Stock Code: 6160

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements
and
Independent Auditors’ Review Report

For the Three Months Ended March 31, 2026 and 2025

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INDEPENDENT AUDITORS’ REVIEW REPORT

To the Board of Directors and Shareholders of CipherLab Co., Ltd.:

Introduction

We have reviewed the accompanying consolidated balance sheets of CipherLab Co., Ltd. and its subsidiaries (hereinafter “the consolidated company”) as of March 31, 2026 and 2025, and the related consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the International Standard on Review Engagements No. 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As described in Note 12 to the consolidated financial statements, the consolidated company's investments accounted for using the equity method as of March 31, 2026, amounted to NT$6,282 thousand, representing 0% of total consolidated assets. For the period from January 1 to March 31, 2026, the share of profit of associates accounted for using the equity method was NT$41 thousand, representing 0% of total consolidated comprehensive income. In addition, the related information disclosed in Note 36 to the consolidated financial statements was prepared based on the financial statements of the investee associates for the corresponding period, which were not reviewed by the independent auditors.

Qualified Conclusion

Based on our review, except for the effects of such adjustments, if any, as might have been determined to be necessary had the financial statements of investments accounted for using the equity method and the related information disclosed thereof as described in the Basis for Qualified Conclusion section been reviewed by auditors, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the consolidated company as of March 31, 2026 and 2025, and its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2026 and 2025, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission.

Deloitte & Touche

Accountant Chang, Keng-Hsi

Securities and Futures Administration Commission R.O.C (Taiwan) Approved
MOF Securities No. 0920123784

Accountant Yu, Meng-Kuei

Financial Supervisory Commission R.O.C. (Taiwan) Approved
FSC Securities Review No. 1130357402

May 14, 2026

CIPHERLAB CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

March 31, 2026, December 31, 2025, and March 31, 2025

In Thousands of New Taiwan Dollars

Code	Assets	March 31, 2026 Amount	%	December 31, 2025 Amount	%	March 31, 2025 Amount	%
	Current assets						
1100	Cash (Note 6)	$ 99,501	9	$ 101,159	9	$ 158,283	13
1110	Financial assets at fair value through profit or loss – current (Note 7)	27,087	3	47,008	4	10,010	1
1136	Financial assets at amortized cost (Note 8 & 31)	2,500	-	2,500	-	2,500	-
1150	Notes receivable (Note 9 & 23)	81	-	-	-	18	-
1170	Accounts receivable (Note 9 & 23)	198,978	18	194,823	18	158,056	13
1200	Other receivables (Note 9)	9,867	1	5,911	1	10,842	1
1220	Current tax assets	183	-	175	-	5,971	1
130X	Inventories (Note 10)	480,100	43	439,219	41	530,409	45
1470	Other current assets (Note 16)	57,259	5	48,395	5	44,252	4
11XX	Total current assets	875,556	79	839,190	78	920,341	78
	Non-current assets						
1550	Investments accounted for using the equity method (Note 4 & 12)	6,282	-	-	-	-	-
1600	Property, plant and equipment (Note 13 & 31)	107,015	10	108,385	10	116,839	10
1755	Right-of-use assets (Note 14)	19,574	2	25,189	3	43,763	4
1780	Other intangible assets (Note 15)	1,316	-	1,497	-	2,650	-
1840	Deferred tax assets	86,238	8	84,846	8	90,323	7
1990	Other non-current assets (Note 16)	12,852	1	13,721	1	9,596	1
15XX	Total non-current assets	233,277	21	233,638	22	263,171	22
1XXX	Total assets	$ 1,108,833	100	$ 1,072,828	100	$ 1,183,512	100
Code	Liabilities and equity						
	Current liabilities						
2100	Short-term borrowings (Note 17)	$ 228,000	21	$ 168,000	16	$ 160,000	14
2130	Contract liabilities – current (Note 23)	43,656	4	44,267	4	64,346	5
2150	Notes payable (Note 18)	-	-	43	-	-	-
2170	Accounts payable (Note 18 & 30)	41,088	4	43,245	4	40,759	4
2219	Other payables (Note 19)	84,565	8	83,059	8	85,256	7
2250	Provisions (Note 20)	1,692	-	-	-	-	-
2280	Lease liabilities – current (Note 14)	5,069	-	10,072	1	26,098	2
2399	Other current liabilities (Note 19)	5,375	-	3,570	-	3,272	-
21XX	Total current liabilities	409,445	37	352,256	33	379,731	32
	Non-current liabilities						
2527	Contract liabilities – non-current (Note 23)	42,712	4	44,194	4	43,757	4
2570	Deferred tax liabilities	7,018	-	6,828	1	6,926	1
2580	Lease liabilities – non-current (Note 14)	18,319	2	18,955	2	21,757	2
2640	Net defined benefit liability – non-current (Note 4)	4,747	-	4,747	-	6,081	-
2645	Refundable deposits	-	-	-	-	6,458	-
25XX	Total non-current liabilities	72,796	6	74,724	7	84,979	7
2XXX	Total liabilities	482,241	43	426,980	40	464,710	39
	Equity attributable to owners of parent company (Note 22)						
3110	Ordinary share capital	684,891	62	684,891	64	684,891	58
3210	Capital surplus	1,151	-	1,151	-	1,151	-
	(accumulated deficit) Retained earnings						
3310	Legal reserve	37,124	3	37,124	4	73,869	6
3320	Special reserve	-	-	-	-	867	-
3350	Accumulated deficit	(100,911)	(9)	(80,972)	(8)	(47,198)	(4)
3300	Total (accumulated deficit) retained earnings	(63,787)	(6)	(43,848)	(4)	27,538	2
	Other equity						
3410	Exchange differences on translation of foreign financial statements	5,673	1	4,879	-	7,101	1
3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(2,180)	-	(2,180)	-	(2,180)	-
3400	Total other equity interest	3,493	1	2,699	-	4,921	1
31XX	Total equity interest attributable to owners of parent company	625,748	57	644,893	60	718,501	61
36XX	Non-controlling interest	844	-	955	-	301	-
3XXX	Total equity interest	626,592	57	645,848	60	718,802	61
	Total liabilities and equity	$ 1,108,833	100	$ 1,072,828	100	$ 1,183,512	100

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

(Please refer to the review report dated May 14, 2026, issued by Deloitte & Touche)

Chairman： Liau, Yi-Yan　　Manager： Liau, Yi-Yan　　Accounting： Chang, Chia-Jung

CIPHERLAB CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended March 31, 2026 and 2025

In Thousands of New Taiwan Dollars
Except Losses per Share

Code		For the three months ended March 31, 2026 Amount	%	For the three months ended March 31, 2025 Amount	%
4000	Operating revenues (Note 23)	$ 263,516	100	$ 270,649	100
5000	Operating costs (Note 10, 24 & 30)	(171,538)	(65)	(156,351)	(58)
5900	Gross profit	91,978	35	114,298	42
	Operating expenses (Note 24)				
6100	Selling expenses	(61,789)	(23)	(70,906)	(26)
6200	Administrative expenses	(16,610)	(6)	(16,984)	(6)
6300	Research and development expenses	(40,718)	(16)	(40,339)	(15)
6450	Impairment gain and reversal of impairment loss determined in accordance with IFRS 9 (Impairment loss) (Note 9)	484	-	249	-
6000	Total operating expenses	(118,633)	(45)	(127,980)	(47)
6900	Net operating loss	(26,655)	(10)	(13,682)	(5)
	Non-operating income and expenses (Note 24)				
7100	Interest income	68	-	181	-
7010	Other income (Note 27)	3,790	1	473	-
7020	Other gains and losses	2,341	1	2,738	1
7050	Financial costs	(1,035)	-	(1,162)	-
7070	Share of profit (loss) of associates accounted for under the equity method	41	-	-	-
7000	Total non-operating income and expenses	5,205	2	2,230	1

(Continue)

(Previous)

Code		For the three months ended March 31, 2026 Amount	%	For the three months ended March 31, 2025 Amount	%
7900	Loss before tax	($ 21,450)	(8)	($ 11,452)	(4)
7950	Income tax benefit (Note 4 & 25)	1,400	1	2,431	1
8200	Loss for the year	(20,050)	(7)	(9,021)	(3)
	Other comprehensive income (Note 22 & 25)				
8360	Items that may be reclassified to profit or loss:				
8361	Exchange differences in translation of financial statements of foreign operations	993	-	844	-
8399	Income tax related to items that will be reclassified to profit or loss	(199)	-	(169)	-
8300	Total other comprehensive income (after tax)	794	-	675	-
8500	Total comprehensive income	($ 19,256)	(7)	($ 8,346)	(3)
	Loss attributable to:				
8610	Owners of parent company	($ 19,939)	(8)	($ 9,586)	(3)
8620	Non-controlling interests	(111)	-	565	-
8600		($ 20,050)	(8)	($ 9,021)	(3)
	Comprehensive income attributable to:				
8710	Owners of parent company	($ 19,145)	(7)	($ 8,911)	(3)
8720	Non-controlling interests	(111)	-	565	-
8700		($ 19,256)	(7)	($ 8,346)	(3)
	Loss per share (Note 26)				
9710	Basic	($ 0.29)		($ 0.14)	

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

(Please refer to the review report dated May 14, 2026, issued by Deloitte & Touche)

