease liabilities for these leases. The committed payments for the short-term leases were \$2,586 thousand and \$3,352 thousand as of September 30, 2025 and 2024.

The lease payments recognized in profit or loss were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
Lease payment	<u>\$ 3,151</u>	<u>\$ 2,605</u>	<u>\$ 8,750</u>	<u>\$ 7,299</u>

31. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are not measured at fair value

The Group's management believes the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values.

- b. Fair value of financial instruments that are measured at fair value on a recurring basis

- 1) Fair value hierarchy

September 30, 2025

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Listed preferred shares	\$ 10,540	\$ -	\$ -	\$ 10,540
Private funds	-	-	304,477	304,477
Beneficiary certificate	47,434	-	-	47,434
Convertible bonds	8,982	-	-	8,982
Gold passbook	-	42,402	-	42,402
Government bonds	-	224,216	-	224,216
Structured deposit	-	121,739	-	121,739
	<u>\$ 66,956</u>	<u>\$ 388,357</u>	<u>\$ 304,477</u>	<u>\$ 759,790</u>
<u>Financial assets at FVTOCI</u>				
Investments in debt instruments				
Fixed income bonds	<u>\$ -</u>	<u>\$ 589,025</u>	<u>\$ -</u>	<u>\$ 589,025</u>

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December 31, 2024

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Listed preferred shares	\$ 10,285	\$ -	\$ -	\$ 10,285
Private funds	-	-	275,263	275,263
Beneficiary certificate	5,472	-	-	5,472
Government bonds	-	275,228	-	275,228
Structured Investments	-	130,278	-	130,278
	<u>\$ 15,757</u>	<u>\$ 405,506</u>	<u>\$ 275,263</u>	<u>\$ 696,526</u>
<u>Financial assets at FVTOCI</u>				
Investments in debt instruments				
Fixed income bonds	<u>\$ -</u>	<u>\$ 63,781</u>	<u>\$ -</u>	<u>\$ 63,781</u>

September 30, 2024

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Listed preferred shares	\$ 10,200	\$ -	\$ -	\$ 10,200
Private funds	-	-	261,342	261,342
Beneficiary certificate	5,492	-	-	5,492
Government bonds	-	262,936	-	262,936
Structured Investments	-	125,522	-	125,522
Total	<u>\$ 15,692</u>	<u>\$ 388,458</u>	<u>\$ 261,342</u>	<u>\$ 665,492</u>
<u>Financial assets at FVTOCI</u>				
Investments in debt instruments				
Fixed income bonds	<u>\$ -</u>	<u>\$ 196,528</u>	<u>\$ -</u>	<u>\$ 196,528</u>

There were no transfers between Level 1 and Level 2 for the nine months ended September 30, 2025 and 2024.

2) Reconciliation of Level 3 fair value measurements of financial instruments

	<u>For the Nine Months Ended September 30</u>	
	<u>2025</u>	<u>2024</u>
<u>Financial assets at FVTPL</u>		
Balance, beginning	\$ 275,263	\$ 238,544
Purchases	22,500	28,155
Disposals	(3,683)	(11,366)
Recognized in profit or loss (other income or loss)	12,230	4,975
Effect of foreign currency exchange differences	(1,833)	1,034
Balance, ending	<u>\$ 304,477</u>	<u>\$ 261,342</u>

3) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

The fair values of foreign government bonds, gold passbook, structured deposit and fixed income bonds and are determined by quoted market prices provided by the independent third party. The fair values of structured investments are determined by quoted prices provided by the seller.

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4) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

The fair values of non-publicly traded equity investments are mainly determined by using the market approach, with reference to the recent net assets of investees or the market transaction prices of the similar instruments. The Group evaluated and selected the suitable valuation method with discretion, but the use of different valuation models or fair values may result in different valuation results.

c. Categories of financial instruments

	September 30, 2025	December 31, 2024	September 30, 2024
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Mandatorily at FVTPL	\$ 759,790	\$ 696,526	\$ 665,492
Amortized cost (Note 1)	6,119,960	10,959,410	11,510,850
Financial assets at FVTOCI			
Investments in debt instruments	589,025	63,781	196,528
<u>Financial liabilities</u>			
Amortized cost (Note 2)	4,099,770	7,850,286	8,709,982

- 1) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost, accounts receivables, other financial assets and refundable deposits.
- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, accounts payables, other payables, current position of long-term borrowings, long-term borrowings and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, accounts receivable, other financial assets, financial assets at FVTPL, financial assets at FVTOCI, financial assets at amortized cost, accounts payables and other payables. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The board of directors is solely responsible for establishing and monitoring the framework of risk management of the Group. The chairman is authorized by the board of directors to develop and monitor the risk management policy of the Group with the operation center of the Group, and regularly reported the situation to the board of directors.

