YAO-I FABRIC CO., LTD

2025

Sustainability Report

No.334, Sec.6, Zhangmei Rd., Hemei Township, Changhua County 508014, Taiwan R.O.C

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About This Report

Yao I Fabric Co., Ltd. (hereinafter referred to as "Yao I" or "the Company") has been publishing its Sustainability Report annually since 2021. This report aims to respond to employees, customers, shareholders, suppliers, government authorities, and all potential stakeholders regarding the Company's current practices and future strategies across the three major pillars: Environment, Social, and Governance (ESG). For more real-time sustainability disclosures, please visit the "Sustainability" section on the

Sustainability

Reporting Period and Organizational Boundary

- Data Disclosure Period

The organizational scope of this report is, in principle, restricted to Yao I's operational sites located in Taiwan. Unless otherwise specified, the data and information disclosed herein primarily reflect the performance of fiscal year 2025 (from January 1 to December 31, 2025). To guarantee information completeness and comparability, certain performance indicators trace back to 2024 or extend to the most recent data in 2026.

- Data Disclosure Boundary

The disclosed information covers all operational sites in Taiwan. Any deviation from the aforementioned scope will be explicitly stated and annotated within the respective sections.

Office Address	Address
Head Office	No. 334, Sec. 6, Changmei Rd., Homei Town, Changhua County, Taiwan
Homei Factory	No. 766, Demei Rd., Homei Town, Changhua County, Taiwan
Changbin Factory	No. 13, Lugong N. 1st Rd., Changbin Industrial Park, Lukang Town, Changhua County, Taiwan

- Reporting Principlesr

This report has been prepared in accordance with the GRI Standards 2021 published by the Global Reporting Initiative. Concurrently, disclosures have been aligned with the Sustainability Accounting Standards Board (SASB) standards established by the IFRS Foundation. Furthermore, climate-related risks and opportunities have been identified and disclosed in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) under the Financial Stability Board (FSB). Detailed framework content index tables are provided in the Appendix for rapid cross-referencing and navigation.

- External Assurance

The information and quantitative data presented in this report were independently aggregated and surveyed by each of Yao I's respective plants, compiled by the Sustainability Implementation Task Force under the Sustainability Committee, and officially authorized for publication by the Chairman of the Board.

In addition, certain statistical metrics are cited from the Company's Annual Report to the Shareholders' Meeting, government agencies, and relevant publicly available web resources. Financial statements have been audited and certified by PricewaterhouseCoopers (PwC) Taiwan in accordance with the International Financial Reporting Standards (IFRS). Unless otherwise stated, all monetary values are denominated in New Taiwan Dollars (NTD).

Yao I does not currently belong to the category of enterprises legally mandated to undergo mandatory third-party verification or external assurance. Future assurance roadmaps will be planned and implemented in accordance with operational demands.

Letter from the Chairman

In this era of accelerated change, filled with both immense challenges and profound opportunities, I deeply believe that the value of an enterprise lies far beyond profit generation. True success is defined by whether we can bring positive changes to society and pass on a better environment and future to the generations that follow.

Faced with global sustainability trends and pressures, we choose to proactively assume responsibility rather than passively respond. The Company positions Environmental, Social, and Governance (ESG) principles as the core strategic pillar of our long-term growth. Beginning with every decision we make, we prudently evaluate its impact on the environment and society, implementing structural change through concrete actions. We continue to propel our low-carbon transformation, enhance resource utilization efficiency, and harness the power of innovation and technology, ensuring that sustainability translates from a conceptual philosophy into verifiable results.

I am also firmly convinced that an enterprise's most vital asset is its people. We are fully committed to cultivating a mutually respectful, diverse, and inclusive workplace environment where every colleague can work with peace of mind and achieve continuous professional growth. Concurrently, we actively invest in social welfare, establishing long-term, trusting relationships with local communities and value chain partners to collectively navigate future uncertainties and bolster overall societal resilience.

In terms of governance, integrity acts as our foundation, and transparency remains our operational rule. We consistently reinforce our corporate governance framework and risk management capabilities to guarantee steady corporate expansion while remaining fully accountable to all stakeholders. I have always maintained that an enterprise's value can only endure when built upon a foundation of trust.

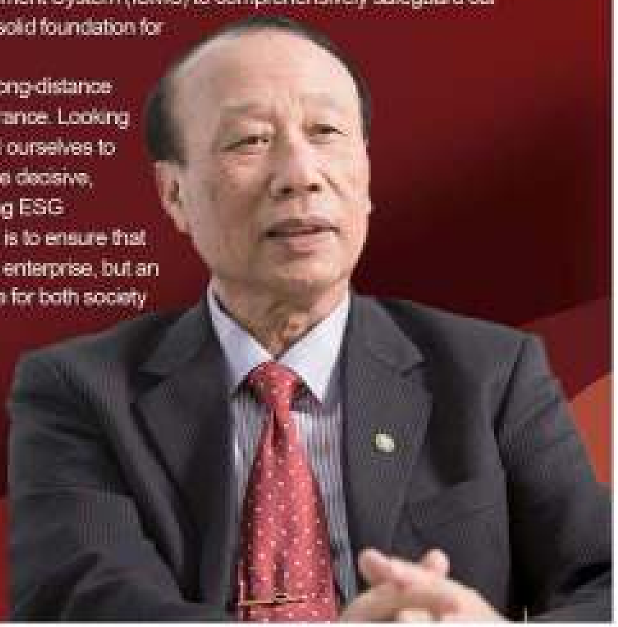
Furthermore, we make no compromises regarding our emphasis on occupational safety and information security. The Company has successfully established and promoted the ISO 45001 Occupational Health and Safety Management System to continually optimize workplace safety. Concurrently, we have implemented the ISO/IEC 27001 Information Security Management System (ISMS) to comprehensively safeguard our corporate data assets, thereby laying a rock-solid foundation for operational continuity.

Sustainability is not a transient choice; it is a long-distance marathon demanding discipline and perseverance. Looking ahead, I will continue to lead our team to hold ourselves to higher standards and move forward with more decisive, action-oriented strides, seamlessly embedding ESG principles into our corporate culture. Our goal is to ensure that Yao I Fabric Co., Ltd. is not merely a growing enterprise, but an enduring force that generates long-term value for both society and the environment.

Chairman of the Board

Yao I Fabric Co., Ltd.

王昭仁



Contact Information

Should you have any inquiries, feedback, or suggestions regarding the contents of this report or YAO-I's sustainability initiatives, please feel free to reach out to us through the following channels. Your valuable insights are highly appreciated.

Yao I Fabric Co., Ltd

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- E-mail: esg@yaoi.com.tw
- Official Website: www.yaoi.com.tw

Publication Date

The Company publishes its Sustainability Report on an annual and regular basis. To download past editions of our reports, please visit the "Sustainability" section on our official website.

- Inaugural Issue Date: October 2022
- Current Edition Issue Date: August 2026
- Subsequent Edition Issue Date: Anticipated for publication in August 2027

Significant Changes to the Report

There are no material restatements of information in this fiscal year. Should there be any information restatements or modifications to the reporting parameters in the future, explicit explanations and their corresponding page numbers will be clearly annotated within the respective chapters.

Corporate Milestones & History

- 2022 — Completed and inaugurated new operational plants in Taiwan and Dongguan.
- 2022 — Honored with the "Outstanding Corporate Social Responsibility Award – Bronze" at the SHOPLINE Outstanding Brand Style Awards.
- 2022 — The SUFIX 91 product series won the "Best New Braided Line" award at EFTTEX (European Fishing Tackle Trade Exhibition).
- 2022 — The SUFIX Recycline product series won the "Best New Eco-Friendly Product" award at EFTTEX.
- 2024 — The SUFIX Revolve product series won the "Best Fishing Line" award at ICAST (International Convention of Allied Sportfishing Trades).

For more comprehensive information, please refer to the Company's official website.

Sustainability Performance and Highlights

Environment

- Comprehensive GHG Inventory: Successfully initiated and implemented a full-category Greenhouse Gas (GHG) inventory across all operational boundaries.
- Circular Packaging Economy: Deployed recycled PET packaging and recycled color boxes to minimize raw material dependency and enhance resource circularity.
- Process Energy Efficiency: Replaced legacy fan oven motors with high-efficiency, energy-saving variable frequency drives (VFDs).
- Employee-Driven Energy Innovation: Actively encouraged workforce participation in energy-saving optimization initiatives; in fiscal year 2025, 11 optimization proposals successfully passed review, with a total of NTD 35,500 distributed as performance rewards.
- Renewable Energy Assessment: Evaluated the implementation of rooftop solar photovoltaic (PV) systems to increase the utilization ratio of renewable energy.
- Boiler Modernization Project: Promoted the energy-saving boiler replacement project to optimize energy management performance, achieving an annual energy cost reduction of approximately NTD 395,000.
- Carbon Footprint Reduction: Discontinued high-energy-consuming manufacturing processes and legacy equipment, achieving an annual greenhouse gas emissions reduction of 17.8032 metric tons of CO_{2e}.
- Digital Payslip Transition: Transitioned to an electronic payslip system, reducing annual administrative processing by 48 working hours and saving NTD 10,000 in costs.
- Paperless Digital Workflow: Promoted electronic signing and approval workflows, eliminating the consumption of 121,053 sheets of paper annually, while saving 3,363 hours of labor and NTD 872,518 in operating costs.

Social

- Professional Safety Certifications: Employees successfully obtained a total of 87 professional qualification certificates and licenses related to occupational safety and high-risk operations.
- ISO 45001 Certification: Completed the implementation and alignment of the ISO 45001 Occupational Health and Safety Management System.
- Contractor Management Integration: Completed the implementation of the "Contractor Management System" to comprehensively reinforce workplace safety and preventative protection.
- Workplace Safety Investments: Allocated NTD 136,973 in capital expenditure strictly dedicated to occupational safety and protective measures.
- Occupational Health & Safety (OHS) Training: Reached 1,713 training attendees in occupational safety education, accumulating a total of 2,696 training hours.
- Academic-Industrial Collaboration: Launched a strategic academic-industrial research and development collaboration project with National Taipei University of Technology (NTUT).
- Exemplary Customer Satisfaction: Achieved a highly commendable average score of 9.22 out of 10 in the 2025 Annual Customer Satisfaction Survey.
- Information Security Advancement: Initiated the ISO/IEC 27001 Information Security Management System project in 2025, with official TAF (Taiwan Accreditation Foundation) accredited certification projected for 2026.
- Human Capital Development: Invested NTD 582,209 in annual workforce training, reaching 1,639 training attendees across internal and external educational programs, totaling 1,201.5 training hours.
- Animal Welfare Contributions: Donated 165 sets of multi-sized pet pressure-relieving sleep mattresses and cat beds to the Taiwan Guide Dog Association, the Yue-Yuan Stray Animal Care Association, and the Cat Lovers Association.
- Disaster Relief Support: Donated 50 specialized QSHION ergonomic mattresses to support communities affected by the Mataian Creek barrier lake breach disaster.

Governance

- Half-Century Corporate Legacy: Honored with the "Long-Established Enterprise with Over 50 Years of History" award presented by the Industrial Development Administration (IDA) of the Ministry of Economic Affairs.
- Sustainable Supply Chain Verification: Successfully completed the signing of the "Supplier Self-Assessment Questionnaire" and "Conflict Minerals-Free Declared Statements" with 12 key suppliers, achieving a completion rate of 75%.
- Sustainability Committee Inauguration: Convened the Sustainability Development Committee in November 2025 under the formal authorization of the Board of Directors, appointing 2 Independent Directors and 1 Board Director to constitute the committee.
- Automotive Quality Tools Integration: Deployed Measurement Systems Analysis (MSA) and core automotive industry quality management tools (including Control Plan, FMEA, PPAP, and SPC) to fundamentally solidify quality control capabilities and global customer service standards.
- Institutionalizing Sustainability Governance: Approved the "Organizational Regulations of the Sustainability Development Committee" by the Board of Directors on August 6, 2025, thoroughly institutionalizing our sustainable governance framework and reinforcing oversight mechanisms.

CH1

Sustainability Strategy and Implementation

1.1 Corporate Sustainability Policy and Commitments

Achieving net-zero carbon emissions has emerged as a global consensus, making climate change mitigation a paramount focal point worldwide. The textile and material industry is proactively transitioning toward eco-friendly sustainability, green-energy production, and low-carbon product development, which has become a critical catalyst for enhancing international competitiveness.
Upholding our six core management philosophies—"Unity & Cooperation, Active Action, Total Dedication, Innovative Breakthrough, Quality Leadership, and Collective Success and Mutual Prosperity"—YAO-I strives for steady growth and sustainable corporate operations. We are committed to developing pioneering technologies, manufacturing market-differentiated products with distinct uniqueness, and diversifying our global customer base. Concurrently, by integrating internal resources and establishing tactical technological alliances with international premier brands, we drive our global market presence forward, manifesting a multi-win sustainable vision that harmonizes economic growth, environmental stewardship, and social progress.

1.1.1 Sustainability Goals and Vision

Environmental Stewardship (E)

In terms of environmental protection, YAO-I continuously propels in-plant manufacturing process optimizations and circular economy initiatives, focusing on comprehensive water conservation, energy efficiency, and carbon reduction measures. Concurrently, the Company implements smart energy management systems and advanced Internet of Things (IoT) monitoring technologies for anomaly detection. These technological advancements significantly enhance energy utilization efficiency and bolster overall manufacturing productivity.

Social Responsibility (S)

In an era of rapid technological disruption, we are dedicated to cultivating an open, agile, and happy workplace environment that serves as a cradle for attracting and nurturing top-tier global talent. We proactively drive workforce upskilling and reskilling, focusing heavily on the integration of emerging technologies and cross-functional professional training. Our objective is to empower our employees to transcend traditional boundaries and cultivate diversified core competencies.

We firmly believe that employee health and well-being constitute the absolute cornerstone of enterprise innovation. Through the establishment of comprehensive health care protocols and work-life balance support frameworks, we empower every partner to unlock their critical impact on the ideal stage. This enables us to seamlessly transform individual professional advancement into an inexhaustible driving force for the Company's structural transformation and industrial upgrading.

Corporate Governance (G)

Upholding the principles of ethical corporate management, we position the safeguarding of shareholder rights as our core mission. We are systematically strengthening the functions and oversight capabilities of the Board of Directors, elevating the transparency of our financial and operational material disclosures, and continuously refining our corporate management systems. Furthermore, we deeply respect the rights and interests of all stakeholders, firmly practicing robust and prudent corporate governance.

Pillar	Material Topic	Significance to the Company	Management Policy	Short-term Goals (3 years)	Long-term Goals (5 years)	2025 Target	2025 Performance & Achievement
E	Enhancing Energy Efficiency	Improving energy utilization efficiency helps reduce resource consumption and operational costs. Through various carbon reduction measures, it effectively reduces greenhouse gas emissions, mitigates environmental impacts, further improves the overall corporate ecological footprint, and strengthens sustainable competitiveness.	Promote manufacturing process optimization and the replacement of legacy, high-energy-consuming equipment.	Install solar power facilities, water recycling facilities, and air/water pollution control infrastructure.	Implement water recycling facilities, smart energy management systems, and IoT monitoring technologies for anomaly detection and control.	Replace legacy fan oven motors with high-efficiency, energy-saving variable frequency drives (VFDs).	Target Achieved (Implementation remains continuously ongoing)
S	Retaining Top Talent	Retaining top talent helps the enterprise continuously accumulate institutional knowledge and technical skills, enhancing team competitiveness. This further establishes robust customer relationships, maintaining a long-term competitive advantage in intense market competition.	Build an exemplary working environment and retain top talent by obtaining healthy workplace certifications.	Obtain healthy workplace certifications.	Maintain and renew healthy workplace certifications.	Organize 3 specialized festival/holiday team-building events.	Target Achieved
G	Safeguarding Shareholder Rights	Safeguarding shareholder rights helps elevate corporate governance transparency and the foundation of trust. It prompts the enterprise to review internal risks, implement corrective and improvement strategies, and thereby reinforce operational stability and sustainable development resilience.	Proactively align with the Corporate Governance Evaluation for listed and OTC companies, strengthening management systems and information disclosures.	Achieve a top 66%–80% ranking in the TPEx Corporate Governance Evaluation for OTC listed companies.	Achieve a top 51%–65% ranking in the TPEx Corporate Governance Evaluation for OTC listed companies.	Achieve a top 61%–100% ranking in the TPEx Corporate Governance Evaluation for OTC listed companies.	Target Achieved

Sustainability Development Governance Framework and Organization

In 2021, the Company established the "ESG Corporate Sustainability Development Committee." Authorized by the Board of Directors, the Committee is composed of Board members who possess professional expertise and practical experience in corporate sustainability. Currently, the Committee comprises two Independent Directors and one Board Director. Serving as the primary governance framework for advancing sustainable development, the Committee strengthens the strategic planning and execution of sustainability initiatives.
The Committee is responsible for formulating and amending systems related to sustainable development, driving various sustainability initiatives, and preparing and publishing the ESG Sustainability Report in accordance with regulatory mandates. The Committee convenes semi-annually to report to the Board of Directors, providing comprehensive oversight, strategic planning, and progress tracking regarding the sustainability strategies, sustainable development goals, implementation roadmaps, and execution status of both the Company and its subsidiaries across the Group.

1.2 Stakeholder Engagement and Materiality Analysis

1.2.1 Stakeholder Identification and Communication

YAO-I firmly believes that stakeholder communication is a fundamental cornerstone of corporate sustainable development. Through effective engagement mechanisms, the Company can thoroughly comprehend and respond to the distinct needs and expectations of various stakeholders, thereby elevating operational transparency and mutual trust. YAO-I references the GRI Standards and adopts the AA1000 Stakeholder Engagement Standard (SES) as its primary communication framework.
From a broad spectrum of stakeholders, the Company has identified five primary stakeholder categories: Employees, Customers, Shareholders/Investors, Suppliers, and Government Authorities. Furthermore, YAO-I utilizes diversified channels—such as annual general meetings, individual interviews, and informational seminars—to broadly gather insights from all parties. We are dedicated to responding to societal concerns in a timely manner and, through transparent information disclosure and proactive interaction, establishing long-term, robust collaborative relationships to realize our ultimate goal of mutual growth and shared prosperity with all stakeholders.

Stakeholder	Significance to YAO-I	Primary Communication Channels & Frequency	Material Concerns	Corresponding Response Chapter
Employees	Employees are the Company's most valuable asset. By enhancing comprehensive benefits and robust career development, we foster corporate solidarity and co-create a sustainable future.	· Educational Training / Ad hoc · Labor-Management Meetings / Quarterly · Labor Health and Safety Committee / Quarterly · Employee Welfare Committee / Quarterly · Labor Pension Supervisory Committee / Monthly · Bulletins & Enterprise Information Portal (EIP) / Ad hoc	· Occupational Health and Safety · Regulatory Compliance · Information Security Management & Customer Privacy	· CH 6.4 Healthy Workplace · CH 2.2 Regulatory Compli ance and Business Ethics · CH 2.4 Information Security and Privacy Protection
Shareholders & Investors	Shareholders, investors, and financial institutions are vital capital sources for the Company. Exemplary operational performance not only demonstrates corporate value but also attracts stable capital, fostering a virtuous cycle.	· Spokesperson & Deputy Spokesperson / Ad hoc · Dedicated Investor Relations Unit / Ad hoc · Annual General Meeting (AGM) / Annually · Investor Relations Section on Official Website / Ad hoc · Market Observation Post System (MOPS) / Monthly · Investor Conferences / Annually	· Regulatory Compliance · Economic Performance · Supply Chain Management	· CH 2.2 Regulatory Compli ance and Business Ethics · CH 2.1 Operational Performance · CH 5.1 Supply Chain Management
Customers	Customer trust is the core source of revenue and profitability. The Company is dedicated to leading the market, elevating brand value for our clients through product innovation.	· Customer Meetings / Ad hoc · Trade Shows & Exhibitions / Ad hoc · Customer Satisfaction Surveys / Annually · Customer Audits / Ad hoc	· Product Quality and Safety · Regulatory Compliance · Business Ethics	· CH 3.2 Product Quality and Safety Management · CH 2.2 Regulatory Compli ance and Business Ethics · CH 2.2 Regulatory Compli ance and Business Ethics
Suppliers	Raw materials and services provided by our partners constitute the absolute cornerstone of the Company's innovative products and services. We collaborate with partners to drive sustainable development and co-create a win-win paradigm.	· Supplier Evaluations / Annually · Transparent Procurement Procedures / Ad hoc · Material Safety Data Sheets (MSDS) / Ad hoc · Supplier Non-Compliance Penalty Regulations / Ad hoc	· Product Quality and Safety · Customer Relationship Management · Greenhouse Gas (GHG) Emissions Management	· CH 3.2 Product Quality and Safety Management · CH 5.2 Customer Relations · CH 4.5 Greenhouse Gas Inventory Mechanism
Government Authorities	The Company highly values cooperation with regulatory authorities to guarantee legal compliance and fulfill social responsibilities, thereby avoiding penalties, legal liabilities, or operational restrictions.	· MOPS and Corporate Website / Monthly · Official Correspondence / Ad hoc · Regulatory Briefings, Seminars, or Forums / Ad hoc · Statutory Regulatory Filings / Ad hoc	· Regulatory Compliance · Product Quality and Safety · Occupational Health and Safety	· CH 2.2 Regulatory Compli ance and Business Ethics · CH 3.2 Product Quality and Safety Management · CH 6.4 Healthy Workplace

1.2.2 Materiality Analysis and Identification

YAO-I aligns its operations with international sustainability standards and latest development trends by referencing the GRI Standards, the Sustainability Accounting Standards Board (SASB) standards, the United Nations Sustainable Development Goals (SDGs), and the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This guarantees that the Company's strategic direction interfaces seamlessly with international criteria and industry dynamics.
In addition to extensively gathering and consolidating feedback from stakeholders, the Company proactively analyzes peer-group practices and trends regarding sustainability issues, thereby reinforcing the forward-looking nature of our sustainability strategy and our overall competitive advantage. To ensure the comprehensiveness of issue identification, the Company utilizes questionnaire surveys to comprehend the focus areas of stakeholders across the three pillars of Environment, Social, and Corporate Governance (ESG). Furthermore, a dual-evaluation mechanism involving both internal executives and external stakeholders has been established to comprehensively weigh the significance of each issue.

【STEP 1: Collection of Potential Sustainability Issues】

By referencing international sustainability standards and trends, and integrating a comprehensive consideration of the Company's distinct industry characteristics, we have summarized 19 actual and potential sustainability issues across the three pillars of ESG as follows:

Environment	Social	Governance
· Greenhouse Gas (GHG) Emissions Management · Energy Management	· Talent Training and Recruitment · Occupational Health and Safety (OHS) · Product Quality and Safety	· Economic Performance · Business Ethics · Risk Management
· Water Resource Management · Waste Management	· Workforce Diversity and Inclusion · Customer Relationship Management (CRM)	· Regulatory Compliance · Corporate Governance
· Green Products	· Social Welfare and Local Community Engagement · Information Security Management and Customer Privacy	· Supply Chain Management · Climate Change Risks

【STEP 2: Stakeholder Assessment of Material Significance】

Building upon the sustainability issues summarized in the first stage, YAO-I further identified the actual and potential, as well as positive and negative impacts that each issue could potentially exert or has already exerted on the economy, the environment, and people (including human rights). An online questionnaire survey was subsequently conducted among internal company executives and the five primary stakeholder categories. After excluding invalid responses, a total of 138 valid questionnaires were collected, achieving a response rate of 76.67%.

The respondents comprised:

Internal executives: 12

Employees: 106

Customers: 10

Shareholders: 4

Suppliers: 5

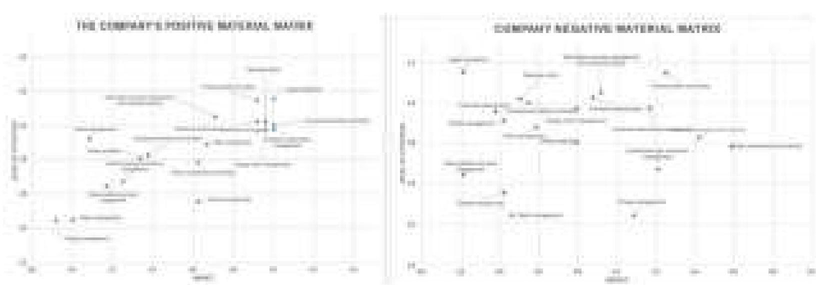
Government Authorities: 1.

【STEP 3: Materiality Analysis and Identification】

Through questionnaire surveys and active stakeholder engagement, YAO-I performed a weighted evaluation integrating the levels of concern from all parties to discern the potential impact and significance of each issue to the Company. Following in-depth deliberations by senior management coupled with a comprehensive analysis of industry trends, the prioritization of these material issues was meticulously verified. Ultimately, six key material topics were identified as the most critical focal points for sustainable development in fiscal year 2025:

- Regulatory Compliance
- Product Quality and Safety
- Occupational Health and Safety
- Business Ethics
- Customer Relationship Management
- Economic Performance

【2025 Positive Impact Matrix and Negative Impact Matrix】



【STEP 4: Reporting and Disclosure】

Based on the results of the materiality analysis, YAO-I sequentially discloses the management approaches and relevant information for these six material topics within the corresponding chapters of this sustainability report for the reference of all stakeholders. Furthermore, the Company has integrated the outcomes identified for fiscal year 2025 into our overarching ESG policies, implementation strategies, and long-term sustainability goals. This ensures that our sustainable development roadmap is comprehensively institutionalized, driving the steady and robust growth of the enterprise.

Description of Impacts for 2025 Material Topics

Pillar		Description of Impacts	Corresponding Chapter
Environment		No material environmental topics were identified for fiscal year 2025.	
Social			
Product Quality and Safety	+	Stable product quality effectively elevates customer satisfaction and trust.	CH 3.2 Product Quality and Safety Management
	–	Substandard product quality could lead to increased customer complaints and a loss of trust, subsequently resulting in a reduction of sales orders.	
Occupational Health and Safety	+	A robust occupational health and safety management mechanism helps guarantee employee workplace safety, minimize the risk of occupational injuries, and boost job satisfaction and retention willingness, thereby driving steady corporate development and a positive brand image.	CH 6.4 Healthy Workplace
	–	The occurrence of industrial accidents or occupational hazards not only severely impacts employee physical and mental health alongside workplace productivity, but may also trigger legal liabilities and significant reputational damage.	
Customer Relationship Management	+	Engaging in regular communication with clients and delivering real-time responses to their needs and issues can effectively enhance customer satisfaction and brand loyalty, thereby consolidating client relationships, elevating brand image, and fueling subsequent order placement and revenue growth.	CH 5.2 Customer Relations
	–	Failure to respond to customer needs in a timely manner or address issues properly may lead to an increase in customer complaints, thereby undermining customer trust and willingness to collaborate, and ultimately damaging corporate reputation and market competitiveness.	

Pillar		Description of Impacts	Corresponding Chapter
Governance			
Regulatory Compliance	+	Strict adherence to domestic and international regulations helps safeguard a positive corporate image, secure operational stability, and maintain market order, while simultaneously protecting the natural environment and stakeholder rights, thereby enhancing corporate credibility and long-term sustainable development capabilities.	CH 2.2 Regulatory Compliance and Business Ethics
	—	Non-compliance with relevant laws and regulations may result in administrative fines, lawsuits, and operational disruptions. It can further damage corporate reputation and stakeholder trust, adversely affecting overall operational continuity.	
Business Ethics	+	Constructing a comprehensive management mechanism and ensuring its concrete implementation helps continually reinforce a corporate reputation of integrity and honesty, thereby safeguarding stakeholder rights and establishing relations of mutual trust.	CH 2.2 Regulatory Compliance and Business Ethics
	—	A lax management mechanism may lead to internal corruption and misconduct, which would harm the interests of shareholders and stakeholders. This could also expose the Company to regulatory risks, resulting in reputational damage or financial losses due to fines.	
Economic Performance	+	Effectively formulating short-, medium-, and long-term sustainable management strategies enables the Company to grasp market trends, capture new business opportunities, and elevate corporate competitiveness and financial revenue performance.	CH 2.1 Operational Performance
	—	Improper strategic planning or operational execution failures may result in deficient business performance, thereby triggering operational difficulties and adversely affecting the stable development of the enterprise.	