Chairman：Liau, Yi-Yan Manager：Liau, Yi-Yan Accounting：Chang, Chia-Jung

CIPHERLAB CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended March 31, 2026 and 2025

In Thousands of New Taiwan Dollars

Code		Equities attributable to owners of parent company								Non-controlling interests	Total equity
				(Accumulated Deficit) Retained Earnings			Other Equity				
		Ordinary share capital	Capital surplus	Legal reserve	Special reserve	Accumulated deficit	Exchange differences on translation of foreign financial statements	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income	Total		
A1	Balance as of January 1, 2025	$ 684,891	$ 1,151	$ 73,869	$ 867	($ 37,612)	$ 6,426	($ 2,180)	$ 727,412	($ 264)	$ 727,148
D1	Net loss for the three months ended March 31, 2025	-	-	-	-	(9,586)	-	-	(9,586)	565	(9,021)
D3	Other comprehensive income for the three months ended March 31, 2025	-	-	-	-	-	675	-	675	-	675
D5	Total comprehensive income for the three months ended March 31, 2025	-	-	-	-	(9,586)	675	-	(8,911)	565	(8,346)
Z1	Balance as of March 31, 2025	$ 684,891	$ 1,151	$ 73,869	$ 867	($ 47,198)	$ 7,101	($ 2,180)	$ 718,501	$ 301	$ 718,802
A1	Balance as of January 1, 2026	$ 684,891	$ 1,151	$ 37,124	$ -	($ 80,972)	$ 4,879	($ 2,180)	$ 644,893	$ 955	$ 645,848
D1	Net loss for the three months ended March 31, 2026	-	-	-	-	(19,939)	-	-	(19,939)	(111)	(20,050)
D3	Other comprehensive income for the three months ended March 31, 2026	-	-	-	-	-	794	-	794	-	794
D5	Total comprehensive income for the three months ended March 31, 2026	-	-	-	-	(19,939)	794	-	(19,145)	(111)	(19,256)
Z1	Balance as of March 31, 2026	$ 684,891	$ 1,151	$ 37,124	$ -	($ 100,911)	$ 5,673	($ 2,180)	$ 625,748	$ 844	$ 626,592

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

(Please refer to the review report dated May 14, 2026, issued by Deloitte & Touche)

Chairman： Liau, Yi-Yan   Manager： Liau, Yi-Yan   Accounting： Chang, Chia-Jung

CIPHERLAB CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended March 31, 2026 and 2025

In Thousands of New Taiwan Dollars

Code		For the three months ended March 31, 2026	For the three months ended March 31, 2025
	Cash flows from operating activities		
A10000	Loss before tax	($ 21,450)	($ 11,452)
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation expenses	10,836	11,295
A20200	Amortization expenses	372	501
A20300	Reversal of expected credit loss	(484)	(249)
A20400	Gains on financial assets measured at fair value through profit or loss	(103)	(250)
A20900	Financial costs	1,035	1,162
A29900	Provision for liabilities	1,684	-
A22300	Share of profit (loss) of associates accounted for using the equity method	(41)	-
A21200	Interest income	(68)	(181)
A23700	Inventory valuation and obsolescence losses	7,147	2,673
A24100	Unrealized foreign exchange losses	577	300
A30000	Changes in operating assets and liabilities		
A31115	Financial assets mandatorily measured at fair value through profit or loss	20,024	-
A31130	Notes receivable	(81)	210
A31150	Accounts receivable	(3,672)	31,099
A31180	Other receivables	(3,953)	(4,121)
A31200	Inventories	(47,448)	7,244
A31240	Other current assets	(8,725)	(362)
A32125	Contract liabilities	(2,659)	(1,558)
A32130	Notes payable	(43)	-
A32150	Accounts payable	(2,164)	(18,445)
A32180	Other payables	1,170	(4,462)
A32230	Other current liabilities	1,799	60
A33000	Cash (used in) generated from operations	(46,247)	13,464
A33100	Interest received	68	180
A33500	Income tax paid	(8)	(12)
AAAA	Net cash flows generated from (used in) operating activities	(46,187)	13,632

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(Previous)

Code		For the three months ended March 31, 2026	For the three months ended March 31, 2025
	Cash flows from investing activities		
B00040	Acquisition of financial assets at amortized cost	$ -	($ 1,000)
B01800	Acquisition of investments accounted for using the equity method	(6,250)	-
B02700	Acquisition of property, plant and equipment	(1,700)	(4,034)
B03700	Increase in refundable deposits	(8)	(796)
B04500	Acquisition of intangible assets	(191)	(952)
B07100	Increase in prepayments for equipment	(70)	(509)
BBBB	Net cash flows used in investing activities	(8,219)	(7,291)
	Cash flows from financing activities		
C00100	Increase in short-term borrowings	60,000	30,000
C04020	Repayment of lease liabilities	(6,744)	(6,744)
C05600	Interest paid	(977)	(1,113)
CCCC	Net cash flows generated from financing activities	52,279	22,143
DDDD	Effect of exchange rate changes on cash	469	109
EEEE	Net increase (decrease) in cash	(1,658)	28,593
E00100	Cash at beginning of the period	101,159	129,690
E00200	Cash at end of the period	$ 99,501	$ 158,283

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

(Please refer to the review report dated May 14, 2026, issued by Deloitte & Touche)

Chairman：Liau, Yi-Yan Manager：Liau, Yi-Yan Accounting：Chang, Chia-Jung

CIPHERLAB CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the three months ended March 31, 2026 and 2025
(In thousands of New Taiwan Dollar, Unless Stated Otherwise)

1. COMPANY HISTORY

(1) CIPHERLAB CO., LTD. (hereinafter referred to as "the Company," the Company and entities controlled by the Company, hereinafter referred to as the "consolidated company") was established in October 1988 with the approval of the Ministry of Economic Affairs and officially started business operations in June 1989. The Company specializes in manufacturing and selling various computer-related products, such as peripheral equipment, electronic cash registers, barcode scanners, magnetic card readers, electronic measuring instruments, and software programs. They also provide trading and maintenance of the aforementioned maintenance parts, import and export trade, and acting as domestic and foreign manufacturers' agents for distribution. In addition, the Company is involved in importing and manufacturing telecommunications control radio frequency equipment.

(2) The Company's stocks have been listed on the OTC market through Taipei Exchange for trading since March 1, 2002.

(3) The Company does not have an ultimate parent entity or ultimate financial controller due to the shareholding dispersion.

(4) The consolidated financial statements are expressed in New Taiwan dollars, the company's functional currency.

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issuance by the Board of Directors on May 13, 2026.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRS accounting standards") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The Group has assessed that the IFRS Accounting Standards endorsed and issued into effect by the Financial Supervisory Commission will not have a material impact on its accounting policies.

(2) IFRS accounting standards issued by the IASB but not yet endorsed and issued into effect by the FSC

New/Revised/Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
"Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 18, "Presentation and Disclosure in Financial Statements"	January 1, 2027 (Note 2)
IFRS 19, "Subsidiaries without Public Accountability: Disclosures" (including the 2025 Amendments)	January 1, 2027
Amendments to IAS 21, "Lack of Exchangeability"	January 1, 2027

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

Note 2: On September 25, 2025, the FSC announced that entities in Taiwan shall apply IFRS 18 beginning January 1, 2028. Early adoption is permitted after IFRS 18 has been endorsed by the FSC.

<u>IFRS 18 "Presentation and Disclosure in Financial Statements" and the Related Amendments</u>

IFRS 18 will replace IAS 1 "Presentation of Financial Statements." The primary changes include:

- Items in the statement of profit or loss will need to be classified into categories: operating, investing, financing, income taxes and discontinued operations.
- Operating profit or loss, profit or loss before financing and income taxes, and subtotal and total of profit or loss shall be presented in the statements of profit or loss.
- Providing enhanced guidance on the principles of aggregation and disaggregation: the consolidated company shall identify assets, liabilities, equity, income, expenses, and cash flows from single transactions or other matters, and group and aggregate based on shared characteristics, to make each line item of the primary financial statements with at least one similar characteristic. Items with non-similar characteristics shall be disaggregated in the primary financial statements and notes. Only if the consolidated company is unable to find a more informative label, the item may be labelled as "others."
- New disclosure requirements for management-defined performance measures (MPMs): the consolidated company shall disclose the information related to management-defined performance measures in a single note in the financial statements, including descriptions to the measures, how to calculate, a reconciliation between the MPMs and the most similar specified subtotal in IFRS Accounting Standards, and the effects on income taxes and non-controlling interests arising from relevant reconciliation items. When making public

communications outside the financial statements, and communicating the management's aspect of the financial performance of the consolidated company as a whole.

In addition, IAS 7, "Statement of Cash Flows," has been amended as follows:

- When preparing cash flows from operating activities using the indirect method, the Group shall use operating profit or loss as the starting point for the reconciliation.
- Interest and dividends received by the Group shall be classified as investing activities, while interest and dividends paid shall be classified as financing activities. If the Group determines that it has a specified main business activity, it shall consider the classification of dividend income, interest income, and interest expense presented in the statement of profit or loss when determining the classification of dividends received, interest received, and interest paid in the statement of cash flows. However, each of the above cash flows shall be classified within a single category of activities in the statement of cash flows.