The Group's financial risk management policies are established for identifying and analyzing the financial risks to the Group, evaluating the impacts of the financial risks, and conducting the financial-risk aversion policies. The financial risk management policies are periodically reviewed to reflect changes in the market and the operations. The Group devotes to build a disciplined and constructive control environment through proper internal controls, such as training and establishing managerial principles and operation procedures in order to have all employees aware of their own roles and responsibilities.

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The Group's management oversees the Group operates in compliance with financial risk management policies and reviews the appropriateness of risk management structure under supervision of the board of directors. Internal auditors, in assistance to the board of directors, perform periodical and exceptional reviews on the controls and procedures of financial risk management and report the results of review to the board of directors.

1) Market risk

The major financial risks from the Group's operations were foreign currency exchange risk referred to a) and interest rate risk referred to b).

a) Foreign currency risk

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in foreign currency at the end of the reporting period are shown in Note 35.

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar. The following table details the Group's sensitivity to a 5% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation value at the end of the reporting period by a 5% change in foreign currency rates. A positive number in below table indicates an increase in pre-tax profit or equity associated with a 5% depreciation of the New Taiwan Dollar against the U.S. dollar.

	USD Impact	
	For the Nine Months Ended	
	September 30	
	2025	2024
Profit or loss/ equity	<u>(\$ 29,408)</u> (i)	<u>\$ 12,865</u> (i)

i. This was mainly attributable to the outstanding balances of USD time deposits, accounts receivables, accounts payables, other payables, refundable deposits, other current liabilities and guarantee deposits received.

b) Interest rate risk

The Group was exposed to interest rate risk primarily related to its investments in time deposits with fixed-rate interest, bonds investment, bank loans, demand deposits with floating-rate interest, structured investments, structured deposit and current position of long-term loans. The time deposits were at fixed interest rates, and bonds investment were at fixed rates or with guaranteed minimal interest rates and carried. Therefore, changes in interest rates would not affect the future cash flows.

The carrying amount of the Group's financial assets and financial liabilities exposed to interest rates at the end of the reporting date were as follows:

	September 30,	December 31,	September 30,
	2025	2024	2024
Fair value interest rate risk			
Financial assets	<u>\$ 4,039,173</u>	<u>\$ 6,545,045</u>	<u>\$ 5,764,351</u>
Financial liabilities	<u>\$ 171,816</u>	<u>\$ 935,802</u>	<u>\$ 1,283,453</u>

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Cash flow interest rate risk			
Financial assets	<u>\$ 2,110,134</u>	<u>\$ 3,076,368</u>	<u>\$ 4,315,830</u>
Financial liabilities	<u>\$ -</u>	<u>\$ 22,576</u>	<u>\$ 843,481</u>

Sensitivity analysis

The below sensitivity analysis was determined based on the Company's exposure to interest rates for non-derivative instruments as of the end of the reporting date. An increase or a decrease of 25 basis points was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/ lower and all other variables were held constant, the Company's pre-tax profit for the nine months ended September 30, 2025 and 2024 would increase/ decrease by NT\$3,957 thousand and NT\$6,511 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting date, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation could arise from the carrying amounts of the financial assets as recognized in the balance sheets.

The Group's major credit risk of accounts receivables mainly came from its top 5 customers. Ongoing credit evaluation of the financial condition of the customers is performed.

As of September 30, 2025, accounts receivables from top 5 customers represented 66% of total accounts receivables. The credit concentration risk of other accounts receivables was insignificant.

Credit risk management for investments in debt instruments

The Company's investments in debt instruments are financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost. The Company's policy allows it only to invest in those with credit ratings equal to or higher than the investment grade and with low credit risk after the impairment assessment. Credit rating information is provided by independent rating institute. The Company continuously tracks external rating information to monitor changes in credit risk of the invested debt instruments, and also examines other information such as the bond yield curve and material information concerning the debtors to assess whether the credit risk of the debt instrument investment has increased significantly after the original recognition.