CH2

Corporate Governance

2.1 Operational Performance

2.1.1 Corporate Overview

About YAO-I

- Founded in November 1973 and headquartered in Hemei Township, Changhua County, Yao I Fabric Co., Ltd. has established a robust operational legacy spanning over 52 years. The Company's core business operations encompass three primary pillars: the Monofilament Business Group, the Functional Products Business Group, and the Spun Yarn and Non-Woven Business Group.
  Our primary product portfolio includes the manufacturing, processing, domestic trading, and exportation of high-performance fishing lines, lawn mower trimmer lines, nylon yarns, industrial sewing threads, badminton racket strings, tennis racket strings, ergonomic mattresses, pet supplies, as well as various elastic bands, non-woven fabrics, and their derivative application products.

Company Information

Company Name	YAO-I FABRIC CO., LTD.
Stock Code	TWSE: 4430. TW
Established	November 23,1973
Headquarters	No. 334, Sec. 6, Changmei Rd., Hemei Township, Changhua County 508014, Taiwan
Paid-in Capital	NT$562,736,000
Annual Revenue	NT$2,039,142,000
Number Employees	YAO-I Group Total 1,237 employees (December 31, 2025)
Main Business Activities	Sporting Goods, Industrial Threads, Nylon Lines, Fishing Lines, Trimmer Lines, and Related Products

Main Products & Key Applications

Fishing Line

Racket Strings

Trimmer Line

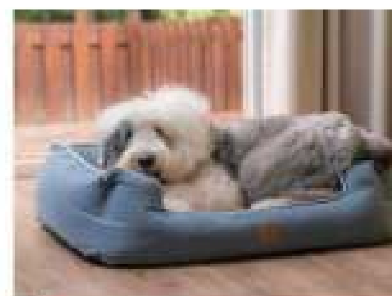
Industrial Threads

Conductive Products

Nonwoven Fabrics

Bedding Products

Pet Supplies



For detailed product information, please refer to:
· Page 56 of the 2025 Annual General Shareholders' Meeting Report
The Products & Services section of the official YAO-I website or the QSHION website

Participation in Associations, Non-Profit Organizations, and Sustainability Initiatives

As an engaged member of the industry, Yao I Fabric Co., Ltd. not only strives to maximize operational excellence within our core business but also proactively participates in external exchange activities. By collaborating with various industry peers and stakeholders, we aim to drive collective industry prosperity. The following table provides an overview of the Company's active participation and membership in:

Trade Associations, Non-profit organizations, and External Initiatives:

Trade Association / Non-Profit Organization	Membership Role / Participation Status
Changhua County Lukang Changbin Industrial Park Manufacturers Association	Member
Yunlin County Long-Term Care Institution Development Association	Advisor
Changhua County Medical Device Commercial Association	Member
Changhua County Police Friends Association	Member
National Long-Term Care Development Association of R.O.C. (Taiwan)	Member
Taiwan Nursing Home Association	Member
Changhua County Medical Device Association	Member
Taichung Long-Term Care Association	Consulting Member
Kaohsiung Long-Term Care Association	Consulting Member
Tainan Long-Term Care Association	Consulting Member
Changhua County Long-Term Care Association	Consulting Member
Yunlin County Long-Term Care Association	Consulting Member
Pingtung County Long-Term Care Association	Consulting Member
Miaoli County Long-Term Care Association	Consulting Member
Taitung County Long-Term Care Association	Consulting Member
Hualien County Long-Term Care Association	Consulting Member
Hsinchu Long-Term Care Association	Consulting Member
Kaohsiung Long-Term Care Association	Consulting Member
Keelung Long-Term Care Association	Consulting Member

2.1 Operational Performance (Continued)

Market Overview

- Against the backdrop of global inflation and economic sluggishness, the supply and demand chains within the Company's industry gradually stabilized in 2025, with end-user demand showing signs of recovery. However, corporate profitability was partially eroded by foreign exchange fluctuations caused by the sharp, short-term appreciation of the New Taiwan Dollar (NTD). Despite these headwinds, YAO-I continued to invest heavily in innovation and development, funding critical production technologies, optimizing manufacturing processes, and enhancing operational efficiency. These efforts reflect our dedication to realizing YAO-I core vision and our ongoing commitment to our corporate milestone: becoming "The Expert in Monofilament and Synthetic Yarns." Looking ahead to 2026, the international landscape remains highly volatile and the external environment leaves no room for optimism. Nevertheless, the Company will uphold its core philosophy of integrity management, continuously refining operational administrative functions and process efficiencies. We remain dedicated to elevating our overall operational framework. As the broader market steadily recovers, we expect the fruits of our operational performance to gradually manifest, steering YAO-I revenue and profitability back onto a growth trajectory.

Global Scale and Footprint

- The Company maintains a robust production capacity, operating five strategic manufacturing bases across Changhua (Taiwan), Dongguan and Changxing (Mainland China), and Vietnam. Our product marketing network spans over 60 countries globally. YAO-I aims to achieve full operational mobilization across all production lines. By elevating our capacity utilization rate, we can effectively mitigate the risks associated with raw material price volatility, delivering outstanding performance even within highly challenging environments.
  Moving forward, the Company will continue to cultivate close, rock-solid partnerships with brand supply chain vendors. By integrating upstream resources, we aim to deepen the overall efficiency of our customers' supply chains and sharpen our foresight regarding market trends and product future-readiness. In response to shifting market demands, we will scale up production capacity at appropriate intervals and evaluate the feasibility of nearshore manufacturing close to our customers' locations. This strategy will further enhance the flexibility and responsiveness of our global supply chain, elevating both our overall service efficiency and corporate competitiveness.

Annual Production Volume and Sales Markets

【Primary Product Sales Markets】 The primary market for YAO-I's sales is centered in Asia (accounting for approximately 36.66%). In 2025, driven by the gradual revival of market demand and the successful destocking of prior inventory, the Company successfully propelled its total sales revenue upward.

Sales Revenue by Region

(Unit: NT$ 1,000 ; Percentage %)

Year / Region		2023		2024		2025	
		Revenue	% of Total	Revenue	% of Total	Revenue	% of Total
Domestion Market	Taiwan	118,749	6.26%	130,907	6.26%	112,334	5.51%
Export Market	USA	440,811	23.23%	440,258	21.07%	413,457	20.28%
	Asia	796,253	41.97%	841,206	40.26%	747,515	36.66%
	Europe	367,357	19.36%	628,301	30.07%	716,440	35.13%
	Others	174,165	9.18%	48,962	2.34%	49,396	2.42%
Total		1,897,335	100.00%	2,089,634	100.00%	2,039,142	100.00%
Note: Percentage % = (Revenue from each Region / Total annual revenue)							

Revenue Share of Corporate Products

(Unit: NT$ 1,000; Percentage %)

Year / Category	2023		2024		2025	
	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total
Fishing line	584,530	30.81%	581,328	27.82%	549,962	26.97%
Badmintons / Tennis strings	113,473	5.98%	168,514	8.06%	218,469	10.71%
Industrial Thread	174,136	9.18%	245,936	11.77%	290,066	14.23%
Nonwoven Fabric Products	843,260	44.44%	911,878	43.64%	908,568	44.56%
Others	181,936	9.59%	181,978	8.71%	72,077	3.53%
Total	1,897,335	100.00%	2,089,634	100.00%	2,039,142	100.00%
Note: Percentage % = (Revenue from each product / Total product revenue for the year)						

2.1.2 Financial Performance

Material Topic: Economic Performance

Significance of Material Topic	Yao I Fabric Co., Ltd. is committed to establishing robust supply and demand partnerships. Adhering to the philosophy of mutual benefit and co-prosperity with customers, the Company effectively strengthens its economic performance by deepening partnerships and enhancing operational efficiency, regarding these efforts as the core key to achieving stable profitability and advancing toward sustainable development.
Policy / Commitment	Guided by the corporate philosophy of "Unity & Cooperation, Proactive Action, Total Dedication, Innovation & Breakthrough, Quality Leadership, and Shared Glory," the Company encourages all employees to embrace innovation in their respective roles, striving alongside customers for long-term and stable profitability through products of excellence.
Goals	Short-Term Goals： · Achieve profitability with zero net loss after tax for the current year. · Increase revenue by 15% compared to the previous year. · Continuously drive cost-reduction and efficiency-enhancement initiatives to optimize operational performance. Medium- to Long-Term Goals： · Continuously augment investments in R&D capabilities for new products to maintain the Company's competitive edge. · Actively expand into new markets and diversify the customer base to mitigate risks associated with client concentration. · Refine internal management systems to enhance organizational operational efficiency. · Deepen strategic partnerships with major international brands to drive stable growth in revenue and profitability.
Action Plans	· Continuously invest in innovation and development, focusing on key production technologies to optimize manufacturing processes and enhance overall performance. · Complete equipment retrofits, upgrades, and process optimizations to elevate production efficiency and quality.
2025 Actual Performance	· Revenue Performance: The Company's overall revenue decreased by 2.42% compared to the previous year, with a consolidated operating revenue of NT$ 2.039 billion. · Equipment and Process Optimization: Yao I (Vietnam) Co., Ltd. has completed equipment retrofits, upgrades, and manufacturing process optimizations, successfully elevating product quality and stabilizing mass production capabilities. · Customer Collaboration and Market Expansion: Aconic continues to deepen customer collaboration, strengthening its deep partnership with IKEA and others. By continuously developing and supplying new products, the company precisely aligns with market demands, steadily advances market expansion, and consistently enhances business coverage and cooperation depth, building a solid foundation for business development.
Communication Channels	An exclusive staff email address is disclosed on the Company's official website, providing a channel for communication and grievances for both employees and external stakeholders.

Operational Performance

Overall, the total revenue across the Group's Filament Business Group, Staple Fiber Business Group, and Innovation Business Group decreased by 2.42% compared to the previous year. The consolidated operating revenue for 2025 was NT$ 2.039 billion. Net loss for the current period stood at NT$ 10,836 thousand, with a net loss per share (EPS) of NT$ 0.19.

Financial Performance for the Past Three Years

Unit: NT$ 1,000

Item/Year		2023	2024	2025
Operating Revenue		1,897,335	2,089,634	2,039,142
Operating Costs		1,622,044	1,722,741	1,604,551
Gross Profit		275,291	366,893	434,591
Operating Express		452,890	418,787	414,590
Operating (Loss)		(177,599)	(51,894)	20,001
Non-operating Income / Express		(27,170)	14,348	(32,762)
Net Profit before tax		(204,769)	(37,546)	(12,761)
Income Tax Expense		(44,701)	5,107	1,925
Net profit after tax		(160,068)	(32,439)	(10,836)
Earnings per share (EPS)		(2.84)	(0.58)	(0.19)
Employee Compensation & Benefits	Salaries	410,234	447,546	447,796
	Insurance Premiums	35,129	30,926	32,027
	Pensions Contributions	32,315	33,483	34,657
	Others Employee Benefits	28,217	25,812	29,058
Payments to Capital Providers	Interest Payments	36,844	38,432	38,916
	Dividend Payments	28,137	28,137	28,137
Payments to Government		2,772	743	1,424
Community Investment		0	0	0

Payments to Government: Includes income tax, business tax, tariffs, fines, etc.

Financial Status and Profitability Analysis for the Past Three Years

Unit: NT$ 1,000

Item/Year		2023	2024	2025
Financial Structure	Debt to Asset Ratio (%)	50.00	49.92	50.57
	Long-term Capital to Fixed Asset Ratio (%)	131.61	137.62	144.71
Profitability	Return on Assets (ROA) (%)	(3.46)	(0.05)	0.58
	Return on Equity (ROE) (%)	(8.31)	(1.79)	(0.61)
	Pre-tax Profit to Paid-in Capital (%)	(36.39)	(6.67)	(2.27)
	Net Profit Margin (%)	(8.44)	(1.55)	(0.53)
	Earnings Per Share (EPS) (NTD)	(2.84)	(0.58)	(0.19)

Government and Association Subsidies

- This year, Yao I Fabric Co., Ltd. received funding subsidies totaling NT$ 2,549,005 from the Importers and Exporters Association of Taipei (IEAT), the Workforce Development Agency of the Ministry of Labor, and the China Productivity Center. These subsidies were granted for exhibition-related expenses, the "Assisting Industry to Enhance Competitiveness and Expand into Overseas Markets Plan," and the "Enterprise Human Resources Uplifting Program," among other initiatives.

2.1.3 Tax Policy and Information

Tax Policy

To effectively manage tax risks, create long-term corporate value, and fulfill our commitments to sustainable development and corporate social responsibility, Yao I Fabric Co., Ltd. has established and rigorously implemented a Tax Governance Policy. Furthermore, the Company discloses tax information to stakeholders through public channels—such as financial reports and corporate sustainability disclosures—to enhance information transparency and fully safeguard the interests of both the Company and its investors.

YAO-I FABRIC TAX POLICY

1. Each operational location must edhere to the tax law regulations of its country.
2. Transactions between related enterpries are conduced on arm's length principles, and comply with the transfer pricing gublished by the authorities, avoids fictious or complex transactions without economic sbustance.
3. No profit shifting to low-tax aeas or tax havens for the purpose of tax avoidence.
4 Regularly update the tax law regulations of the Taiwan region and each related enterrsie's connistry, and dinfirm their compliate status.
5. Regularly identify potential tax risks foced by the comany and each related enlenties.
6. Enhance professional tax knowledge through continuous ettration training.
7. Maintain effective communication with CPA and tax authorities.

Tax Performance for the Past Three Years

Unit: NT$ 1,000

Item		2023	2024	2025
Pre-tax Profit (loss)		(204,769)	(37,546)	(12,761)
Income Tax Expense (Benefit)	Current Income Tax	3,043	(2,720)	(6,984)
	Deferred Income Tax	41,658	7,827	8,909
Income Tax Paid (Cash Basis)		2,772	743	1,424

2.2 Regulatory Compliance and Business Ethics

2.2.1 Integrity Management

Material Topic: Business Ethics

Significance of Material Topic	Yao I Fabric Co., Ltd. has always steadfastly adhered to the principles of integrity, building mutual trust with our customers, suppliers, and partners. We deeply believe that only by anchoring our relationships in integrity can we achieve long-term, stable, and mutually beneficial cooperation.
Policy / Commitment	The Company has formulated regulations such as the "Code of Ethical Conduct," "Corporate Integrity Management Principles," and "Procedures for Integrity Management and Guidelines for Conduct" for all colleagues to follow. Furthermore, the dedicated department periodically promotes and reinforces the core values of integrity management during internal meetings.
Goals	Short-Term Goals: · Promote the normalized operation of the Sustainability Committee to serve as the foundation for future system establishment and annual reviews. · Continuously promote integrity management through diverse methods, such as education, training, and policy promotion, to reinforce internal practice from management to all employees.
	Medium- to Long-Term Goals： · Same as the short-term goals stated above.
Action Plans	· Convene Board of Directors meetings regularly (at least once per quarter) to deliberate on major decisions in operational management, conduct risk assessments, and review the Company's financial reports. · Convene operational management meetings monthly to track the execution status of various management indicators and business performance. · Conduct regular evaluations and investigations of suppliers, demanding improvements from non-compli ant suppliers, and—depending on the circumstances—placing them under guidance for improvement or disqualifying them as suppliers. · Assess customer transactions and credit status regularly, reducing the credit limits of those with higher credit risks to effectively control operational risks.

2025 Actual Performance	· Regulatory Compliance and Integrity Governance: Fully implemented regulatory compliance, with zero incidents of corruption or non-compliance occurring. · Employee Integrity Education and Culture Cultivation: Successfully implemented annual employee integrity management education and training.
Communication Channels	The Company has established relevant systems, including the "Procedures for Governing Related Party Transactions," "Operational Procedures Governing Financial and Business Matters Between Related Parties," and "Procedures for Preventing Insider Trading," to clearly regulate conflict of interest prevention mechanisms and implement the principles of integrity management. In addition, stakeholder contact windows (including telephone numbers and email addresses) are disclosed on the Company's official website, and an independent whistleblowing inbox has been set up to provide a channel for both internal and external personnel to report or blow the whistle on behaviors violating integrity management, thereby strengthening corporate governance and fulfilling integrity management.

Responsible Governance

Upholding the business philosophy of integrity, fairness, transparency, self-regulation, and responsibility, Yao I Fabric Co., Ltd. is committed to establishing a sound corporate governance mechanism. We strictly adhere to relevant regulatory frameworks to ensure that all operational activities are compliant and conducted with the highest integrity.

To provide a solid foundation for governance, the Company has established the following internal systems and policies:

- Corporate Governance Best Practice Principles
- Sustainable Development Best Practice Principles
- Rules of Procedure for Shareholders' Meetings
- Rules of Procedure for Board of Directors Meetings
- Audit Committee Charter
- Remuneration Committee Charter
- Sustainable Development Committee Charter
- Nomination Committee Charter
- Operational Management Meeting Guidelines
- Corporate Integrity Management Principles

Externally, the Company strictly complies with relevant regulations, including the Company Act, the Securities and Exchange Act, the Taipei Exchange Rules Governing Information Reporting by Companies with TPEx Listed Securities, and the Taipei Exchange Procedures for Verification and Public Disclosure of Material Information by Companies with TPEx Listed Securities. Furthermore, we have established a comprehensive internal audit system to implement integrity management and prevent any unlawful incidents. In 2025, zero incidents of regulatory violations occurred at Yao I Fabric Co., Ltd.

The Company continuously monitors regulatory amendments made by competent authorities and promptly informs department heads and employees of the latest revised laws. The implementation status of these relevant regulations is detailed below:

Anti-Corruption	For business activities within our scope of operations that carry a higher risk of unethical conduct, Yao I Fabric Co., Ltd. has established relevant regulations approved by the Board of Directors, including the "Code of Ethical Conduct," "Corporate Integrity Management Principles," "Procedures for Integrity Management and Guidelines for Conduct," and "Procedures for Preventing Insider Trading." These regulations strictly prohibit any form of illicit favoritism or fraudulent activities, including accepting gifts, rebates, or other improper benefits. Furthermore, relevant management regulations have been formulated for charitable donations to ensure transparency and legality, while encouraging employees to actively fulfill their civic responsibilities and jointly implement a culture of integrity management.
Integrity Management Audit	To implement integrity management, the Company has established a comprehensive accounting and internal control system. Each department regularly conducts self-assessments, while the internal audit unit formulates audit plans based on risks and executes verifications. Externally, certified public accountants (CPAs) also conduct annual spot checks on the implementation status of the system to ensure its effective operation and regulatory compliance.
Internal Promotion and Awareness	The Company presented its annual performance report to the Operational Management Committee on September 22, 2025. To equip colleagues with the correct understanding and ability to make sound judgments regarding relevant laws and ethical conduct, the Company regularly and periodically conducts education and training sessions on integrity management and the prevention of insider trading. This ensures that all employees fully understand the Company's integrity management policies and are deeply aware of the consequences and legal liabilities associated with any unethical behavior.

2.2.2 Regulatory Compliance

Material Topic: Regulatory Compliance

Significance of the Material Topic	Yao I Fabric Co., Ltd. strictly complies with relevant laws and regulations in critical areas, including workplace occupational health and safety, fire safety, information security, environmental protection, and integrity management, while requiring all colleagues to jointly implement and adhere to these standards.
Policy / Commitment	The Company's operations strictly comply with relevant laws and regulations. Dedicated departments continuously monitor the latest developments in policies and regulations to provide a solid basis for senior management's decision-making. Through document revisions, education, training, and announcements, we ensure that all employees understand and comply with laws and regulations related to operations, with internal auditors regularly conducting regulatory compliance reviews.

Goals	Short-Term Goals: · Set annual information security goals. · Set short-term annual goals for occupational safety: **Short-Term Goals (Under 1 year)** Number of Temporary Total Disability (TTD) incidents: 1 or fewer* *Note: Refers to occupational injury incidents where an employee is unable to continue their normal work, must take leave and exit the workplace, resulting in lost time of one day or more (including rest days and regular holidays), and is temporarily unable to resume work.
	Mid- to Long-Term Goals (2–3+ Years): · Set medium- and long-term annual goals for occupational safety: **Medium-Term Goals (2–3 years) & Long-Term Goals (Over 3 years)** Number of Lost Time Injury (LTI) incidents: 3 or fewer* *Note: Refers to occupational injury incidents where an employee is unable to continue their normal work, must take leave and exit the workplace, resulting in lost time of less than one day, and is temporarily unable to resume work.
Action Plans	· Review the timeliness and completeness of corporate processes and documentation regularly to effectively mitigate regulatory compliance risks. · Reinforce employees' compliance awareness through regular education, training, and announcements to promote internalization and long-term retention. · Continuously enhance the professional skills of each dedicated department to ensure robust execution of regulatory compliance. · Conduct internal audits related to regulatory updates regularly, and report the status of regulatory compliance to the Board of Directors and competent authorities.
2025 Actual Performance	Compliant Operations: Zero material violations or material fines occurred. Internal Controls: Zero material deficiencies found within the internal control system.
Communication Channels	Based on the division of professional responsibilities, the Company has clearly established dedicated contact windows to enhance management effectiveness. Workplace occupational health and safety is handled by the Labor Safety Office; fire safety is managed by the General Affairs Section; information security is managed by the IT Section; environmental protection is collaboratively executed by the General Affairs Section and the Labor Safety Office; and integrity management is spearheaded by the Internal Audit Office. This ensures that every domain has dedicated personnel and clear accountability to implement effective management.

Regulatory Compliance

- Regarding compliance cases within our business scope, in addition to internal reviews conducted by each respective business department, the Legal Affairs Department also provides comprehensive assistance. This dual approach ensures operational control and robust implementation of regulatory compliance.

Aspect / Dimension	Regulatory Compliance	2025 Regulatory Violations
Business Operations and Marketing	Criminal Code, Fair Trade Act, Patent Act, Trademark Act, Copyright Act, and Anti-Trust Laws	None
Financial and Organizational Planning	Company Act, Securities and Exchange Act, Money Laundering Control Act and Related Regulations, and Operational Procedures for Preventing Insider Trading	None
Internal Corporate and Customer Information Protection	Trade Secrets Act and Personal Data Protection Act	None
Personnel Policy and Management	Labor Standards Act and Related Regulations	None
Environmental Protection and Management	Environmental Protection Laws and Regulations	None

Regarding changes in critical domestic and foreign policies as well as regulations, the Company also consults with relevant professional entities, such as advisors and certified public accountants (CPAs). We regularly commission them to conduct evaluations, provide recommendations, and formulate responsive measures to ensure that all operational activities strictly comply with all laws and regulations. For the current year, Yao I Fabric Co., Ltd. had no incidents of material violations or material fines.

Internal Audit

- The Company has established an Internal Audit Office under the Board of Directors, which is responsible for executing internal audit operations. To continuously refine their professional capabilities, auditing personnel participate in audit-related training courses organized by professional training institutions in accordance with relevant regulations. Through the operation of an internal audit system characterized by professionalism and independence, the office monitors the implementation of the internal control system and instills the spirit of internal control across all operational levels to enhance the overall quality of corporate governance.

Scope of Internal Audit

1. Review the implementation of operational and project plans to confirm whether their results achieve predetermined goals.
2. Evaluate the adequacy of current systems to ensure that all policies, plans, operating procedures, contracts, and relevant regulations are effectively adhered to.
3. Review the accuracy and completeness of financial and operational information to enhance information transparency and decision-making quality.
4. Evaluate the efficiency and effectiveness of resource allocation and utilization to ensure that resources achieve maximum performance.

2.2.3 Risk Management

Risk Management System

To mitigate the impact of various risks on operations, executives across all business groups clear define relevant risks that could potentially affect the company's sustainable business practices based on the overall operational scope. Through risk identification and risk assessment, appropriate risk management strategies and mitigation measures are implemented to minimize potential risks, ensuring that the enterprise can effectively address related challenges, secure stable business performance, and safeguard the interests of customers and stakeholders.

【Commitment】
We are committed to establishing and maintaining an effective risk management system with continuous improvement, reducing operational costs, ensuring the company's sustained profitability, and creating a high-quality working environment to achieve the goals of corporate sustainability.

Risk Decision-Making and Organizational Operations

The Board of Directors is the highest decision-making and supervisory body for risk management within the Company, responsible for approving risk management policies and related regulations, as well as overseeing the execution of various risk management systems and the effective operation of their mechanisms. Furthermore, in accordance with its organizational charter, the Audit Committee explicitly designates "the control of the Company's existing or potential risks" as one of its critical mandates. The Committee reviews risk management policies, strategies, and guidelines, and supervises the implementation of risk management initiatives and action plans to achieve the Company's risk management objectives.

Risk Management Procedures

- The risk management system of Yao I Fabric Co., Ltd. operates through risk identification and risk assessment. The specific risk management and operational mechanisms are as follows:
  1. During the fourth quarter of each year, when compiling budget targets for the following year, each business group must conduct a risk assessment tailored to its operational scope, identify potential shifts in risk exposure, and formulate corresponding response strategies.
  2. The Company convenes monthly business management meetings to continuously track management indicators and operational performance, thereby evaluating the effective ness of risk response measures. Should any changes arise in the projected risk trends, the corresponding response strategies will be adjusted promptly to ensure operational stability.

Major Risk Categories and Mitigation Principles

Risk Type	Risk Description	Mitigation Strategies and Measures	Responsible Unit / Department
Operational Risk	Increased frequency of extreme weather events driven by intensifying climate change	Reinforce production plants and ancillary facilities to mitigate production disruptions or business interruptions caused by extreme weather.	General Affairs Section Plant Engineering Section
Business Risk	Shrinking business volume or rising raw material costs caused by geopolitical conflicts, economic cycles, inflation, and other factors	1. Stabilize product quality and enhance customer satisfaction to increase customer stickiness. 2. Continuously expand the new customer base and reduce sales concen tration to diversify risks. 3. Closely monitor raw material market conditions and trends to timely establish safety stocks and alternative sourcing options.	Sales & Marketing Department Procurement Section
Competitive Risk	Product price competitiveness and insufficient innovation	1. Optimize internal production processes and seek supply chain efficiency enhancements to reduce production costs. 2. Deliver unique and innovative products to differentiate from competitors, avoiding price competition that erodes revenue and market share.	Production Department R&D Center

Risk Type	Risk Description	Mitigation Strategies and Measures	Responsible Unit / Department
Financial Risk	Exchange rate and interest rate fluctuations impacting corporate profit and loss	1. Continuously monitor interest and exchange rate trends, dynamically adjust foreign currency exposure positions, and utilize appropriate financial hedging instruments. 2. Secure sufficient and favorable credit terms to meet the Company's operational needs and reduce interest expenses.	Finance, Accounting, and Information Technology Division
Climate-Related Risk	Extreme weather events such as typhoons and floods; carbon-related policies and regulations; market demand; and technologi-cal transitions	1. Based on global sustainability trends and current industry dynamics, identify and compile climate-related risks and opportunities that may affect the Company, and establish a proprietary climate risk inventory. (For details, please refer to Section (VI) "Climate-Related Information of Listed Companies" in the Company's 2025 Annual Report of Sharehold ers' Meeting, or Section 4.1 "Climate Change Actions" of this Report.)	Internal Audit Office (ESG)

2.3 Governance Organization

2.3.1 Corporate Governance Framework

Yao I Fabric Co., Ltd. (TPEx Stock Code: 4430) is a publicly listed company on the Taipei Exchange (TPEx) in Taiwan. We firmly believe that sound corporate governance and business performance are closely intertwined with the interests of all stakeholders, and exert a profound impact on the shareholder rights of the general investing public and institutional inves-tors. Therefore, the Company upholds the core philosophy of adhering to socio-economic regulations and international norms, while strengthening various risk management measures as the bedrock of our operational management. In the event of any negative incidents impacting stakeholders, the responsible units will report the matter to the Board of Directors, clarifying the underlying causes and corresponding response measures. No such incidents occurred in the year 2025.

Operations of the Board of Directors and Functional Committees

The Board of Directors of Yao I Fabric Co., Ltd. exercises its powers and duties in strict compliance with relevant regulations and resolutions passed during shareholders' meetings. Board members possess the professional knowledge, skills, and core competencies necessary to perform their duties, striving to maximize shareholders' interests based on the principles of sustainable management.

