

FALCON MACHINE TOOLS CO., LTD.
2024 Annual General Shareholders' Meeting MINUTES
(Translation)

Time : 11:00 a.m. on Tuesday, June 25, 2024

Place : No. 34, Xinggong Rd, Shengang Township, Changhua County, Taiwan

Means of shareholders' meeting : physical shareholders' meeting

Attendants : All shareholders and their proxy holders, representing 65,843,865 shares (amongst them, 21,816,480 shares voted via electronic transmission), or 61.60% of the total 106,880,300 outstanding shares (0 non-voting shares have been deducted according to the second paragraph of Section 179 in Company Act).

Board Members Present : Lin, Tsung-Lin, Tung, Shang-Yu, Lin, Yi-Zhen, Zhang, Yu-Xin, Wu, Zhi-Chi, Gong, Xin-Jie, Chen, Li-Yun

Attendees : HUANG,TZU-PING CPA of Ernst & Young,Taiwan, HUANG,KAI-PIN Attorney of Hanyu Law Firm.

Chairperson : Lin, Tsung-Lin Chairman

Minute Recorder : Yeh, Yu-Chiao

I. Chairman announced commencement.

II. Chairman's Address (omitted)

III. Report Items

Report No. 1:

Proposed by the Board of Directors

Subject: The 2023 Business Report.

Explanation: Please refer to Attachment 1 in this Handbook(pp.5-8).

(Acknowledged)

Report No. 2:

Proposed by the Board of Directors

Subject: Audit The 2023 Audit Committee's Review Report.

Explanation: Please refer to Attachment 2 in this Handbook (pp.9).

(Acknowledged)

Report No. 3:

Proposed by the Board of Directors

Subject: To report 2023 employees' profit sharing and directors' compensation.

Explanation:(1)After considering the shareholders' equity and referring the level of peers and economic environment, the Company would allocate 2.11% as directors' compensation equivalent to NTD 3,237,000 and 2.11% as employees' profit sharing according to Article 23 of the Articles of Incorporation.

(2)The amount of the aforementioned allocation is based on the Articles of Incorporation and is not different from the estimated amount of 2023.

(Acknowledged)

Report No. 4:

Proposed by the Board of Directors

Subject: To report on the implementation status of the cash capital increase in private placement of common shares adopted by the 2022 Annual General Shareholders' Meeting.

Explanation:(1)The annual general meeting of shareholders resolved to increase capital by issuing 30 million common shares for private placement, the specific subscriber of securities is AUO Corporation and Innolux Corporation, and the subscribing price (NTD15.56/share) is 80% of the reference price, the procedure has completed on December 21, 2023.

(2)Please refer to attachment 3 (page 10~11) for related information.

(Acknowledged)

IV. Ratification Items

Report No. 1: Proposed by the Board of Directors
Subject:2023 Business Report and Financial Statements. Approval is respectfully requested.

Explanation:

(1)The 2023 Business Report and Financial Statements were approved by the Board of Directors' Meeting on March 11, 2024 and reviewed by the Audit Committee. The Audit Committee's report was issued accordingly.

(2)The 2023 Business Report, Audit Report from the Certified Public Accountant (CPA) and Financial Statements are attached hereto as Attachment 1 (page 5 -8) and Attachment 4 (pages 12-31).

Voting Results:

Shares represented at the time of voting: 61,843,865

Voting Results	% of the total represented share present
Votes in favor: 60,021,671 votes(16,244,286 votes)	97.28%
Votes against: 13,281 votes(13,281 votes)	0.02%
Votes invalid: 0 votes(0 votes)	0.00%
Votes abstained: 1,658,913 votes(1,408,913 votes)	2.68%

* including votes casted electronically (numbers in brackets)

Resolution:

The above proposal be and hereby was approved as proposed.

Report No. 2: Proposed by the Board of Directors
Subject: 2023 Earnings Distribution. Approval is respectfully requested.

Explanation:

(1)The Audit Committee of the Company has reviewed the 2023 Profit Distribution Statement which approved by the Board of Directors on May 10th 2024. Please refer to the Attachment 5 (page 32).