The Company assesses the 12-month expected credit loss based on the probability of default and loss given default provided by external credit rating agencies. The current credit risk assessment policies and carrying amount of investments in debt instruments for each credit rating are as follows:

<u>Category</u>	<u>Description</u>	<u>Basis for Recognizing Expected Credit Loss</u>	<u>Expected Credit Loss Ratio</u>	<u>Carrying Amount as of September 30, 2025</u>
Performing	The debtor with low credit risk and fully capable of	12 months expected credit loss	0%	<u>\$ 1,968,897</u>

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Category	Description	Basis for Recognizing Expected Credit Loss	Expected Credit Loss Ratio	Carrying Amount as of September 30, 2025
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paying off contractual cash flows

Category	Description	Basis for Recognizing Expected Credit Loss	Expected Credit Loss Ratio	Carrying Amount as of December 31, 2024
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Performing	The debtor with low credit risk and fully capable of paying off contractual cash flows	12 months expected credit loss	0%	<u>\$ 339,009</u>
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Category	Description	Basis for Recognizing Expected Credit Loss	Expected Credit Loss Ratio	Carrying Amount as of September 30, 2024
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Performing	The debtor with low credit risk and fully capable of paying off contractual cash flows	12 months expected credit loss	0%	<u>\$ 459,464</u>
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3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining adequate cash and cash equivalents to fund its operations and mitigate the impacts of fluctuations in cash flows. The Group relies on bank loans as a significant source of liquidity.

Liquidity and interest rate risk tables for non-derivative financial liabilities

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including principal and interest.

September 30, 2025

	On Demand or Less than 1 Year	1-5 Years	More than 5 Years
Non-interest bearing	\$ 3,105,355	\$ 822,508	\$ -
Fixed interest rate liabilities	171,907	-	-
Floating interest rate liabilities	-	-	-
	<u>\$ 3,277,262</u>	<u>\$ 822,508</u>	<u>\$ -</u>

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December 31, 2024

	On Demand or Less than 1 Year	1-5 Years	More than 5 Years
Non-interest bearing	\$ 4,376,630	\$ 2,514,805	\$ -
Fixed interest rate liabilities	936,275	-	-
Floating interest rate liabilities	<u>22,576</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,335,481</u>	<u>\$ 2,514,805</u>	<u>\$ -</u>

September 30, 2024

	On Demand or Less than 1 Year	1-5 Years	More than 5 Years
Non-interest bearing	\$ 3,571,380	\$ 3,010,421	\$ -
Fixed interest rate liabilities	1,284,700	-	-
Floating interest rate liabilities	<u>108,986</u>	<u>281,477</u>	<u>453,018</u>
	<u>\$ 4,965,066</u>	<u>\$ 3,291,898</u>	<u>\$ 453,018</u>

32. TRANSACTIONS WITH RELATED PARTIES

- a. Balances, transactions, revenue and expenses between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.
- b. Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
Long-term employee benefits	\$ -	\$ -	\$ 11,340	\$ -
Short-term employee benefits	4,451	9,814	34,672	31,441
Post-employment benefits	27	153	296	477
Share-based payments	<u>1,018</u>	<u>8,908</u>	<u>9,727</u>	<u>24,109</u>
	<u>\$ 5,496</u>	<u>\$ 18,875</u>	<u>\$ 56,035</u>	<u>\$ 56,027</u>

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33. PLEDGED ASSETS

The following assets were provided as collateral for banks loans and import customs duties:

	September 30, 2025	December 31, 2024	September 30, 2024
Property, plant and equipment – Net of buildings	\$ -	\$ 475,174	\$ 477,675
Properties, plants and equipment – Land	-	557,110	557,110
Pledge deposits (categorized in other non-current assets)	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>
	<u>\$ 4,000</u>	<u>1,036,284</u>	<u>\$ 1,038,785</u>

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

ELAN MICROELECTRONICS CORPORATION. (“ELAN”) filed patent infringement actions with Intellectual Property and Commercial Court on March 20, 2024. The lawsuit alleges that the Company infringed on an invention patent and demands the destruction or other necessary disposal of the specific infringing product already manufactured, as well as the raw materials and tools used in the infringing activities. They are also asking compensation for damages. Currently, the case is currently at the stage of oral arguments in the Intellectual Property and Commercial Court. It does not have material impact on the Company’s operation and finance.

ELAN MICROELECTRONICS CORPORATION. (“ELAN”) filed patent infringement actions with Intellectual Property and Commercial Court on September 1, 2025. The lawsuit alleges that the Company infringed on an invention patent and demands the destruction or other necessary disposal of the specific infringing product already manufactured, as well as the raw materials and tools used in the infringing activities. They are also asking compensation for damages. Currently, the case is undergoing a document review by the Intellectual Property and Commercial Court and has not yet been assigned to a specific division for processing. It does not have material impact on the Company’s operation and finance.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies are as follows:

September 30, 2025

	Foreign Currencies (thousand)	Exchange Rate	NT\$(thousand)
<u>Financial assets</u>			
Monetary items			
USD	\$ 45,924	30.445 (USD:NTD)	\$ 1,398,145
USD	27,539	7.1055 (USD:RMB)	838,427
<u>Financial liabilities</u>			
Monetary items			
USD	66,610	30.445 (USD:NTD)	2,027,949
USD	26,171	7.1055 (USD:RMB)	796,786