The primary responsibilities of the Board include:

- Ensuring corporate information transparency and regulatory compliance
- Appointing chief executives
- Proposing earnings distribution plans
- Overseeing as well as guiding corporate operations

To establish a robust board governance system, enhance supervisory functions, and strengthen management mechanisms, the Company has enacted the "Rules of Procedure for Board of Directors Meetings" to clearly stipulate relevant procedural rules for compliance.

In 2025, the Board of Directors convened a total of 5 times, with an average director attendance rate of 100% (for details, please refer to pages 15–17 of the Company's 2025 Annual Report, or the "Corporate Governance / Material Resolutions of the Board" section on the official company website).

Conflict of Interest Management

The Company has established rigorous provisions for the recusal due to conflicts of interest within the organizational charters of the Board of Directors, the Remuneration Committee, and the Audit Committee, as well as in its Code of Ethical Corporate Management.

Directors, managers, and other stakeholders attending or sitting in on Board or Committee meetings who have a personal interest—or represent a legal entity with an interest—in any proposal listed on the meeting agenda must disclose the essential details of their interest during the respective meeting. If such an interest presents a risk of prejudice to the Company's interests, the individual shall not participate in the discussion or voting, must recuse themselves during the discussion and voting process, and shall not act as a proxy for other directors to exercise their voting rights. This mechanism is strictly enforced to prevent any conduct that could compromise the interests of the Company and its shareholders.(For details, please refer to the "Corporate Governance / Material Regulations" section on the Company's official website.)

Nomination and Election of Directors

The Company has established "Rules for Election of Directors" based on the principles of fairness, justice, and transparency to encourage shareholders to participate in the nomination and election of directors. In accordance with the Company Act and relevant regulations, the election of directors utilizes the cumulative voting system with registered ballots.

In November 2025, the Board of Directors approved the "Charter of the Nomination Committee" and subsequently established the Company's "Nomination Committee" pursuant to the aforementioned regulations. Moving forward, the Committee will further refine and improve key functions, including establishing selection criteria for directors and senior executives, scouting and vetting director candidates (including independent directors), developing succession plans, and evaluating the performance of the Board and its individual members.

Board Diversity

The current Board of Directors consists of 9 members with diverse professional backgrounds, including 4 independent directors (accounting for 44.44%) and 5 non-independent directors (accounting for 55.56%), with 1 female independent director among them*. Less than half of the board seats are held by individuals who are spouses or within the second degree of kinship to one another, in full compliance with Paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act. Furthermore, none of the independent directors hold concurrent independent directorships at more than 3 other public companies. The Chairman does not concurrently serve as a senior executive of the Company, reflecting a clear segregation of duties that helps reinforce the corporate governance mechanism.

*Note: Regarding the regulatory requirement for TWSE/TPEx listed companies that at least one-third of the board seats must be held by any single gender starting from 2025, the Company will actively scout for female experts in various professional fields during the next board re-election to achieve the goal of board gender diversity.

All directors of Yao I Fabric Co., Ltd. possess core competencies in operational judgment, accounting and financial analysis, business management, crisis management, industry knowledge, international market perspective, leadership, and decision-making. In terms of age structure, as of the end of 2025, , the age distribution of the Board is as follows:

- Two (2) directors under the age of 50
- Two (2) directors between the age of 51 and 60
- Three (3) directors between the age of 61 and 70
- The remaining directors are over 70 years old

The overall composition characteristically demonstrates both a balance of experiential succession and professional diversity. (For detailed director profiles, please refer to page 4 to 9 onwards of the Company's 2025 Annual Report.)

Professional Development of Directors

To enhance the professional competencies of the Board of Directors, the Company arranges at least 6 hours of continuing education courses for each director annually, in accordance with Article 24 of the "Directions Compliance Requirements for the Appointment and Exercise of Powers by the Board of Directors of TWSE/TPEx Listed Companies" and the Company's internal "Rules Governing the Implementation of Continuing Education for Directors."

In 2025, the cumulative continuing education time for all directors totaled 90 hours, averaging 10 hours per director. The curriculum encompassed a diverse range of subjects, including:

- Corporate Governance
- Risk Management
- Legal Compliance
- Sustainable Development
- Climate Change
- Carbon Credit Trading

(For detailed information on director continuing education, please refer to pages 22–23 of the Company's 2025 Annual Report.)

Operations of Functional Committees and Board Performance Evaluation

To improve the supervisory functions and strengthen the management mechanisms of the Board of Directors, Yao I Fabric Co., Ltd. has established an Audit Committee and a Remuneration Committee under the Board, both of which exercise their powers independently.

Additionally, in June 2021, the Board authorized the Chief Executive Officer to coordinate the establishment of the "ESG Corporate Sustainable Development Committee," a concurrent unit dedicated to promoting sustainable development. Composed of executives holding the rank of Vice President or above, this committee is responsible for planning and driving the governance framework for sustainable development. The organizational charter for the Company's Sustainable Development Committee was officially approved by a resolution of the Board of Directors on August 6, 2025. Pursuant to the Board's authorization, the Committee convened its meeting in November 2025, appointing two independent directors and one director to form the Sustainable Development Committee.

Each functional committee is required to report its implementation status to the Board of Directors on a regular basis and submit its proposals to the Board for final resolution.

Board Of Directors

Report

Audit Committee

Convener: Mr. Hsiao, Chen-Chi, composed of 4 Independent Directors.
Held 5 meetings in 2025, actual attendance 100%.

Responsibilities: Supervise company operations and financial status, audit company financial statements, assist the Board in performing supervisory duties, and fulfil mandates from Company Act, Securities Exchange Act, and other regulations.

Report

Remuneration Committee

Convener: Mr. Lin, Yuan-Cheng, composed of 4 Independent Directors.
Held 4 meetings in 2025, actual attendance 100%.

Responsibilities: Formulate and regularly review the policies, systems, standards, and structure of performance evaluations and remuneration for Directors and managers.

(Please refer to the 2025 (year 114) Shareholders' Annual Report p.17-25 for details on functional committees)

Report

Sustainability Development Committee

Convener: Mr. Hsu, Hsiang-Jen, composed of 2 Independentt Directors and 1 Director.
Held 1 meeting in 2025, actual attendance 100%.

(1) The Sustainability Development Committee organizational regulations were passed by Board resolution on August 6, 2025.
(2) Responsibilities: Under the Board's authorization, assist the Board in promoting corporate sustainable development and enhancing corporate governance, responsible for formulating and revising corporate sustainability-related measures, and promoting sustainable development activities, including sustainability goals, progress plans, and related implementation, to achieve achieve sustainable operations.

Report

Nomination Committee

Convener: Mr. Hsiao, Chen-Chi, composed of 3 Independent Directors.
The 5th Board meeting in November 2025 passed the Nomination Committee organizational regulations.

Responsibilities: Select and review candidates for Directors and senior managers, plan Board performance evaluation and training, and ensure Board diversity and independence; the list of recommendations is submitted to the Board for decision.

Furthermore, to strengthen corporate governance and enhance the effectiveness of the Board of Directors, YAO-I formulated the 'Regulations Governing the Performance Evaluation of the Board of Directors' in 2012. Performance evaluations are conducted annually through questionnaire-based self-assessments. The scope of these evaluations encompasses the performance of the Board of Directors as a whole, individual board members, the Audit Committee, and the Remuneration Committee.

Remuneration for Directors and Senior Executives

The Company's remuneration policy for Directors, Supervisors, the President, and Vice Presidents is determined by referencing market salary levels within the same industry, the scope of responsibilities of the respective positions, and their contribution to the Company's operational goals. The procedure for establishing remuneration considers the Company's overall operational performance and potential future risks, alongside individual performance achievements and their contribution to the Company's business performance, to ensure reasonable compensation is provided.

Independent Directors receive a fixed monthly remuneration and attendance allowances based on actual presence, with no variable remuneration. Other Directors receive director's remuneration according to their actual attendance at meetings of the Board of Directors or functional committees. The remuneration of the Company's executives—including monthly salary, various bonus schemes, retirement plans, and performance appraisal systems—is reviewed and approved by the Remuneration Committee and subsequently submitted to the Board of Directors for resolution before implementation. (For information regarding the shareholding status of the Company's senior executives, please refer to the 'Financial Information / Major Shareholders' section on the Company's official website.)

2.4 Information Security and Privacy Protection

2.4.1 Information Security Management

Information Security and Privacy Protection Policy

YAO-I deeply understands that information security is the cornerstone of operational stability. In the face of globalization management challenges and the rapid development of AI intelligent technologies, where corporate information security risks are becoming increasingly diverse and complex, the Company continuously raises risk awareness and strengthens cybersecurity governance.

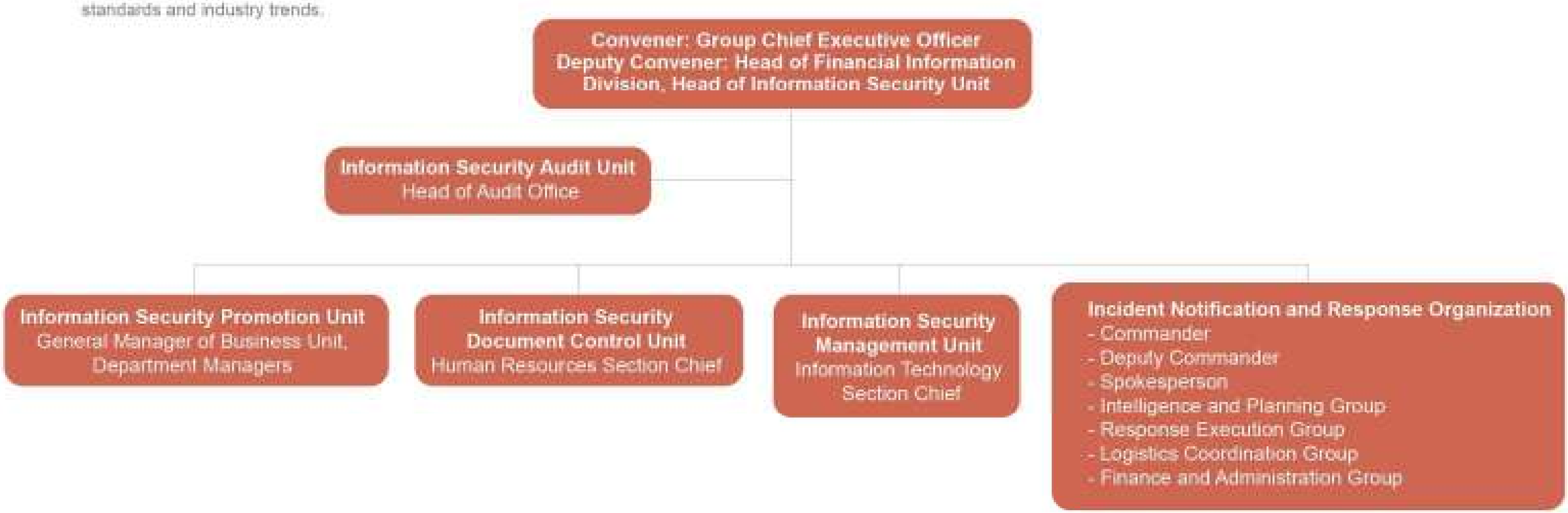
To safeguard the ultimate interests of shareholders and clients, we proactively promote information security systems and protection mechanisms. We have formulated the 'Regulations Governing Cyber Communication Security Management' and utilized the Plan-Do-Check-Act (PDCA) management cycle mechanism to effectively mitigate external threats, ensure seamless operations, and earn the trust of our shareholders and clients.

Our information security management strictly adheres to the following core principles:

1. Institutionalized Management: Establish and continuously optimize information security policies and systems based on the "Cybersecurity Control Guidelines for TWSE/TPEx Listed Companies" and international information security standards.
2. Dual Protection of Technology and Process: Introduce advanced detection technologies and protective tools, combined with clear operational procedures, to ensure that risks are identified in real-time and mitigated effectively.
3. All-Member Participation: Strengthen information security education and training for employees, embedding a culture of cybersecurity into daily operations to enhance overall security awareness.
4. Continuous Monitoring and Incident Response: Construct cybersecurity monitoring and incident reporting mechanisms, and regularly conduct cybersecurity drills and audits to strengthen overall organizational resilience.

Information Security Governance Organization

The Company has established the Information Security Promotion Committee, which encompasses the information security teams of both our Taiwan plants and overseas subsidiaries. The committee convenes regular meetings to review cybersecurity policies and execution results, ensuring that our information security management aligns with the latest security standards and industry trends.



Major Practices and Implementation Results of Information Security Management

Only by robustly implementing information security management while driving innovation and digital transformation can a company maintain trust and competitive advantage in global competition. YAO-I adopts comprehensive management measures encompassing equipment and access control, malware defense, cybersecurity awareness training, as well as incident response mechanisms and monitoring systems. In 2025, the Company experienced zero major cybersecurity incidents and received no complaints regarding customer privacy protection, demonstrating that our information security governance mechanism is operating smoothly with significant efficacy.

01 Strengthening Information Security and Establishing Defense-in-Depth	· The Company adopts multiple cybersecurity measures—including website access control management, basic web application protection, account and password strength settings, antivirus software installation, the updates of original vendors' security patches, USB access control, and the establishment of backup and recovery mechanisms. These initiatives strengthen system defense, mitigate the risk of system vulnerabilities, and ensure the security of customer data. · Furthermore, we have established a cybersecurity incident response mechanism. Based on the classification of the information security incident level, corresponding personnel are designated as commanders. An emergency response team will be formed as appropriate to promptly execute the troubleshooting and containment of abnormal incidents, ensuring that the response is immediate and effective.
02 Compliance with Laws and Regulations	· Regularly review information security protection measures and regulations, closely monitor cybersecurity issues, and formulate corresponding response plans to ensure their adequacy and effectiveness. · The Company launched the ISO 27001 Information Security Management System (ISMS) implementation project in 2025 and expects to obtain the ISO 27001 TAF certification in 2026, aiming to fortify the information security manage ment system and elevate the overall level of cybersecurity governance.
03 Establishing Physical Security Protections	· Establish an incoming management mechanism for IoT devices and implement periodic vulnerability scanning along with other auditing mechanisms. · Build malware and cybersecurity defenses, deploying ESET endpoint protection combined with EDR/MDR security products to detect and block malware, ransomware, and anomalous behaviors in real-time. Furthermore, fortify Forcepoint WSG to defend against malicious website attacks, thereby mitigating the risks of phishing and hacker intrusions.
04 Awareness, Training, and Capability Building	· Conduct regular social engineering and red team drills for employees semi-annually to strengthen cybersecurity risk identification and incident response capabilities. In 2025, a total of 426.5 hours were invested in cybersecurity drill training for all colleagues across the Group, continuously deepening cybersecurity awareness and reinforcing overall protective resilience. · Promote the professional cultivation of talents, strengthening the specialized knowledge and cross-domain integration capabilities of IT personnel. In 2025, a total of 12 hours of professional training were implemented for colleagues in the IT Department, elevating technical capabilities and comprehensive response effectiveness. · Arrange information security education and training for new hires to ensure they possess basic cybersecurity knowledge and robustly implement relevant operational regulations.

Note: For detailed information, please refer to pages 62-63 of the Company's 2025 Annual Report or the Regulations Governing Cyber Communication Security Management.

CH3

Smart Innovation for a Sustainable Future

3.1 Product Value Innovation

- Guided by our business philosophy of "Innovation, Breakthrough, and Quality Leadership," Yaw Yi Industrial has accumulated years of extensive R&D and manufacturing expertise in leisure sports and industrial filaments. We consistently integrate high-tech, automated systems to enhance product quality, reduce labor overhead, and bolster our competitive edge.
  Our company remains deeply committed to the cultivation and innovation of core technologies. By pursuing a strategy that balances steady operations with forward-looking R&D, we have focused in recent years on the intersection of material science and technology-driven development. By merging traditional industrial experience with modern R&D capabilities, we are dedicated to developing innovative products that embody both sustainability principles and strong market competitiveness.

R&D and Innovation Strategy

- Long-Fiber Business Group:
  In addition to the ongoing design and optimization of core products—such as fishing lines, sports filaments, and industrial yarns—we are integrating innovative material compounding technologies to develop next-generation, high-performance applications.
- Short-Fiber Business Group:
  We are focusing our research and application efforts on high-end cotton and non-woven materials to launch functional, differentiated products. Our R&D priorities are aligned with the long-term require ments of international clients regarding sustainability and carbon footprint management, with a dedicated commitment to developing low-carbon products. Concurrently, we are strategically positioning ourselves in new functional material technologies, which include:

· Material Innovation

Footwear Materials: We have utilized Ultra-High Molecular Weight Polyethylene (UHMWPE) to enhance sole durability to military-grade standards. Furthermore, through our proprietary 2.5D non-woven upper molding technology, we have entered into joint development agreements with several renowned international athletic brands.

Apparel Insulation Materials: Based on concepts of sustainability and lightweight performance, we have leveraged our expertise in fiber structures to co-create high-thermal-insulation materials with several major international apparel brands. These solutions have successfully earned brand accreditation and are now being implemented in their product lines.

· Finished Products

In response to global environmental trends and the growing demand for private spaces, the Staple Fiber Division has developed eco-friendly non-woven acoustic panels and interior finishing materials, as well as decorative products, for private space applications. These products are fully compliant with the EU EN 13501-1 fire safety standards and NRC sound absorption standards.

Furthermore, starting in 2025, we successfully entered the supply chain of a renowned international toy brand, developing a series of felt storage boxes for children's toys and achieving significant results.

The newly established Design Department focuses on innovative product development, assisting our sales and R&D teams in transforming design concepts into successful commercial products. Furthermore, our group has engaged a specialized Swedish consultant to provide expert support in R&D and material analysis. Working alongside our domestic team, they provide integrated solutions for our clients—spanning material selection, manufacturing technology, functional design, and product aesthetics—thereby further strengthening our company's R&D competitiveness and technological leadership in the global market.

Functional Products Business Group

As the global mattress market undergoes structural transformation, consumer demand is shifting from basic sleep functionality toward health, environmental sustainability, and high levels of customization. Leveraging our superior fiber extrusion technology, Jonson centers its strategy on "air-fiber structural technology" and a "circular economy production model." With core advantages including "recyclable food-grade POE, integrated one-piece variable-density elasticity, and multi-channel distribution," we possess the differentiated competitiveness required to penetrate international markets. We are now focusing on establishing the following four competitive capabilities:

· Process Innovation: Streamlining the current multi-stage bonding process to enhance our one-piece molding capabilities and variable-density elasticity, thereby reducing manufacturing costs and lead times.

· Integration of Green Materials: Fully implementing food-grade, recyclable POE materials to strengthen our brand's commitment to sustainability, while establishing robust recycling processes and R&D for downstream remanufacturing applications.

· Digital Transformation and Upgrade: Implementing global customer development platforms and marketing automation systems to effectively integrate lead management and enhance our overseas business development capabilities.

· International Channel Expansion: Combining online channels (proprietary websites and B2B platforms) with offline channels (trade exhibitions and distribution partnerships) to expand global market coverage and increase sales efficiency.

- In addition to continuing our existing product lines in bedding, pet products, and healthcare, we are further developing the following products to actively expand into the 3C electronics sector, creating cross-industry integrated, innovative solutions:
  - Conductive Yarns / Fabrics / Foam Gaskets: Our FLEX series of conductive products utilizes eco-friendly manufacturing processes. These products offer flexibility, high strength, and effective EMI (Electromagnetic Interference) shielding, making them ideal for applications in the technology industry.
  - High-Strength Signal Cables: Unlike conventional large-diameter signal cables, we have developed fine-diameter signal cables that are not only lightweight but also maintain high strength, superior abrasion resistance, anti-interference properties, bend resistance, and high transmission stability despite their compact size.
  - Elastic Sensor Cables: Featuring a highly elastic structure, these cables provide excellent stretch-and-recovery performance and signal stability. They are resistant to repeated stretching and breakage, making them suitable for wearable devices, sensor modules, and precision electronic applications.
  - Robotic Cables: Engineered with high-toughness yarns and an abrasion-resistant outer sheath, these cables are specifically designed for robotics and automation equipment. They offer low noise during operation and can withstand long-term repetitive bending and low creep, ensuring the long-term operational reliability of the equipme.

R&D Process and Collaboration Mechanism

- Requirement Communication and Collaboration

  The Sales Department meticulously records customer product development requirements and relays them to the Biotechnology Division and R&D Center for development. If necessary, samples are requested from the customer to serve as references for the development process.
- Regular Design Reviews

  To evaluate whether trial samples meet customer requirements and to identify areas for improvement, the Sales Department and the development team hold periodic design review meetings. These meetings serve to address key points and track the progress of issue resolution.
- Information Sharing Mechanism

  Throughout the entire development process, all design documents, sample production insights, and measurement data are synchronized and uploaded to the "Project Progress Master System." This ensures real-time information sharing across departments, enhancing transparency and collaborative efficiency.
- Trial Production Phase

  Upon entering the trial production phase, periodic progress meetings are scheduled for any issues requiring cross-departmental coordination. This process allows us to clarify issues and collaboratively track solutions, ensuring a seamless transition to mass production.

New Product Development Chat

Customer needs

Business units use customer product development needs as the basis for development guidance.

Sample and data collection

The business unit requests all necessary development materials from the client, such as drawings, specifications, reference samples, etc, and explains the development project, product name, and raw material requirements. The biotechnology unit and R&D center review these materials and conduct a feasibility assessment.

Development feasibility assessment

Develop development schedule

Sample trial

After biotech personnel prepare samples, they must entrust the quality assurance unit to conduct inspections and tests according to various test methods and test items.

YES

NG

design review

Hold design review meetings for each product to evaluate the ability of design prototypes to meet customer needs, identify issues requiring improvement, identify solutions, and review results.

YES

NG

Design verification

For new product trial samples, we can entrust our quality assurance personnel to perform product verification or we can hand over the samples to the customer for design verification and acceptance. All samples must meet the customer's requirements or the needs of the product project.

YES

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Design acceptance

Cost analysis and quotation

The biotechnology unit will tear all relevant information, drawings, reference samples cost analysis, etc. to business unit for analysis and quotation.

design output

After completing design verification and design acceptance, biotech personnel prepare various new product documents such as drawings, samples, operating standards, and other materials, and distribute them to various units for implementation.

Technology transfer before mass production

Before mass production, we assess production operations to ensure they meet product and customer requirements, and conduct small-batch trial runs. Each project leader convenes a pre-mass production technology transfer meeting to discuss and coordinate solutions for issues related to mass production, trial runs, production, and quality.

Cross-Departmental Collaboration

To ensure smooth information flow and operational efficiency, YAO-I implements a cross-departmental mechanism supported by multi-level periodic meetings across its business units. These include monthly R&D meetings, quality meetings, and sales meetings, along with bi-weekly full-departmental coordination sessions. Additionally, ad-hoc product and technology exchange meetings are convened as needed, involving technical, sales, quality assurance, and procurement teams to address shared challenges and coordinate resources in real time. The company also participates in industry exhibitions to stay informed about market trends. These exhibitions are attended by representatives from R&D, sales, and QA departments, and the general manager is invited when strategic decision-making is required. This approach enhances strategic alignment and strengthens execution across departments.

Innovation Proposal Incentive System

YAO-I promotes a culture of innovation by implementing an internal proposal and improvement program, encouraging employees to actively contribute ideas related to product design, process optimization, and manufacturing innovations. All participants receive a base incentive, with proposals further evaluated during relevant meetings based on their "innovation" and "practicality." Outstanding proposals are granted additional rewards.

This mechanism not only enhances service and product quality but also opens new avenues for business development and strengthens the company's overall competitiveness.

Green Innovation and R&D Strategy

YAO-I is deeply committed to developing eco-friendly products, with a focus on low-carbon emissions and high-performance material applications. As global attention to energy conservation and waste reduction intensifies, our investments in green technology have increasingly gained recognition from both the market and our customers. Key strategies include:

Development of Low-Carbon Wires and Sustainable Packaging

- Adoption of renewable or low-carbon footprint raw materials, combined with process optimization to minimize emissions throughout the product lifecycle.
- Design of recyclable and durable packaging solutions to support clients' sustainability goals.

Application of Optical-Grade Polymers in Filament Spinning

- Use of high-transparency, high-purity optical-grade polymers to improve spinning precision and material consistency.
- Enhanced elasticity, durability, and fatigue resistance in wires to meet the rigorous performance requirements of high-end sports equipment.

Innovation in High-Frequency Racket Strings

- Structural optimization and material distribution to improve sound feedback and hitting feel.
- Adjustment of damping properties to enhance string stability and acoustic performance under high tension conditions.

Green and Sustainable Products

Product Segment

01 Staple Fiber Products

The Staple Fiber Business Unit has integrated sustainable development as its core strategy. We are actively promoting the use of recycled polyester to replace virgin materials and expanding the R&D and application of recycled products to reduce our reliance on natural resources. In terms of operations, our China production facilities have fully transitioned to 100% green energy. Furthermore, we have established a supply chain carbon emission inventory and management mechanism in accordance with ISO 14064. Building upon our existing GRS and Higg FEM certifications, we are continuously implementing ISO 50001, ISO 14001, and ISO 14067 management systems to perfect our end-to-end green management framework.
Regarding our product strategy, we focus on the R&D of high-end cotton-like materials and non-woven fabrics.
We are committed :



01 Staple Fiber Products

- Adopting non-toxic
- Low-impact manufacturing processes
- Innovating with eco-friendly materials to develop differentiated
- Carbon-reduction-oriented functional products

Thereby addressing international clients' requirements for sustainability and carbon management. Simultaneously, we are actively expanding our footprint in new functional material technologies (such as 4-way stretch non-woven fabrics). This allows us to broaden our presence in high-value-added application fields, including

- High-efficiency thermal insulation
- Footwear materials
- Automotive interiors
- Acoustic insulation and building materials
- Eco-friendly home furnishings and packaging

Through these initiatives, we continue to enhance our product competitiveness while strengthening our long-term contribution to environmental sustainability.

02 Sports Products

Sporting goods brands have traditionally focused on fashion, comfort, and functionality. Recently, in response to rising environmental awareness, these brands have launched sustainable product series, such as:

- Featuring recycled materials
- Mono-material designs for easier circularity
- Biodegradable components

Major brands have now committed to the full use of 100% recycled materials, with rigorous traceability for all recycled content utilized in production. YAO-I has conducted extensive research in this field, and we anticipate gaining recognition from major brand clients and securing a significant increase in adoption in the near future.

03 Mattress Products

People spend over eight hours a day in close contact with their mattresses. Despite the use of bedsheets, long-term accumulation of moisture and dirt can lead to hygiene concerns. Traditional spring mattresses cannot be washed and often require full replacement, creating significant environmental waste.

To address this issue, YAO-I developed the QSHION air fiber mattress, engineered with a unique elastic air-fiber structure. This 3D interwoven material is not only supportive and resilient but also washable and quick-drying, resolving the hygiene dilemma associated with conventional mattresses.

Ideal for hospitality, property rentals, medical facilities, and long-term care settings, the QSHION mattress represents a growing trend in sanitary and sustainable sleep solutions.

Key Features:

- Water-Repellent and Quick-Drying: The open air-fiber design resists moisture retention, minimizing conditions conducive to dust mite and bacterial growth.
- Certified Antibacterial Performance: Paired with internationally certified fabric, the mattress acts as a barrier against allergens and microbes.
- Eco-Friendly Material: Made from non-toxic, recyclable polyolefin elastomer, free of harmful chemicals such as formaldehyde, bisphenols, and fluorescent agents.
- Durability and Reduced Waste: Washable, mite-resistant, and long-lasting, QSHION helps reduce the frequency of mattress replacement, supporting long-term sustainability goals.

In an age of rising environmental awareness, QSHION exemplifies responsible product innovation, offering a hygienic, eco-conscious alternative for everyday living.

Packaging Waste Reduction and Sustainable Materials

01 Reusable Reels

YAO-I has long utilized recyclable reels as part of its wire and yarn packaging solutions. These reels are made from durable, high-resilience materials and are designed for multiple reuse cycles. Reels are only replaced when they are damaged due to prolonged use or unexpected impact, significantly reducing packaging waste.
In 2024, the company further expanded the scope of reusable reel adoption, reinforcing its commitment to circular packaging practices and minimizing environmental impact across its production and logistics chain.