(2)2023 net profit after contributions according to relevant rules, distributable net profit of amount NT\$99,688,456 proposed to distribute dividends in the amount NT\$85,504,240 to the shareholders according to their share ownership at NT\$0.8 per share. Details of the dividends are as follows:

A.Distribute cash dividends in the amount NT\$10,688,030 to the shareholders according to their share ownership at NT\$0.1 per share. Rounded down to the nearest New Taiwan Dollar. Dividends distributed under NT\$1 shall be recognized as "Other Income" of the Company.

B.Distribute stock dividends in the amount NT\$74,816,210 to the shareholders according to their share ownership at NT\$0.7 per share.

(3)Upon approval by the Annual General Meeting of Shareholders, the Board of directors is authorized to set the record date, payment date, and other relevant issues.

Voting Results:

Shares represented at the time of voting: 61,693,865

Voting Results	% of the total represented share present
Votes in favor: 60,016,472 votes(16,239,087 votes)	97.28%
Votes against: 18,485 votes(18,485 votes)	0.03%
Votes invalid: 0 votes(0 votes)	0.00%
Votes abstained: 1,658,908 votes(1,408,908 votes)	2.68%

* including votes casted electronically (numbers in brackets)

Resolution:

The above proposal be and hereby was approved as proposed.

V. Discussion Items**Report No. 1:****Proposed by the Board of Directors****Subject: To amend " The Articles of Incorporation ". Resolution is respectfully requested.****Explanation:**

To cooperate with the actual operation of the company , it is proposed to amend some articles of the company's "The Articles of Incorporation" ,Comparison Table for Amendments is attached hereto as Attachment 6 (page 33).

Voting Results:

Shares represented at the time of voting: 61,693,865

Voting Results	% of the total represented share present
Votes in favor: 60,014,661 votes(16,237,276 votes)	97.27%
Votes against: 15,293 votes(15,293 votes)	0.02%
Votes invalid: 0 votes(0 votes)	0.00%
Votes abstained: 1,663,911 votes(1,413,911 votes)	2.69%

* including votes casted electronically (numbers in brackets)

Resolution:

The above proposal be and hereby was approved as proposed.

Report No. 2:**Proposed by the Board of Directors****Subject: To amend "Procedures for Endorsements and Guarantees". Resolution is respectfully requested.****Explanation:**

To cooperate with the actual operation of the company , it is proposed to amend some articles of the company's "Procedures for Endorsements and Guarantees" ,Comparison Table for Amendments is attached hereto as Attachment 7 (page 34).

Voting Results:

Shares represented at the time of voting: 61,693,865

Voting Results	% of the total represented share present
Votes in favor: 60,019,654 votes(16,242,269 votes)	97.28%
Votes against: 18,297 votes(18,297 votes)	0.02%
Votes invalid: 0 votes(0 votes)	0.00%
Votes abstained: 1,655,914 votes(1,405,914 votes)	2.68%

* including votes casted electronically (numbers in brackets)

Resolution:

The above proposal be and hereby was approved as proposed.

Report No. 3: Proposed by the Board of Directors
Subject: Discussion on Issuance of new shares through capitalization of earnings.
Resolution is respectfully requested.

Explanation:

(1) In order to enrich operating funds, the company proposed to distribute stock dividends in the amount NT\$74,816,210 (7,481,621 shares). 70 shares will be distributed for every 1,000 shares in proportion to the number of shares owned by shareholders recorded on the list of stockholders on the ex-dividend date. Petty stock of less than 1 share will be distributed in cash and rounded to the nearest NTD pursuant to Article 240 of the Company Act. The chairman will be authorized to negotiate with specific persons to purchase the petty stock at par value. New shares to be issued in the current capital increase have the same rights and obligations as the ordinary shares already issued.

(2) Once such proposal has been approved by the Annual General Meeting of Shareholders and applied to the competent authority for going into effect, the Board of directors will be authorized to set the ex-dividend date, payment date, and other relevant issues.

The total number of privately placed common shares does not exceed 30,000,000 shares, and the par value of each share is NT\$10.