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December 31, 2024

	Foreign Currencies (thousand)	Exchange Rate	NT\$(thousand)
<u>Financial assets</u>			
Monetary items			
USD	\$ 148,760	32.785 (USD:NTD)	\$ 4,877,112
USD	52,637	7.1884 (USD:RMB)	1,725,718
<u>Financial liabilities</u>			
Monetary items			
USD	143,397	32.785 (USD:NTD)	4,701,262
USD	48,015	7.1884 (USD:RMB)	1,574,186

September 30, 2024

	Foreign Currencies (thousand)	Exchange Rate	NT\$(thousand)
<u>Financial assets</u>			
Monetary items			
USD	\$ 164,466	31.65 (USD:NTD)	\$ 5,205,354
USD	41,200	7.0074 (USD:RMB)	1,303,990
<u>Financial liabilities</u>			
Monetary items			
USD	155,697	31.65 (USD:NTD)	4,927,810
USD	41,840	7.0074 (USD:RMB)	1,324,237

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36. ADDITIONAL DISCLOSURES

- a. Information about significant transactions and investees:
 - 1) Financings provided to others: See Table 1 attached;
 - 2) Endorsement/guarantee provided: See Table 2 attached;
 - 3) Marketable securities held (excluding investments in subsidiaries and associates): See Table 3 attached;
 - 4) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: None;
 - 5) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
 - 6) Others: The business relationship between the parent and the subsidiaries and significant transactions between them: See Table 4 attached;
- b. Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in mainland China): See Table 5 attached;
- c. Information on investment in Mainland China:
 - 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: See Table 6 attached.
 - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: See Table 4 attached.
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services

37. SEGMENT INFORMATION

Segment information is provided to business decision makers to allocate resources and assess segment performance. The Company operates the business of the sales and development of Human -Machine Interface solutions related IC under a single operation unit. Thus, the information of separate operating segments is not applicable.

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FocalTech Systems Co., Ltd. and Subsidiaries
 FINANCINGS PROVIDED TO OTHERS
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025
 (Amount in thousand; Currency denomination in NTD or in foreign currencies)

No (Note 1)	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 4)	Ending Balance (Note 4)	Amount Actually Drawn (Note 4)	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)	Note
													Item	Value			
1	FocalTech Systems, Ltd.	FocalTech Systems Co., Ltd.	Other receivables from related parties	Yes	\$ 913,350 (USD 30,000)	\$ 913,350 (USD 30,000)	\$ -	-	The need for short-term financing	\$ -	Operating capital	\$ -	-	-	\$ 2,296,772	\$ 2,296,772	Note 3
1	FocalTech Systems, Ltd.	FocalTech Electronics (Shenzhen) Co., Ltd.	Other receivables from related parties	Yes	304,450 (USD 10,000)	- (USD -)	-	-	The need for short-term financing	-	Operating capital	-	-	-	2,296,772	2,296,772	Note 3
2	FocalTech Electronics, Ltd.	FocalTech Electronics (Shenzhen) Co., Ltd.	Other receivables from related parties	Yes	761,125 (USD 25,000)	- (USD -)	-	-	The need for short-term financing	-	Operating capital	-	-	-	2,323,940	2,323,940	Note 3
3	FocalTech Electronics (Shenzhen) Co., Ltd.	Chengdu FocalTech Systems Co., Ltd.	Other receivables from related parties	Yes	152,225 (USD 5,000)	152,225 (USD 5,000)	80,552 (CNY 18,800)	-	The need for short-term financing	-	Operating capital	-	-	-	1,387,151	1,387,151	Note 3

Note 1: The parent company and its subsidiaries are coded as follows:

- 1) The parent company is coded "0".
- 2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The lending limits:

- 1) The total amount available for lending purpose shall not exceed 20% of the net worth of the Company.
- 2) The lending limits for any borrowers are set forth as below:
 - A. The total amount for lending to a company having a business relationship with the company shall not exceed the total transaction amount between the parties during the period of twelve months prior to the time of lending (the transaction amount shall mean the sales or purchasing amount between the parties, whichever is higher), and shall not exceed 20% of the net worth of the financing company or 30% of the net worth of the counterparty, whichever is lower.
 - B. The total amount for lending to a company in need of funds for a short-term period shall not exceed 20% of the net worth of the financing company. The lending limits for any borrower shall not exceed 10% of the net worth of the creditor or 30% of the net worth of the borrower, whichever is lower.
- 3) For financing needs between offshore subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, or financing needs to the Company by offshore subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, the total amount for such fund-lending shall not be subject to the limit of 100% of the net worth of the creditor
- 4) Where the Company's financial reports are prepared in accordance with the International Financial Reporting Standards, "net worth" in the Procedures means the equity attributable to shareholders of the parent in the balance sheet.