02 Lightweight and Durable Packaging Design

Regardless of whether packaging materials are made of paper or plastic, reducing material usage through lightweight and durable structural design can significantly minimize packaging waste. Leveraging years of experience, YAO-I's design team has developed eco-friendly packaging solutions that use fewer materials, contributing to waste reduction efforts.

03 Recycled and Biodegradable Packaging Materials

YAO-I actively collaborates with suppliers to source third-party certified recycled materials and biodegradable alternatives for packaging development. Moving forward, the company will continue to innovate environmentally friendly packaging solutions and strive to reduce costs, enabling broader adoption across product lines.

Product Portfolio Strategy

Strategic Planning for Sustainable Products

In response to growing global attention on environmental sustainability and the urgent demand for related products from major international retailers, YAO-I's Short Fiber Business Group actively monitors market trends through multiple channels. By collecting real-time insights from both market and customer sides, the team identifies latent needs and promptly integrates them into the product development process.

Beyond reactive measures, YAO-I adopts a proactive approach by proposing innovative product concepts and alternative material solutions, alongside suggestions for scalable manufacturing optimization. These efforts not only strengthen customer loyalty but also accelerate the adoption of nonwoven materials across diverse industries, reinforcing YAO-I's strategic position in the global sustainable materials supply chain.

R&D Strategic Planning

YAO-I has dedicated to building internationally competitive technical capabilities. To enhance the value-added potential of our products, we have engaged a Swedish engineer with extensive experience in European material development as a part-time R&D consultant for our Staple Fibe r Business Unit, thereby deepening our connection with cutting-edge international technologies.

01 Intelligent Automation R&D and Precision Manufacturing

To shorten development cycles and improve resource utilization, we are actively investing in R&D for automation and intelli-gent manufacturing systems. By implementing automated precision metering and real-time process parameter adjustment, we minimize the occurrence of substandard products caused by human error, effectively reducing material waste and promoting resource circulation at the source.

02 Automation-Driven Decarbonization and Energy Efficiency Optimization

Automation technology is not only a driver of efficiency but also a key pillar of our low-carbon transition. Automated equipment optimizes energy consumption based on real-time production line load, effectively reducing energy intensity per unit of product. This technological upgrade facilitates the accurate calculation and optimization of the carbon footprint throughout the product life cycle. Adhering to climate science standards and initiatives, we collaborate with our clients to advance the decarbonization of the green value chain, jointly establishing core market advantages in low-carbon transformation.

03 Resilience in Occupational Safety and Knowledge Management

The introduction of systematic R&D processes and automated operations effectively reduces employee exposure to highly repetitive and high-risk environments, fulfilling our commitment to human-centric occupational health and safety. By combining standardized documentation with automated data storage, we have built a comprehensive knowledge management system. This ensures that advanced material technologies are sustainably passed on within a digitalized and scientific framework, accelerating our transition toward a sustainable development model driven by innovation and smart manufacturing.

YAO-I partners with National Taipei University of Technology:

Industry-Academia Collaboration in Advanced Materials

- Recognizing the critical role of industry-academia collaboration in driving technological innovation, YAO-I has established a strategic partnership with National Taipei University of Technology to jointly advance the development and analysis of high-performance materials.
  By sharing laboratory facilities and technical resources, this collaboration not only fosters breakthrough innovation but also significantly reduces R&D costs and shortens product time-to-market. This initiative lays a solid foundation for YAO-I's continued technological advancement and sustainable growth.

Industry – Academia Collaboration Projects

Institution	Period	Project Title	Project Description
National Taipei University of Technology	2024/3/1-2026/2/28	Industry-Academia Collaboration on High-Performance Materials and Analytical Technology Development	This project focuses on the evaluation and development of raw materials, semi-finished products, yarns, and textiles provided by YAO-I. Utilizing NTUT's laboratory-scale equipment; preliminary testing is conducted to assess product feasibility and shorten the development timeline. The project aims to reduce R&D costs and accelerate product commercialization. Additionally, reverse engineering of competitor products is conducted to analyze their physical and chemical properties, serving as reference data for improving and optimizing comparable YAO-I products.

Intellectual Property Strategy

- YAO-I is committed to establishing a systematic intellectual property management system in accordance with the international standard ISO 56005. We have implemented Standard Operating Procedures (SOPs) covering all aspects of IP management, including patent retrieval, application, technical analysis, competitive monitoring, and ongoing rights maintenance, thereby effectively enhancing the protection of our R&D resources.
  Simultaneously, YAO-I continues to strengthen employees' awareness and practical application of IP through internal advocacy and regular training. By fostering a company-wide IP culture, we aim to mitigate potential infringement risks and treat intellectual property as a core asset for driving innovation and revenue growth. Through this comprehensive institutional framework and the elevation of personnel awareness, IP management has been deeply integrated into our operational processes and technology development milestones.

3.2 Product Quality and Safety Management

As an internationally renowned supplier of various types of fibers, YAO-I persistently upholds "Innovation and R&D" as the core cornerstone of our quality policy. To ensure the effective promotion and implementation of this policy, we continuously advance our R&D technologies and enhance manufacturing quality. Furthermore, we deeply embed the quality philosophy of "Breakthrough Innovation, Quality Leadership" into the daily work of all employees, ensuring that our policy is comprehensively upheld from the top down.

Material Topic: Product Quality and Safety

Significance of the Material Topic	Economic Dimension Product quality serves as the cornerstone of corporate brand reputation, market competitiveness, and client trust, directly impacting financial performance and risk management efficacy. Quality failures may trigger returns, product recalls, regulatory liabilities, or reputational damage, causing significant operational disruptions. Conversely, a rigorous and continuously improved quality management system not only strengthens cost control and production efficiency but also fosters long-term economic value, enhancing overall profitability and market positioning. Environmental Dimension Product quality is intrinsically linked to environmental sustainability. Products with poor quality or short life cycles easily lead to resource waste and increased waste generation, exacerbating the burden on the environment. By implementing product strategies focused on durability, recyclability, and repairability, the company can extend product life cycles, reduce its carbon footprint, and promote resource circulation and circular economy models, thereby fulfilling its commitment to environmental sustainability. Social Dimension (Including Human Rights) Product quality concerns consumer safety and health, while also reflecting a company's social responsibility in supply chain management. Inadequate quality control may indirectly involve human rights risks such as low-wage labor, exploitation, or child labor. Through the implementation of comprehensive quality management systems and supplier audit mechanisms, the company ensures product safety and compliance while promoting the protection of labor rights, demonstrating its commitment to human rights issues and the fulfillment of corporate citizenship responsibilities.
Policy / Commitment	YAO-I regards product quality as the core competency and foundational value for our sustainable business operations. The company is dedicated to establishing and continuously refining a comprehensive quality management system to ensure that all products meet both regulatory standards and customer expectations. Meanwhile, through the ongoing integration of innovative technologies and quality optimization measures, we not only enhance the value-added potential of our products but also strengthen our brand credibility and market competitiveness, thereby laying a solid foundation for our long-term corporate development.

Goals	To enhance product consistency and process stability, we have established the following short-term quality management objectives to strengthen the effectiveness of our overall quality control. Short- Term Group: · Defect rate for sports ball strings: ≤ 1% · Defect rate for industrial threads: ≤ 0.5% · Defect rate for braided fishing lines: ≤ 0.20% · Trimming waste rate for sports ball strings: ≤ 1.5% · Trimming waste rate for braided fishing lines: ≤ 0.5% · Customer complaints: ≤ 2 cases per month · Digitalization of inspection standards: Implement electronic systems and online approval workflows to reduce the waiting and transit time associated with traditional paper-based document processing. Mid- to Long-Term Goals: · Improve production efficiency and resource utilization · Balance capacity, streamline processes, and reduce waste of raw materials and energy · Upgrade quality management and strengthen workforce competency Prevent defects from the source, increase yield, boost customer satisfaction · Mitigate operational risk and ensure stable delivery · Preventive maintenance and equipment management to reduce downtime, improve delivery performance and customer trust
Management Approach	· ISO 9001 Certification · RCS Recycled Material Management System
2025 Performance	· Implement statistical methods integrated with Critical Control Points (CCPs) to execute monthly rolling sampling plans, focusing resources and attention on high-risk products to eliminate unnecessary labor and operational waste. · Introduce Measurement System Analysis (MSA) to standardize inspection methods and criteria, thereby enhancing cross-factory consistency and quality stability. In 2025, in alignment with client requirements, we will implement automotive industry standards including CP (Control Plan), FMEA (Failure Mode and Effects Analysis), PPAP (Production Part Approval Process), and SPC (Statistical Process Control). · QSHION has achieved the SNQ (Symbol of National Quality) certification. 
Communication Channels	Address: No. 334, Sec. 6, Zhangmei Rd., Hemei Township, Changhua County508041, Taiwan Tel: +886-4-755-6111 Website: https://www.yaoi.com.tw

Quality Policy and Objectives

- YAO-I aims to achieve maximum customer satisfaction, viewing it as our steadfast commitment to all clients. To this end, we have fully implemented and integrated international management system standards, including the ISO 9001 Quality Management System and the Recycled Claim Standard (RCS). These systems ensure that our products comply with international regulations and customer expectations from the design phase through to final shipment.
  Regarding product quality control, YAO-I has established rigorous sampling and inspection policies tailored to the unique characteristics of each product. Prior to shipment, every batch undergoes comprehensive testing—including tensile strength, colorfastness, and durability—to ensure a consistent and reliable quality standard, reflecting our uncompromising commitment to quality.

Three Core Pillars

INNOVATION: Breakthrough Innovation and Quality Leadership

Innovation in R&D serves as the cornerstone of our quality policy. To ensure the effective promotion and implementation of this policy, we continuously strive for innovative research, refine our quality standards, and communicate these objectives to all employees, ensuring that our quality commitments are fully understood and strictly upheld at every level.

COMMITMENTS: Quality Assurance

Achieving maximum customer satisfaction is our primary quality objective and our steadfast commitment to all clients. To fulfill this, we have implemented the ISO 9001 Quality Management System across all production facilities. Furthermore, we apply rigorous sampling policies tailored to the specific characteristics of each product. Before shipment, every batch undergoes a series of performance tests—including tensile strength, colorfastness, and durability—to ensure reliable and consistent quality.

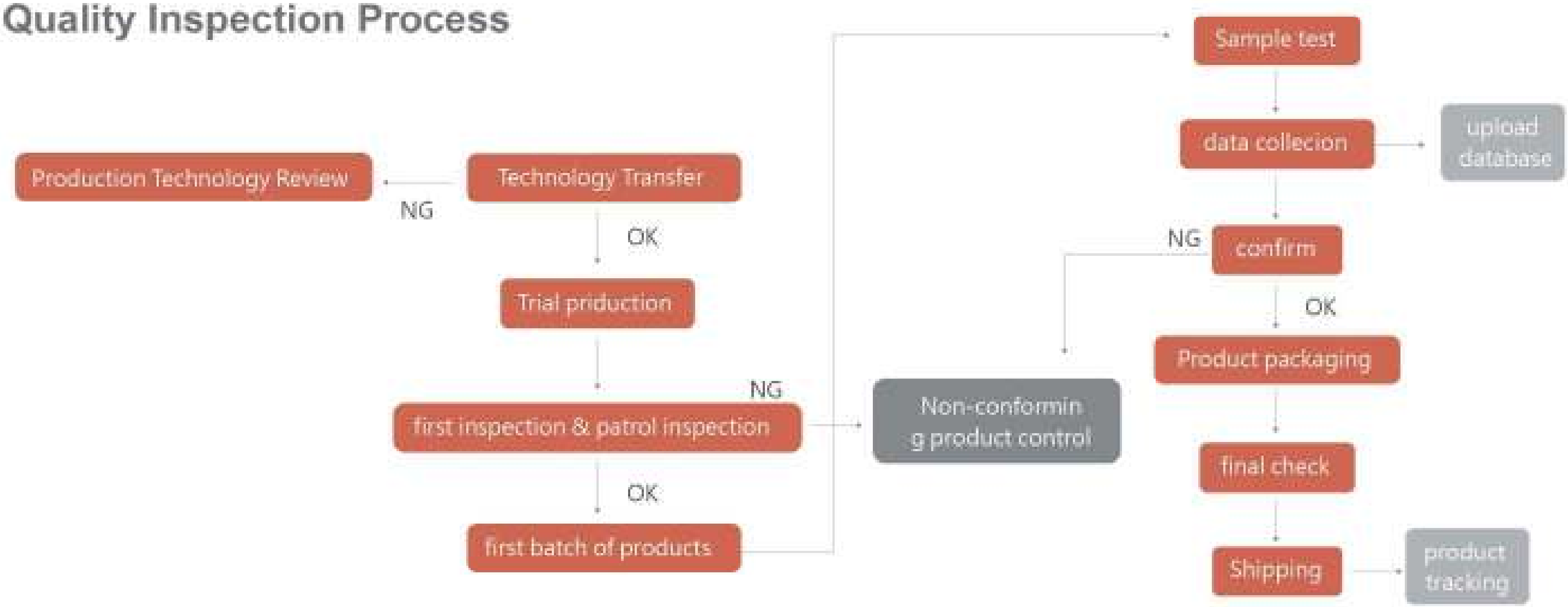
GOALS: Quality Objectives

Based on the distinct production models and product characteristics of each department, and in alignment with decisions from our management review meetings, we establish specific quality objectives for every unit. Our fundamental goals are to reduce process defect rates, minimize waste, and lower the number of customer complaints.

Inter-Departmental Quality Communication

- To ensure stable product quality, effectively respond to client requirements, and continuously strengthen internal quality management, YAO-I has established a mechanism for periodic meetings, including cross-departmental quality and customer complaint reviews. We conduct monthly cross-functional quality meetings, placing high importance on customer feedback. Notably, we have shortened our customer complaint review cycle from monthly to bi-weekly to ensure that all complaints and production abnormalities are thoroughly documented, deeply analyzed, and addressed with concrete improvement strategies. We also rigorously track the implementation status of these improvements to prevent the recurrence of similar issues. For the introduction of new products or product improvements, we regularly convene production technology and project evaluation meetings. These meetings involve representatives from the production, quality management, and R&D departments to ensure that all new products and improvement samples meet client technical specifications and quality requirements before mass production or shipment. This management mechanism not only ensures that customer issues are handled promptly and appropriately but also enhances internal communication and collaboration, fosters a culture of continuous improvement, strengthens overall quality management efficacy, and ultimately boosts customer satisfaction and market competitiveness.

Quality Inspection Process



Quality Inspection Process Table

Stage	Description
Incoming Materials (IQC)	Upon receipt of materials, IQC references the "Receiving Form" and performs sampling according to the "Sampling Procedure." For each lot of raw materials, a sample >5g is taken per package. For fiber length and crimp count, 10 samples per lot; for denier, 20 samples per lot. Inspection is conducted based on applicable inspection standards, reference samples, and work instructions. For raw fiber: check fiber length, denier, crimp count, appearance, color, packaging, labeling, and supplier COA. Records are entered into the ERP system under "IQC Inspection Form," "IKEA Packaging IQC Inspection Form," and summarized in the "IQC Receiving Record."
In-Process Production (IPQC)	**Initial Inspection:** Production leader conducts first piece inspection based on sample, standard, and First Article Inspection (FAI) work instruction. Upon passing, IPQC repeats confirmation. **Routine Inspection:** After confirming the first piece, IPQC performs inspections every 4 hours for each line/station. For roll products, one roll per check; for sheet products, 10 pieces per check. Final In-Line Inspection: Inspect the last product of each work order and shift. **Inspection Items:** Material ratio, appearance, weight (gsm), width, size, thickness, color, machine parameters (temperature, needle frequency), physical properties, packaging, labeling.
Finished Goods – Pre-Warehouse (OQC)	Based on the MES system's "Production Transfer Record," OQC inspects using inspection standards, IKEA inspection work instructions, and reference samples. **Items Inspected:** Bundle packaging, multi-piece packaging, retail packaging, appearance, color, odor, safety. Sampling quantity follows the plan in the "IKEA Final Inspection Work Instruction."
Pre-Shipment (OQC)	OQC performs inspection based on the "Shipment Notice" (Sales Dept.) and "Shipment Inspection Notice" (Warehouse), using inspection standards and sampling plans. **Inspection Items:** Weight (gsm), width, packaging, labeling.

To ensure that product quality meets international regulatory standards and client requirements, YAO-I has established a comprehensive internal and external testing system, which encompasses two key pillars: third-party outsourced testing and in-house quality control.

Outsourced Laboratory Testing:

The company regularly commissions third-party laboratories, such as Société Générale de Surveillance S.A. (SGS Taiwan), to conduct product tests based on customer demands. Key test items include:

· REACH Test:

REACH is a key EU regulation on chemicals that addresses substances potentially hazardous to human health or the environment. The REACH test focuses on Substances of Very High Concern (SVHCs) to determine whether products contain any of these restricted substances.

· RoHS Test:

The RoHS Directive limits the use of certain hazardous substances in electrical and electronic products sold in the EU. The test checks for substances such as Lead (Pb), Mercury (Hg), Cadmium (Cd), Hexavalent Chromium (Cr^{6+}), Polybrominated Biphenyls (PBB), Polybrominated Diphenyl Ethers (PBDE), and four phthalates (e.g., DEHP, DBP).

· Flammability Test (for mattress products):

To verify compliance with flame retardancy requirements, tests are conducted on mattresses, mattress toppers, sofas, and cushions. Standards such as BS 5852 simulate ignition scenarios (e.g., cigarette or lighter flame) to assess ignition time, burn rate, and flame spread.

· PFAS Test:

PFAS (Per- and Polyfluoroalkyl Substances) are synthetic fluorinated chemicals widely used for water-, oil-, and stain-resistance in textiles, food packaging, cookware coatings, and cosmetics.

Due to their persistence and bio accumulative nature, many countries now regulate PFAS as environmental and health risk substances. Testing may target individual compounds (e.g., PFOA, PFOS, GenX) or Total Organic Fluorine (TOF) to ensure compliance with applicable legal or brand-specific limits.

In-House Testing Items

Based on the characteristics of different product categories, YAO-I conducts a variety of performance verification tests to ensure product quality stability and durability during usage, thereby enhancing market trust.

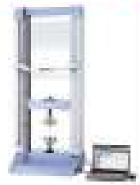
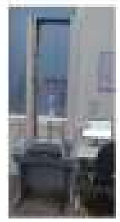
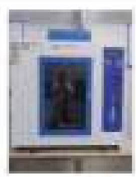
The primary internal testing items include:

- Yellowing Resistance Test
- Aging Test
- Washability Test
- Cold Resistance Test
- Mold Resistance Test
- Abrasion Resistance Test
- Twist Per Inch (TPI) Test
- Drop Test

These comprehensive tests evaluate product performance under varying environmental conditions to ensure compliance with customer expectations regarding quality and functionality.

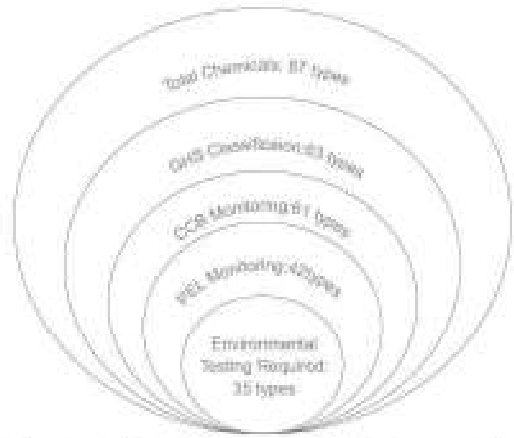
Investment in Equipment and Resources

To ensure stable product quality and continuously enhance customer satisfaction, we are actively investing in resource-strengthening measures, as detailed below:

Equipment	Description	Photo
SHIMADZU Tensile Testing Machine	To ensure the stability of yarn physical properties, the company replaced one tensile tester per year from 2022 to 2024, continuously enhancing equipment performance and testing accuracy.	
Tensile Testing Machine	Ensures compliance of products requiring tensile strength or tear resistance. Tests are conducted per prescribed methods; non-conforming products are improved based on test values.	
Flammability Tester	Applied to furniture such as sofas and automotive seats to ensure compliance with flammability standards through specific test methods.	
Fiber Fineness Tester	Measures the denier of raw fiber materials to ensure they meet specification requirements.	
Air Permeability Tester	Used for automotive materials to verify compliance with airflow or breathability standards.	

Equipment	Description	Photo
Martindale Abrasion and Pilling Tester	Evaluates surface durability, anti-pilling, and fuzzing resistance of home textile products.	
Coefficient of Friction Tester	Used for testing the anti-slip mat product series.	

In accordance with government regulations, YAO-I completes annual chemical registration and reporting requirements. To enhance the management and control of hazardous substances, the company is actively implementing a centralized "Chemical Cloud" system for integrated chemical management. In support of occupational safety and health, YAO-I has established comprehensive management frameworks,including the "Hazard Communication Plan," "Incident Reporting and Investigation Procedures," and "Emergency Response Measures." Each factory conducts at least two full-scale evacuation and fire drills every six months to improve emergency preparedness. Additionally, all chemical storage areas are secured with restricted access, and entry is only permitted with formal written authorization.



Quality Deviation Reporting and Management

Criteria for Issuing Quality Deviation Reports

A "Quality Deviation Report" (QDR) must be issued immediately, and the corresponding notification and disposal procedures must be initiated, if any of the following conditions occur during production or quality control:

1.Non-conforming items identified during First Article Inspection (FAI) or routine process patrols.

2.Quality defects identified during process inspection that are initially assessed as resulting from human error or significant process anomalies.

3.Any department identifying a quality anomaly must report it immediately to the Quality Assurance (QA) department to facilitate timely disposal and follow-up.

Timeliness and Responsibility Division in Handling Quality Abnormalities

1.The Quality Assurance (QA) unit shall take the lead in abnormality statistics and root cause analysis, and clearly determine responsibility attribution.

2.The Quality Abnormality Report shall be executed by the responsible unit, which must propose concrete corrective measures and preventive actions within 5 working days.

3.The QA unit is responsible for tracking and verifying the effectiveness of corrective measures implemented by the responsible unit, ensuring the abnormality is effectively controlled and continuously improved.

Quality Certifications and Validity

RCS (Recycled Claim Standard)

Until 2026/3/14

ISO 9001

2024/06/01~2027/06/01

CH4

Environmentally Friendly

4.1 Climate Change Action

- Enterprises are currently facing unprecedented challenges posed by intensifying global climate change, including typhoons, floods, and droughts. These climate-related events can lead to damage at production sites, logistics disruptions, and supply chain instability, all of which may jeopardize product quality and supply continuity. Such challenges not only heighten our operational risks but also threaten to drive up production costs and diminish customer satisfaction, thereby impacting our overall competitiveness. Consequently, we are committed to taking proactive measures to strengthen our risk management and contingency capabilities, ensuring business continuity. In response to these climate trends, we must address several critical challenges to ensure sustainable development and achieve our goal of net-zero emissions by 2050.

Governance Structure

- To strengthen our corporate sustainability governance framework, the Board of Directors established the "Sustainable Development Committee" in June 2021 as a specialized body dedicated to advancing sustainability-related initiatives. Operating under the authority of the Board, the Committee is composed of directors with professional knowledge and practical experience in corporate sustainability. It is responsible for the strategic planning, coordination, and supervision of sustainability strategies, objectives, and execution across the Company and its subsidiaries.
  In November 2025, the Board of Directors completed the appointment of Committee members, consisting of two independent directors and one director. The Committee meets at least semi-annually to review the progress of sustainability initiatives and the implementation of related issues, ensuring the effective execution of our sustainability strategies.

In November 2025, the Sustainable Development Committee convened to deliberate on key sustainability matters. The outcomes and major resolutions were reported to the Board of Directors to reinforce the Board's supervisory and governance functions over sustainability-related issues.

The primary responsibilities of the Sustainable Development Committee include formulating, promoting, and continuously strengthening the Group's overall sustainability strategies and key policies, including climate change mitigation and related issues; reviewing sustainability action plans and related capital expenditures; and periodically reviewing, tracking, and revising sustainability performance indicators. These results and improvement recommendations are reported to the Board of Directors to ensure that sustainability strategies are fully aligned with the Company's overall business objectives.

To effectively implement sustainability policies, the Committee has established a "Sustainability Execution Task Force," comprised of representatives from relevant departments. This task force is responsible for cross-departmental collaboration and the concrete implementation of sustainability management measures. Its primary responsibilities include establishing and maintaining environmental management systems, ensuring compliance with environmental regulations and international standards, evaluating corporate sustainability transition strategies, enhancing resource utilization efficiency, and constructing climate change response and adaptation mechanisms. Furthermore, the task force is tasked with integrating Group-wide risk management systems and procedures, continuously identifying and assessing climate-related risks and opportunities, staying abreast of industrial climate governance trends and the latest regulatory requirements, and developing action plans for climate change adaptation and the promotion of green energy usage.

Strategy

YAO-I recognizes the importance of climate change to sustainable business operations and actively integrates environmental concepts into its operational strategies. In line with international trends and regulatory requirements, we have developed a comprehensive climate change strategy.

To effectively address the challenges posed by climate change, the company assesses the potential impacts of climate risks and opportunities on its operations, conducts a thorough review of possible climate impacts at each operational site, and integrates current response measures to formulate concrete solutions.

The goal is to mitigate the impact of climate change on our operations and finances while enhancing organizational climate resilience.

The company evaluates both the likelihood of occurrence and the potential financial impact of risks and opportunities. Based on the potential timing of occurrence, the "likelihood" is categorized into three levels:

3. points: Likely to occur within 3 years

2.points: Likely to occur within 3 to 5 years

1. point: Likely to occur in 5 to 10 years

The "impact severity" is assessed using a set proportion of the company's average net revenue over the past three years and categorized into three levels:

1. point: Low impact

2. points: Medium impact

3. points: High impact

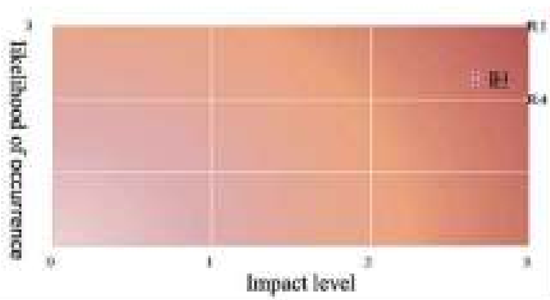
By combining these criteria, the company identifies potential climate-related risks and opportunities that may affect its operations and financial performance. This forms the basis for planning future action to respond to climate-related challenges and opportunities.

In 2025, the Company identified two (2) major physical risks, two (2) major transition risks, and two (2) major opportunities. Moving forward, we will continue to enhance our management mechanisms to address the challenges and seize the opportunities brought by climate change, ensuring long-term and steady corporate development.

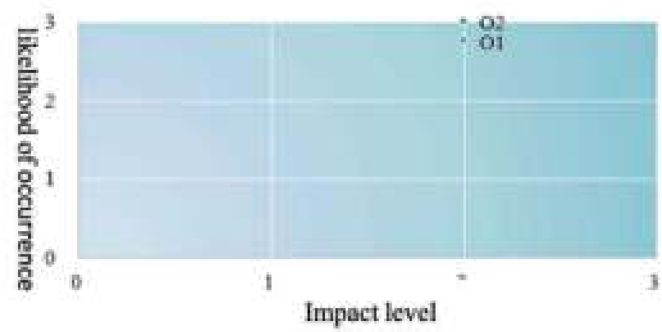
For details, please refer to the Climate-Related Risks and Opportunities Matrix Analysis below.