As of the date these consolidated financial statements were authorized for issuance, the Group is still assessing the impact of the aforementioned standards and interpretations, and their amendments, on its financial position and financial performance. The related impacts will be disclosed upon completion of the assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" which are endorsed and issued into effect by FSC. The consolidated financial statements do not include all the information that shall be disclosed in accordance with IFRS accounting standards in the yearly financial statements.

(2) Basis of Preparation

The financial statements have been prepared based on the historical cost except for financial instruments measured at fair values and the defined benefit liability recognized by the present value of the defined benefit obligation minus the fair value of the plan assets.

The fair value measurements are classified into levels 1 to 3 based on the observation level and significance of the inputs:

A. Level 1 inputs: the quoted price (unadjusted) in active markets for identical assets or liabilities at the date of measurement.

B. Level 2 inputs: observable inputs of the direct (i.e. as prices) or indirect (i.e. derive from prices) for assets or liabilities other than quoted prices of Level 1.

C. Level 3 inputs: unobservable inputs for the assets or liabilities.

(3) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and entities (subsidiaries) controlled by the Company. The financial statements of subsidiaries are adjusted to align their accounting policies with those of the Consolidated Company. In preparing the consolidated financial statements, all intra-entity transactions, account balances, income, and expenses are eliminated in full. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

For the detailed information about subsidiaries, including the percentage of ownership and main business, please refer to Note 11, Table 3 and Table 4 as attached.

(4) Other Significant Accounting Policies

Except as explained below, please refer to the significant accounting policies in the consolidated financial statements for the year ended December 31, 2025.

A. Defined benefits post-employment benefits

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

B. Income tax expenses

Income tax expense is the sum of current income tax and deferred income tax. The interim period income tax expense is assessed based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period.

C. Investments in associates

Associates are entities over which the Consolidated Company has significant influence, but which are not subsidiaries or joint ventures.

The Consolidated Company accounts for its investments in associates using the equity method.

Under the equity method, investments in associates are initially recognized at cost. Subsequent to the acquisition date, the carrying amount is adjusted to recognize the Consolidated Company's share of the profit or loss, other comprehensive income, and profit distributions of the associates. In addition, changes in the Consolidated Company's share of the equity of associates are recognized in accordance with its ownership percentage.

Any excess of the cost of acquisition over the Consolidated Company's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Consolidated Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition at the date of acquisition is recognized in profit or loss for the period.

When testing for impairment, the Consolidated Company treats the entire carrying amount of the investment (including goodwill) as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

5. CRITICAL ACCOUNTING JUDGMENT AND MAJOR SOURCE OF ESTIMATION UNCERTAINTY

Please refer to the consolidated financial statements for the year ended December 31, 2025 for the critical accounting judgment and major source of estimation uncertainty adopted in the consolidated financial statements.

6. CASH

	March 31, 2026	December 31, 2025	March 31, 2025
Cash on hand and revolving funds	$ 147	$ 142	$ 105
Checking accounts	17,750	20,125	25,319
Demand deposits	81,604	80,892	132,859
	$ 99,501	$ 101,159	$ 158,283

The market interest rate ranges of the above interest-bearing financial assets at the balance sheet dates were as follows:

	March 31, 2026	December 31, 2025	March 31, 2025
Bank deposits	0.005%~0.725%	0.005%~0.725%	0.005%~0.95%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2026	December 31, 2025	March 31, 2025
Financial assets – current			
Mandatorily measured at fair value through profit or loss			
Non-derivative financial assets			
Beneficiary certificates of funds	$ 27,087	$ 47,008	$ 10,010

8. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2026	December 31, 2025	March 31, 2025
Restricted time deposits	$ 2,500	$ 2,500	$ 2,500

The market interest rates of the above restricted time deposits at the balance sheet dates were as follows:

	March 31, 2026	December 31, 2025	March 31, 2025
Restricted time deposits	1.685%	1.685%	1.685%

Please refer to Note 31 for the information on financial assets at amortized cost pledged as collateral.

9. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE, AND OTHER RECEIVABLES

	March 31, 2026	December 31, 2025	March 31, 2025
Notes receivable			
Measured at amortized cost			
Total carrying amount	$ 81	$ -	$ 18
Less: loss allowance	-	-	-
	$ 81	$ -	$ 18
Accounts receivable			
Measured at amortized cost			
Total carrying amount	$ 199,963	$ 196,279	$ 158,858
Less: loss allowance	(985)	(1,456)	(802)
	$ 198,978	$ 194,823	$ 158,056

	March 31, 2026	December 31, 2025	March 31, 2025
Other receivables			
Receivables for outward processing	$ 4,496	$ 944	$ 6,388
Tax refund receivable	5,332	4,844	4,229
Others	39	123	225
	$ 9,867	$ 5,911	$ 10,842

(1) Notes receivable

The Consolidated Company recognizes the allowance for loss on notes receivable based on lifetime expected credit losses. Lifetime expected credit losses are assessed by considering customers' past default records and current financial positions, as well as GDP forecasts. As of March 31, 2026, December 31, 2025, and March 31, 2025, there were no overdue notes receivable. Consequently, the Consolidated Company assessed that no recognition of expected credit losses on notes receivable was required.

(2) Accounts receivable

The revenue arising from sales of goods is collected monthly with average credit period of 15~120 days. In order to minimize credit risk, the management of the consolidated company has appointed a team responsible for the determination of credit limit, credit approval and other monitoring procedures to ensure that proper action is taken for recovery of overdue debts. In addition, the consolidated company reviews the recoverable amount of the overdue notes and accounts receivable on the balance sheet date to ensure that adequate allowances are made for the irrecoverable amounts. In this regard, the management believes that the credit risk of the consolidated company has been significantly reduced.

The consolidated company recognizes the loss allowance for accounts receivable based on lifetime expected credit losses. The lifetime expected credit losses are measured by the customers' past default records and the current financial situation using a provision matrix and considering the GDP forecast. According to the consolidated company's past experience of credit losses, there is no significant difference in the loss patterns for different customer entities. Thus, the expected credit loss rate is determined solely by the number of overdue days for the receivables.

If there is evidence indicating that a counterparty is facing serious financial difficulties and the consolidated company cannot reasonably estimate the recoverable amount, the consolidated company will write off the related notes and accounts receivable, but continue with recourse. The amount recovered due to recourse is recognized in profit or loss.

The consolidated company's loss allowance for accounts receivables is estimated using a provision matrix as follows:

March 31, 2026

	Not past due	1-30 days overdue	31-60 days overdue	61-90 days overdue	91-120 days overdue	120 days overdue	Total
Expected credit loss rate	0.02%~ 0.42%	0.10%~ 5.17%	1.28%~ 25.23%	5.05%~ 100%	100%	100%	
Total carrying amount	$ 184,563	$ 11,746	$ 943	$ 2,354	$ 7	$ 350	$ 199,963
Loss allowance (Lifetime ECL)	(120)	(311)	(78)	(119)	(7)	(350)	(985)
Amortized cost	$ 184,443	$ 11,435	$ 865	$ 2,235	$ -	$ -	$ 198,978

December 31, 2025

	Not past due	1-30 days overdue	31-60 days overdue	61-90 days overdue	91-120 days overdue	120 days overdue	Total
Expected credit loss rate	0.02%~ 0.42%	0.10%~ 5.17%	1.28%~ 25.23%	5.05%~ 100%	100%	100%	
Total carrying amount	$ 169,306	$ 23,911	$ 1,808	$ 296	$ 473	$ 485	$ 196,279
Loss allowance (Lifetime ECL)	(146)	(74)	(24)	(254)	(473)	(485)	(1,456)
Amortized cost	$ 169,160	$ 23,837	$ 1,784	$ 42	$ -	$ -	$ 194,823

March 31, 2025

	Not past due	1-30 days overdue	31-60 days overdue	61-90 days overdue	91-120 days overdue	120 days overdue	Total
Expected credit loss rate	0%~ 6.35%	0.047%~ 1.29%	1.40%~ 66.67%	5.78%~ 100%	100%	100%	
Total carrying amount	$ 128,149	$ 18,260	$ 11,899	$ 231	$ 36	$ 283	$ 158,858
Loss allowance (Lifetime ECL)	(79)	(55)	(320)	(29)	(36)	(283)	(802)
Amortized cost	$ 128,070	$ 18,205	$ 11,579	$ 202	$ -	$ -	$ 158,056

Changes in loss allowance for accounts receivable are as follows:

	For the three months ended March 31, 2026	For the three months ended March 31, 2025
Beginning balance	$ 1,456	$ 1,046
Add: Reversal of impairment loss for the period	(484)	(249)
Exchange difference in foreign currencies	13	5
Ending balance	$ 985	$ 802

(3) Other receivable

Other receivables recorded by the Consolidated Company primarily consist of receivables for raw materials provided for outsourced processing, tax refunds receivable, and others. The Consolidated Company adopts a policy of dealing only with creditworthy counterparties. The Consolidated Company continuously monitors and refers to the counterparties' past default records and analyzes their current financial positions to assess whether the credit risk of other receivables has increased significantly since initial recognition, and to measure the expected credit losses. As of March 31, 2026, December 31, 2025, and March 31, 2025, the Consolidated Company assessed that no recognition of expected credit losses on other receivables was required.