Note 3: The balances have been eliminated on consolidation.

Note 4: Using the exchange rate of 1 USD: 30.445 NTD and 1 RMB :4.2847 NTD as of September 30, 2025.

FocalTech Systems Co., Ltd. and Subsidiaries
 ENDORSEMENTS/GUARANTEES PROVIDED
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025
 (Amount in thousand; Currency denomination in NTD or in foreign currencies)

No. (Note1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Property	Ratio of Accumulated Endorsement / Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	FocalTech Systems Co., Ltd.	Hefei PineTech Electronics Co., Ltd.	The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/ guaranteed company.	\$ 4,885,752	\$ 822,015 (USD 27,000)	\$ 822,015 (USD 27,000)	\$ 127,044	\$ -	8.41%	\$ 4,885,752	Yes	No	Yes	(Note 3 and 4)
0	FocalTech Systems Co., Ltd.	FocalTech Electronics (Shenzhen) Co., Ltd.	The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/ guaranteed company.	4,885,752	1,187,355 (USD 39,000)	1,187,355 (USD 39,000)	15,787	-	12.15%	4,885,752	Yes	No	Yes	(Note 3 and 4)
0	FocalTech Systems Co., Ltd.	Chengdu FocalTech Systems Co., Ltd.	The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/ guaranteed company.	4,885,752	304,450 (USD 10,000)	304,450 (USD 10,000)	-	-	3.12%	4,885,752	Yes	No	Yes	(Note 4)
0	FocalTech Systems Co., Ltd.	FocalTech Electronics, Ltd.	The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/ guaranteed company.	4,885,752	1,826,700 (USD 60,000)	1,826,700 (USD 60,000)	30,047	-	18.69%	4,885,752	Yes	No	No	(Note 4)

Note 1: Number should be input in the remark column for intercompany transactions. Here illustrate how to assign numbers to transaction

1) 0 for parent company.

2) Subsidiaries are given a number in sequence starting with No. 1.

Note 2: Limits on Endorsement/ Guarantee Amount

1) The ceilings on the amount of endorsements/guarantees due to business transaction are as below:

2) The total amount of endorsements/guarantees and the amount of endorsements/guarantees for any single entity shall not exceed 50% of the net worth of the Company.

3) The total amount of endorsements/guarantees between the Company owns directly or indirectly 100% voting shares shall not exceed 100% of the net worth of the guarantee Company.

4) The total amount of endorsement/guarantee provided by the Company or by the Company and its subsidiaries shall not exceed 50% of the net worth of the Company. The total amount of the endorsement/guarantee provided by the Company and the subsidiaries to any individual entity shall not exceed 50% of the net worth of the Company.

5) The net worth referred to above are based on the latest reviewed financial statements. Where the Company's financial reports are prepared in accordance with the International Financial Reporting Standards, "net worth" in the Procedures means the equity attributable to shareholders of the parent in the balance sheet.

Note 3: FocalTech Systems Co., Ltd. provided USD 15,000 thousand of endorsements/guarantees for Hefei PineTech Electronics Co., Ltd. and FocalTech Electronics (Shenzhen) Co., Ltd. for the purchases, the amount actually drawn during the period is NT\$ 0 and 15,787 thousand.

Note 4: Using the exchange rate of 1 USD: 30.445 NTD as of September 30, 2025.

FocalTech Systems Co., Ltd. and Subsidiaries
MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2025