【Climate Change Risk and Opportunity Matrix Analysis Results】

Climate-related risks and opportunities have been mapped onto climate risk and opportunity matrices, respectively, based on their likelihood and severity. The identification results are as follows:



R1	Impact of Extreme Weather on Supply Chain Stability
R2	Increased Severity of Typhoons and Flooding Events
R3	Rising Average Temperatures
R4	Increased Climate-related Audit and Verification Demands



O1	High-Efficiency Equipment
O2	Circular Economy

【Assessment Matrix of Material Risks and Opportunities】

Type	Dimension	Risk	Description	Financial Impact	Mitigation Measures
Transition Risk	Market	R1. Impact of Extreme Weather on Supply Chain Stability	Extreme weather events challenge supply chain stability. Climate-related disasters may disrupt raw material supply, leading to supply shortages or cost increases, and potentially compromising material quality.	Increased Operating Costs: Supply chain disruptions or constraints may necessitate sourcing alternative suppliers or materials, resulting in higher procurement costs.	· Strengthen partnerships with high-quality suppliers to ensure stable raw material supply. · Increase safety stock levels for critical materials to ensure continuous supply during extreme weather events and reduce the risk of production stoppages.
Physical Risk	Immediacy	R2. Increased Severity of Extreme Weather Events (e.g., Typhoons, Floods)	Extreme weather events may damage operational facilities, disrupting production machinery and critical infrastructure. Furthermore, severe rainfall and flooding can impede employee commuting, leading to labor shortages that affect operational continuity and delivery schedules, ultimately compromising supply reliability.	Increased Operating Costs: Damage to factory structures and equipment (e.g., water damage to machinery) necessitates significant repair and replacement expenditures to restore normal operations. Reduced Operating Revenue: Operational downtime due to labor shortages and delivery delays may lead to decreased customer satisfaction, potentially resulting in order cancellations and reduced revenue.	· Installed uninterruptible power supplies (UPS) and backup power systems to ensure critical production equipment remains operational during emergencies. · Completed flood-proofing construction, reinforced drainage systems, and established regular equipment maintenance schedules to mitigate flood damage. · Strengthened inventory management and safety stock strategies to enhance production line resilience. · Established emergency labor contingency plans to flexibly adjust staffing as needed, ensuring business continuity.

Type	Dimension	Risk	Description	Financial Impact	Mitigation Measures
Physical Risk	Long-term	R3. Rise in Average Temperatures	Frequent extreme heat poses significant risks to business operations. High temperatures increase the frequency of equipment overheating and malfunctions, compromising production stability. Furthermore, heavy loads on cooling systems lead to peak power demand, potentially causing power instability, equipment abnormalities, reduced production capacity, and	Increased Operating Costs: Higher usage of climate control systems during heatwaves increases energy consumption and monthly electricity expenditures. Long-term exposure to high temperatures accelerates equipment aging, increasing maintenance and replacement costs. Reduced Operating Revenue: Heat-induced equipment failures may disrupt production capacity and delivery schedules, potentially leading to a decline in	· Install energy-saving equipment to improve energy efficiency and reduce the risk of equipment damage. · Adopt high-efficiency cooling systems and energy-saving technologies to optimize equipment operating efficiency, reduce the energy consumption of HVAC and cooling systems during heatwaves, and lower overall power demand. · Prioritize the procurement of specialized equipment designed for high-temperature and high-humidity environments to enhance equipment robustness, ensuring high production efficiency even under extreme conditions.
Transition Risk	Reputation	R4. Increasing Climate Change Verification Requirements	As climate change-related regulations and verification standards become increasingly stringent, companies face mounting compliance pressure regarding carbon emissions and energy usage. Failure to promptly adjust strategies and implement monitoring systems poses a risk of verification failure and potential regulatory penalties.	Increased Operating Costs: Costs arise from budgeting for professional carbon inventory training to ensure data accuracy and compliance with client requirements. Additionally, the need to engage third-party agencies for mandatory carbon emission audits and verification further increases	· Develop a comprehensive climate change response mechanism, including greenhouse gas (GHG) emission management plans and risk mitigation measures to ensure timely adaptation to regulatory challenges. · Implement a digital carbon emission monitoring system to track and record GHG data in real-time, ensuring data accuracy and enabling rapid operational adjustments.

Opportunities

Dimension	Opportunity	Description	Financial Impact	Strategic Initiatives
Resource Efficiency	O1. High-Efficiency Equipment	Driven by global sustainability trends, the Company is proactively adopting high-efficiency equipment. By phasing out energy-intensive machinery, we are optimizing overall energy efficiency and minimizing unnecessary energy consumption.	Reduced Operating Costs: Enhanced energy efficiency through the adoption of advanced machinery minimizes unnecessary energy consumption, thereby lowering operational expenditures.	· Regularly identify and review energy-intensive processes to implement targeted improvements, ensuring continuous optimization of energy usage. GroupEnhance energy efficiency by installing variable-frequency drives (VFDs) to regulate equipment speed, thereby reducing energy consumption and boosting overall operational efficiency. · Invest in low-energy, high-performance processing machinery to minimize energy waste throughout the production cycle.
Resource Efficiency	O2. Circular Economy	With rising consumer environmental awareness, market demand for products with higher recycled and repurposed material content is increasing significantly. By integrating circular economy principles into product design, R&D, and refinement, the Company can not only reduce material costs but also strengthen customer purchasing intent and brand loyalty.	Increased Operating Revenue: Growing environmental awareness has led consumers to prefer eco-friendly products. Promoting circular economy initiatives helps attract sustainability-conscious consumers and corporate clients, driving sales growth and strengthening brand equity. Reduced Operating Costs: Utilizing recycled and repurposed materials decreases reliance on virgin raw materials, resulting in lower material procurement costs and reduced waste management/disposal expenses.	· Utilize recycled PET boxes and recycled color boxes to meet modern environmental standards, demonstrating the Company's firm commitment to sustainability and resource circularity, while strengthening overall brand image.

Risk Management

Our management process for climate-related risks and opportunities consists of four key stages: analysis, identification, assessment, and reporting. In alignment with global sustainability trends and current industry dynamics, we identify potential climate risks and opportunities that may impact our operations and maintain a comprehensive risk register. These risks and opportunities encompass various aspects, including but not limited to extreme weather events, policy and regulatory changes, energy transition, and technological innovation. This assessment process considers not only potential financial losses but also impacts on brand reputation, employee health and safety, and the overall industrial value chain. Based on the criteria of "impact magnitude" and "likelihood of occurrence," we consolidate evaluations from various departments and prioritize these risks to establish an effective response strategy. Each department develops detailed mitigation strategies for identified material risks and formulates management plans tailored to the nature, scale, and potential impact of each risk. We proactively invest in sustainable technologies and energy transition initiatives. Furthermore, for high-risk areas—such as supply chain disruptions, policy shifts, and capital market volatility—we have designed flexible contingency protocols to ensure rapid response and minimize adverse impacts. To maintain the integrity and foresight of our risk assessment, we continuously monitor both domestic and international developments in climate change, allowing us to dynamically update our risk register and proactively address emerging challenges.

Metrics and Targets

The goal of achieving net-zero emissions by 2050 has become a collective ambition for governments and corporations worldwide, representing a critical trend in sustainable development and environmental stewardship. As countries increasingly implement stringent carbon reduction policies and enforce rigorous environmental regulations, they are encouraging businesses to invest in green technologies and innovation to reduce greenhouse gas (GHG) emissions. In line with this, our national government has committed to the net-zero transition, urging industries to accelerate their sustainable transformation. The Company is proactively responding to these trends to maintain a competitive edge; we are actively investing in the development of relevant products and manufacturing technologies to ensure we capitalize on emerging opportunities in the global market.

4.2 Energy Management

YAO-I places high priority on the efficient utilization of energy resources. We continuously monitor energy efficiency and management mechanisms throughout our operations, dedicated to reducing unnecessary energy consumption and advancing our goals of energy conservation, carbon reduction, and sustainable development. Moving forward, the Company will continue to monitor relevant regulations and industry trends to evaluate the implementation of more systematic energy management measures, with the aim of improving energy efficiency, reducing operating costs, and minimizing our environmental footprint.

4.2.1 Energy Management Framework

To effectively promote energy management and conservation initiatives, the Company has established a three-tiered energy management hierarchy based on functional responsibilities:

- Management Level: Responsible for setting energy conservation targets and overseeing the overall planning and decision-making for energy management.
- Implementation Level: Responsible for formulating energy conservation plans, as well as driving, evaluating, and supervising the execution of related measures.
- Execution Level: Responsible for carrying out specific energy-saving measures based on the plans and reporting any issues encountered to ensure the effective implementation of the energy management system.

4.2.2 Energy Consumption, Conservation Measures, and Performance Energy Consumption

The primary energy source for YAO-I is purchased electricity. Gasoline and diesel are primarily utilized for company vehicles for cargo transportation and business travel, while natural gas is used for the fiber extrusion production process. In 2025, the total energy consumption was 10,984.7 GJ. The energy consumption trends from 2023 to 2025 are as follows:

Energy Consumption from 2023 to 2025

(Unit: GJ)

Energy Type	2023	2024	2025
Non-renewable Electricity	29.34	29.23	7782
Gasoline	0.12	0.08	262.9
Diesel	0.03	0.03	212.1
Natural Gas	0.32	0.60	2727.7
Total Energy Consumption	29.81	29.94	10984.7

Notes:

1.The calorific values for the years 2023–2025 were calculated based on the Energy Product Unit Calorific Value Table published by the Energy Administration, Ministry of Economic Affairs (MOEA). Specifically, values for 2024 and 2025 were derived from the latest revised editions published in 2024 and 2025, respectively.

- 2023: Electricity: 3,600 kJ/kWh; Gasoline: 7,800 kcal/L; Diesel: 8,400 kcal/L; Natural Gas: 6,635 kcal/L.
- 2024: Electricity: 3,600 kJ/kWh; Gasoline: 7,520 kcal/L; Diesel: 8,629 kcal/L; Natural Gas: 8,107 kcal/L.
- 2025: Electricity: 3,600 kJ/kWh; Gasoline: 7,586 kcal/L; Diesel: 8,636 kcal/L; Natural Gas: 8,067 kcal/L.

2.Data disclosure covers all operational sites in Taiwan.

Internal Energy-Saving Incentive Program

- In accordance with our Proposal for Improvement Implementation Measures, employees who propose suggestions that effectively improve operational efficiency, shorten production processes, or increase capacity are eligible for incentive bonuses upon verification of measurable results. This initiative encourages active employee participation in energy optimization efforts. In 2025, 11 improvement proposals were approved, with a total of NT$35,500 in bonuses awarded.

Energy-Saving Awareness Initiatives

- YAO-I actively promotes energy conservation and carbon reduction concepts through various channels, including displaying energy-saving awareness posters, regulating air conditioning temperature settings, and encouraging employees to use the stairs. These practices aim to integrate energy-saving habits into daily operations.

Energy-Saving Measures and Performance

- YAO-I regularly submits reports on energy conservation measures and their implementation status to the Energy Administration in compliance with regulatory requirements. Through institutionalized management, we continuously optimize energy efficiency while demonstrating our firm commitment to carbon reduction and sustainable development.
  Benefits of Solar Rooftop Leasing at the Company's Hemei Headquarters, Homei Factory, and Changbin Factory
  1. Increasing Renewable Energy Share and Carbon Reduction Performance
     - Expansion of Renewable Energy: The installation of rooftop solar photovoltaic (PV) systems effectively increases the proportion of renewable energy in our total energy mix.
     - Reduction of Scope 2 Emissions: Through the generation of green electricity, the Company actively reduces its indirect greenhouse gas (GHG) emissions from purchased electricity (Scope 2).
     - Progress toward Net-Zero: This initiative serves as a cornerstone for achieving our net-zero emissions targets and broader ESG sustainability goals.
  2. Thermal Management and Energy Efficiency Enhancement
     - Shading Effect: Solar modules provide a shading effect that significantly reduces the heat load on the roof structure.
     - Temperature Reduction: Indoor temperatures on the top floor are lowered by approximately 3–5°C, resulting in reduced energy consumption for air conditioning systems.
     - Improved Energy Efficiency: These physical cooling benefits indirectly improve overall operational energy efficiency.

3. Corporate Image and Regulatory Compliance

- Policy Alignment: The project aligns with national regulations and policy directives regarding the development of renewable energy.
- Green Supply Chain Competitiveness: Reinforces the Company's position within the green supply chain, enhancing our competitive edge for corporate clients.
- Enhanced Reputation: Elevates our corporate brand image and strengthens recognition among key stakeholders regarding our commitment to sustainability.

The energy-saving improvement projects implemented by YAO-I in 2025 are detailed in the table below:

Unit: NTD 1,000

Project Name	Type	Project Description	Actual Investment (TWD)	Energy Savings (kWh)	Energy Savings (GJ)	Energy Savings (GJ)
Phase-out of energy-intensive processes and related equipmen	Efficiency	Decommissioning of all equipment and associated processes across select production lines	1510,000	38,204.375	137.5358	17.8032

Notes:
1. Energy Savings (GJ) = Electricity Savings (kWh) × 0.0036
2. Carbon Savings (tonnes CO_2e) = Electricity Savings (kWh) × Emission Factor / 1,000
3. 2025 Electricity Emission Factor for Taiwan: 0.466 kg CO_2e/kWh

4.3 Water Resource Management

YAO-I is committed to the sustainability of water resources. Guided by the principles of responsible resource utilization and waste minimization, we continuously implement water management practices. Through a comprehensive monitoring mechanism, we track water sources and consumption trends, which serve as the foundation for our ongoing water-saving initiatives and improvement plans.

4.3.1 Water Management

- The primary water sources for YAO-I are groundwater and tap water. Tap water is mainly used for general domestic purposes, while groundwater serves as the feed water for our RO (Reverse Osmosis) filtration system. Following treatment, this purified water is utilized in our production processes.

4.3.2 Water Consumption, Conservation Measures, and Performance

- The water consumption data for the past three years is as follows:

Unit: Million Liters

Item	2023	2024	2025
Total Water Withdrawal	3.014	0.788	6.504
Total Water Discharge	0.280	0.130	0.3
Total Water Consumption	2.734	0.658	6.204

Note:

1. The water withdrawal data in the table below is disclosed based on the billing cycles of the Taiwan Water Corporation.
2. The scope of data disclosure covers all operational sites in Taiwan.
3. Total Water Withdrawal – Total Water Discharge = Total Water Consumption.

Water Conservation Measures and Performance

- To reduce process water consumption and mitigate the potential increase in future wastewater treatment costs, YAO-I continued the "Optimization of PVDF Fiber Spinning Washing Equipment" project, which was initiated in Q4 2024, and continued implementing related improvements throughout 2025.

Improvement Performance

Significant reduction in daily water consumption through resource conservation in core processes:

- The project involved replacing traditional washing equipment (Stages 1 through 6) with high-efficiency "water-stripping machines" (dewatering devices) and "recirculating washing machines." This transition fundamentally altered the previous model of direct wastewater discharge. This technological upgrade eliminated a major water-consumption bottleneck, which previously reached 96 metric tons per day during full-scale production. This has resulted in a significant improvement in process water-saving rates and a substantial increase in the water reuse rate.

Mitigation of wastewater treatment costs and strengthening of environmental operational resilience:

- By reducing the volume of process wastewater generated at the source, this improvement measure not only directly lowers procurement costs for municipal or industrial water but also effectively mitigates the burden of rising wastewater treatment fees and environmental regulatory levies. This enables the Company to maintain a stronger sustainable cost-competitiveness while expanding production capacity or adapting to increasingly stringent environmental regulations.

Environmental Expenditure

Type	Implementation Period (Year)	Actual Investment Amount (NT$: 1,000)
Water Conservation Project – Optimization of PVDF (Polyvinylidene Fluoride) Fiber Washing Equipment	2024	100

4.3.3 Wastewater Management

YAO-I's wastewater primarily originates from production process discharges and domestic sewage generated by employees. To fulfill our responsibility in water resource management, the Company has implemented treatment mechanisms to minimize our environmental impact. Notably, wastewater generated from the RO (Reverse Osmosis) purification system—which treats our groundwater—is collected in dedicated storage tanks. This water is subsequently reused for facility landscaping irrigation and flushing toilets and urinals, effectively enhancing our water efficiency and reuse rate. Moving forward, we will continue to review our water management practices as we progress toward our goals of water conservation and sustainable operations.

4.4 Waste Management and Recycling

In our operational processes, YAO-I ensures that all waste is handled appropriately in strict accordance with the Waste Disposal Act. We implement rigorous waste classification and collection at the source to enhance recyclability and promote resource recovery.

Our waste categories primarily consist of :

- Industrial waste (e.g., waste plastics)
- General industrial waste (e.g., domestic refuse)
- Recyclable waste (e.g., recyclable plastics)

These are managed by certified waste clearance vendors for incineration. For resource-based waste, such as waste paper, PET bottles, and aluminum/tin cans, we partner with qualified vendors to ensure their recycling and reuse. Furthermore, hazardous industrial waste generated during operations (Waste Code: C0301) is handled in strict compliance with regulatory requirements; it is cleared and incinerated by authorized vendors possessing the necessary qualifications to ensure legal compliance and minimize environmental impact.

4.4.1 Waste Disposal

YAO-I manages and treats waste in accordance with our Waste Management Measures. We collaborate with plastic industry partners to assess the feasibility of reusing industrial waste, specifically by recycling waste filaments that possess residual value. Filaments that cannot be recycled are classified as industrial waste and are cleared by certified and qualified waste management vendors. Regarding domestic waste, we differentiate between recyclables and general refuse. Recyclable items, such as aluminum and tin cans and plastic containers, are collected and sorted by qualified vendors, while general waste is handled by designated clearance contractors in compliance with regulations, ensuring proper waste management and environmental sustainability.

To strengthen waste classification management and implement reduction measures, we require transporters to complete a Waste Release Checklist upon waste generation. A designated inspector must verify the waste category before it is moved to the temporary waste storage area, ensuring the accuracy of our classification process. Subsequently, waste is cleared and disposed of by qualified contractors.

YAO-I is committed to minimizing the environmental impact of our operations. We have adopted various measures to promote source reduction and resource recovery, including:

- The use of eco-friendly packaging
- Encouraging employees to bring their own reusable tableware
- Installing dedicated bins for recyclables and food waste

We enforce waste segregation across at least six major categories. Furthermore, we regularly conduct waste classification awareness campaigns during management meetings to strengthen environmental consciousness among employees, while implementing energy-saving measures, such as scheduled power-off systems, to integrate sustainability into our daily operations.

Benefit Assessment

Digitalization of Payroll Slips

1. Transitioning to electronic payroll slips has reduced paper and supply consumption, resulting in an annual saving of 48 operational hours and NT$10,000 in costs.

Implementation of Online Approval Workflow

1.The adoption of electronic signature workflows has reduced paper consumption by 121,053 sheets, saving NT$121,053 in material costs annually.
2.Digitizing the approval process has minimized physical paperwork, resulting in an annual saving of 3,363 man-hours and approximately NT$672,516 in operational costs.

Waste Disposal Volume

In 2025, the total waste generated by YAO-I reached 300.54 metric tons. This represents an increase of approximately 83% compared to the previous year, primarily due to production capacity expansion and the generation of project-based industrial waste resulting from the decommissioning and replacement of plant equipment. We have initiated a project review to address this trend. Our goal for the following year is to manage waste intensity within a reasonable baseline by improving process yields and strengthening recycling and reuse partnerships.

Waste Type	Waste Category	Treatment Method	2023 Disposal Volume (tons)	2023 (%)	2024 Disposal Volume (tons)	2024 (%)	2025 Disposal Volume (tons)	2025 (%)
General Waste	Household waste	Incineration	28.00	22.75%	26.80	16.30%	30.90	10.28%
	Industrial waste (plastic, scrap metal, packaging paper)	Incineration	36.00	29.25%	81.84	54.46%	149.70	49.81%
		Recycling	48.23	39.19%	41.76	20.75%	111.60	37.13%
Hazardous Waste	Waste liquid	Incineration	10.84	8.81%	13.95	8.49%	8.34	2.77%
Total			123.07	100%	164.35	100%	300.54	100%

Notes:

1.Waste disposal data includes only the company's Taiwan operations.

2.The hazardous waste consists of dichloroethane, which is not recyclable and must be incinerated. Therefore, the recycling percentage for hazardous waste is 0%.

4.4.2 Waste Disposal Vendor Management

YAO-I evaluates waste disposal vendors to ensure compliance with regulations. Vendors must possess valid waste disposal permits issued by the government and within the effective period. Once a vendor is confirmed as qualified, the Company will sign a disposal agreement and authorize them to handle waste removal operations. The current evaluation criteria are primarily based on whether the vendor holds a valid waste disposal permit, ensuring that all disposal activities comply with legal requirements.

4.5 Greenhouse Gas (GHG) Inventory Mechanism

Climate change has indisputably become the greatest systemic risk to the global economy and society. With the advancement of global Net Zero initiatives, the implementation of the EU's Carbon Border Adjustment Mechanism (CBAM), and stringent climate action requirements from international brand clients across the supply chain, carbon management capability has become a critical indicator of a company's long-term viability. YAO-I actively assumes its climate responsibility by promoting comprehensive greenhouse gas (GHG) inventory and emission management, striving to reduce the climate footprint throughout our value chain. To ensure the accuracy, transparency, and comparability of our carbon emission data, the Company strictly adheres to the latest ISO 14064-1:2018 GHG inventory standard to establish a rigorous carbon accounting system. We define our inventory boundaries using the "Operational Control" approach, incorporating all operational sites in Taiwan. In accordance with the standard, we have meticulously identified emission sources into Categories 1 through 6, covering everything from direct emissions to upstream and downstream indirect emissions across the value chain.

Operational Site (Inventory Boundary)	Address
Headquarters	No. 334, Sec. 6, Changmei Rd., Homei Town, Changhua County, Taiwan
Homei Factory	No. 766, Demei Rd., Homei Town, Changhua County, Taiwan
Changbin Factory	No. 13, Lugong N. 1st Rd., Changbin Industrial Park, Lukang Town, Changhua County, Taiwan

4.5.1 ISO 14064-1:2018 GHG Inventory Results

Through rigorous data collection and the application of standardized emission factors, YAO-I total greenhouse gas (GHG) emissions for 2025 were recorded at 7,780.235 metric tons of CO_2 equivalent (tCO_2e). The breakdown of emissions by category is detailed in the table below:

ISO 14064-1 Emission Category	Unit	2025 Emissions
Category 1: Direct GHG Emissions and Removals **(e.g., Company vehicle fuel, generator fuel, refrigerant leakage, direct process emissions)**	tCO_2e	226.9973
Category 2: Indirect GHG Emissions from Imported Energy **(e.g., Carbon emissions from purchased electricity)**	tCO_2e	3,641.6159
Categories 3–6: Other Indirect GHG Emissions **(Covers value chain emissions, including transportation, product use, raw material procurement, and waste disposal)**	tCO_2e	3,911.6223
Total Emissions	tCO_2e	7,780.2350

The data structure analysis indicates that the Company's climate footprint is highly concentrated in indirect emissions (Categories 2 and 3–6). Category 2 reflects the significant reliance of our manufacturing processes on purchased electricity, while the substantial proportion of emissions in Categories 3–6 highlights the critical impact of carbon generated throughout the supply chain—specifically during raw material extraction, manufacturing, and transportation. This analysis directs our future decarbonization strategy to transcend the boundaries of our own facilities and actively engage in supply chain collaboration and sustainable procurement.

4.5.2 Carbon Reduction Strategies and Low-Carbon Culture

To address the emission hotspots identified during the GHG inventory, Lealea Industrial has developed a carbon reduction roadmap encompassing short-, medium-, and long-term goals. We are pursuing a dual approach involving technical infrastructure upgrades and management system optimization:

Energy Structure Transition (Category 2):

- We continue to advance the equipment replacement and frequency-controlled HVAC (air conditioning) improvement projects mentioned in Section 4.2.2. Furthermore, we are gradually increasing our renewable energy consumption to reduce the impact of the grid emission factor associated with purchased electricity.

Smart and Lean Management:

- We are expanding our IoT-based energy monitoring and scheduled power-off systems while improving production yields to minimize energy waste caused by rework.

Value Chain Decarbonization (Categories 3–6)

- We have launched an ESG evaluation mechanism for suppliers, prioritizing the procurement of raw materials with eco-labels or low carbon footprints, and optimizing logistics routes to reduce transportation-related emissions.

Cultivating a Low-Carbon Culture

- We integrate climate change awareness into our daily operations. We promote "Green Office Initiatives," which include:
  - Turning off lights when not in use
  - Implementing meticulous waste sorting
  - Expanding paperless operations
  - Encouraging employees to utilize low-carbon public transportation

  Additionally, the Company is developing an internal incentive mechanism for energy-saving and carbon-reduction proposals to spark innovation at the grassroots level.

CH5

Key Partners

5.1 Supply Chain Management

YAO-I focuses on the research, development, and sales of fishing lines and racket strings, covering the entire upstream, midstream, and downstream value chain. Our R&D and production units lead the development of innovative products, while the procurement department manages the acquisition of raw materials, supplies, and packaging components. Following internal packaging and quality inspections, our products are delivered to customers.

Since our inception over 50 years ago, YAO-I has remained deeply committed to "sustainable development" as our core corporate objective. As a responsible corporate citizen, we are dedicated to promoting sustainable product development, strengthening environmental management, actively participating in social welfare, and creating a safe, healthy, and happy workplace, thereby fulfilling our commitments to society and the environment.

The upstream, midstream, and downstream linkages of YAO-I's value chain are illustrated below:

Industry Value Chain

Upstream

Caprolactam and other petrochemical raw materials

Midstream

Nylon pellets, polyethylene terephthalate (PET) fibers

Downstream

Nylon yarn, fishing line, racket string, and other applications

The monofilament polyester lines used in YAO-I's fishing lines, racket strings, and industrial yarns are produced by our Filam ent Business Group. Primary raw material suppliers include BASF and Toyota Tsusho, while multifilament fibers are mainly sourced from international industry leaders such as TOYOBO and W.L. GORE. YAO-I is committed to building a sustainable supply chain by actively promoting environmental policies and implementing robust supplier management mechanisms to minimize environmental impact and enhance the overall resilience of our supply chain.

Supply Chain Policy

Promotion of Environmentally Friendly Materials

Some of our packaging material suppliers have adopted recyclable and eco-friendly materials to reduce the carbon footprint throughout the product life cycle, thereby realizing our green supply philosophy.

Supply Chain Sustainability Management Measures

1.We conduct regular environmental and quality assessments of our suppliers. For those that do not meet our standards, we provide necessary guidance and assistance to improve their operational and management levels.

2.We require all suppliers to sign a "Statement of Prohibited Substances" (covering REACH and RoHS regulations) to ensure that the raw materials they supply comply with international environmental regulations.

3.In accordance with Article 4.2.9 of our "Supplier Management Procedures (QP-F0000002)" established under the ISO 9001 standard, YAO-I requires suppliers to complete a "Supplier Self-Assessment Questionnaire" and a "Declaration of Non-Use of Conflict Minerals" every two years. This is to strengthen supply chain sustainability responsibilities and risk control, ensuring the concrete implementation of commitments regarding environmental protection, human rights, occupational health and safety, corporate social responsibility, as well as information security and privacy protection.

Critical Raw Material Risk Management

YAO-I's primary raw materials include nylon chips and polyethylene fibers. To ensure product quality and production stability, we adhere to rigorous quality management procedures for incoming material inspection. All raw materials must pass acceptance procedures based on inspection standards established by our Quality Assurance Department. For packaging materials, we also require suppliers to provide an "Approval Sheet for Printed Materials" as a basis for incoming material acceptance. To reduce our supply chain carbon footprint and enhance the flexibility and timeliness of material acquisition, we actively promote a localized procurement strategy.

For both our Taiwan headquarters and Vietnam subsidiary, we prioritize sourcing packaging materials and bobbins from local suppliers. This approach not only promotes local economic development but also enables flexible cross-regional scheduling in the event of temporary shortages or supply disruption risks, effectively enhancing overall supply stability.

For critical raw materials with longer lead times, we have established a safety stock system. We set safety stock levels based on risk assessment results to mitigate the risk of stockouts and ensure the continuity of production operations. To strengthen supply flexibility, we maintain at least two qualified suppliers for items such as packaging materials. However, due to the proprietary nature of formulations for nylon chips and multifilament materials, these are primarily sourced from specific manufacturers. Our raw material partners are renowned domestic and international firms with strong reputations for quality. We continuously build long-term, stable relationships with existing suppliers and sign procurement contracts to ensure the stability and quality of raw material supply. Simultaneously, we closely monitor industry trends and continue to invest in the research and development of new materials and processes to reduce dependence on single raw materials and specific suppliers. Furthermore, we will cautiously evaluate and actively develop other potential raw material suppliers to diversify procurement sources under strict quality control, thereby enhancing supply chain flexibility and overall operational resilience.