10. INVENTORY

	March 31, 2026	December 31, 2025	March 31, 2025
Finished goods	$ 38,463	$ 19,486	$ 17,894
Work in process	12,252	6,331	27,524
Raw materials	397,866	380,757	450,167
Merchandise	31,519	32,645	34,824
	$ 480,100	$ 439,219	$ 530,409

For the three months ended March 31, 2026 and 2025, the cost of goods sold related to inventories was NT$163,814 thousand and NT$155,992 thousand, respectively.

For the three months ended March 31, 2026 and 2025, the cost of goods sold included write-downs of inventories and obsolescence losses amounting to NT$7,147 thousand and NT$2,673 thousand, respectively.

11. SUBSIDIARIES

(1) Subsidiaries included in the consolidated financial statements

The entities included in the consolidated financial statements were as follows:

Investor company	Subsidiaries	Main business	Percentage of ownership March 31, 2026	December 31, 2025	March 31, 2025	Note
The Company	CIPHERLAB USA, INC.	Electronics sales	100	100	100	The main business risk is foreign currency risk
〃	CIPHERLAB LIMITED (SAMOA)	Investment holding	100	100	100	The main business risk is foreign currency risk
〃	MPLUS TECHNOLOGY CO., LTD. (MPLUS TECHNOLOGY)	Development and sales of electronic products	95	95	95	The main business risk is foreign currency risk
CIPHERLAB LIMITED (SAMOA)	CipherLab Electron Trade (Shanghai) Limited Company (CipherLab (Shanghai))	Electronics sales	100	100	100	The main business risks are political risks and foreign currency risks due to government orders and cross-strait relations

A. CIPHERLAB LIMITED (SAMOA) was established on May 29, 2006 by the relevant laws and regulations of Samoa.

B. CipherLab (Shanghai) was approved and established in Shanghai on November 15, 2006, with an operating period from November 15, 2006 to November 14, 2036. In January 2025, CipherLab (Shanghai) completed a cash capital reduction of USD 350 thousand and has finished the registration of changes to its registered capital.

C. CIPHERLAB USA, INC. was approved and established in the USA on January 11, 2007.

D. MPLUS TECHNOLOGY was approved and established in ROC on May 19, 2016.

(2) Subsidiaries included in the consolidated financial statements: None.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in associates

	March 31, 2026	December 31, 2025	March 31, 2025
Individually immaterial associates	$ 6,282	$ -	$ -

In January 2026, the Consolidated Company acquired 60 common shares of CRESSON INC. from a non-related party for JPY 31,050 thousand (equivalent to NT$6,250 thousand), representing a 30% ownership interest. The primary business of CRESSON INC. is the development and sale of electronic products.

Investments accounted for using the equity method and the Consolidated Company's share of profit or loss of the investee companies were calculated based on the investees' financial statements, which were not reviewed by the independent auditors. However, the management of the Consolidated Company believes that the absence of such reviews would not have a material effect on the consolidated financial statements.

13. PROPERTY, PLANT, AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Molding equipment	Transportation	Income-generating equipment	Other equipment	Total
Cost								
Balance as of January 1, 2026	$ 57,996	$ 55,493	$ 14,603	$261,399	$ 1,351	$ 85,906	$ 230	$476,978
Addition	-	-	-	1,760	-	92	-	1,852
Disposal	-	-	(56)	-	-	(341)	-	(397)
Reclassification (Note)	-	-	-	955	-	-	-	955
Net exchange difference	-	-	-	-	24	22	7	53
Balance as of March 31, 2026	$ 57,996	$ 55,493	$ 14,547	$264,114	$ 1,375	$ 85,679	$ 237	$479,441
Accumulated depreciation								
Balance as of January 1, 2026	$ -	$ 27,426	$ 14,219	$246,816	$ 1,351	$ 78,578	$ 203	$368,593
Depreciation expense	-	248	28	3,229	-	673	2	4,180
Disposal	-	-	(56)	-	-	(341)	-	(397)
Net exchange difference	-	-	-	-	24	20	6	50
Balance as of March 31, 2026	$ -	$ 27,674	$ 14,191	$250,045	$ 1,375	$ 78,930	$ 211	$372,426
Net amount as of March 31, 2026	$ 57,996	$ 27,819	$ 356	$ 14,069	$ -	$ 6,749	$ 26	$107,015
Net amount as of December 31, 2025 and January 1, 2026	$ 57,996	$ 28,067	$ 384	$ 14,583	$ -	$ 7,328	$ 27	$108,385
Cost								
Balance as of January 1, 2025	$ 57,996	$ 55,493	$ 14,827	$257,854	$ 1,409	$ 86,573	$ 235	$474,387
Addition	-	-	-	847	-	174	-	1,021
Disposal	-	-	(210)	-	-	(2,150)	-	(2,360)
Net exchange difference	-	-	-	-	18	16	4	38
Balance as of March 31, 2025	$ 57,996	$ 55,493	$ 14,617	$258,701	$ 1,427	$ 84,613	$ 239	$473,086
Accumulated depreciation								
Balance as of January 1, 2025	$ -	$ 26,435	$ 14,332	$234,495	$ 1,409	$ 77,211	$ 201	$354,083
Depreciation expense	-	248	28	3,024	-	1,188	1	4,489
Disposal	-	-	(210)	-	-	(2,150)	-	(2,360)
Net exchange difference	-	-	-	-	18	14	3	35
Balance as of March 31, 2025	$ -	$ 26,683	$ 14,150	$237,519	$ 1,427	$ 76,263	$ 205	$356,247
Net balance as of March 31, 2025	$ 57,996	$ 28,810	$ 467	$ 21,182	$ -	$ 8,350	$ 34	$116,839

Note: Reclassified from other non-current assets – prepayments for equipment, to property, plant, and equipment.

Depreciation expenses are calculated on a straight-line basis over the estimated useful lives as follows:

Buildings	55 years
Machinery and equipment	2 to 10 years

Molding equipment	1 to 5 years
Transportation	5 years
Income-generating equipment	2 to 6 years
Other equipment	3 to 5 years

For the three months ended March 31, 2025 and 2024, no impairment losses were recognized or reversed.

For the property, plant and equipment pledged as collateral for borrowings, please refer to Note 31.

14. LEASE ARRANGEMENT

(1) Right-of-use assets

	Buildings	Transportation	Total
Cost			
Balance as of January 1, 2026	$ 76,726	$ 4,542	$ 81,268
Addition	785	-	785
Reduction	(785)	-	(785)
Net exchange difference	556	-	556
Balance as of March 31, 2026	$ 77,282	$ 4,542	$ 81,824
Accumulated depreciation			
Balance as of January 1, 2026	$ 55,318	$ 761	$ 56,079
Depreciation expense	6,373	283	6,656
Reduction	(785)	-	(785)
Net exchange difference	300	-	300
Balance as of March 31, 2026	$ 61,206	$ 1,044	$ 62,250
Net balance as of March 31, 2026	$ 16,076	$ 3,498	$ 19,574
Net amount as of December 31, 2025 and January 1, 2026	$ 21,408	$ 3,781	$ 25,189
Cost			
Balance as of January 1, 2025	$ 78,655	$ 4,025	$ 82,680
Addition	1,427	-	1,427
Reduction	(1,196)	-	(1,196)
Net exchange difference	432	-	432
Balance as of March 31, 2025	$ 79,318	$ 4,025	$ 83,343
Accumulated depreciation			
Balance as of January 1, 2025	$ 33,046	$ 717	$ 33,763
Depreciation expense	6,483	323	6,806
Reduction	(1,196)	-	(1,196)
Net exchange difference	207	-	207
Balance as of March 31, 2025	$ 38,540	$ 1,040	$ 39,580
Net balance as of March 31, 2025	$ 40,778	$ 2,985	$ 43,763

Other than the additions and recognized depreciation expenses listed above, there were no material subleases or impairments of the Consolidated Company's right-of-use assets for the three months ended March 31, 2026 and 2025.

(2) Lease liabilities

	March 31, 2026	December 31, 2025	March 31, 2025
Carrying amount of lease liabilities			
Current	$ 5,069	$ 10,072	$ 26,098
Non-current	$ 18,319	$ 18,955	$ 21,757

The range of the discount rates for lease liabilities is as follows:

	March 31, 2026	December 31, 2025	March 31, 2025
Buildings	1.850%～5.500%	1.850%～5.500%	1.375%～5.500%
Transportation	1.853%～1.890%	1.853%～1.890%	1.167%～1.853%

(3) Significant lease activities and terms

The consolidated company leases certain buildings and transportation equipment with lease terms of 2 to 12 years for operating use. The consolidated company does not have bargain purchase options to acquire the leasehold buildings and vehicles at the end of the lease terms.

(4) Other lease information

	For the three months ended March 31, 2026	For the three months ended March 31, 2025
Expenses related to low-value asset leases	($ 37)	($ 52)
Expenses related to short-term leases	($ 25)	($ 20)
Total cash outflow for leases	($ 7,105)	($ 7,253)

All the lease commitments with lease period starting after the balance sheet date are as follows:

	March 31, 2026	December 31, 2025	March 31, 2025
Lease commitment	$ -	$ 800	$ -

15. INTANGIBLE ASSETS

	March 31, 2026	December 31, 2025	March 31, 2025
Computer software	$ 1,316	$ 1,497	$ 2,650

	For the three months ended March 31, 2026	For the three months ended March 31, 2025
Cost		
Beginning balance	$ 11,939	$ 13,114
Separate acquisition	191	952
Disposal	(426)	(252)
Reclassification (Note)	-	405

	For the three months ended March 31, 2026	For the three months ended March 31, 2025
Net exchange difference	-	1
Ending balance	$ 11,704	$ 14,220
Accumulated amortization and impairments		
Beginning balance	$ 10,442	$ 11,320
Amortization expenses	372	501
Disposal	(426)	(252)
Net exchange difference	-	1
Ending balance	$ 10,388	$ 11,570
Net ending balance	$ 1,316	$ 2,650

Note: Reclassification from other non-current assets – prepayments for equipment to intangible assets.

