

Independent Directors and the Internal Audit Supervisor Communication

Communication Methods

1. **Written Reports:** Monthly audit reports and follow-up reports are submitted to each independent director by the end of the following month after being approved by the Chairman.
2. **Audit Committee Reports:** The internal audit supervisor reports audit matters and any identified internal control deficiencies to the Audit Committee at least quarterly and receives instructions.
3. **Email and Telephone Communication:** Audit-related matters or responses to independent directors' inquiries are communicated irregularly via email or telephone.
4. **Video Conferences:** Regular video meetings are held via Teams to facilitate communication between independent directors and the internal audit supervisor, allowing for a deeper understanding of the company's audit activities.

Summary of Past Communications

- **2025.03.11:** Audit Committee, the internal audit supervisor reported on audit activities from September to December 2024, no comments.
- **2025.05.13:** Audit Committee, the internal audit supervisor reported on audit activities from January to March 2025, no comments.
- **2025.08.12:** Audit Committee, the internal audit supervisor reported on audit activities from April to June 2025, no comments.
- **2025.11.07:** Audit Committee, the internal audit supervisor reported on audit activities from July to September 2025, no comments.
- **2025.11.07:** Video Conference, the internal audit supervisor introduced new audit office personnel and reported on Q3 audit activities, no comments.

Independent Directors and Certified Public Accountant Communication

Date: January 3, 2025 (Friday)

Venue: Company Conference Room (via Video Conference)

I. Presentation of Audit Planning by the Auditors

Representatives from Deloitte & Touche CPA Firm, Mr. Kent Chang (Engagement Partner) and Mr. Kenny Hung (Lead Client Service Partner), presented the overall audit plan and strategic focus for the **audit of the consolidated financial statements for the year ended December 31, 2024**, as follows:

1. Audit Scope and Basis

- In accordance with the engagement letter, the auditors will perform the audit of both the standalone and consolidated financial statements, audit the corporate income tax return, review the transfer pricing documentation for related party transactions, and review the consolidated financial statements for the first to third quarters.
- The audit is planned and conducted in accordance with the *Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants* and *Generally Accepted Auditing Standards (GAAS)* to obtain reasonable assurance that the financial statements are free from material misstatement.

2. Audit Timetable

- The audit will be conducted in stages, including audit planning, risk assessment, interim audit, and final completion. The auditors will maintain timely communication with management to resolve any issues as they arise.

3. Significant Accounting Matters

- **Significant accounting policies:** Inventory valuation and allowance for doubtful accounts.
- **Significant accounting estimates:** Accuracy and timing of revenue recognition.
- **Significant events:** Disposal of the *Spring City Resort* in 2024, liquidation of the *NL Japan Plant*, and the completion progress of the new manufacturing facility.

4. Significant Risks and Key Audit Matters (KAMs)

- Identified significant risks include the risk of improper revenue recognition and management override of controls.

- The Key Audit Matter for 2024 was the authenticity of sales in the Power Supply Business Unit. Audit procedures were performed, and no material findings were identified.
- The auditors concluded that there were no material uncertainties related to the going concern assumption.

II. Auditor Independence and Quality Management

1. Statement of Independence

- Deloitte confirmed that all engagement team members have complied with the independence requirements under the *Code of Professional Ethics for Certified Public Accountants* and have communicated all relationships and safeguards that may bear on independence with those charged with governance (TCWG).

2. Pre-Approval Mechanism for Non-Assurance Services

- In accordance with the revised *International Ethics Standards Board for Accountants (IESBA) Code*, effective December 15, 2022, audit firms are required to obtain pre-approval from TCWG before providing any non-assurance services (NAS) to the company or its consolidated entities.
- The auditors recommended that the Company establish a formal pre-approval policy and process to ensure compliance with independence and ethical standards.

3. Audit Quality Management System and Quality Indicators (AQI)

- Deloitte has established a System of Quality Management (SQM) in accordance with *International Standard on Quality Management 1 (ISQM 1)* and conducts annual self-assessments.
- Five key dimensions of audit quality indicators were presented to the Audit Committee: Professional Competence, Quality Control, Independence, Supervision, and Innovation.
- The auditors emphasized the importance of monitoring staff turnover rate, training hours, engagement quality control review (EQCR) coverage, and the proportion of non-audit services to maintain audit quality and consistency.

III. Key Discussion Points

1. The independent directors inquired about the audit procedures and control testing related to revenue recognition. The auditors explained that procedures focused on shipment documentation, reconciliations, and cutoff testing, with results found to be reasonable and free of exceptions.

2. The Audit Committee asked about the impact of the Japan plant liquidation and asset disposals on the financial statements. The auditors responded that the adequacy of related disclosures will be further evaluated during the year-end audit.
3. The Audit Committee confirmed that there were no restrictions or impediments in communication between the auditors and management.
4. The auditors reminded the Committee that under the new IESBA requirements, all non-audit services must be pre-approved by the Audit Committee to preserve auditor independence.

IV. Resolutions and Conclusions

The meeting concluded with the following resolutions:

- The 2024 audit plan and communication matters were duly presented and noted.
- The Audit Committee acknowledged and approved the auditors' planned scope and procedures for the year-end audit.
- The management is requested to review and establish a formal pre-approval policy for non-assurance services as recommended.