Supplier Selection

To strengthen our supply chain sustainability management and risk control mechanisms, YAO-I has implemented a regular survey system for both new and existing suppliers. Questionnaires are distributed via email or fax to understand and evaluate their specific practices regarding sustainable development. The surveys cover a broad range of areas, including:

- Sustainability and operational risk management
- Supply chain management
- Environmental protection
- Human rights and labor safeguards

These findings serve as the foundation for our supplier management, ongoing partnership evaluations, and risk early warning systems, thereby enhancing the collective sense of responsibility and sustainable competitiveness across our entire supply chain.

In 2025, a total of 16 suppliers were included within the required management scope. Among them, 12 suppliers have completed the signing of the "Supplier Self-Assessment Questionnaire" and the "Declaration of Non-Use of Conflict Minerals," achieving a completion rate of 75%. Furthermore, the Company continues to drive existing suppliers within the required scope to complete the relevant documentation, with a current completion rate of 27%.

Fiscal Year 2025		
New Suppliers	Number of Signed Suppliers	12
	Number of Suppliers Required to Sign	16
	Signed Supplier Rate (%)	75%
Existing Suppliers	Number of Signed Suppliers	108
	Number of Suppliers Required to Sign	404
	Signed Supplier Rate (%)	27%

Selection of New Suppliers

- When a new supplier is recommended by an internal department, a site audit must be conducted within three months after mass production begins to assess their actual production and management capabilities, provided that product samples have confirmed compliance with our standards. In accordance with the "Supplier Management Procedures" established under the ISO 9001 standard, new suppliers are required to submit a "Supplier Self-Assessment Questionnaire" and a "Declaration of Non-Use of Conflict Minerals." Furthermore, raw material suppliers must provide a Certificate of Analysis (COA), while packaging suppliers must submit an "Approval Sheet for Printed Materials" to establish relevant inspection standards and ensure the integrity of supply quality and responsibility management.

Supplier Evaluation Process

Supplier Selection and Evaluation:

- Before engaging with a supplier, the requesting department provides requirements and market information. The procurement department then collects and investigates supplier information to verify their legitimacy and transaction history, consulting with competent authorities when necessary, followed by procedures for price inquiries, price comparisons, and price negotiations.

Contract Signing:

- For significant procurement projects or those reaching a certain monetary threshold, a formal written contract is required. In principle, the Company provides the template for the procurement or service contract; however, if a supplier provides their own contract, it must be reviewed by the legal department.

Periodic Assessment and Evaluation:

- The procurement department conducts periodic assessments and evaluations of all suppliers, covering items such as quality, delivery schedules, and cooperativeness. Suppliers who fail to meet the Company's requirements will be requested or guided to make improvements, and those who fail to do so will be disqualified.

Supplier Evaluation Mechanism

- YAO-I conducts regular performance evaluations of its suppliers, focusing on quality, delivery schedules, and service. Suppliers are graded into three tiers—A, B, or C—based on the "Supplier Evaluation Form" suppliers are graded into three categories:
  - Grade A: 90 points or above
  - Grade B: 70–89 points
  - Grade C: 69 points or below

In accordance with the "Supplier Assessment Procedures" established under the ISO 9001 standard, procurement suppliers are evaluated annually, and scoring standards and supplier grading are implemented based on these contents. If a supplier is rated as unqualified for two consecutive years, purchase orders to that supplier shall be suspended. However, if a supplier actively seeks improvement plans to continue the partnership, a proposal may be submitted for approval by senior management to provide guidance, assisting the supplier in restoring high quality to maintain business relations.

In FY2025, the procurement unit revised the "Supplier Management Procedures" to incorporate a "Qualification Assessment" process. This involves initial evaluations of potential suppliers, with results recorded in the "Supplier Evaluation Form" to screen and exclude those who do not meet the qualification criteria.

Furthermore, to continuously assist suppliers in improving product quality and delivery fulfillment rates, and to strengthen the communication and handling mechanism for quality anomalies, the procurement unit has established a "Supplier Evaluation Plan." This plan includes monthly visits to at least two Grade C suppliers, new suppliers, and potential suppliers. Through this mechanism, we can effectively promote mutual communication, better understand supply chain risks, and adjust our qualified supplier list in a timely manner.

Supplier Performance Evaluation Status	2023	2024	2025
Total Number of Suppliers	862	900	937
Number of Evaluated Suppliers	214	210	157
Number of Evaluation Items (Categorized by ISO 9001)	3	3	3
Number of Grade A Suppliers / Items	118	180	121
Number of Grade B Suppliers / Items	78	11	20
Number of Grade C Suppliers / Items	18	19	16

Guidance and Improvement

Financial Support:

- The Company has established partnerships with local banks to provide streamlined financing services to our partner suppliers. Suppliers in need of financing can apply for online services based on their transaction records with the Company and "Payment Notices," benefiting from simplified procedures, higher loan-to-value ratios, and preferential interest rates.

Technical Support:

- We provide technical support, including technical guidance, training, and knowledge sharing, to assist suppliers in enhancing their production technology and manufacturing capabilities, thereby meeting the Company's quality and performance requirements.

Raw Material Supply:

- We provide stable sources of raw materials and maintain long-term cooperative relationships with suppliers to ensure the stability of production and consistency of product quality.

YAO-I is committed to the sustainable management of our supply chain. We have required our partner suppliers to complete the "Supplier Self-Assessment Questionnaire" and the "Declaration of Non-Use of Conflict Minerals" developed by the Company. Furthermore, we have integrated environmental protection into our supplier selection and evaluation processes to conduct screening for environmental risks and compliance. We prioritize partnerships with suppliers that possess environmental certifications, utilize recycled/circular materials, implement emissions reduction plans (such as solar power installation, purchasing green electricity, and waste heat recovery), or comply with relevant regulations, aiming to enhance the overall green competitiveness of our supply chain.

Promotion of Procurement Process Digitization

- YAO-I continues to drive the digital transformation of its procurement processes, strengthening internal control mechanisms and enhancing governance effectiveness. We have introduced an online approval workflow for procurement management forms, gradually building a comprehensive electronic management system. Through the digitization of processes, we not only improve the audit efficiency of procurement operations but also strengthen process transparency and data traceability. Simultaneously, through systematic management and process optimization, we effectively reduce the risks associated with manual operations, further improve overall operational efficiency, and promote the development of procurement management toward standardization and institutionalization.

5.2 Customer Relationships

Material Topic: Customer Relationship Management (CRM)

Significance of Material Topic	YAO-I places great importance on customer experience and satisfaction, and is committed to building solid and long-term relationships based on trust. Through diverse communication channels, we actively listen to and promptly respond to customer needs and feedback, ensuring that our service quality aligns with customer expectations. To enhance the overall customer experience, we continue to optimize service processes and drive digital transformation, keeping our customers at the core to drive the realization of corporate sustainable value.
Policy / Commitment	The Company attaches great importance to customer satisfaction and is committed to establishing long-term, stable relationships of mutual trust. Through real-time response mechanisms, we effectively capture and meet customer needs and feedback. YAO-I is committed to continuously optimizing service quality and deepening customer trust, placing the customer at the center to drive the Company's sustainable development.
Goals	Short-term (1-year) Goals: · Enhance Customer Satisfaction: Our goal is to achieve an average satisfaction rating of over 90% across all annual assessment indicators. We will conduct an annual customer satisfaction survey covering key aspects, including product quality, delivery accuracy, service response speed, and technical support efficiency, to comprehensively improve the customer experience. · Strengthen Customer Communication and Trust: We will establish high-frequency, high-quality communication mechanisms. Depending on order status, our target is to contact customers via email 2 to 3 times per week, responding to their needs in real-time and proactively providing relevant information. Furthermore, we will arrange at least 1 to 2 face-to-face visits or video conferences annually to gain a deeper understanding of our customers' operational challenges and mid-to-long-term development strategies, thereby enabling us to proactively provide viable solutions.
	Mid-to-Long-term (3 to 5 years) Goals: · Accelerate New Product Development (NPD) and Prototyping: Continuously optimize product development processes and rapid prototyping mechanisms to enhance customer satisfaction and improve market response efficiency.

Goals	· Improve Quality Stability and Reduce Customer Complaint Rate: Aiming for a 10% reduction in customer complaints by strengthening quality inspections and feedback mechanisms. We will implement data analytics technology to identify quality anomalies in real-time, ensuring product stability and consistency. · Expand Market Share and Deepen Customer Collaboration: Jointly drive product development initiatives with key customers to increase market penetration and brand competitiveness. · Establish a Corporate Sustainability Roadmap: Develop strategic planning encompassing carbon emission reduction, resource recycling, and sustainable supply chain management to advance the company's sustainable transformation. · Promote Material Innovation and Green Partnerships: Maintain close collaboration with material suppliers to develop innovative, eco-friendly materials and process technologies, supporting our brand customers in realizing their sustainable designs and creative visions.
Action Plans	To strengthen customer relationship and satisfaction management, the Company has established comprehensive internal and external management protocols, which encompass the following key areas: Internal Regulations: · Customer Management Procedures · Order Review Procedures · Customer Complaint Handling Procedures · Customer Satisfaction Management Procedures External Regulations and Standards: · Commodity Labeling Act · International Environmental Regulations (e.g., EU RoHS) · ISO 9001 Quality Management System · ISO 14001 Environmental Management System Through the implementation of these systems and standards, we ensure continuous optimization in customer service, quality assurance, and regulatory compliance, thereby enhancing customer trust and our corporate sustainability competitiveness.

Actual Performance in 2025	Customer satisfaction survey score achieved an excellent 9.22.
Communication Channels	· Stakeholder Section: https://www.yaoi.com.tw/contact.php · The Company designates frontline sales personnel as the primary point of contact for customer communi cation and complaint handling, ensuring that customer feedback and needs are addressed in real-time and that related issues are resolved appropriately. By strengthening two-way interaction and real-time feedback mechanisms, we continuously enhance our overall service quality and customer satisfaction.

Customer Relationships

- Maintaining customer relationships is a key driver of corporate sustainability. YAO-I understands that positive engagement and high levels of satisfaction serve as the cornerstone of the Company's long-term success. Consequently, we consistently engage in close dialogue with our customers to gain a deep understanding of their needs and expectations. By leveraging these insights, we continuously optimize our products and services to build stable, mutually beneficial partnerships, thereby creating enduring value together.

Customer Service

- We employ diverse methods for communication and engagement with our customers, spanning both routine business correspondence and strategic interactions. Daily communication channels include emails, telephone calls, and video conferences. During major holidays, we also arrange face-to-face visits or invite customers to visit our facilities to strengthen our close cooperation. Furthermore, the Company maintains steady interaction with customers through the following diverse channels:

Industry Exhibitions:

- Participate in various domestic and international exhibitions—including pet supply, infant product, and textile expos—to engage with customers face-to-face regarding product information and partnership opportunities.

Direct Contact Channels:

- Provide our official website, dedicated telephone lines, and email addresses as platforms for customer inquiries and communication.

Regular Visits and Reception:

- Sales teams conduct regular on-site visits to customers or arrange visits to our facilities to maintain continuous contact.

On-demand Online Meetings:

- Host irregular online meetings for business exchanges, providing real-time responses and professional support tailored to customer needs.

Through these multi-layered communication mechanisms, the Company is able to gain a profound understanding of customer requirements, strengthen collaborative ties, and further enhance our service quality and customer satisfaction.

Customer Information

- Product Development
- Technical Discussion
- Complaint Handling

Business Reception

- Customer Drawings
- Information Consolidation
- Form Documents

Internal Communication

- Email Dispatch
- APP Transmission
- Meeting Discussion

Tracking Feedback

- Progress Schedule
- Result Feedback
- Customer Opinion

Customer Satisfaction Survey

- Our company conducts a customer satisfaction survey annually for all clients. We specifically require responses from our top ten key clients to ensure that the feedback remains representative and provides high reference value. To enhance analytical effectiveness, the survey is segmented by client type and covers four key dimensions: product service, delivery performance, R&D cooperation, and quality standards.
  The survey is conducted regularly in the fourth quarter of each year. After the sales department consolidates the results, a customer satisfaction review meeting is held. Relevant departments are invited to participate, where they conduct in-depth analyses based on client feedback and specifically focus on clients with the lowest average satisfaction scores. Through cross-departmental discussions, we drive concrete optimization actions to enhance service quality and overall cooperation satisfaction.

Customer Satisfaction Survey Results

- We proactively collect client opinions and feedback through our regular customer satisfaction surveys, using them as a crucial basis for service optimization and product improvement. According to the results of the 2025 customer satisfaction survey, our company achieved an overall score of 9.22, reflecting high recognition of our overall performance.

Customer Satisfaction Survey Results

Dimension	2025 Performance Status
Quality	9.32
Delivery	9.25
Service	9.28
R&D (Research and Development)	8.98

Average Customer Satisfaction Score

Year	Score
2023	9.67
2024	9.84
2025	9.22

Customer Complaint Mechanism and Handling

Real-time Customer Communication

In addition to annual surveys and meetings, our company has established a real-time communication mechanism for daily operations. Once the sales department understands a client's needs, the relevant information is immediately conveyed to the appropriate departments for follow-up.

1.For new product development requests, the information is discussed with the R&D department, followed by the issuance of a "New Product Application Form," which is then evaluated and discussed during regular R&D meetings.

2.For product quality-related issues, a "Customer Complaint Form" is issued, and the matter is reviewed and handled during regular customer complaint meetings. Through this cross-departmental information exchange mechanism, we effectively promote inter-departmental coordination and real-time issue resolution, ensuring that client needs are responded to rapidly and resolved appropriately.

Customer Complaint Mechanism

Our company maintains a comprehensive customer complaint handling mechanism. When the sales department receives a complaint, they first verify the situation. Once confirmed, a "Customer Complaint Handling Form" is issued via the ERP system, and an initial response is provided within one business day. If defective samples or related data are involved, they are simultaneously sent to the Quality Assurance (QA) Section for investigation.

After the QA Section makes an initial determination of the cause of the anomaly, they document it in the "Customer Complaint Handling Form" and forward it to the responsible unit to analyze and propose corrective and preventive measures. The turnaround time for this process is within seven business days. The QA Section is responsible for tracking the effectiveness of the improvements, while the sales department consolidates the results. Subsequently, the QA Section completes the case closure and archiving.

The "Customer Complaint Handling Form" and the "Customer Complaint Summary Table" are managed systematically, and review meetings are held regularly. All operations are executed in accordance with the "Standard Operating Procedure for Customer Complaints and Anomaly Handling" (WI-D010006) to ensure systematic processing and traceability, thereby strengthening quality management and enhancing customer satisfaction.

Flow

CH6

YAO-I Happy Workplace

Adhering to the "people-oriented" philosophy, YAO-I is committed to fostering a happy and warm working environment. By cultivating a high-quality workplace atmosphere, implementing robust care mechanisms, offering market-competitive compensation and benefits, and providing diverse training and career development opportunities, we comprehensively attend to our employees' physical and mental needs. This approach aims to enhance employee satisfaction and retention, thereby realizing the sustainable goal of mutual growth and prosperity for both the company and its employees.

In 2024, YAO-I was honored by the Industrial Development Administration of the Ministry of Economic Affairs as a "Long-standing Manufacturer with Over 50 Years of History." This award not only affirms the company's long-term stable operations and deep roots in the local community but also highlights that, throughout our pursuit of sustainable development, we have always regarded our employees as our most important partners and assets.

Note: Unless otherwise specified, the data in this chapter is based on the number of employees who were still employed as of the end of the year (December 31)

6.1 Talent Attraction and Retention

YAO-I believes that talent is the cornerstone of a company's sustainable operation. To attract more outstanding talent, the company not only leverages social media and its corporate website to strengthen its employer brand image and recruitment efforts but also actively participates in various campus and government-sponsored job fairs. In 2025, YAO-I participated in a total of 10 job fairs hosted by campuses and local governments, including:

- 3 Government employment expos
- 3 small-scale recruitment events at government service counters
- 4 campus recruitment fairs

These initiatives successfully attracted talent from various fields and further expanded our recruitment reach and brand visibility.

In addition, the company has established a referral bonus system to encourage internal employees to recommend talent. Regardless of rank, employees are eligible for a fixed-amount bonus, which promotes workforce stability and the inheritance of corporate culture.

Fair Employment and Expatriate Management

YAO-I strictly adheres to the Labor Standards Act and the Employment Service Act, ensuring that the recruitment process is open and transparent. We resolutely prohibit the employment of child labor and do not discriminate based on race, gender, age, marital status, religious beliefs, political stance, or physical/mental disabilities, thereby implementing the principle of equal opportunity. For personnel assigned to overseas subsidiaries, we also comply with local laws and the regulations of the respective subsidiaries.

To clearly define the assignment conditions, job responsibilities, and management mechanisms for expatriate personnel, YAO-I has established the "Management Measures for Expatriate Personnel," which comprehensively regulates matters such as their appointment, salary, performance appraisal, and conduct. All assignment operations are coordinated and approved by YAO-I and its subsidiaries, with subsidiary managers responsible for daily management and periodic evaluations. This ensures the protection of the rights of expatriate personnel while strengthening YAO-I's supervision and consistent management of overseas operations.

Workplace Adaptation and Workforce Stability Measures

To strengthen the stability and adaptability of our human resources, YAO-I has established a comprehensive mechanism ranging from "new hire adaptation" to "resignation management." This assists employees in seamlessly integrating into the workplace while carefully monitoring workforce turnover trends, providing appropriate support and responses at every stage.

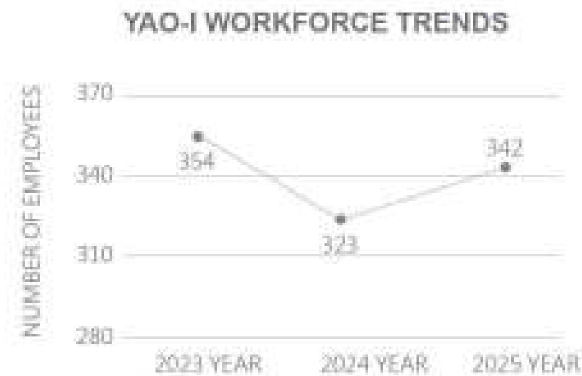
New Hire Adaptation Mechanism	· YAO-I has established a "Little Angel System," where senior colleagues serve as workplace mentors to proactively provide work assistance and care for daily life. During the implementation of this system, the adaptation status of new employees is regularly tracked to help them build a sense of trust and belonging through interaction and companionship. · The company continuously listens to the voices of its employees to optimize relevant systems and environmental configurations, ensuring that a friendly and people-oriented spirit is implemented in the workplace.

Employee Turnover Management	· AO-I regards the turnover rate as a crucial indicator for evaluating workforce stability. All turnover cases are subject to interviews and cause analysis conducted by Human Resources or the direct supervisor. We implement differentiated management based on the nature of the departure (such as voluntary resignation, retirement, or involuntary termination) and develop appropriate improvement measures. By gaining an in-depth understanding of the underlying factors behind departures, we effectively respond to employee needs, mitigate the risk of personnel loss, and subsequently enhance the overall stability and attractiveness of the organization.

Employee Reinstatement and Technical Succession Mechanism

Considering labor market trends and the need for sustainable knowledge transfer within the enterprise, YAO-I promotes an "Employee Reinstatement Program." We proactively inquire about the willingness of retired or voluntarily resigned personnel to return at the time of their departure and have established a talent database to facilitate immediate contact and arrangements when future staffing needs arise. By rehiring talent with professional experience, we not only strengthen technical succession but also help stabilize the organization's knowledge assets and enhance operational resilience.

As of the end of 2025, YAO-I had a total of 342 employees, marking an increase of 5.88% from 2024. This personnel adjustment was due to staffing requirements following the shift of outsourced production lines back to in-house manufacturing. The employee structure has remained stable over the past three years, primarily consisting of permanent, full-time positions. YAO-I does not employ temporary staff, workers without guaranteed hours, or part-time employees, demonstrating the company's commitment to the stability of labor relations and long-term human resource investment.



In addition, the average length of service for employees in 2025 was 7.88 years, an increase of 0.23 years compared to the previous year. This reflects employees' identification with YAO-I and their willingness to stay, further strengthening the accumulation of organizational knowledge and the transfer of experience, thereby laying a solid foundation for the company's sustained growth.

Unit: Number of Employees

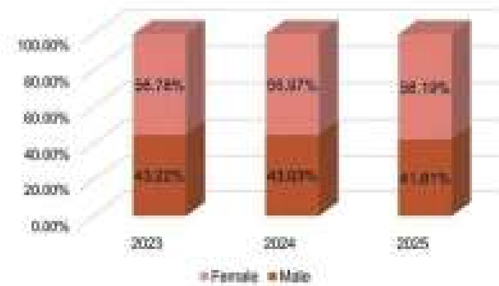
Classification	Period	2023	2024	2025
Type of Employment Contract	Permanent Employees	354	323	342
	Temporary Employees	0	0	0
	Total	354	323	342
Type of Employment	Workers without Guaranteed Hours	0	0	0
	Full-time Employees	354	323	342
	Part-time Employees	0	0	0
	Total	354	323	342

YAO-I continuously monitors changes in its workforce structure, regularly reviewing employee education and age demographics to adjust recruitment strategies and strengthen retention mechanisms, ensuring that human resource allocation aligns with operational needs. Regarding the age structure, the workforce this year is primarily composed of employees aged 31 to 50, who account for 70.47% of the total headcount, forming the core of the company's workforce. Employees under 30 make up 16.08%, while those 51 and older represent 13.45%. This distribution demonstrates that while the company centers its workforce on a mature group with practical experience, it also balances generational diversity and knowledge transfer.

In terms of educational structure, compared to 2024, the proportion of employees with a master's degree remained unchanged in 2025, while those with a college or university degree increased by 24.61 percentage points, and those with a high school or vocational high school background increased by 8.00 percentage points. These figures reflect the company's continued efforts to attract talent with both theoretical foundations and practical skills, while optimizing the workforce composition to build a team with professional depth and operational flexibility.

Furthermore, among the senior management team (Vice President level and above), 60% of employees hold household registration in Changhua. This indicates a high level of connectivity between the company's management team and the local community, which helps deepen local engagement and solidify the foundation for sustainable operations.

Workforce Composition by Gender (Percentage)



Workforce Composition by Position Type

New Employee Distribution

In 2025, YAO-I's new hire rate was 23.39%, showing little difference from the previous year, primarily due to the manpower required for operational scale adjustments and human resource allocation strategies.

Year / Age/Gender	2023				2024				2025			
	Male		Female		Male		Female		Male		Female	
	No	%	No	%	No	%	No	%	No	%	No	%
≤30 yrs	21	19.63%	29	27.10%	1	17.28%	18	22.22%	9	11.25%	18	22.50%
31-50yrs	26	24.30%	28	26.17%	25	30.86%	22	27.16%	21	26.25%	31	38.75%
≥51 yrs	3	2.80%	0	0.00%	0	0.00%	2	2.47%	1	1.25%	0	0.00%
Total New Hires	107				81				80			
Total Employees	354				323				342			
New Hires (%)	29.85%				23.93%				23.39%			

Notes:

1.New Hire Ratio = Number of new hires by age and gender / Total number of new hires for the year.

2.Total New Hire Rate = Total number of new hires for the year / ((Number of employees at the beginning of the year + Number of employees at the end of the year) / 2) * 100%.

Distribution of Turnover

In 2025, YAO-I's turnover rate was 33.04%, an increase of 0.54 percentage points compared to 2024, with a slight increase particularly among employees aged 31 to 50. In response to changing trends in the labor market, the company will continue to strengthen human resource management, optimize recruitment processes, and refine employee care and development systems. We are committed to stabilizing the workforce structure, enhancing overall organizational efficiency, and strengthening the foundation for sustainable development.

Year	2023				2024				2025			
	Male		Female		Male		Female		Male		Female	
Age/Gender	No	%	No	%	No	%	No	%	No	%	No	%
≤30 yrs	18	15.52%	25	21.55%	17	16.19%	24	22.86%	23	20.35%	19	16.81%
31-50yrs	33	28.45%	36	31.03%	29	27.62%	28	26.67%	36	31.86%	31	27.43%
≥51 yrs	4	3.45%	0	0.00%	1	0.95%	6	5.71%	1	0.88%	3	2.65%
Total Number of Employees Left:	116				105				113			
Total Number of Employees:	354				323				342			
Turnover Rate (%):	32.36%				32.5%				33.04%			

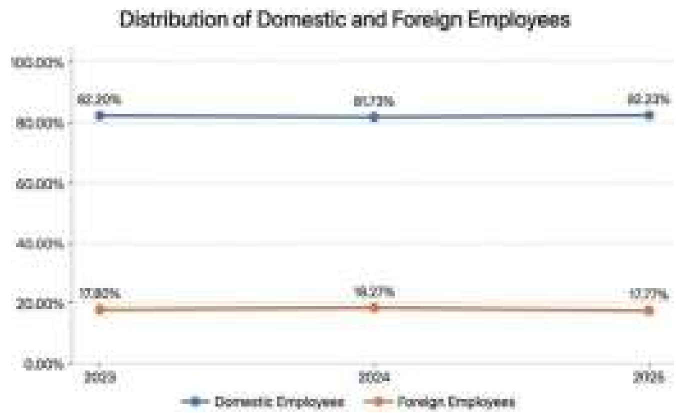
Notes:
1.Turnover Ratio = Number of resignations by age and gender / Total number of resignations for the year.
2.Total Turnover Rate = Total number of resignations for the year / ((Number of employees at the beginning of the year + Number of employees at the end of the year) / 2) * 100%.

Diversity and Inclusion

YAO-I values diversity and inclusion and is committed to fostering an equal, respectful, and friendly workplace environment. To address the challenge of domestic labor shortages regarding direct labor on production lines, the company employs foreign personnel through legal agency channels to maintain stable production and operations.

As of the end of 2025, there were a total of 57 foreign employees, including 40 from Vietnam and 17 from Thailand. They form an integral part of our overall workforce structure, demonstrating the company's adaptability to and acceptance of a cross-cultural working environment. Over the past three years, the distribution of domestic and foreign employees has remained stable, reflecting the sustainability and forward-looking nature of our human resource planning, as well as our commitment to building a robust team with the power of multicultural integration.

Furthermore, YAO-I continues to implement employment support and workplace-friendly measures for individuals with disabilities. We currently employ three employees with disabilities and provide accessible facilities, comprehensive pre-job training, and developmental work content. For all employees, the company simultaneously promotes adaptation mechanisms for new hires, effectively realizing our corporate commitment to the values of diversity and inclusion.



6.1.2 Compensation and Benefit Systems

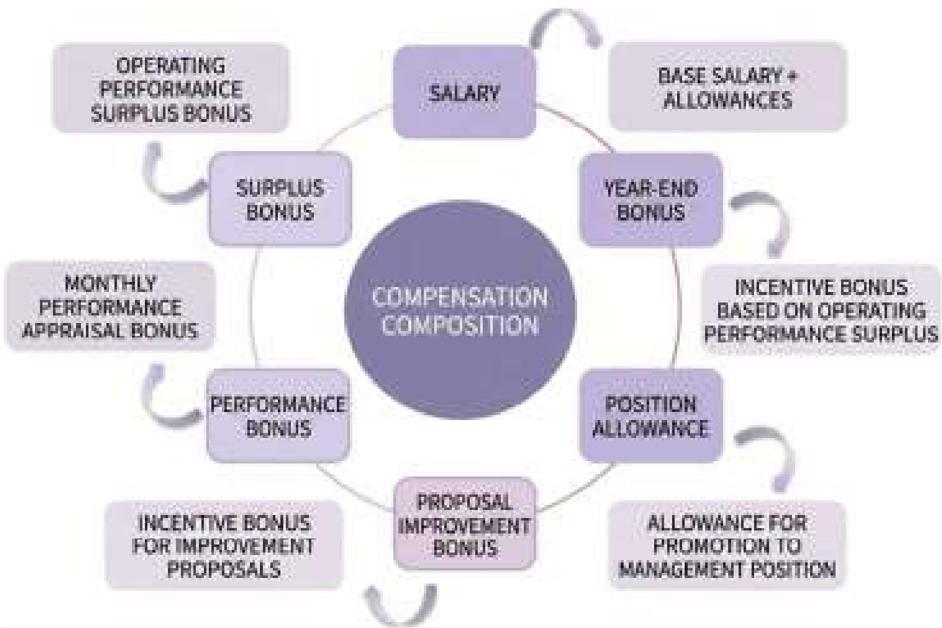
YAO-I is committed to providing a market-competitive compensation structure and comprehensive benefit measures to attract and retain outstanding talent. We strive to build a safe, stable, and friendly work environment, fulfilling our corporate commitments to employees while fostering mutual growth between our staff and the company.