Amortization expenses of computer software are calculated on a straight-line basis over the estimated useful lives of 1~6 years.

16. OTHER ASSETS

	March 31, 2026	December 31, 2025	March 31, 2025
Current			
Prepayments	$ 56,333	$ 48,395	$ 44,252
Right to returned goods	926	-	-
	$ 57,259	$ 48,395	$ 44,252
Non-current			
Refundable deposits	$ 7,114	$ 7,107	$ 7,250
Prepayments for equipment	5,738	6,614	2,346
	$ 12,852	$ 13,721	$ 9,596

17. SHORT-TERM BORROWINGS

	March 31, 2026	December 31, 2025	March 31, 2025
Unsecured loans			
Line of credit	$ 178,000	$ 118,000	$ 110,000
Secured loans(Note 31)			
Mortgage	$ 50,000	$ 50,000	$ 50,000

The interest rate ranges for short-term borrowings as of March 31, 2026, December 31, 2025, and March 31, 2025 were 1.88%–2.00%, 1.88%–1.95%, and 1.88%–2.00%, respectively.

18. NOTES AND ACCOUNTS PAYABLE

	March 31, 2026	December 31, 2025	March 31, 2025
Notes Payable			
Arising from operations	$ -	$ 43	$ -
Accounts payable			
Arising from operations	$ 41,088	$ 43,245	$ 40,759

19. OTHER LIABILITIES

	March 31, 2026	December 31, 2025	March 31, 2025
Other payables			
Processing expense payable	$ 37,397	$ 23,593	$ 36,231
Salaries and bonus payable	21,210	22,864	21,937
Accrued inspection fees	1,651	4,532	457
Equipment payables	1,127	975	1,433
Others	23,180	31,095	25,198
	$ 84,565	$ 83,059	$ 85,256
Other liabilities			
Refund liabilities	$ 1,724	$ -	$ -
Others	3,651	3,570	3,272
	$ 5,375	$ 3,570	$ 3,272

20. PROVISIONS

	March 31, 2026	December 31, 2025	March 31, 2025
Product warranty	$ 1,692	$ -	$ -

The provision for product warranties is the present value of management's best estimate of the future outflow of economic benefits that will be required to settle the warranty obligation, in accordance with the terms of the sales contracts. This estimate is based on historical warranty experience, adjusted for factors such as new raw materials, changes in manufacturing processes, or other factors affecting product quality.

21. POST-EMPLOYMENT BENEFIT PLAN

The pension expenses related to the defined benefit plans recognized by the Company for the three months ended March 31, 2026 and 2025 were calculated based on the pension cost rates actuarially determined as of December 31, 2025 and 2024, and the amounts were NT$142 thousand and NT$150 thousand, respectively.

22. EQUITY

(1) Ordinary share capital

	March 31, 2026	December 31, 2025	March 31, 2025
Authorized shares (in thousands of shares)	90,000	90,000	90,000
Authorized capital	$ 900,000	$ 900,000	$ 900,000
Number of shares issued and fully paid (in thousands of shares)	68,489	68,489	68,489
Capital issued	$ 684,891	$ 684,891	$ 684,891

The par value of each ordinary share issued is NT$10, and each share possesses one voting right and a right to receive dividends.

(2) Capital surplus

	March 31, 2026	December 31, 2025	March 31, 2025
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (A)			
Additional paid-in capital	$ 1,062	$ 1,062	$ 1,062
May only be used to offset a deficit			
Unclaimed dividends (B)	89	89	89
	$ 1,151	$ 1,151	$ 1,151

A. Such capital surplus may be used to offset a deficit. In the case when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital limited to a certain percentage of the Company’s capital surplus once a year.

B. According to the letter No. 10602420200 issued by the Ministry of Economic Affairs on September 21, 2017, unclaimed dividends should be recognized as capital reserves.

(3) Retained earnings and dividends policy

Suppose the consolidated company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting accumulated losses of previous years, and setting aside as legal reserve 10% of the remaining profit by the laws and regulations except when the legal reserve has reached the company's paid-in capital. The rest shall be setting aside or reversing a special reserve; any remaining profit together with any undistributed retained earnings shall be used by the consolidated company’s board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholder’s meeting for distribution of dividends and bonus to shareholders. For the policies on the distribution of employees’ compensation and directors’ remuneration, refer to Note 24-7.

The Company's dividend policy evaluates the Company's future capital requirement, long-term financial planning, and shareholders' profit expectations. The actual distribution of share dividends should be accounted for not less than 50% of the distributable earnings of the current year. The company is in the steady growth stage with consistent profit increases and a solid financial structure. While maintaining a stable profit per share, the cash dividends shall account for at least 10% of the total dividends.

The legal reserve can be used to offset losses. When the company has no losses, the portion of the statutory surplus reserve exceeding 25% of the total paid-in capital may be allocated as share capital and can also be distributed as cash.

The Company may set aside special reserve by the accumulated deductions to other equity, only to the extent to the unappropriated earnings in prior period.

The deficit compensation proposal for 2025, as proposed by the Board of Directors on March 11, 2026, intends to offset accumulated deficits with legal reserve amounting to NT$37,124 thousand. This proposal is subject to the resolution of the Annual General Shareholders' Meeting scheduled for June 16, 2026. The deficit appropriation plan for the fiscal year 2024 was approved at the Annual General Meeting of Shareholders held on June 24, 2025. The accumulated deficit was offset by a transfer of statutory surplus reserve amounting to NT$36,745 thousand, and a reversal of special surplus reserve of NT$867 thousand.

(4) Special reserve

	For the three months ended March 31, 2026	For the three months ended March 31, 2025
Beginning balance and ending balance	$ -	$ 867

(5) Other equity

A. Exchange differences on translation of foreign financial statements

	For the three months ended March 31, 2026	For the three months ended March 31, 2025
Beginning balance	$ 4,879	$ 6,426
Origination in the current period		
Exchange differences arising from translation of a foreign operation	993	844
Income tax related to exchange differences arising from translation of a foreign operation	(199)	(169)
Ending balance	$ 5,673	$ 7,101

B. Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income

	For the three months ended March 31, 2026	For the three months ended March 31, 2025
Beginning balance and ending balance	($ 2,180)	($ 2,180)

23. REVENUE

	For the three months ended March 31, 2026	For the three months ended March 31, 2025
Revenue from contracts with customers		
Sales revenue	$ 245,656	$ 253,276
Service revenue	17,860	17,373
	$ 263,516	$ 270,649

(1) Contract balances

	March 31, 2026	December 31, 2025	March 31, 2025	January 1, 2025
Notes and accounts receivables (Note 9)	$ 199,059	$ 194,823	$ 158,074	$ 189,345
Contract liabilities – current				
Sale of goods	$ 963	$ 996	$ 21,715	$ 20,739
Warranty service	42,693	43,271	42,631	42,532
	43,656	44,267	64,346	63,271
Contract liabilities – non-current				
Warranty service	42,712	44,194	43,757	46,028
	$ 86,368	$ 88,461	$ 108,103	$ 109,299

The changes in the balance of contract liabilities primarily resulted from the timing difference between the satisfaction of performance obligations and the respective customer’s payment.

(2) Disaggregation of revenue from contracts with customers

Please refer to Note 37 for information regarding disaggregation of revenue.

24. NET LOSS

(1) Interest income

	For the three months ended March 31, 2026	For the three months ended March 31, 2025
Bank deposits	$ 39	$ 152
Others	29	29
	$ 68	$ 181

(2) Other income

	For the three months ended March 31, 2026	For the three months ended March 31, 2025
Government Grants (Note 27)	$ 3,662	$ 338
Others	128	135
	$ 3,790	$ 473

(3) Other gains and losses

	For the three months ended March 31, 2026	For the three months ended March 31, 2025
Net foreign exchange gains	$ 2,241	$ 2,508
Gains on financial assets measured at fair value through profit or loss	103	250
Others	(3)	(20)
	$ 2,341	$ 2,738

(4) Financial costs

	For the three months ended March 31, 2026	For the three months ended March 31, 2025
Interest on bank loans	$ 736	$ 725
Interest on lease liabilities	299	437
	$ 1,035	$ 1,162

(5) Depreciation and amortization

	For the three months ended March 31, 2026	For the three months ended March 31, 2025
Property, plant, and equipment	$ 4,180	$ 4,489
Right-of-use assets	6,656	6,806
Intangible assets	372	501
Total	$ 11,208	$ 11,796
Depreciation expenses by function		
Operating costs	$ 3,993	$ 3,952
Operating expenses	6,843	7,343
	$ 10,836	$ 11,295
Amortization expenses by function		
Operating costs	$ 52	$ 85
Operating expenses	320	416
	$ 372	$ 501

(6) Employee benefit expenses

	For the three months ended March 31, 2026	For the three months ended March 31, 2025
Post-employment benefits		
Defined contribution plan	$ 2,945	$ 2,995
Defined benefit plan (Note 21)	142	150
	3,087	3,145
Other employee benefit	70,539	74,493
Total employee benefit	$ 73,626	$ 77,638
Summarized by function		
Operating costs	$ 14,276	$ 12,949
Operating expenses	59,350	64,689
	$ 73,626	$ 77,638

(7) Employees’ compensation and directors’ remuneration

In accordance with the Company’s Articles of Incorporation, the Company distributes employees' compensation and directors' remuneration at rates ranging from 0.5% to 10% and not exceeding 3%, respectively, based on the net income before tax prior to the deduction of employees' compensation and directors' remuneration for the current year. Pursuant to the amendments to the Securities and Exchange Act in August 2024, the Company resolved and approved the amendment to its Articles of Incorporation at the 2025 Shareholders' Meeting to specify that no less than 30% of the employees' compensation distributed for the current year shall be allocated as compensation for junior employees.