Voting Results:

Shares represented at the time of voting: 61,693,865

Voting Results	% of the total represented share present
Votes in favor: 60,017,663 votes(16,240,278 votes)	97.28%
Votes against: 17,388 votes(17,388 votes)	0.02%
Votes invalid: 0 votes(0 votes)	0.00%
Votes abstained: 1,658,814 votes(1,408,814 votes)	2.68%

* including votes casted electronically (numbers in brackets)

Resolution:

The above proposal be and hereby was approved as proposed.

VI. Questions and Motions: None.

VII. Other records: Shareholder's Question:

Shareholder Inquiry No. 1460:

(1) Regarding Fuyu's future plans in agency sales and construction, what are the next steps?

Chairman's Response: Currently, the company's real estate strategy focuses on agency sales in the short term, and self-development projects in construction in the medium to long term. The company aims to sustain normal operations and growth driven by both the machine tool and construction sectors.

(2) Please share your views on the real estate market outlook.

Chairman's Response: We maintain an optimistic outlook in the short term. However, we will align our activities with policies, and the company will adopt pre-sale strategies for sales in a rational manner.

VIII. Adjournment: Meeting ended at 11:27 am

FALCON MACHINE TOOLS CO., LTD.

Business Report

Welcome to the 2024 annual shareholders' meeting. We extend our gratitude to all shareholders for their support and patronage. We hereby present a summary report on the operating results for the year 2023 and the business plan for the year 2024:

Operating Performance in 2023

I.Consolidated financial results:

The Ministry of Finance's Customs Administration has released the preliminary import and export trade statistics for Taiwan from January to December 2023. According to the Taiwan Association of Machinery Industry, the cumulative export value of machine tools for the year 2023 was \$2.599 billion, an decrease of 14% compared to the same period in 2022. Of these exports, the export value of metal cutting machine tools was approximately \$2.2 billion, an decrease of 13.3% compared to the same period in 2022, while the export value of metal forming machine tools was \$395 million, an decrease of 17.7% compared to the same period in 2022.

Our company's net operating income for the year 2023 was NTD 1.290 billion, which is a 19.85% decrease from the net operating income of NTD 1.610 billion in 2022. However, in terms of profit and loss, we had a profit of NTD 115.652 million in 2023, compared to a loss of NTD 22.995 million in 2022, a increase of 602.94%

The comparison for operating income and surplus/deficit between 2023 and 2022 is as follows:

Unit:NT\$ Thousands

Item	2023	2022	Increase(Decrease)in amount	Percentage Change (%)
Net Profit	1,290,783	1,610,552	(319,769)	(19.85%)
Operating Costs	924,668	1,206,683	(282,015)	(23.37%)
Operating Margin	366,115	403,869	(37,754)	(9.35%)
Operating Expenses	404,473	388,533	15,940	4.10%
Operating Profit (loss)	(38,358)	15,336	(53,694)	(350.12%)
Net income	208,100	(2,651)	210,751	7,949.87%
Pre-tax income	169,742	12,685	157,057	1,238.13%
Net income after tax	115,652	(22,995)	138,647	602.94%

II.Budget implementation:

Based on the "Guidelines for Processing Public Financial Forecast Information of Publicly Traded Companies," our company is not required to disclose financial forecast information for the fiscal year 2023,so there is no data available regarding the budget execution status for the year 2023.

III.Profitability Analysis:

ITEM	2023	2022
Non-operating income and expenses(NT\$)	208,100	(2,651)
Return on total assets (%)	3.02	(1.86)
Return on equity (%)	10.39	(2.82)
Ratio of Operating Income to paid-in capital (%)	(3.59)	1.99
Ratio of income before tax to paid-in capital (%)	15.88	1.65
Net Profit Margin (%)	8.96	(1.43)
Earnings per share (NT\$)	1.44	(0.30)

IV. Research and development status:

1. The ratio of research and development expenses to current year operating income for the past two years of our company is shown below:

Year	2023	2022
R&D Expenses	56,527	54,492
Percentage of Revenue(%)	4.38	3.38

2. Research and development achievements:

Product development is crucial for a company's long-term operations and sustainable growth. Company is committed to continuously developing new products and commercializing them. Regardless of the economic environment, we never stop our pace of product development. In recent years, company have introduced new machine models such as vertical grinding centers, double-sided grinding machines, precision mold processing machines, intelligent automated aluminum wheel production lines, non-circular piston vertical lathes, specialized grinding machines for bolt slots, 5-axis vertical machining centers, large and medium-sized vertical lathes, and continue to optimize existing models to meet the high-precision machining needs of industries such as oil and gas, IT, automotive/electric vehicles, aerospace, mold manufacturing, as well as the sustained growth of industries such as railways and ships, and to develop new trends in high-tech machine tools with high added value such as large-scale, high-speed cutting, high-precision, and intelligent automation. Furthermore, company is continuously improve the existing products and actively provide customized services, manufacturing customized equipment and comprehensive processing (Turn Key) solutions to meet customer needs. In the future, company's main focus will be on the research and develop of intelligent mechanical communication systems (iMCS) and new material processing equipment models, providing customers with material technology solutions and equipment integration solutions to enhance product added value.

The company currently holds 20 patents within the patent term. The patent layout covers the development of structure, control system, and intelligent automation technology for the milling and grinding of vehicles, as well as the manufacturing technology of fixtures.

Business Plan for year 2024

I. Business Objectives

After thorough communication among the management team, Falcon Co., Ltd. has established the following three major operational policies for the year 2023: prioritizing revenue and profitability through effective management, streamlining and optimizing talent cultivation and training, and tracking and controlling profitability. The three operational policies are as follows:

1. Prioritizing revenue and profitability
2. Talent cultivation
3. Operations - Strengthening organizational management and improving efficiency
4. Plans to actively expand into new businesses such as real estate and agency sales

II. Important Production and Sales Policies

1. In response to globalization and global marketing, it is crucial to understand and cater to the needs of local market users. This requires not only working closely with distributors, but also actively training international talents to rapidly adopt new technologies and provide support to both distributors and customers, ultimately ensuring the achievement of business objectives.

2. The COVID-19 pandemic has resulted in a greater focus on online marketing and the utilization of social media platforms in advertising and marketing efforts. This will accelerate companies' digital transformation in their marketing strategies.
3. Our goal is to have grinding machine orders account for more than 40% of sales and achieve a multiple-fold growth in sales. To accomplish this, we will share and replicate successful case studies of grinding machines and standardize special attachments.
4. Our objective is to create a more service-oriented manufacturing industry. To achieve this, we will strengthen our sales and service centers, and ensure that pre-sales, during-sales, and after-sales services are in place. We will also enhance our customized production technology to reach our goals. Additionally, we will continue to expand market demand through international Turn Key Solutions
5. To prevent similar issues from recurring in the future, we will propose and implement measures accordingly. We will actively clear out abnormal inventory, establish clearance strategies, and reduce the amount of stagnant inventory.
6. We will establish and maintain a comprehensive sales and service maintenance manual to improve the execution rate of service calls. We will review and adjust the inventory of commonly used sales and service parts for mass production machines every quarter, and ensure effective management of the inventory value. This will improve the delivery efficiency of sales and service parts.
7. We will continue to implement our quality policy by enhancing our intelligent technology, demonstrating stable quality, continuous improvement, and prioritizing service efficiency to meet customer needs. We will also strengthen our international brand and achieve our quality goals for 2023, which includes targets for internal and external failure costs, claims execution rate, and the number of customer complaints.
8. We will implement self-inspection checklists and create standard assembly instructions to prevent defective products from entering the production site. This will help establish basic data for smart manufacturing SOPs and standard work hours.
9. According to the production and sales schedule, we will establish a machine process breakdown and assign specific roles and responsibilities to ensure standardized operating skills and achieve our production goals. We will also ensure the proper execution of the return material process.
10. We will establish a job analysis of production unit work functions and schedule personnel education and training to establish a system for identifying the ability of "basic operational skills/multi-skilled workers who can work independently and possess problem-solving and improvement capabilities.
11. We will capitalize on our management team's expertise and resources to expand our business operations in the real estate sector, including offering real estate agency services, developing self-built properties, and partnering in joint real estate projects.