Compensation Policy and Performance Management

Our compensation system is fundamentally based on legal compliance. We establish reasonable salary standards by comprehensively considering factors such as an employee's job responsibilities, professional capabilities, education, experience, and job grade, while also taking into account market rates in the regions where our operating bases are located, economic fluctuations, and industry trends. We strictly enforce the principle of equal pay for equal work, ensuring that compensation is not differentiated based on gender, age, marital status, religion, or political stance.

To strengthen employee incentive mechanisms and improve workforce stability, YAO-I has established the "Salary Administration Policy" and the "Annual Performance Appraisal Policy." These policies clearly define the principles for salary adjustments and incentive distributions, serving as a basis for leadership development, job transfers, and promotions. Except for employees with less than three months of seniority, all staff members are required to undergo "regular work assessments" and "year-end performance appraisals." The resulting performance grades serve directly as the basis for annual salary adjustments and the distribution of year-end bonuses, and they also function as essential references for human resource development and management.

The company's compensation structure mainly includes the following items:



Fixed Salary	Monthly payment based on job type and grade.
Employee Incentive Bonuses	Issued based on overall annual operational performance.
Festival and Birthday Gift Money	Gift money issued for Spring Festival, Mid-Autumn Festival, Labor Day, and employee birthdays.
Year-end Bonus	Based on individual performance and overall contribution.

The starting salary for our entry-level employees is generally higher than the local statutory minimum wage. We provide labor insurance, national health insurance, and group insurance for all employees in accordance with the law, ensuring their fundamental rights and protection against risks. Regarding the compensation system for senior managers and directors, it is determined based on their scope of responsibilities, performance contributions, and market standards within the industry, and is finalized by the Board of Directors after review by the Remuneration Committee.

Taking the years 2023 to 2025 as an example, the ratios of director and supervisor remuneration to net profit after tax were -0.78%, -31.66%, and -94.63%, respectively, all of which were handled in accordance with the Articles of Incorporation. The compensation for the President and Vice Presidents covers salary, bonuses, and remuneration, taking into account their scope of responsibilities, operational contributions, and individual performance to ensure that the compensation is reasonable and provides appropriate incentives (for detailed information, please refer to p. 13 of our 2025 Annual Report).

Salaries of Non-Managerial Full-Time Employees

The salary information for the company's non-managerial full-time employees is shown in the table below, including both the average and median salaries. This serves as an important reference indicator for human resource management and the soundness of our compensation system.

Unit: Headcount; NT$1,000

Item	2024	2025	Compared to Previous Year
Non-managerial Full-time Employees	289	301	4.15%
Average Salary	511	517	1.17%
Median Salary	437	450	2.9%

Note:
The disclosed data is calculated based on annual salary and covers only full-time, non-managerial employees. It does not include part-time, contract, dispatched, or overseas personnel (please refer to the Market Observation Post System for details).

In terms of performance management, YAO-I adopts a group-based operational model characterized by business divisions. To enhance cross-unit communication effectiveness and the appropriateness of resource allocation, the company follows the "Annual Performance Appraisal Policy." Each year, through the setting of organizational or individual goals and end-of-period performance appraisals, the company fairly and objectively evaluates the achievement of various targets, ensuring the alignment between organizational and individual objectives.

To incentivize employees to achieve excellence, YAO-I has established a compensation system featuring real-time incentives and high correlation with performance. Performance bonuses not only reflect the company's overall operational results but are also distributed differentially based on the operational performance of each unit and individual performance.

The distribution of employees who underwent performance and career development reviews at YAO-I in 2025 is as follows:

Item	Number of Employees Receiving Performance and Career Development Reviews	Percentage of Employees Receiving Regular Performance Reviews
By Gender	No	Percentage (%)
Male	143	100%
Female	199	100%
Total	342	100%
By Position Level	No	Percentage (%)
Managerial Personnel	50	100%
Non-Managerial Personnel	292	100%
Total	342	100%

Note:

1. Managerial personnel and non-managerial personnel are distinguished by the rank of section manager (inclusive) and above.
2. Percentage of (male/female) employees receiving regular performance reviews = Number of (male/female) employees receiving performance reviews ÷ Total number of (male/female) employees.
3. Percentage of (managerial/non-managerial) employees receiving regular performance reviews = Number of (managerial/non-managerial) employees receiving performance reviews ÷ Total number of (managerial/non-managerial) employees.

Employee Benefits System

Committee" in accordance with the law to fulfill the company's responsibility to care for its employees. This committee plans and promotes diverse welfare measures covering various aspects such as daily life, health, childcare, education, and recreation, assisting employees in achieving a healthy balance between work and family while strengthening their sense of organizational belonging and well-being.

In addition to coordinating various welfare and recreational activities, the Welfare Committee utilizes the welfare fund to provide multiple subsidy measures, including wedding cash gifts, funeral condolences, birthday and childbirth gifts, hospitalization sympathy payments, and cash gifts or vouchers for the three major festivals—the Spring Festival, Labor Day, and the Mid-Autumn Festival—demonstrating the company's deep care for employees and their families.

Furthermore, the company promotes a system of partner stores to offer shopping discounts to employees, and provides subsidies for club activities and recreational competitions, such as badminton and bowling, to foster interaction and team spirit among colleagues. The company also organizes annual employee trips; in 2025, five-day employee trips were held in Kinmen-Xiamen and Okinawa (as shown in the images), further promoting the connection between employees' families and the company, and enhancing overall cohesion and a sense of belonging.

Five-day employee trips were held in Kinmen-Xiamen and Okinawa

More details regarding YAO-I's employee benefits are as follows:

Category	Item	Description
Statutory Protection	Parental Leave, Retirement System, and Lactation Room	Established in accordance with the Labor Standards Act and Article 18 of the Act of Gender Equality in Employment, we provide comprehensive childcare support and career continuity mechanisms, and have installed lactation rooms for female employees.
Health Care and Well-being Promotion	Health Examinations, Fee Subsidies, and Stress-Relief Courses	· Annual health examinations are provided with full subsidy for all expenses. Abnormal results are followed up with counseling to enhance health awareness. · Periodic stress-relief courses are organized to promote physical and mental balance and support employee psychological health.
Subsidies, Leave, and Attendance Systems	Three major festivals, celebrations, birthdays, childbirth, travel subsidies, funeral condolence money, special leave, marriage leave, maternity leave, paternity leave, celebration leave, honorary leave, two-day off per week	Providing subsidies and leave support for employees across different life stages and festival activities. In addition to legally mandated leave, we offer flexible measures such as celebratory leave and honorary leave for high-performing employees to help staff balance their personal and professional lives, demonstrating the company's human-centric care.
Education, Training, and Incentive	Onboarding Training, On-the-job Training, Education & Training, Performance Awards, and Suggestion Bonuses	· We provide comprehensive training resources to enhance employees' professional skills and self-worth, while encouraging continuous learning. · Outstanding employees are selected and rewarded with bonuses on a quarterly and annual basis. We also maintain a suggestion system to incentivize innovation and a culture of continuous improvement.
Catering and Conveniences	Complimentary Meals, Overtime Meals, Free Parking, and Company Uniforms	· We provide complimentary lunch and dinner, as well as meals for overtime shifts, to reduce the cost of living for our employees. · Designated parking areas for cars and motorcycles, along with a uniform policy, are provided to enhance commuting convenience and strengthen corporate identity.
Employee Engagement	Club Activities, Family Days, Festive Events, and Employee Discounts	We encourage participation in clubs and foster family inclusion by hosting festive events such as Mother's Day and Christmas celebrations, along with parent-child DIY activities, to promote emotional bonds and cultural identification.

Mother's Day

Father's Day

Christmas Charity Activities

Aerobics Class

Fondant Cake Parent-Child DIY Activity

Annual Employee Health checkup

Maternity Care and Childcare Support

YAO-I places great importance on the childbirth and childcare needs of our employees. We are committed to providing comprehensive care and support measures to help our colleagues achieve a healthy balance between their professional and personal lives. In accordance with the Act of Gender Equality in Employment and other relevant regulations, the company provides maternity care and childcare benefits that exceed statutory requirements.

Maternity Care	Our company provides 7 days of prenatal check-up leave for employees during pregnancy, which can be applied for in 30-minute increments, all with full pay. Additionally, a combined total of 15 days of paternity check-up and paternity leave is provided; employees may choose to take 7 of these days during their spouse's pregnancy and the period surrounding childbirth, also with full pay. To support breastfeeding needs, we have established dedicated nursing rooms on-site, allowing female colleagues to breastfeed or express milk during working hours.
Parental Support	The company has established a system for unpaid parental leave, offering full support to employees who apply and assessing the need for additional staffing based on departmental capacity to ensure smooth operations. Upon returning from parental leave, we maintain open communication with the employee regarding their reinstatement and assist in making appropriate adjustments to their job responsibilities. In 2025, three female colleagues have applied for parental leave. Furthermore, male employees are also eligible for paternity leave, ensuring they can fulfill family care needs during their spouse's pregnancy and childbirth. These comprehensive measures are designed to enhance employee well-being and a sense of belonging, reflecting the company's support and respect for our employees' family responsibilities.

Parental Leave Statistics for the Past Three Years

Unit: Number of Employees

Item / Gender	2023		2024		2025	
	Male	Female	Male	Female	Male	Female
Total number of employees entitled to parental leave	2	3	1	2	0	3
Total number of employees who actually took parental leave	0	3	0	2	0	3
Total number of employees who returned to work after parental leave uring the reporting period (A)	0	3	0	2	0	1
Total number of employees due to return to work after parental leave during the reporting period (B)	0	3	0	2	0	2
Total number of employees who remained employed 12 months after returning from parental leave (C)	0	2	0	1	0	1
Total number of employees who returned from parental leave in the previous reporting period (D)	0	2	0	2	0	1
Return to work rate (A/B)	-	100%	-	100%	-	50%
Retention rate (C/D)	-	100%	-	50%	-	100%
Note: If the denominator is 0 when calculating the rate, please indicate it with a "-".						

Retirement Security and Career Transition

YAO-I strictly adheres to the Labor Standards Act, the Labor Pension Act, and other relevant regulations to manage retirement security for our employees. We contribute to retirement funds under both the old and new pension systems, ensuring comprehensive protection of our employees' retirement rights.

In 2025, YAO-I contributed NT$5,675,698 to the pension reserve fund under the old system and NT$9,196,065 under the new system, fulfilling all legal requirements and maintaining the stable operation of these programs.

- In accordance with the Labor Standards Act, the company contributes 2.21% of each employee's total monthly wages into the "Corporate Retirement Pension Fund Account" established at the Bank of Taiwan, ensuring the security of our employees' future pensions.
- For employees covered under the Labor Pension Act, the company contributes 6% of the individual's monthly salary into their personal pension account at the Bureau of Labor Insur ance. Employees may also choose to make voluntary contributions, which the company will withhold from their salaries and remit to their personal pension accounts.

Retirement System Type	Number of Employees
under the old pension system in accordance with the Labor Standards Act	41
under the new pension system in accordance with the Labor Pension Act	301

In addition, YAO-I values the career development and re-employment counseling of retiring employees, providing the following assistance measures:

Employment Referral	Assisting retiring or departing employees in identifying job opportunities within the group's affiliates, contractors, and neighboring businesses to facilitate a smooth career transition.
Re-employment Mechanism	Proactively engaging with retiring or departing employees regarding their interest in re-employment, and prioritizing contact with them when company staffing needs arise, thereby promoting the transfer of technical expertise and re-employment. (Please refer to Section 6.1, "Talent Attraction and Reten-tion," regarding our employee rehiring and technical knowledge transfer mechanisms.)
Career Planning	Providing retirement income security in accordance with the law, while supporting employees in their career transitions.

Looking ahead, YAO-I will continue to adhere to relevant laws and regulations, refine our retirement system and management mechanisms, and remain committed to safeguarding the retirement rights and quality of life of our employees. Furthermore, through diverse support measures, we aim to facilitate the continued employment and fulfilling retirement of our retiring staff.

6.2 Talent Training and Development

YAO-I strengthens our employees' professional capabilities and organizational competitive advantage through institutionalized and systematic human resource development strategies. To address global trends and the needs of our diversified business operations, we have constructed a competency-based education and training system. We have also adopted the Talent Quality-management System (TTQS) framework to promote various training mechanisms, combining digital transformation with in-person learning to enhance the breadth and depth of our talent development, ultimately achieving the goal of mutual prosperity and growth for both our employees and the company.

Training Strategy and System

YAO-I has established an "Employee Training Manual" and "Education and Training Management Procedures" to serve as the foundation for our training system. These documents clearly define training priorities and execution processes for employees at all stages. By integrating resources from the government's "Enterprise Human Resource Enhancement Project," we regularly plan competency-improvement courses to enhance employees' practical skills and management proficiency. These efforts simultaneously improve process quality and customer service efficiency, laying a solid foundation for the company's steady development. Our core training focuses on three key areas: leadership, general competencies, and professional skills. Courses are categorized and designed based on job level and function, including:

New Employee Orientation / Onboarding Training	Assists new colleagues in quickly adapting to the organizational culture and work environment, with foundational training provided in HR, Quality Assurance, Occupational Safety, IT, and General Affairs based on job category.
General Competency Training	Conducts courses for all employees covering safety education, legal compliance, and information technology skills to enhance overall organizational literacy.
Professional Skills Training	Arranges specialized courses based on departmental needs, including product quality planning, Statistical Process Control (SPC), engineering analysis, finance, human resources, manufacturing, and occupational health and safety.
Management Skills Training	Focuses training priorities by management level: junior managers focus on execution, work allocation, guidance, and problem-solving; mid-to-senior managers focus on execution, leadership, performance management, talent development, and organizational planning.
Certification Training	The company provides subsidies for job-related professional certifications (e.g., occupational safety, environmental regulations) and supports employees in obtaining required certifications or completing mandatory training programs (e.g., occupational health and safety management, organic solvents, fixed cranes, fire safety management, and toxic chemical substance response). The results of employee professional certification training in 2025 are as follows: **Quality Management:** Completed ISO Internal Auditor training. **Occupational Safety:** Employees hold a cumulative total of 87 professional certifications in areas such as occupational safety and health management, hazardous material management, forklifts, cranes, overhead cranes, fire safety management, first aid, and emergency response.

External Training Courses	Upon application by respective departments and subsequent approval, the HR unit assists with registration and coordination to ensure that training aligns with job requirements and effectively enhances professional expertise.

In 2025, YAO-I recorded a total of 1,639 participations in education and training, amounting to 1,201.5 total training hours. This reflects the company's ongoing commitment to employee safety and demonstrates the efforts and achievements YAO-I has made in enhancing the comprehensive skill sets and professional literacy of its workforce.

In terms of the course design process, it encompasses needs analysis, annual course planning, course development, resource allocation, effectiveness evaluation, and continuous improvement. We adopt the ADDIE model for systematic planning to ensure the company's training quality and learning transfer effectiveness. Execution and review mechanisms are established for all training programs to regularly track learning outcomes and organizational contributions, thereby strengthening talent development and corporate sustainable competitiveness.

Course	Hours	No of Participants
Workplace Safety Precautions	20	137
Emergency First Aid	104	78
Occupational Health and Safety	598	766
ISO Internal Auditor Training	3	10
Management Training	18	59
Corporate Sustainability	79.5	9
General On-the-Job Training	378	545
Human Rights Awareness / Human Rights Advocacy	1	35

Course Design and Scheduling Process

- YAO-I firmly believes in the philosophy that "communication is the best management." We are actively committed to safeguarding employee rights, fostering a positive work environment, and establishing effective two-way communication channels. By understanding employee needs and ensuring clarity regarding company goals, we aim to build internal consensus and a unified corporate culture. While pursuing growth and profitability, we strive to empower our employees and the company to progress together, creating an environment that promotes continuous learning and development.

Our company's training system is categorized into new employee orientation, on-the-job training, internal trainer training, and management competency training. By integrating three learning modes—"learning on the job," "learning through training," and "self-directed learning"—we plan in-depth development courses to ensure that talent development is conducted with clear goals and a systematic approach, fostering talent to high standards. In 2025, YAO-I's total expenditure on employee training reached NT$582,209. The execution performance of education and training for this year, categorized by gender and job level, is as follows:

Category	Total Training Hours	Average Training Hours per Employee
By Gender	Hour	Hour/Person
Male	699.1	4.89
Female	502.4	2.52
Total	1,201.5	3.51
By Job Level	Hour	Hour/Person
Managerial Staff	251	5.02
Non-Managerial Staff	950.5	3.26
Total	1,201.5	3.51

Note: Managerial and non-managerial staff are classified using "section manager (inclusive) and above" as the dividing line.

In terms of the course design process, it encompasses needs analysis, annual course planning, course development, resource allocation, effectiveness evaluation, and continuous improvement. We adopt the ADDIE model for systematic planning to ensure the company's training quality and learning transfer effectiveness. Execution and review mechanisms are established for all training programs to regularly track learning outcomes and organizational contributions, thereby strengthening talent development and corporate sustainable competitiveness.

Cross-Departmental Rotation and Career Development

- YAO-I encourages the development of multi-skilled employees and has established a formal job rotation application system. Applications are submitted by production unit supervisors, and the Human Resources department coordinates the cross-departmental rotation process to enhance production line flexibility and broaden employee skill sets, while also assisting employees in exploring diverse career paths (see the figure below).

Simultaneously, based on employee performance evaluations and competency development needs, the company arranges suitable training courses to deepen career growth opportunities, ensuring that employees receive support and resources at every stage of their careers.

6.3 Human Rights Management

- YAO-I upholds the principle of respecting employees' fundamental human rights and strictly complies with the Labor Standards Act and relevant labor regulations to safeguard employees' work rights. In the event of major operational changes or termination of employment, the company provides a reasonable and lawful notice period in accordance with regulations, ensuring employees have sufficient time to adjust and prepare, while maintaining their dignity and fair treatment.

  According to the Labor Standards Act,

  - Employee has worked for more than three months but less than one year, the company shall provide at least ten days' notice before terminating the labor contract.
  - Employee has worked for one year or more but less than three years, at least twenty days' notice is required.
  - Employees who have worked for three years or more, at least thirty days' notice is required.

6.3.1 Human Rights Policy

- YAO-I adheres to international human rights standards, including the United Nations Universal Declaration of Human Rights (UDHR), the United Nations Global Compact (UNGC), and the ILO Declaration on Fundamental Principles and Rights at Work. We strictly observe the labor laws of all operating locations, commit to protecting employees' fundamental human rights, and prohibit any form of infringement. This human rights policy applies to YAO-I and its affiliates, and we also expect our suppliers, business partners, and customers to uphold the spirit and fundamental principles of this policy.

  Our primary human rights commitments are as follows:

  - Workplace Equality and Anti-Discrimination:

    Prohibit all forms of discrimination, ensuring that employees are not subjected to disparate treatment based on race, gender (including sexual orientation), age, marital status, religion, political affiliation, socioeconomic status, appearance, physical features, disability, or union membership status.
  - Zero Harassment and Safe Workplace:

    Ensure a workplace free from sexual harassment, verbal or mental harassment, physical assault, and intimidation, fostering a working environment of dignity, equality, and safety.

· Prohibition of Forced Labor and Child Labor:

Do not force or coerce anyone to provide labor, do not restrict personal freedom, prohibit the withholding of personal identification documents, and explicitly mandate that no personnel under the age of 16 shall be hired, nor shall young workers be assigned to hazardous work.

· Freedom of Association and Communication:

Respect employees' rights to freedom of association and collective bargaining, and provide open channels for expressing opinions. Across our global operating locations, employees can utilize organizations such as labor unions and employee relations promotion committees, where unit representatives assist colleagues in reflecting opinions during meetings to ensure that the voices of regular employees are truly heard and addressed by the company.

· Working Hours and Remuneration Security:

Implement working hours and wage systems in accordance with laws, adhere to the principle of equal pay for equal work, and regularly review performance and ensure timely payment.

· Physical and Mental Health and Work-Life Balance:

Promote diverse activities and systems to assist employees in maintaining physical and mental health as well as work-life balance.

· Continuing Education and Risk Awareness:

Enhance employees' understanding and emphasis on their own rights and human rights issues through legal advocacy and human rights education training.

2025 Human Rights Implementation

In 2025, YAO-I did not experience any incidents of discrimination, nor were there any cases of employing child labor, assigning hazardous work to minors, forced labor, or infringing upon the rights of indigenous peoples. The company continues to promote an equal and equitable work environment by strengthening employees' understanding of their own rights. Furthermore, through monthly legal awareness campaigns and irregular human rights-related educational training, we encourage employees at all levels to actively participate. These courses cover core issues such as labor employment freedom, working hours, wages, and child labor, aimed at enhancing human rights awareness and practical identification capabilities.

Human Rights Management Process

- YAO-I follows the principles of the Ethical Trading Initiative (ETI) and regularly promotes a human rights due diligence and risk management cycle. We conduct issue:
  - Identification
  - Preventive measures
  - Monitoring mechanisms
  - Improvement actions

  Within the company and across our supply chain to ensure that labor and human rights are continuously protected.
  The management process is as follows:

IDENTIFY

- Map major corporate human rights issues.

PREVENT

- Implement and revise management regulations.
- Conduct education and training, erform awareness promotion.

MONITOR

- Regularly assess human rights risks.
- Set up open whistleblowing and complaint channels.

MITIGATE & REMEDY

- Execute deficiency improvement plans and track effectiveness.

Human Rights Due Diligence

- The company regularly conducts human rights due diligence, covering aspects such as:
  - A safe workplace
  - Discriminatory hiring
  - Forced labor
  - Working hour management
  - Physical and mental health

  We implement corresponding management measures for different subjects to prevent risks and further safeguard employee rights. In 2025, no high-risk individuals were identified, indicating that our human rights management system possesses a certain level of effectiveness.

Human Rights Due Diligence Topics

Topic	Target Group	Measures	High-Risk Individuals
Providing a safe, healthy, and harassment-free workplace	All employees	· Implement occupational disease prevention and promote physical and mental well-being. · Risk management for hazardous work environments. · Provide professional consultation services. · Set up employee complaint mailbox.	0
Diverse employment and elimination of illegal discrimination	New employees	· Comply with labor laws and internal policies. · Follow international human rights conventions such as gender equality, right to work, and non-dis crimination. · Provide recruitment training and reminders for interviewers. · Ensure non-discriminatory job advertisements and equal employment opportunities.	0
Prohibition of forced labor and child labor	New employees	· Strict adherence to labor laws, prohibiting forced or coerced labor. · Overtime only with employee consent, with legal compensation. · No employment of involuntary workers or those under 16. Employment offers letters clearly outline rights, obligations, and benefits.	0
Working hours management	All employees	· Avoid excessive workloads. · Comply with legal working hours. · Promote work-life balance. · Implement attendance and overtime systems.	0
Supporting physical and mental well-being & work-life balance	All employees	· Offer diverse activities and encourage club participation to foster interpersonal communication and a balanced work-life culture.	0

6.3.2 Multiple Communication Channels

YAO-I is committed to creating a respectful, equal, and safe work environment. Through institutionalized and diversified communication and grievance channels, we ensure that employee opinions are fully heard and properly addressed. The company has established "Employee Work Rules" and sexual harassment prevention mechanisms, implemented comprehensive grievance procedures and protective measures, and strengthened communication and interaction with employees through regular meetings and investigation mechanisms.

Grievance Mechanisms and Protective Measures

The company provides diverse grievance and reporting channels, including suggestion boxes, grievance forms, a dedicated telephone line (04-7556111, extension to the HR Manager), and a dedicated email address (yihr@yaoi.com.tw).

If employees feel their rights have been infringed upon, or if they have experienced improper treatment, discrimination, or sexual harassment, they may file a grievance at any time. The HR department handles these cases according to established procedures, protecting the privacy and personal rights of the complainant while strictly prohibiting any form of retaliation. In 2025, the company did not receive any grievance cases involving employee rights or human rights.

Regarding sexual harassment prevention, the company has established clear grievance and handling regulations, including the format of grievance submissions, preliminary review procedures, investigation timelines, and disciplinary mechanisms. These are incorporated into training programs for new employees to strengthen awareness and prevention. Cases are reviewed by a Grievance Handling Committee, the composition of which meets gender ratio requirements, and the entire process is kept strictly confidential to protect the rights and interests of both parties.

Institutionalized Employee Communication and Feedback Mechanisms

The company engages in two-way communication regarding working conditions and workplace issues through face-to-face channels, including regular labor-management meetings (held quarterly), the Employee Welfare Committee, and routine departmental meetings.

The main communication channels and their frequencies are described below:

Communication Channel Method

Channel	Method	Frequency
Face-to-Face Communication	· Labor-management meetings · Welfare committee meetings · Departmental meetings and activities	· Once per quarter Quarterly · As needed
Internal Units	· HR support services · On-the-job employee satisfaction surveys · New hire satisfaction surveys	· As needed · Every 2–3 months
Employee Feedback Channels	· Complaint mailbox · Employee suggestion box · Complaint hotline and email	· Reported cases are handled and followed up by dedicated personnel. · Protection measures are provided for both the complainant and those involved.

Employee Satisfaction Survey Implementation Results and Improvements

The company conducts an annual employee satisfaction survey to understand employees' perspectives and opinions on the work environment, with the aim of using this feedback as a reference for continuous improvement in corporate management. The employee satisfaction survey covers six major dimensions:

· Overall satisfaction
· Managerial leadership
· Compensation and benefits
· Colleague cooperation
· Work environment
· Training and development

The questionnaire coverage rate for this survey was 81%.

Target Audience	All employees
Coverage Rate	81%
Responsible Department	Human Resources Department
Survey Frequency	Once per year
Survey Period	2025 (114th year)
Survey Results	High-scoring dimensions: Managerial leadership, colleague cooperation, work environment, training and development. Low-scoring dimensions: Compensation and benefits.
Improvement Plans	1. Increase employee benefit measures to enhance overall satisfaction and work efficiency, while strengthening the company's ability to attract and retain top talent. 2. Conducted a survey on employee group meals; adjusted the serving portions of main and side dishes, and regularly rotate group meal suppliers to ensure freshness of dishes. We will continue to monitor and improve meal quality. 3. The company will continue to pay attention to employee feedback and, through regular surveys and continuous improvement, foster a more attractive and supportive work environment.

Communication and Management Mechanisms for Foreign Employees

YAO-I has developed a comprehensive communication and management system tailored to foreign employees to ensure their work and daily needs are fully supported and addressed. The main initiatives include:

Measure	Description
Monthly Migrant Worker Briefing	A monthly meeting is held to explain recent company policies and events to foreign workers, address their concerns, and resolve any urgent matters to ensure smooth two-way communication.
On-Site Translation Services	Through an agency, the company arranges for a dedicated on-site manager who serves as a communication bridge between foreign employees and management. Important work documents, safety signage, and labels at facilities are translated into Vietnamese and Thai to reduce language barriers and improve work and living convenience.
New Hire Training for Foreign Workers	New foreign employees receive a two-day pre-employment training program covering business integrity, personal data protection, information security, workplace safety, and HR regulations. This is followed by five days of hands-on training at the worksite to ensure they are fully familiar with job responsibilities and procedures before starting formal duties.

Additionally, to address labor shortages and improve foreign worker retention, YAO-I launched the "Migrant Worker Retention and Career Development Project" in 2023. That year, the company promoted one foreign worker to a mid-level technical position, who continued employment into 2025. YAO-I plans to expand this pathway to help more outstanding migrant workers pursue new career opportunities within the company.

6.4 Healthy Workplace

Material Topic: Occupational Safety and Health

Significance of Material Topic	Employees are the company's most valuable asset. Providing a safe and healthy work environment is a core principle that YAO-I consistently upholds. Occupational safety and health not only concern employee well-being but also directly affect productivity and operational stability. Through comprehensive safety systems and risk prevention mechanisms, the company is committed to building a secure workplace and strengthening the foundation for sustainable operations.