(Amount in thousand; Currency denomination in NTD or in foreign currencies)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2025				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
FocalTech Systems Co., Ltd.	<u>Stock</u>							
	Class B Preferred Stock of Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - non current	170,000	NT\$ 10,540	0.03	NT\$ 10,540	-
	<u>Privately Offered Fund</u>							
	CDIB Capital Healthcare Ventures II Limited Partnership	-	Financial assets at fair value through profit or loss - non current	-	NT\$ 26,858	0.96	NT\$ 26,858	-
	CDIB Capital Growth Partners L.P.	-	"	-	NT\$ 21,982	0.66	NT\$ 21,982	-
	CDIB-Innolux Fund Limited Partnership	-	"	-	NT\$ 58,028	4.37	NT\$ 58,028	-
	CDIB-Innolux Fund II Limited Partnership	-	"	-	NT\$ 28,517	1.36	NT\$ 28,517	-
	Cathay Private Equity Smart Tech Limited Partnership	-	"	-	NT\$ 143,107	22.16	NT\$ 143,107	-
	00980A Nomura Taiwan SMART Select Active ETF		Financial assets at fair value through profit or loss - current		NT\$ 14,362		NT\$ 14,362	
	00981A UPAMC Taiwan Growth Active ETF		"		NT\$ 14,406		NT\$ 14,406	
	<u>Fixed income bonds</u>							
	E.SUN Commercial Bank, Ltd.	-	Financial assets at amortized cost - non current	-	NT\$ 10,000		NT\$ 10,000	-
	Nan Shan Life Insurance Company, Ltd.		"		NT\$ 250,000		NT\$ 250,000	
FocalTech Systems, Ltd.	<u>Structured product</u>							
	CLN Link HSBC SUB	-	Financial assets at fair value through profit or loss - current	-	NT\$ 60,818 (USD 1,998)		NT\$ 60,818 (USD 1,998)	-
	CLN Link Barclays SUB	-	"	-	NT\$ 60,920 (USD 2,001)		NT\$ 60,920 (USD 2,001)	-
	<u>Government bonds</u>							
	United States Department of The Treasury	-	Financial assets at fair value through profit or loss - current	-	NT\$ 219,932 (USD 7,224)		NT\$ 219,932 (USD 7,224)	-
	<u>Fixed income bonds</u>							
	GS		Financial assets at amortized cost - current		NT\$ 30,318 (USD 996)		NT\$ 30,318 (USD 996)	
	MIZUHO		"		NT\$ 29,822 (USD 980)		NT\$ 29,822 (USD 980)	
	MUFG		"		NT\$ 29,803 (USD 979)		NT\$ 29,803 (USD 979)	
	MUFG		Financial assets at amortized cost - non current		NT\$ 89,011 (USD 2,924)		NT\$ 89,011 (USD 2,924)	
BNP		"		NT\$ 89,158 (USD 2,928)		NT\$ 89,158 (USD 2,928)		
CITI		"		NT\$ 90,277 (USD 2,965)		NT\$ 90,277 (USD 2,965)		

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Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2025				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
FocalTech Electronics, Ltd.	HSBC		"		NT\$ 87,123 (USD 2,862)		NT\$ 87,123 (USD 2,862)	
	BAC		"		NT\$ 89,165 (USD 2,929)		NT\$ 89,165 (USD 2,929)	
	MIZUHO		"		NT\$ 94,259 (USD 3,096)		NT\$ 94,259 (USD 3,096)	
	WFC		Financial assets at fair value through other comprehensive income - current		NT\$ 126,018 (USD 4,139)		NT\$ 126,018 (USD 4,139)	
	RY		"		NT\$ 156,959 (USD 5,155)		NT\$ 156,959 (USD 5,155)	
	UBS		"		NT\$ 148,504 (USD 4,878)		NT\$ 148,504 (USD 4,878)	
	SUMIBK		"		NT\$ 147,674 (USD 4,851)		NT\$ 147,674 (USD 4,851)	
	<u>Privately Offered Fund</u> TIEF Fund, L.P.	-	Financial assets at fair value through profit or loss - non current	-	NT\$ 25,985 (USD 854)	4.83	NT\$ 25,985 (USD 854)	-
	Gold passbook		Financial assets at fair value through profit or loss - current		NT\$ 42,402 (USD 1,393)		NT\$ 42,402 (USD 1,393)	
	<u>Fixed income bonds</u> GS		Financial assets at amortized cost - current		NT\$ 30,315 (USD 996)		NT\$ 30,315 (USD 996)	
	MUFG		Financial assets at amortized cost - non current		NT\$ 59,329 (USD 1,949)		NT\$ 59,329 (USD 1,949)	
	BNP		Financial assets at amortized cost - non current		NT\$ 59,408 (USD 1,951)		NT\$ 59,408 (USD 1,951)	
	HSBC		Financial assets at amortized cost - non current		NT\$ 58,041 (USD 1,906)		NT\$ 58,041 (USD 1,906)	
BAC		Financial assets at amortized cost - non current		NT\$ 59,627 (USD 1,959)		NT\$ 59,627 (USD 1,959)		

Note 1 : The percentage of ownership for preferred stock is the held shares divided by the number of outstanding shares.

Note 2 : Using the exchange rate of 1 USD: 30.445 NTD as of September 30, 2025.

This is the translation of the financial statements. CPAs do not audit or review on this translation.