III. Business Objectives for Year 2024:

Considering the impact of COVID-19 on our business goals and the overall industry, as well as the global economic recovery, rising raw material prices, supply chain constraints, and the heating up of inflation in major economies, which intensifies the pressure to exit from loose monetary policies, and the possibility of the Fed accelerating the tightening of monetary policy, will affect the global economy. We anticipate selling approximately 733 units of our products under the parent company and a total of approximately 976 units under the entire group in the fiscal year 2024. We will continue to focus on creating and increasing the added value of our products, such as processing electric vehicles, semiconductor industry, medical, 3C, and 5G industry equipment, and strive to achieve our vision of "becoming the only choice for the best machine tools.

Development Strategy

- (1) Adhering to the business philosophy of "Steady management, striving for perfection, gaining international recognition, and sharing prosperity," we will strive to achieve our vision of "becoming the only choice for the best machine tools.
- (2) We will deepen our presence in the machine tool industry, embrace AIOT, and continuously innovate and develop high-precision, high-efficiency, high-quality, and highly intelligent machine tool products. We will strengthen our position as a leader in the grinding machine market and achieve industrial upgrading.

- (3) Our marketing, design, application, and sales and service departments should be responsive and understand market demands and changes to provide high-quality customized services. We will enhance machining technology, application technology, fixture design, and manufacturing, and strengthen pre-, during-, and post-sales customer service to improve customer satisfaction, meet their needs, and create favorable brands like "CHEVALIER."
- (4) We will pay attention to and master changes and fluctuations in the market environment and rapidly evolving technology, effectively control risks, adjust the scope of product applications and industries, and improve processing equipment to meet the demand for new materials. We will continue to implement performance management with the spirit of FPS.
- (5) We will promote strategic alliances in the machine tool industry for mutual benefit and actively participate in industry-government-academia-research cooperation to develop key technologies for processing new materials.
- (6) We will cultivate the real estate sales and development business to establish a new source of profit for the company.

The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions

- (1) Geopolitical factors are causing customers to have concerns about future equity and after-sales service, negatively impacting sales.
- (2) The duration and extent of interest rate hikes by major central banks in Europe and the United States in 2024 will affect the global economic and financial situation.
- (3) The United States is progressively implementing export controls on China, which will lead to a more severe polarization of the global supply chain. This will increasingly pose challenges to sales in countries under these export controls.
- (4) The frequency and severity of natural disasters related to climate change are increasing globally, heavily impacting the supply of bulk commodities and likely exacerbating price volatility. Attention to Environmental, Social, and Governance (ESG) issues will continue to deepen and be emphasized.
- (5) The ongoing conflict between Russia and Ukraine is proving difficult to resolve. Despite Europe's efforts to diversify its energy sources, it will still significantly affect its industries and civilian life, subsequently impacting the global economy.

Falcon is continuously enhancing its management practices and employee training to establish a strong foundation for transformation. The management team is dedicated to changing traditional mindsets and approaches, improving management efficiency, and mastering the research and development of new material processing technologies. They are producing a variety of highly competitive processing machines. Additionally, they are set to launch a project near the High-Speed Rail Tainan Station called the "Geometry Museum of Zaborin," aimed at ensuring a competitive edge in the market and boosting profitability. We kindly ask our shareholders to continue their support, care, and to provide encouragement and guidance.

Sincerely yours,

Falcon Machine Tools CO., LTD.

Chairman:
Lin Tsung-Lin

Director:
Tung Shang-Yu

Account Manager:
Pei Yu Wen

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2023 business report, financial statements, and proposal for allocation of profits. The CPAs Chen, Zheng-Chu and Hong, Guo-Sen from the CPA firm of Ernst & Young were retained to audit FALCON MACHINE TOOLS' financial statements and has issued an audit report relating to the financial statements. The business report, financial statements, and profit allocation proposal have been reviewed by the Audit Committee and no irregularities were found. We hereby report as above according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please kindly approve.