Material Topic: Occupational Safety and Health

Policy / Commitment	YAO-I is committed to complying with all applicable occupational safety and health laws and regulations. Through institutionalized safety management and comprehensive education and training mechanisms, the company strives to prevent occupational accidents and reduce any factors that could potentially cause harm to employees.
Goals	· Short-term Goals (by 2025): Fewer than 1 case of temporary total disability due to occupational accident. · Mid-term Goals (2026–2028): No more than 3 cases of lost-time occupational injuries. · Long-term Goals (post-2028): No more than 3 cases of lost-time occupational injuries.
Action Plans	· The Occupational Safety and Health Management Plan serves as the fundamental basis for managing employee occupational safety. · The Hearing Conservation Program provides protective equipment and regular health check-up services to ensure the well-being of employees. · The Occupational Safety and Health Emergency Response Management Procedure Manual provides a consistent and standardized process for handling emergency situations.
2025 Actual Performance	Completed the implementation of the "ISO 45001 Occupational Health and Safety Management System." · Completed the implementation of the "Contractor Management System," dedicated to strengthening workplace safety protections. · Invested NT$136,973 in safety-related protection measures. · Conducted 1,713 attendances for occupational safety education and training, totaling 2,698 training hours. · Employees obtained 87 professional certificates related to occupational safety and high-risk operations, an increase of 12 certificates compared to 2024.

Communication Channels	YAO-I values occupational safety and health communication mechanisms and is committed to building a transparent, timely, and effective dialogue platform. This allows employees and stakeholders to reflect their opinions and needs in a timely manner, strengthens risk identification and response mechanisms, and thereby collectively maintains workplace safety and operational stability. The current occupational safety and health communication channels at the company are as follows: · Occupational Safety and Health Committee · Grievance Mailbox · Labor-Management Meetings · Internal Audits / External Audits · Spokesperson and Acting Spokesperson System (announced on the Market Observation Post System) · Dedicated contact window information in the "Stakeholder Section" of the company website

6.4.1 Occupational Safety and Health Management

YAO-I places great importance on environmental, health, and safety management, having established clear "Occupational Safety and Health Work Rules" to strive for a safe and secure working environment. We are committed to ensuring the safety of our employees' lives and property, as well as their physical and mental health, while maintaining the foundation for overall operational stability and sustainable development.

To effectively promote occupational safety and health activities and ensure the implementation of these systems, the company has established an "Occupational Safety and Health Committee," chaired by the CEO, which meets at least once every three months. Attendees include representatives from functions such as Production, Biotechnology, R&D, Engineering, General Affairs, Procurement, Quality Assurance, labor representatives, and safety and health management personnel. Together, they participate in discussions regarding various safety and health activities within the factory, review and provide recommendations on promotion plans and implementation effectiveness, and continuously strengthen our environmental, safety, and health management practices.

Occupational Hazard Prevention

The company prioritizes employee workplace safety and health. To serve as a management basis, we have established an "Occupational Safety and Health Management Plan" targeting potential risks and hazards within the work environment, along with various supplementary management policies and plans based on the framework of the four major occupational safety programs.

Specific management policies and plans include:

- Hearing Conservation Program
- Standard Operating Procedures for Sexual Harassment Prevention
- Maternity Health Protection Management Plan
- Labor Health Service Plan
- Ergonomic Hazard Prevention Plan
- Workplace Violence Prevention Plan
- Health Promotion Plan for Middle-aged and Older Workers
- Prevention Plan for Diseases Induced by Abnormal Workloads
- Confined Space Operation Standards
- Hot Work Standards
- Hazard Communication Plan
- Epidemic Disease Prevention and Response Plan

Ergonomic Hazard Prevention Plan	Maternity Health Protection Plan
Workplace Violence Prevention Plan	Abnormal Workload Prevention Plan

Through these comprehensive systems, the company conducts hazard identification and risk control to build a safe, healthy, and secure work environment, thereby safeguarding the physical and mental well-being of our employees and fulfilling our goals for sustainable corporate operation.

Noise is currently classified as a Level 2 management item in our hazard grading system. To prevent hearing loss caused by employees not wearing protective equipment in high-noise areas, we provide appropriate personal protective equipment and strengthen on-site risk control and self-management awareness through educational outreach and regular environmental noise monitoring. Through these complete protective mechanisms and education and training, we ensure that personnel understand and correctly use protective equipment, reducing exposure risks and maintaining employee hearing health and occupational safety.

Furthermore, in 2025, we focused on the introduction of the Occupational Safety and Health Management System and the cultivation of a safety culture. We encouraged supervisors in units with high-risk operations—such as production, engineering, and general affairs—to undergo training as Class A Occupational Safety and Health Business Supervisors to enhance their knowledge and awareness. We also facilitated training for personnel across all units in hazard risk assessment, utilizing risk assessment toolkits to develop their ability to independently identify and evaluate hazards as a management method to reduce the risk of occupational injuries. These approaches have all received consensus from members of the Occupational Safety and Health Committee.

Safety Protection Mechanisms and Incident Reporting

In August 2025, YAO-I completed the implementation of a Contractor Management System, dedicated to improving hazard notification for external contractors upon entry, strengthening workplace safety protections, and building a comprehensive operational safety management mechanism. In 2025, the company invested NT$136,973 in safety-related protection measures, demonstrating concrete actions to promote a safety culture and implement protection mechanisms. To effectively prevent potential occupational disaster risks associated with high-risk operations, YAO-I has established corresponding management plans and protective measures based on different types of operations, ensuring that both our employees and contractors can perform their work in a safe and secure environment.

Type of operation	Description of Safety Protection Mechanisms
Contractor Site Entry Management	Before entering the site, contractors must provide a construction application, construction drawings, and relevant licenses (e.g., crane license, forklift license). Hazard notifications and safety inspections will be conducted on the day of the operation prior to entry into the facility.
Confined Space Operations	"Confined Space Operation Standards" have been established, requiring the use of four-gas detectors and the appointment of supervisors for work in oxygen-deficient environments to strengthen safety control throughout the entire process.
Work at Heights	For crane and hoisting operations, qualified licenses (including the "one machine, three certificates" requirement) must be provided in advance.
High Decibel (Noisy) Operations	A "Hearing Protection Plan" is implemented. Earplugs and periodic health checkups are provided, and noise exposure risk is regularly monitored.
Provision of Personal Protective Equipment	· Cotton gloves: Replace as needed · Safety helmets: Replace as needed · Earplugs: Replace as needed · Safety goggles: Replace as needed · Safety shoes: Replace once per year

Furthermore, to strengthen the overall safety management system, YAO-I has established an "Occupational Safety and Health Emergency Response Management Procedure" to create a consistent response process. In the event of an accident or emergency, employees can quickly activate response procedures through the company's reporting system, allowing management to grasp the situation in real-time and take necessary corresponding measures.

Simultaneously, response personnel can quickly take their positions according to established mechanisms, leveraging mutual assistance among groups to effectively reduce potential damage to personnel, property, facilities, and the environment, thereby ensuring operational stability and employee safety.

Occupational Injury Statistics

Common types of occupational injuries at YAO-I include cuts and lacerations. To effectively monitor trends in occupational hazard risks and identify key areas for prevention, the company regularly compiles and analyzes occupational injury statistics, which serve as the basis for subsequent preventive measures and the planning of educational training. In 2025, one major industrial injury incident occurred, involving an employee who required hospitalization.

Occupational Injury and Illness Statistics (2023–2025)

Category	Item	Unit	2023	2024	2025
Total working hours (incl. overtime)		Hours	755,421	704,132	708,739
Occupational Injury	No. of fatalities caused by occupational injuries	Persons	0	0	0
	Fatality rate	Rate	-	-	-
	No. of serious occupational injuries (excluding fatalities)	Person	0	0	1
	Severity Rate (SR)	Rate	-	-	28
	Total recordable occupational injuries	Cases	1	1	1
	Injury Rate (IR)	Rate	1	1	1
	Sick leave hours due to work-related injuries	Hours	20	8	120
	Lost workdays	Days	3	1	15
	Lost Day Rate (LDR)	Rate	3	1	21

Category	Item	Unit	2023	2024	2025
Total working hours (incl. overtime)		Hours	755,421	704,132	708,739
Occupational Disease	No. of fatalities due to occupational diseases	Persons	0	0	0
	Fatality rate due to occupational diseases	Rate	-	-	-
	Total cases of occupational disease	Cases	0	0	0
	Occupational Disease Rate (ODR)	Rate	-	-	-
Absentee days (including sick leave, menstrual leave, maternity leave, and injury leave)		Day	1,441	1,237	1,463
Absentee Rate (AR)		(%)	1.53%	1.41%	1.70%

Note:

1.The above data excludes occupational injuries caused by commuting.

2.Total hours worked = The actual number of hours worked by employees throughout the year (including overtime).

3.Rate of fatalities as a result of work-related injury = (Number of fatalities as a result of work-related injury / Total hours worked) × 1,000,000.

4.Rate of high-consequence work-related injuries (SR) (excluding fatalities) = (Number of lost-time injury days (excluding fatalities) / Total hours worked) × 1,000,000.

5.Rate of recordable work-related injuries (IR) = (Total number of recordable work-related injuries / Total hours worked) × 1,000,000.

6.Lost day rate (LDR) = (Total number of lost work days (work-related injury leave) / Total hours worked) × 1,000,000.

7.Rate of fatalities as a result of work-related ill health = (Number of fatalities as a result of work-related ill health / Total hours worked) × 1,000,000.

8.Rate of recordable work-related ill health (ODR) = (Total number of cases of recordable work-related ill health / Total hours worked) × 1,000,000.

9.Absenteeism rate = (Number of days absent / Total number of days scheduled to be worked by all employees for the year) × 100%. If the denominator is 0 when calculating a rate, it is indicated by a "-".

Occupational Safety Training and Promotion

YAO-I places great importance on raising awareness of occupational safety and health. Through institutionalized and routine educational training, we continuously strengthen our employees' recognition of potential operational risks and their ability to respond to them.

Our occupational safety and health curriculum covers core topics such as:

- Chemical hazard management
- Operational safety
- Machinery safety
- Fire prevention
- Emergency responseThese topics comprehensively address the safety needs of employees' daily operations.

To enhance the practical vigilance of on-site personnel, the company planned and implemented quarterly industrial safety promotion activities for production line employees in 2025. Through thematic promotion, we continue to deepen knowledge of occupational disaster prevention and safety operation concepts, driving the implementation of an occupational safety culture across the entire plant and achieving the goal of full participation.

The themes for each quarter of 2025 were as follows:

- Q1: Occupational Safety and Health Training on Handling Tools and Safety Procedures
- Q2: Entanglement and Nip Hazards
- Q3: Hazard Communication for Chemicals
- Q4: Promotion of Personal Protective Equipment (PPE)

The company actively strengthens employees' safety awareness and response capabilities to reduce the risk of occupational disasters, fulfilling our occupational safety management philosophy that "prevention is better than remediation." In 2025, we conducted various educational training sessions on occupational safety topics, reaching 1,713 participants with a total of 2,698 training hours. This fully demonstrates YAO-I's high regard for employee safety and our sustained efforts and achievements in improving workplace safety literacy.

Unit: Person; Hours

Course Category	Course Description	Participants	Total Training Hours
Machinery and Equipment Operation Safety	Knowledge of machine operation and related safety precautions	27	45
Production Operation and Process Safety	Covers production process precautions and identification of potential risks	479	416

Unit: Person; Hours

Course Category	Course Description	Participants	Total Training Hours
Chemical Substances and Hazard Prevention	Prevention education targeting specific hazards, chemicals, and occupational diseases	171	418
Emergency Response and First Aid Training	Strengthening employees' emergency and disaster response capabilities	721	2116
Workplace Health and Legal Compliance Awareness	Focus on health promotion, psychological safety, and legal awareness	302	230
Special Operations Safety	Safety training for high-risk and permit-required operations	13	13

In addition, 87 professional qualification certificates related to occupational safety and high-risk operations were obtained by our employees in 2025, an increase of 12 from 2024. This demonstrates the company's ongoing commitment to fostering professional competence and strengthening employees' expertise and execution capabilities in safety management.

Certification Description	No of Certifications (2024)
Occupational Safety and Health Administrator	3
Category A Safety and Health Supervisor	7
Fire Prevention Manager	5
Organic Solvent Operations Supervisor	6
Designated Chemical Operations Supervisor	5
Forklift Operator (over 1 metric ton)	29
First Aid Personnel	20
Small Boiler Operator	1
Acetylene Equipment Metal Welding/Cutting/Heating Operations Worker	3
Fixed Crane Operator (lifting 0.5–3 metric tons)	1
Fixed Crane Operator (lifting over 3 metric tons)	2
Crane Rigging Worker	1
Confined Space Work Supervisor	2
Aerial Work Platform Operator	2
Total	87

6.4.2 Employee Care

Beyond continuously strengthening occupational safety protection mechanisms, YAO-I places great importance on employee health management and promotion. Through a systematic health management system and diverse promotional measures—ranging from prevention and check-ups to care and education—we comprehensively enhance workplace health management to create a safe, healthy, and supportive work environment.

Workplace Health Management and Services

To safeguard employee health, the company selects designated hospitals for labor insurance-covered occupational disease prevention examinations, which provide on-site health check-ups for our colleagues. In 2025, a total of 270 individuals received general health examinations, with total costs amounting to NT$40,350.

Following the examinations, on-site nursing staff compile the results and arrange physician consultations and health education services based on individual conditions, thereby implementing personal health risk management. For those in special work environments, the company also arranged special health examinations for 20 employees engaged in noise-related work in 2025, strengthening health monitoring for high-risk groups.

Furthermore, YAO-I has established an on-site health service system to prevent work-related health hazards. On-site health services in 2025 included 5 visits by physicians and 60 visits by nursing staff, with 68 employees participating in health consultations with on-site medical professionals. The scope of these services covers work-load assessment, health protection for pregnant employees, prevention of workplace violence, and the prevention of musculoskeletal disorders. Through on-site assessments and health coaching, we strengthen employees' awareness of and ability to prevent potential health risks.

Health Promotion and Awareness Activities

YAO-I promotes health initiatives through the Occupational Safety and Health Committee, which reviews and provides recommendations for safety and health activities within the factory. At the same time, we continuously conduct health education and awareness campaigns to provide employees with accurate health knowledge and lifestyle guidance.In 2025, our health promotion themes included

- Methods for liver protection
- Heat hazard prevention
- Prevention of muscle soreness
- Management of abnormal work workloads
- Advice on preventing cardiovascular strain during cold weather

Additionally, we implemented the "Health Tips for You" program, which releases quarterly health-related topics to increase employee awareness of health issues and self-care.

CH7

Social Engagement and Public Welfare

Adhering to the philosophy of "giving back to society," YAO-I has long been committed to public welfare activities, with a focus on animal welfare as part of its corporate social responsibility efforts.

7.1 Local Public Welfare Participation

The company's proprietary brand LIFEAPP upholds the core value of "creating a comfortable space for pets." Through charitable donations, campaign planning, and social media advocacy, it continuously provides tangible support to stray animals and guide dogs.

LIFEAPP's public welfare initiatives are led by the brand's business and marketing teams, who plan suitable donation targets and partnership models each year based on annual goals and resource allocation.

In addition to the ongoing donation of pet mats to the Taiwan Guide Dog Association—providing guide dogs with a warm and comfortable resting environment—LIFEAPP continues to promote care initiatives such as the "A Cozy Night for Strays" campaign, regularly donating goods and allocating a portion of its sales revenue to support the daily operations and expenses of animal welfare associations.

The brand's annual core public welfare activities include:

- Collaborative donations and the production of promotional videos with the Taiwan Guide Dog Association (scan the QR Code in the image for more details).
- Donation of a percentage of revenues from LIFEAPP's May-June anniversary campaign to charity efforts.
- The annual "A Cozy Night for Strays" initiative, combining social media advocacy and material donations to raise awareness of stray animal welfare.

To ensure effective resource allocation, the LIFEAPP public welfare team proactively searches for potential partners. This process includes monitoring social media platforms, collecting employee feedback, and conducting site visits to carefully assess alignment with LIFEAPP's mission before initiating donation partnerships. While the Taiwan Guide Dog Association remains a key partner, additional partners are rotated annually to broaden the outreach and support more pet families and welfare institutions in need.

Since 2022, the company has maintained a long-term partnership with the Taiwan Guide Dog Association and has annually expanded its support for stray animal care organizations. Over the past three years, YAO-I has donated over 300 pet-related items to seven charitable organizations and animal care units, helping provide a safer and more comfortable living environment for guide dogs, as well as stray dogs and cats.

In addition, the company responded to the post-disaster reconstruction efforts for the Mata'an Creek area in Hualien County in 2025. Our brand, QSHION, donated 50 mattresses to the Social Affairs Department of the Hualien County Government to help affected families improve their living conditions and sleep quality. Through the joint investment of government and private resources, we hope to provide substantive support to the affected residents, conveying our corporate philosophy of caring for society and giving back to the community, while accompanying these families as they gradually rebuild their lives and create a safer, more comfortable living environment.

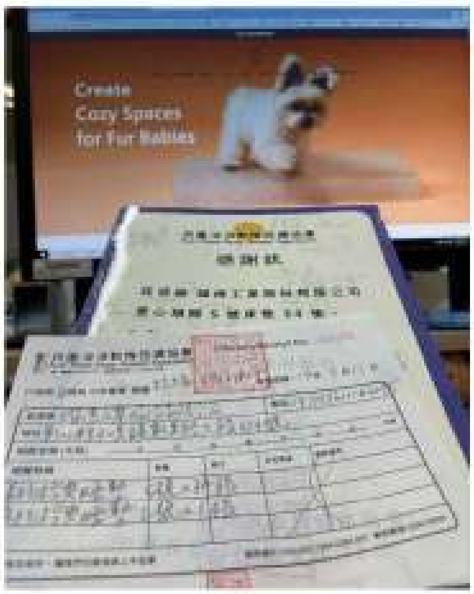
Yearly Public Welfare Contributions

Year	Recipient Organization	Public Welfare Activities	Contribution (Cash/Goods)
2023	Taiwan Guide Dog Association, Taipei Stray Cats Protection Association, Stray Dog Home, and Old Mao Pet Care	Donated pet cushions and cat beds	Total: 436 PCS
2024	Taiwan Guide Dog Association	Donated pet cushions	Total: 50 PCS
	Moon Garden Stray Animal Care Association	Donated pet cushions and monetary donation	50 PCS Donated NT$21,127
2025	Taiwan Guide Dog Association、Moon Garden Stray Animal Care Association、Cat Lovers Association、Heart of Taiwan Animal Care (HOTAC)	Donated pet cushions and cat beds	Donated 165 sets of pressure-relieving pet mats and cat beds in various sizes. Donated NT$12,000
	Social Affairs Department, Hualien County Government	Mattresses	50 QSHION mattresses

Future Outlook

Looking ahead, YAO-I will continue to center its operations on the philosophy of sustainable management, deepening the philanthropic initiatives of the LIFEAPP and QSHION brands. By leveraging our corporate resources and core competencies, we aim to collaborate with social welfare organizations, government agencies, and non-profits to drive diverse charitable projects. Through long-term and consistent commitment, we aspire to expand our social impact, fulfill our corporate social responsibilities, and integrate social care into our brand values and corporate culture.

Moving forward, YAO-I will continue to monitor social needs and local issues, working hand-in-hand with partners from all sectors to promote social inclusion and sustainable development, ultimately creating a safer, friendlier, and more compassionate living environment for the next generation.



GRI Standards Index Table

Appendix I

Statement of Use: YAO-I FABRIC CO., LTD has prepared this 2024 Sustainability Report in accordance with the GRI Standards.
Reporting Period: January 1, 2025 to December 31, 2025
GRI Version Used: GRI 1: Foundation 2021
Applicable GRI Sector Standards: None

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2-3	Reporting Period, Frequency, and Contact Point	About This Report	03	
2-4	Restatements of Information	About This Report	03	
2-5	External Assurance	About This Report	03	
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2-6	Activities, Value chain, and other Business Relationships	5.1 Supply Chain Management	76	
2-7	Employees	6.1Talst Attraction	89	
2-8	Workers Who Are Not Employees	—		Not applicable to YAO-I
Governance				
2-9	Governance Structure and Composition	2.3 Governance Structure	30	Please refer to YAO-I 's Annual Shareholders' Report for detailed information
2-10	Nomination and Selection of the Highs Governance Body	2.3 Governance Structure	30	
2-11	Chairman of the Highest Governance Body	2.3 Governance Structure	30	
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GRI Standards	Disclosure	Corresponding Section or Explanation	Page	Remarks
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2-21	Annual total compensation ratio	-		Not disclosed due to privacy concerns
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		5.1 Supply Chain Management	76	
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2-24	Embedding Policy Commitments	Topic-specific Management Approaches		
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2-25	Processes to Remediate Negative Impacts	Topic-specific Management Approaches		
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2-30	Collective Bargaining Agreements	—		YAO-I does not have such agreements
GRI 3：Material Topics 2021				
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3-2	List of Material Topics	1.2 Stakeholder Engagement & Materiality Analysis	08	
3-3	Management of Material Topics	Topic-specific Management Approaches		
		1.2 Stakeholder Engagement & Materiality Analysis	08	

List of Material Topics

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201-4	Financial assistance received from government	2.1 Operational Performance	14	

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205-3	Confirmed Incidents of Corruption and Actions Taken	—		No incidents occurred
GRI 206: Anti-Competitive Behavior 2016				
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GRI 207: Tax 2019				
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404-3	% of employees receiving Regular Performance and Career Development Reviews	6.1 Talent Attraction and Retention	89	
GRI 405: Diversity and Equal Opportunity 2016				
405-1	Diversity of Governance Bodies and Employees	2.3 Governance Organization	30	
		6.1 Talent Attraction and Retention	89	
GRI 406: Non-discrimination 2016				
406-1	Incidents of Discrimination and Corrective Actions Taken	6.3 Human Rights Management	107	No incidents occurred
GRI 407: Freedom of Association 2016				
407-1	Operations with Risk to Freedom of Association	6.3 Human Rights Management	107	
GRI 408: Child Labor 2016				
408-1	Operations at Significant Risk for Child Labor	6.1 Talent Attraction and Retention	89	No child labor cases
		6.3 Human Rights	107	
GRI 409: Forced Labor 2016				
409-1	Operations at Risk of Forced or Compulsory Labor	6.3 Human Rights Management	107	No forced labor incidents

GRI Standards	Disclosure	Corresponding Section or Explanation	Page	Remarks
GRI 411: Indigenous Rights 2016				
411-1	Incidents of Violations Involving Indigenous Rights	6.3 Human Rights Management	107	No incidents occurred
GRI 414: Supplier Social Assessment 2016				
414-2	Negative Social Impacts in the Supply Chain and Actions Taken	5.1 Supply Chain Management	76	
GRI 415: Public Policy 2016				
415-1	Political Contributions	-	76	No financial or in-kind contributions
GRI 416: Customer Health and Safety 2016				
416-2	Non-Compliance with Health and Safety Regulations	-	76	No violations occurred
GRI 417: Marketing and Labeling 2016				
417-2	Non-Compliance with Product/Service Labeling and Marketing Communications Regulations	-	76	No violations occurred
417-3	Incidents of Non-Compliance with Marketing Communications Regulations	-	76	No violations occurred
GRI 418: Customer Privacy 2016				
418-1	Substantiated Complaints Concerning Customer Privacy	2.4 Info Security & Privacy	35	No violations occurred

SASB Index Table

Appendix II

Topic	Code	Type	Metric	Unit	Corresponding Section / Notes
Management of Chemicals in Products	CG-AA-250a.1	Discussion & Analysis	Discussion of processes to maintain compliance with restricted substances regulations	Not applicable	3.2 Product Quality and Safety Management
	CG-AA-250a.2	Discussion & Analysis	Discussion of processes for assessing and managing risks and hazards associated with chemicals in products	Not applicable	3.2 Product Quality and Safety Management
Environmental Impacts in the Supply Chain	CG-AA-430a.1	Quantitative	% of (1) Tier 1 and (2) non-Tier 1 supplier facilities in compliance with wastewater discharge permits/contracts	%	No data currently available
	CG-AA-430a.2	Quantitative	% of (1) Tier 1 and (2) non-Tier 1 supplier facilities completing Higg FEM or similar environmental assessments	%	No data currently available
Labor Conditions in the Supply Chain	CG-AA-430b.1	Quantitative	% of (1) Tier 1 and (2) non-Tier 1 supplier facilities audited to labor code of conduct, and (3) audits conducted by third parties	%	No data currently available
	CG-AA-430b.2	Quantitative	% of priority non-conformances identified and % corrected	%	No data currently available
	CG-AA-430b.3	Discussion & Analysis	Description of greatest (1) labor risks and (2) EHS risks in the supply chain	Not applicable	5.1 Supply Chain Management
Raw Material Sourcing	CG-AA-440a.3	Discussion & Analysis	1) List of priority raw materials; for each: (2) environmental or social risks to sourcing, (3) business risks/opportunities, (4) response strategies	Not applicable	5.1 Supply Chain Management

Topic	Code	Type	Metric	Unit	Corresponding Section / Notes
Raw Material Sourcing	CG-AA-440a.4	Quantitative	(1) Amount of priority raw materials purchased by type; (2) amount certified to environmental/social standards by standard	metric tons (t)	No data currently available

Activity Metric	Code	Type	Quantity (Unit)
Number of (1) Tier 1 and (2) non-Tier 1 suppliers	CG-AA-000.A	Quantitative	No data currently available

Appendix II to the "Operational Guidelines for the Preparation and Submission of Sustainability Reports by OTC Companies" - Comparison Table of Climate-Related Information for OTC Companies

Appendix III

No	Climate-Related Information Required for OTC Companies	Corresponding Chapter	Page
1	Disclose how the Board of Directors and management supervise and govern climate-related risks and opportunities.	4.1 Climate Action	57
2	Describe how identified climate risks and opportunities impact the business, strategy, and financial planning (short/medium/long term).	4.1 Climate Action	57
3	Describe the financial impacts of extreme climate events and transition actions.	4.1 Climate Action	57
4	Explain how the processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management system.	4.1 Climate Action	57
5	If scenario analysis is used to assess climate resilience, describe the scenarios, parameters, assumptions, analytical factors, and key financial impacts.	No plan is currently in place. Future inclusion will be assessed as necessary.	
6	If a transition plan has been adopted to manage climate-related risks, describe the plan, including indicators and targets used to manage physical and transition risks.	No plan is currently in place. Future inclusion will be assessed as necessary.	
7	If internal carbon pricing is used as a planning tool, explain the pricing methodology.	No plan is currently in place. Future inclusion will be assessed as necessary.	
8	If climate-related targets have been set, disclose the covered activities, GHG emission scopes, timelines, annual progress, and if carbon offsets or RECs are used, disclose source and amount.	No plan is currently in place. Future inclusion will be assessed as necessary.	
9	GHG Inventory, Assurance, Reduction Targets, Strategies, and Action Plans		
	Disclose the latest two years' GHG emissions (tones CO_2e), intensity (tones CO_2e/million NTD), and data coverage.	(Not Applicable) YAO-I is an OTC-listed company with a paid-in capital of less than NT$5 billion and currently has no statutory obligation to disclose greenhouse gas inventory information. The Company will follow the phased disclosure timeline outlined in the "Sustainability Development Roadmap for OTC- Listed Companies" announced by the Financial Supervisory Commis-sion. From 2026, the Company will complete and disclose the parent company's standalone greenhouse gas inventory information, and from 2027, will complete and disclose the consolidated company's inventory information.	

No	Climate-Related Information Required for OTC Companies	Corresponding Chapter	Page
9	Disclose the assurance status for the latest two years, including scope, assurer, assurance standards, and opinion.	(Not applicable) YAO-I is an OTC company with paid-in capital of less than NT$5 billion and is currently not subject to mandatory disclosure regulations for certain information. The company will disclose greenhouse gas-related information in phases according to the sustainable development roadmap for listed companies announced by the Financial Supervisory Commission. Disclosure of certain information for the parent company will be completed in 2028, and for the consolidated company in 2029.	
	Describe the greenhouse gas reduction base year and its data, reduction targets, strategies and specific action plans, and the status of achievement of the reduction targets.	(Not Applicable) As the company has not reached the timeline requirement, no disclosure is currently mandated. The baseline year will be no later than 2026; 2027 targets and action plans will be disclosed accordingly, followed by annual updates.	