The Company incurred net losses before tax for the three months ended March 31, 2026 and 2025; therefore, no employees' compensation and directors' remuneration were accrued.

If there are still changes in the amounts after the date the annual consolidated financial statements are authorized for issue, they shall be treated as changes in accounting estimates and adjusted in the subsequent year.

The Company incurred net losses before tax for the years ended December 31, 2025 and 2024; therefore, no employees' compensation and directors' remuneration were accrued.

The resolved amounts of employees' compensation and directors' remuneration for the years ended December 31, 2025 and 2024 were consistent with the amounts recognized in the consolidated financial statements for the years ended December 31, 2025 and 2024.

Information on employees' compensation and directors' remuneration resolved by the Company's Board of Directors is available on the "Market Observation Post System" (MOPS) of the Taiwan Stock Exchange.

(8) Gains or losses on foreign currency exchange

	For the three months ended March 31, 2026	For the three months ended March 31, 2025
Total gains on foreign currency exchange	$ 4,233	$ 4,189
Total losses on foreign currency exchange	(1,992)	(1,681)
Net Gains	$ 2,241	$ 2,508

25. INCOME TAX

(1) Income tax expense recognized in profit or loss

The major components of income tax benefit are as follows:

	For the three months ended March 31, 2026	For the three months ended March 31, 2025
Deferred income tax		
In respect of current year	($ 1,400)	($ 2,431)

(2) Income tax recognized in other comprehensive income

	For the three months ended March 31, 2026	For the three months ended March 31, 2025
Deferred tax		
Arising during the current period		
－Exchange differences on translation of foreign financial statements	$ 199	$ 169

(3) Income tax assessments

The income tax returns of the Company and its subsidiary, CipherLab Security Co., Ltd., have been examined and cleared by the tax authorities through 2024.

26. LOSSES PER SHARE

The net loss and weighted-average number of ordinary shares used in the computation of loss per share are as follows:

Net loss for the year

	For the three months ended March 31, 2026	For the three months ended March 31, 2025
Net loss used in the computation of basic loss per share	($ 19,939)	($ 9,586)

Number of shares

Units: Thousands of Shares

	For the three months ended March 31, 2026	For the three months ended March 31, 2025
Weighted-average number of ordinary shares used in the computation of basic loss per share	68,489	68,489

27. GOVERNMENT GRANTS

(1) The government grants received by the Consolidated Company for various expense subsidies for the three months ended March 31, 2026 and 2025 were NT$292 thousand and NT$338 thousand, respectively, which were recognized under other income.

(2) The Consolidated Company's application for the "Mobile Device Edge AI Visual Recognition (Pic'n Fill) and Intelligent Cloud Application Generator Solution Development and International Promotion Project" under the Administration for Digital Industries, Ministry of Digital Affairs was approved on November 24, 2025, with a total approved grant of NT$10,049 thousand. As of March 31, 2026, the cumulative government grants received and the cumulative grant income recognized both amounted to NT$5,120 thousand. For the three months ended March 31, 2026, the grant income recognized was NT$3,370 thousand (recognized under other income).

28. CASH FLOW INFORMATION

(1) Non-cash transaction

The consolidated company entered the following non-cash transaction investing activities for the three months ended March 31, 2026 and 2025 as follows:

	For the three months ended March 31, 2026	For the three months ended March 31, 2025
Partial cash payment for real property, plant and equipment		
Payments for property, plant and equipment, and molds	$ 1,852	$ 1,021
Changes in payables on purchases of equipment (Net)	(152)	3,013
Cash paid	$ 1,700	$ 4,034

(2) Changes in liabilities arising from financing activities

For the three months ended March 31, 2026

			Non-cash changes				
	January 1, 2026	Cash flows	Additions	Amortization of interest expense	Exchange effect	Others	March 31, 2026
Short-term borrowings	$ 168,000	$ 60,000	$ -	$ -	$ -	$ -	$ 228,000
Lease liabilities	29,027	(6,744)	785	299	320	(299)	23,388
	$ 197,027	$ 53,256	$ 785	$ 299	$ 320	($ 299)	$ 251,388

For the three months ended March 31, 2025

	January 1, 2025	Cash flows	Non-cash changes: Additions	Amortization of interest expense	Exchange effect	Others	March 31, 2025
Short-term borrowings	$ 130,000	$ 30,000	$ -	$ -	$ -	$ -	$ 160,000
Lease liabilities	52,898	(6,744)	1,427	437	274	(437)	47,855
	$ 182,898	$ 23,256	$ 1,427	$ 437	$ 274	($ 437)	$ 207,855

29. FINANCIAL INSTRUMENTS

(1) Fair value of financial instruments not measured at fair value

The consolidated company's management considers that carrying amount of financial instruments that are not measured at fair value in the consolidated financial statements approximate the fair values.

(2) Fair value information – financial instruments measured at fair value on a recurring basis

Fair value hierarchy

March 31, 2026

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Beneficiary certificates of funds	$ 27,087	$ -	$ -	$ 27,087

December 31, 2025

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Beneficiary certificates of funds	$ 47,008	$ -	$ -	$ 47,008

March 31, 2025

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Beneficiary certificates of funds	$ 10,010	$ -	$ -	$ 10,010

There were no transfers between Level 1 and Level 2 fair value measurements for the three months ended March 31, 2026 and 2025.

(3) Categories of financial instruments

	March 31, 2026	December 31, 2025	March 31, 2025
Financial assets			
Measured at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	$ 27,087	$ 47,008	$ 10,010
Financial assets at amortized cost (Note 1)	312,709	306,656	332,720
Financial liabilities			
Measured at amortized cost (Note 2)	328,425	266,484	266,588

Note 1: The balance consists of financial assets measured at amortized cost, including cash, financial assets measured at amortized cost, notes receivable, accounts receivable, other receivables (excluding income tax refund receivable), and refundable deposits.

Note 2: The balance consists of financial liabilities measured at amortized cost, including short-term borrowings, accounts payable, other payables (excluding accrued salaries and bonuses, employee benefits, business tax, and insurance premiums), and deposits received.

(4) Financial risk management objectives and policies

The consolidated company's major financial instruments include investments in beneficiary certificates of funds, borrowings, receivables, payables, and lease liabilities. The financial risks relating to the operation of the consolidated company include market risk (including foreign currency risk, interest risk, and other price risk), credit risk, and liquidity risk.

A. Market risk

The main financial risks arising from the Consolidated Company's operating activities include foreign currency exchange rate risk, interest rate risk, and other price risks.

There have been no changes to the Consolidated Company's exposure to market risks from financial instruments, or the manner in which these risks are managed and measured.

(I) Foreign currency risk

The company engages in foreign currency sales and purchases, which exposes it to exchange rate fluctuations. To minimize risks, the company regularly assesses the net risk for sales and cost amounts in non-functional currencies and adjusts its cash holdings accordingly.

The carrying amounts of the consolidated company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 35.

Sensitivity analysis

The consolidated company is mainly exposed to the US dollar exchange rate fluctuation.

The following table details the consolidated company's sensitivity to a 1% change in the functional currency against US dollars. 1% is the sensitivity rate used when reporting exchange rate risk to key management in the consolidated company. This rate is based on management's evaluation of potential fluctuations in foreign currency exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. It is imperative to consider the consolidated company's external borrowing, accounts receivable, and accounts payable in addition to internal receivables from foreign operating institutions and foreign currency bank account balances for sensitivity analysis.

The positive numbers in the table below indicate the amounts by which pre-tax net loss would decrease or pre-tax net income would increase if the functional currency depreciates by 1% against the U.S. dollar. If the functional currency appreciates by 1% against the U.S. dollar, the impact on pre-tax net income (loss) would be a negative number of the same amount.

	Impact of the US dollar	
	For the three months ended March 31, 2026	For the three months ended March 31, 2025
Profit or loss	$ 1,139	$ 1,196

The effects mentioned are primarily caused by the consolidated company's foreign currency borrowings, receivables, payables, and bank account balances that remain circulated on the balance sheet date and have not undergone cash flow hedging measures.

The consolidated company's sensitivity to exchange rates has decreased for the three months ended March 31, 2026 primarily because of the decrease in net assets denominated in foreign currencies.

(II) Interest risk

The consolidated company's bank deposits and borrowings consist of fixed and floating interest rates which may lead to the consolidated company's exposure to interest risk.