FocalTech Systems Co., Ltd. and Subsidiaries
 INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025
 (Amount in Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 3)	Intercompany Transactions			
				Financial Statements Item	Amount (Note 4)	Terms	Percentage of Consolidated Net Revenue or Total Assets
0	FocalTech Systems Co., Ltd.	FocalTech Electronics, Ltd.	1	Accounts Payables	\$ 590,869	Note 2	4.10%
0	FocalTech Systems Co., Ltd.	FocalTech Electronics (Shenzhen) Co., Ltd.	1	Cost of revenue	10,847	Note 2	0.12%
1	FocalTech Electronics, Ltd.	FocalTech Electronics (Shenzhen) Co., Ltd.	2	Other Receivables	93,388	Note 2	0.65%
2	FocalTech Systems, Ltd	FocalTech Electronics (Shenzhen) Co., Ltd.	2	Other Receivables	312,546	Note 2	2.17%
3	FocalTech Electronics (Shenzhen) Co., Ltd.	Hefei PineTech Electronics Co., Ltd.	2	Accounts Payables	330,782	Note 2	2.29%
			2	Research and development expenses	54,266	Note 2	0.59%
3	FocalTech Electronics (Shenzhen) Co., Ltd.	FocalTech Systems (Shenzhen) Co., Ltd.	2	Other Prepayment	343,562	Note 2	2.38%
			2	Research and development expenses	367,872	Note 2	4.02%
3	FocalTech Electronics (Shenzhen) Co., Ltd.	FocalTech Electronics (Shanghai) Co., Ltd.	2	Other Payables	33,069	Note 2	0.23%
			2	Selling and marketing expenses	82,189	Note 2	0.90%
3	FocalTech Electronics (Shenzhen) Co., Ltd.	Chengdu FocalTech Systems Co., Ltd.	2	Other Receivables	80,552	Note 2	0.56%

Note 1: Number should be input in the remark column for intercompany transactions. Here illustrate how to assign numbers to transaction

1) 0 for parent company.

2) Subsidiaries are given a number in sequence starting with No. 1.

Note 2: The services of production management, sales, research and development are provided between the Company and its subsidiaries. For other intercompany transactions, prices and terms are determined in accordance with mutual agreements.

Note 3: The transaction relationships with the counterparties are as follows:

1) The Company to the consolidated subsidiary.

2) The consolidated subsidiary to another consolidated subsidiary.

Note 4: Balances, transactions, revenue and expenses between the Company and its subsidiaries have been eliminated on consolidation.

TABLE 5

FocalTech Systems Co., Ltd. and Subsidiaries

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA) (Note 1)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025

(Amount in thousand; Currency denomination in NTD or in foreign currencies)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2025			Net Income (Losses) of the Investee (Note 4)	Share of Profits/Losses of Investee (Note 4)	Note
				September 30, 2025 (Note 2)	December 31, 2024 (Note 3)	Shares	Percentage of Ownership	Carrying Value (Note 2)			
FocalTech Systems Co., Ltd.	FocalTech Corporation, Ltd.	Cayman Islands	Investment activity	NT\$ 7,059,264	NT\$ 7,059,264	5,491,200	100%	NT\$ 2,408,320 (USD 79,104)	NT\$ 41,096 (USD 1,316)	NT\$ 41,096 (USD 1,316)	Subsidiary
FocalTech Systems Co., Ltd.	FocalTech Electronics, Ltd.	Cayman Islands	Investment activity	NT\$ 3,045 (USD 100)	NT\$ 3,279 (USD 100)	2	100%	NT\$ 2,323,940 (USD 76,332)	NT\$ 630,426 (USD 20,192)	NT\$ 630,426 (USD 20,192)	Subsidiary
FocalTech Systems Co., Ltd.	FocalTech Smart Sensors, Ltd.	Cayman Islands	Investment activity	NT\$ 85,350	NT\$ 85,350	3,000,000	9.14%	NT\$ 130 (USD 4)	(NT\$ 150) (USD 5)	(NT\$ 14) (USD -)	Subsidiary
FocalTech Systems Co., Ltd.		Taiwan	Investment activity	NT\$ 280,000	NT\$ -	28,000,000	33.73%	NT\$ 280,060	(TWD 387)	(TWD 131)	Associate
FocalTech Electronics Co., Ltd.	FocalTech Smart Sensors, Ltd.	Cayman Islands	Investment activity	NT\$ 238,821	NT\$ 238,821	18,813,050	57.31%	NT\$ 815 (USD 27)	(NT\$ 150) (USD 5)	(NT\$ 50) (USD 2)	Subsidiary
FocalTech Smart Sensors, Ltd.	FocalTech Smart Sensors Co., Ltd.	Taiwan	Research, development, manufacturing and sale of integrated circuits	NT\$ 11,990	NT\$ 11,990	17,417,000	100%	NT\$ 506	NT\$ 343	NT\$ 343	Subsidiary
FocalTech Corporation, Ltd.	FocalTech Systems, Inc.	USA	Investment activity	NT\$ 3,114,306 (USD 102,293)	NT\$ 3,353,671 (USD 102,293)	100	100%	NT\$ 2,217,654 (USD 72,841)	NT\$ 41,929 (USD 1,343)	NT\$ 41,929 (USD 1,343)	Subsidiary
FocalTech Systems, Inc.	FocalTech Systems, Ltd.	Cayman Islands	Investment activity	NT\$ 710,893 (USD 23,350)	NT\$ 765,532 (USD 23,350)	2	100%	NT\$ 2,296,772 (USD 75,440)	NT\$ 60,041 (USD 1,923)	NT\$ 60,041 (USD 1,923)	Subsidiary
FocalTech Systems, Ltd.	FocalTech Electronics Co., Ltd.	Taiwan	Import and export of integrated circuits	NT\$ 20,000	NT\$ 20,000	2,000,000	100%	NT\$ 85,122 (USD 2,796)	(NT\$ 4,357) (USD 140)	(NT\$ 4,357) (USD 140)	Subsidiary

Note 1: Please refer to the table 6 for the information on investment in Mainland China.

Note 2: Using the exchange rate of 1 USD: 30.445 NTD as of September 30, 2025.

Note 3: Using the exchange rate of 1 USD: 32.785 NTD as of December 31, 2024.

Note 4: Using the average exchange rate of 1 USD: 31.222 NTD for the nine months ended September 30, 2025.

This is the translation of the financial statements. CPAs do not audit or review on this translation.

FocalTech Systems Co., Ltd. and Subsidiaries
 INFORMATION ON INVESTMENT IN MAINLAND CHINA
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025
 (Amount in thousand; Currency denomination in NTD or in foreign currencies)

Investee company	Main businesses and products	Total amount of paid-in capital (Note 1)	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2025 (Note 1)	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2025 (Note 1)	Net income (loss) of investee company (Note 2)	Percentage of ownership	Investment income (loss) recognized (Note 2)	Carrying amount as of September 30, 2025 (Note 1)	Accumulated inward remittance of earnings as of September 30, 2025	Note
					Outflow	Inflow							
FocalTech Electronics (Shanghai) Co., Ltd.	Sales support and post-sales service for IC products	NT\$ 88,291 (USD 2,900)	(Note 3 and 4)	NT\$ 30,445 (USD 1,000)	\$ -	\$ -	NT\$ 30,445 (USD 1,000)	(NT\$ 35,259) (USD 1,129)	100%	(NT\$ 35,259) (USD 1,129)	NT\$ 26,658 (USD 876)	\$ -	-
FocalTech Electronics (Shenzhen) Co., Ltd.	Research, development, manufacturing and sale of integrated circuits	NT\$ 283,139 (USD 9,300)	(Note 3 and 4)	NT\$ 30,445 (USD 1,000)	-	-	NT\$ 30,445 (USD 1,000)	NT\$ 681,203 (USD 21,818)	100%	NT\$ 681,203 (USD 21,818)	NT\$ 1,387,151 (USD 45,563)	-	-
FocalTech Systems (Shenzhen) Co., Ltd.	Design and research of integrated circuits	NT\$ 1,126,470 (USD 37,000)	(Note 4)	-	-	-	-	NT\$ 22,227 (USD 712)	100%	NT\$ 22,227 (USD 712)	NT\$ 665,919 (USD 21,873)	-	-
Hefei PineTech Electronics Co., Ltd.	Research, development and sale of integrated circuits	NT\$ 128,541 (RMB 30,000)	(Note 4)	-	-	-	-	NT\$ 5,309 (USD 170)	100%	NT\$ 5,309 (USD 170)	NT\$ 240,002 (USD 7,883)	-	-
Chengdu FocalTech Systems Co., Ltd.	Research, development and sale of integrated circuits	NT\$ 25,708 (RMB 6,000)	(Note 4)	-	-	-	-	(NT\$ 38,514) (USD 1,234)	100%	(NT\$ 38,514) (USD 1,234)	(NT\$ 19,559) (USD 642)	-	-

Accumulated Investment in Mainland China as of September 30, 2025	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$60,890 (USD2,000)	\$1,868,322 (USD61,367)	\$5,862,903

Note 1: Using the exchange rate of 1 USD: 30.445 NTD and 1 RMB :4.2847 NTD as of September 30, 2025.

Note 2: Using the average exchange rate of 1 USD: 31.222 NTD for the nine months ended September 30, 2025.

Note 3: Indirect investment in Mainland China through a holding company established in other countries.

Note 4: The investment is through the foreign subsidiaries, has not been remitted from Taiwan.