The carrying amounts of the consolidated company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	March 31, 2026	December 31, 2025	March 31, 2025
Fair value interest rate risk			
－Financial liabilities	$ 141,388	$ 117,027	$ 177,855
Cash flow interest rate risk			
－Financial assets	84,104	83,392	135,359
－Financial liabilities	110,000	80,000	30,000

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For floating-rate assets and liabilities, the analysis is prepared assuming the amount of the liability outstanding at the balance sheet date was outstanding for the whole reporting period. A 25-basis-point increase or decrease per annum is used when reporting interest rates internally to key management personnel and represents management’s assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Consolidated Company’s pre-tax net loss for the three months ended March 31, 2026 would have increased/decreased by NT$16 thousand; the pre-tax net loss for the three months ended March 31, 2025 would have decreased/increased by NT$66 thousand. This is mainly attributable to the Consolidated Company’s exposure to floating-rate bank deposits and borrowings on a net basis.

The change in the Consolidated Company's interest rate sensitivity for the three months ended March 31, 2026 was mainly due to a decrease in the absolute value of net floating-rate financial assets and liabilities.

(III) Other price risk

The consolidated company is exposed to price risk for investments in beneficiary certificates of funds.

Sensitivity analysis

The sensitivity analysis as follows is based on the prices of beneficiary certificates of funds at the balance sheet date.

If fund prices had been 1% higher/lower, the pre-tax net loss for the three months ended March 31, 2026 and 2025 would have decreased/increased by NT$271 thousand and NT$100 thousand, respectively, as a result of the changes in the fair value of financial assets at fair value through profit or loss.

The change in the Consolidated Company's price risk sensitivity for the three months ended March 31, 2026 was mainly due to an increase in the investment in fund beneficiary certificates.

B. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the consolidated company. As at the end of the reporting period, the consolidated company's maximum exposure to credit risk, which would cause a financial loss to the consolidated company due to the failure of the counterparty to discharge its obligation, could be equal to the total of the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Consolidated Company's policy is to transact only with creditworthy counterparties and to obtain sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Consolidated Company's credit risk is primarily concentrated on its top five customers, which accounted for 33%, 29%, and 36% of total accounts receivable as of March 31, 2026, December 31, 2025, and March 31, 2025, respectively.

C. Liquidity risk

The consolidated company's objective is to finance its operations and mitigate the effects of fluctuations in cash flows using cash and cash equivalents, equity investments and bank loans. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The consolidated company relies on bank borrowings as a significant source of liquidity. As of the balance sheet date, the consolidated company had available unutilized short-term bank loan facilities set out in (II) below.

(I) Liquidity and interest rate risk tables

The remaining contractual maturity analysis for non-derivative financial liabilities is prepared based on the earliest date on which the Consolidated Company can be required to pay, using the undiscounted cash flows of financial liabilities (including both principal and estimated interest). Therefore, bank borrowings that the Consolidated Company can be required to repay immediately are included in the earliest period in the table below, without considering the probability of the bank exercising this right immediately. The maturity analysis for other non-derivative financial liabilities is prepared in accordance with the agreed repayment dates.

March 31, 2026

Non-derivative financial liabilities	On demand or less than 1 month	1~3 months	3~12 months	1~5 years	5+ years
Non-interest-bearing liabilities	$ 69,135	$ 30,498	$ 792	$ -	$ -
Floating rate instrument	$ -	$ 30,085	$ 80,966	$ -	$ -
Fixed rate instrument	$ 30,037	$ 88,306	$ -	$ -	$ -
Lease liabilities	$ 259	$ 1,061	$ 4,765	$ 18,681	$ 1,727

December 31, 2025

Non-derivative financial liabilities	On demand or less than 1 month	1~3 months	3~12 months	1~5 years	5+ years
Non-interest-bearing liabilities	$ 73,240	$ 25,241	$ 3	$ -	$ -
Floating rate instrument	$ -	$ -	$ 81,351	$ -	$ -
Fixed rate instrument	$ -	$ 88,306	$ -	$ -	$ -
Lease liabilities	$ 2,013	$ 4,625	$ 4,488	$ 18,520	$ 2,714

March 31, 2025

Non-derivative financial liabilities	On demand or less than 1 month	1~3 months	3~12 months	1~5 years	5+ years
Non-interest-bearing liabilities	$ 65,879	$ 33,174	$ 1,077	$ 6,458	$ -
Floating rate instrument	$ 30,041	$ -	$ -	$ -	$ -
Fixed rate instrument	$ 80,100	$ 50,162	$ -	$ -	$ -
Lease liabilities	$ 2,095	$ 4,808	$ 20,605	$ 18,869	$ 6,050

(II) Financing facilities

	March 31, 2026	December 31, 2025	March 31, 2025
Unsecured short-term bank loan facilities			
－Amount used	$ 188,049	$ 128,049	$ 110,000
－Amount unused	100,946	160,381	280,205
	$ 288,995	$ 288,430	$ 390,205
Secured short-term bank loan facilities			
－Amount used	$ 50,000	$ 50,000	$ 50,000
－Amount unused	83,000	83,000	83,000
	$ 133,000	$ 133,000	$ 133,000

30. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Except for information disclosed elsewhere in the other notes, details of transactions between the consolidated company and other related parties are disclosed as follows:

(1) Related party name and category

Related Party Name	Relationship with the Company
AtechOEM Inc.	Substantive related party; ceased to be a substantive related party since June 24, 2025

(2) Operating transactions

	For the three months ended March 31, 2026	For the three months ended March 31, 2025
Purchases of goods		
Substantive Related Parties	$ -	$ 867

There is no significant difference regarding the terms and conditions for the purchase price and the payment terms between the consolidated company and related parties.

(3) Payables to related parties

Item	Related party category/Name	March 31, 2026	December 31, 2025	March 31, 2025
Accounts payable	Substantive related parties	$ -	$ -	$ 840

There is no guarantee provided for outstanding balance of payables to related parties.

(4) Compensation of key management personnel

	For the three months ended March 31, 2026	For the three months ended March 31, 2025
Short-term employee benefits	$ 4,042	$ 4,367
Post-employment benefits	35	35
	$ 4,077	$ 4,402

The compensation to directors and other key management personnel were determined by the Compensation Committee in accordance with the individual performance and market trends.

31. ASSETS PLEDGED AS SECURITY

The following assets have been provided in response to relevant tax laws and regulations as collateral for short-term bank loans:

	March 31, 2026	December 31, 2025	March 31, 2025
Land	$ 57,996	$ 57,996	$ 57,996
Building	27,819	28,067	28,810
Pledged time deposits (recognized as financial assets at amortized cost)	2,500	2,500	1,500
	$ 88,315	$ 88,563	$ 88,306

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENT

Significant contingent liabilities and unrecognized commitments of the consolidated company as of the balance sheet date, excluding those disclosed in other notes, were as follows:

(1) The Consolidated Company's unrecognized contractual commitments were as follows:

	March 31, 2026	December 31, 2025	March 31, 2025
Acquisition of property, plant and equipment	$ 3,935	$ 4,605	$ 378

(2) In December 2025, in connection with its application for the "Mobile Device Edge AI Visual Recognition (Pic'n Fill) and Intelligent Cloud Application Generator Solution Development and International Promotion Project" under the Administration for Digital Industries, Ministry of Digital Affairs, the Consolidated Company applied to a financial institution for the issuance of a performance guarantee totaling NT$10,049 thousand in accordance with the relevant contractual terms.

33. SIGNIFICANT SUBSEQUENT EVENTS

On May 13, 2026, the Consolidated Company's Board of Directors resolved to issue 11,000 thousand common shares through a cash capital increase. With a par value of NT$10 per share, the total par value is NT$110,000 thousand, and the temporary issue price is set at NT$13 per share. The aforementioned capital increase is subject to filing with and approval from the competent authorities.

34. OTHER MATTERS

On May 12, 2026, the Taipei City Department of the Investigation Bureau, Ministry of Justice, conducted a search at the Company regarding specific employees. The investigation does not involve the Company, and the Company has fully cooperated with the relevant investigative procedures. As of the date this consolidated financial report was approved and authorized for issue, management assesses that the aforementioned matter has no material impact on the Company's financial position and business operations.

35. SIGNIFICANT FINANCIAL ASSETS AND LIABILITES DENOMIATED IN FOREIGN CURRENCIES

The consolidated company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the consolidated company and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

March 31, 2026

	Foreign currency	Exchange rate	Carrying amount
Foreign currency financial assets			
Monetary item			
USD	$ 5,611	31.995 (USD : NTD)	$ 179,522
Foreign currency financial liabilities			
Monetary item			
USD	2,052	31.995 (USD : NTD)	65,650

December 31, 2025

	Foreign currency	Exchange rate	Carrying amount
Foreign currency financial assets			
Monetary item			
USD	$ 5,234	31.43 (USD : NTD)	$ 164,498
Foreign currency financial liabilities			
Monetary item			
USD	1,967	31.43 (USD : NTD)	61,833

March 31, 2025

	Foreign currency	Exchange rate	Carrying amount
Foreign currency financial assets			
Monetary item			
USD	$ 5,460	33.205 (USD : NTD)	$ 181,307
Foreign currency financial liabilities			
Monetary item			
USD	1,858	33.205 (USD : NTD)	61,709

Foreign currency exchange gains and losses with significant impact (including realized and unrealized) are as follows:

	For the three months ended March 31, 2026		For the three months ended March 31, 2025	
Foreign currency	Exchange rate	Net exchange gain (loss)	Exchange rate	Net exchange gain (loss)
USD	31.631 (USD : NTD)	$ 2,243	32.895 (USD : NTD)	$ 2,508

36. OTHER DISCLOSURES

(1) Information on significant transactions:

A. Financing provided to others: None;

B. Endorsements/guarantees provided: None;

C. Significant marketable securities held (excluding investments in subsidiaries, associates, and jointly controlled entities): Table 1;

D. Total purchases from or sales to related parties of at least to NT$100 million or 20% of the paid-in capital: None;

E. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None;

F. Others: intercompany relationships and significant intercompany transactions: Table 2.

(2) Information on investees: Table 3.

(3) Information on investments in Mainland China:

A. The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, net income (losses) of the investee, investment income (losses), ending balance, amount received as dividends from the investee, and the limitation on investee: Table 4;

B. Significant direct or indirect transactions with the investee, its prices and terms of payment and unrealized gain or loss: None;

(I) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

(II) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

(III) The amount of property transactions and the amount of the resultant gains or losses.

(IV) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

(V) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

(VI) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

37. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The reportable segments of the consolidated company are as below:

The chief operating decision maker views each direct sales unit as an individual operating segment. However, when preparing the financial reports, the Consolidated Company aggregates these operating segments into a single operating segment, taking into consideration the following factors:

A. The nature of the products and the production processes are similar;

B. The product pricing strategies and sales models are similar.

(1) Segment revenue and operating results

Revenue and operating results of operating segments are analyzed by reportable segments as follows:

	Segment Revenue		Segment Profit or Loss	
	For the three months ended March 31, 2026	For the three months ended March 31, 2025	For the three months ended March 31, 2026	For the three months ended March 31, 2025
Direct customer segment	$ -	$ -	$ -	($ 1,225)
Agency segment	199,227	182,170	(15,018)	(12,986)
US sales segment	57,993	63,691	(5,632)	(5,687)
China sales segment	6,014	6,175	(493)	(286)
Other segments	282	18,613	(2,759)	9,328
Total for operation units	$ 263,516	$ 270,649	(23,902)	(10,856)
Headquarters' management costs and directors' remuneration			(2,753)	(2,826)
Interest income			68	181
Other incomes			3,790	473
Other gains and losses			2,341	2,738
Financial costs			(1,035)	(1,162)
Share of profit or loss of associates accounted for using the equity method			41	-
Net loss before tax			($ 21,450)	($ 11,452)

Segment profit or loss represents the profit earned by each segment, excluding the allocation of central administration costs, directors' remuneration, interest income, other income, other gains and losses, finance costs, the share of profit or loss of associates accounted for using the equity method, and income tax expense. This measured amount is provided to the chief operating decision maker for the purpose of resource allocation to segments and assessment of their performance.

(2) Total segment assets and liabilities

The amount of measurement for the consolidate company's assets and liabilities was not provided to the chief operating decision-maker, so the relevant information will not be disclosed.

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Significant marketable securities held at the end of the period

March 31, 2026

Table 1

Unit: in thousands of NTD

Holding Company Name	Marketable Securities Type and Name	Relationship with the holding company	Financial Statement Account	End of the reporting period				Note
				Shares／Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
MPLUS TECHNOLOGY CO., LTD.	Funds							
	Allianz Global Investors Taiwan Money Market Fund	None	Financial assets measured at fair value through profit or loss	1,144,704.94	$ 15,237	-	$ 15,237	Note
CIPHERLAB CO., LTD.	Funds							
	Allianz Global Investors Fund - Allianz Global Floating Rate Notes Plus AT (USD)	None	Financial assets measured at fair value through profit or loss	29,023.47	11,850	-	11,850	Note

Note: Net asset value of the aforementioned investments in beneficiary certificates of funds at the balance sheet date is the fair value.

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Intercompany relationships and significant intercompany transactions

For the three months ended March 31, 2026

Table 2

Unit: in thousands of NTD

No. (Note 1)	Company Name	Counterparty	Relationship	Intercompany Transactions			
				Financial Statement Item	Amount (Note 2)	Transaction Terms	Percentage of Consolidated Net Revenue or Total Assets (%) (Note 3)
0	CIPHERLAB CO., LTD.	CIPHERLAB USA, INC.	Parent company to subsidiary	Sales revenue	$ 28,368	The payment period is 210 days after monthly closing, and the price is not significantly different from that of general sales	11
				Accounts receivable – related parties	22,836		2
				Unrealized profit of associated companies	19,334		7

The business relationship between the parent company and its subsidiaries:

The company is mainly engaged in the manufacture and sales of electronic products. CIPHERLAB LIMITED (SAMOA) is a holding company, CIPHERLAB USA, INC. is mainly engaged in sales of electronic products, and MPLUS TECHNOLOGY is primarily involved operation of development and sales of electronic products.

Note 1: Significant transaction between the parent company and its subsidiaries or among subsidiaries are numbered as follows:

1. Enter 0 for the parent company.
2. Subsidiaries are numbered sequentially from “1” according to company type.

Note 2: The table attached only discloses information regarding one-sided transactions that have been written off in the preparation of consolidated financial statements.

Note 3: Regarding the ratio of the transaction amount to the consolidated total operating income or total assets, it is calculated by the ending balance to the consolidated if it is recognized as liabilities; if as profit or loss, then by the ending cumulative amount to the consolidated total operating income.

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Name, location, and related information of investees

For the three months ended March 31, 2026

Table 3

Unit: in thousands of NTD, unless specified otherwise

Investor Company	Investee Company	Location	Main Business and Products	Original Investment Amount		Balance as of March 31, 2026			Net Income/Losses of the Investee	Recognized Investment Income/Losses	Note
				March 31, 2026	December 31, 2025	Shares	Percentage of Ownership	Carrying Amount			
CIPHERLAB CO., LTD.	CIPHERLAB USA, INC.	USA	Electronics sales	USD 5,150	USD 5,150	5,000,000	100	NTD 21,811 (Note 2)	(NTD 1,848)	(NTD 1,848)	Note 1 and 3
	CIPHERLAB LIMITED (SAMOA)	Samoa	Investment holding	USD 4,150	USD 4,150	4,150,000	100	NTD 13,791 (Note 2)	NTD 742	NTD 742	〃
	MPLUS TECHNOLOGY CO., LTD.	Taiwan	Electronic product development and design	NTD 37,000	NTD 37,000	2,751,282	95	NTD 15,597	(NTD 2,168)	(NTD 2,057)	〃
	CRESSON INC.	Japan	Electronic product development and design	JPY 31,050	JPY -	60	30	NTD 6,282	NTD 138	NTD 41	Note 1

Note 1: No market price is available, and the carrying amount on the balance sheet date is the fair value.

Note 2: The unrealized sales gross profit at the period's end was deducted.

Note 3: The amounts have been eliminated at preparing the consolidated financial statement.

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Information on investment in Mainland China

For the three months ended March 31, 2026

Table 4

Unit: in thousands of NTD, unless specified otherwise

1. Name of the investee company in Mainland China, main business and products, paid-in capital, investment method, investment flows, shareholding ratio, investment profit or loss, investment carrying amount, and inward remittance of investment earnings:

Investee company name	Main business and products	Total Amount of Paid-in capital	Investment Method (Note 1)	Accumulated outflow of investment from Taiwan at the beginning of the period	Investment flows		Accumulated outflow of investment from Taiwan at the end of the reporting period	Current profit or loss of the investee company	Ownership of direct or indirect investment (%)	Current recognized investment profit or loss (Note 2.2.(2))	Carrying value at the end of the period	Accumulated inward remittance of investment earnings at the end of reporting period	Note
					Out flow	Inflow							
CipherLab Electron Trade (Shanghai) Limited Company	Electronics sales	$ 113,388 (USD 3,800) (Note 5)	(2)	$ 130,384 (USD 4,150)	$ -	$ -	$ 130,384 (USD 4,150) (Note 4)	$ 894	100	$ 894	$ 1,808	$ -	Has been consolidated and written off when preparing this consolidated financial statement

2. Investment amount in Mainland China:

Accumulated Investment in Mainland China as of March 31, 2026	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ 130,384 (USD 4,150)	$ 130,384 (USD 4,150)	$ 375,955

Note 1: The methods for engaging in investment in mainland China include the following:

1. Direct investment in Mainland China.
2. Indirect investment in Mainland China through a third area (CIPHERLAB LIMITED (SAMOA)).
3. Other method

Note 2: The investment income (loss) recognized in current period:

1. No investment income (loss) has been recognized due to the investment is still in the development stage.
2. The investment income (loss) was determined based on the following basis:
   (1) The financial report was reviewed and certified by an international accounting firm in cooperation with an accounting firm in the ROC.
   (2) The financial statements were reviewed by the parent company's auditors.
   (3) Others

Note 3: The figures presented in this table are in New Taiwan Dollars.

Note 4: The company has remitted a total of US$4,150 thousand for investment.

Note 5: CipherLab Electronics Trading (Shanghai) Co., Ltd. executed a cash capital reduction in January 2025 and completed the registration for the cancellation of capital stock amounting to US$350 thousand. As the parent company has not yet received the remittance of the said investment funds, this amount was not deducted from the accumulated investment amount remitted from Taiwan at the end of the period.