Sincerely,

2024 Annual General Shareholders' Meeting of Falcon Machine Tools Co., Ltd.

Convener of the Audit Committee
Wu, Zhi-Chi
May 10, 2024

FALCON MACHINE TOOLS CO., LTD.
2023 The Private Placement Resolved By The Annual General Shareholders Meeting

Project	First Private Placement of Common Stock in 2023				
Date of Issued	December 21, 2023				
Types of Private Placement Securities	Common Stock				
Date and Amount Approved by the Shareholders' Meeting	At the shareholders' meeting on June 21, 2023, the company resolved to issue common stock through a private placement for a cash capital increase within Taiwan, not exceeding 30,000 thousand shares. The shareholders' meeting authorized the board of directors to execute this within one year from the date of the shareholders' meeting resolution, either in one go or in two separate instances				
Basis and Rationale for Price Setting	<p>1. The price for this private placement is set according to the pricing principles decided at the shareholders' meeting on June 21, 2023. The pricing day is set for November 9, 2023, and is calculated based on the higher of the following two criteria:</p> <p>(1) The simple arithmetic average of the closing prices of the common stock on the one, three, and five business days prior to the pricing day, adjusted for bonus issue rights and dividends, and readjusted for reverse stock splits, with respective prices of \$19.80, \$19.68, and \$19.44. The selected price is \$19.44, which is the average closing price of the stock one business day prior, adjusted for bonus issue rights and dividends, and readjusted for reverse stock splits.</p> <p>(2) The simple arithmetic average of the closing prices of the common stock over the thirty business days prior to the pricing day, adjusted for bonus issue rights and dividends, and readjusted for reverse stock splits, is \$19.20.</p> <p>(3) Based on the higher of the two criteria above, \$19.44 is chosen as the reference price. After comprehensive consideration, the actual private placement price is set at \$15.56 per share, which is not less than 80% of the reference price.</p> <p>2. The method of pricing this private placement of common shares, as described above, is deemed reasonable.</p>				
Method of Selecting Specific Persons	The selection of specific persons is conducted in accordance with Article 43-6 of the Securities and Exchange Act and the regulations of the Financial Supervisory Commission (FSC) dated June 13, 2002, under order number (91) Tai-Cai-Zheng-Yi No. 0910003455, which limit the selection to specific persons as stipulated				
Reasons for Conducting a Private Placement	Considering factors such as capital market conditions, timeliness of fundraising, issuance costs, and equity stability.				
Completion Date of Payment of Purchase Price	17 th November, 2023				
Applicant Information	Private Placement Recipients	Qualification Criteria	Subscription Quantity	Relationship with the Company	Involvement in Company Operations
	Lin, Tsung-Lin	Accordance with Article 43-6 of the Securities and Exchange Act	8,200,000 Shares	Chairman of Company	Involved in Company Operations and Management
	Tung, Shang-Yu		1,000,000 Shares	Vice Chairman and General Manager of Company.	Involved in Company Operations and Management

	Luqi Investment Co., Ltd.		5,000,000 Shares	Person in charge is the spouse of the legal representative of company	NO
	Hou, Chia-Chang		1,000,000 Shares	NO	NO
	Chen, Ching-Yi		1,000,000 Shares	NO	NO
	Chen, Chien-Liang		500,000 Shares	NO	NO
	Wu, Chen-Chung		500,000 Shares	NO	NO
	Cheng, Hsiao-Chin		3,000,000 Shares	NO	NO
	Lin Sen Investment Co., Ltd.		3,000,000 Shares	NO	NO
	Lu, Chin-Fa		1,500,000 Shares	NO	NO
	Kuo, Tai-Yin		600,000 Shares	NO	NO
	Kuo, Hung-I		700,000 Shares	NO	NO
	Kuo, Hung-Yu		700,000 Shares	NO	NO
	Hsiao, Tsung-I		1,000,000 Shares	NO	NO
	Cai Fu Limited Company		1,800,000 Shares	NO	NO
	Sun, Kuang-Chi		200,000 Shares	NO	NO
	Ou, Shu-Ling		50,000 Shares	NO	NO
	Chang, Yu-Tung		50,000 Shares	NO	NO
	Hou, Sheng-Yuan		100,000 Shares	NO	NO
	Chen, Mei-Chun		100,000 Shares	NO	NO
Actual subscription price	NT\$ 15.56				
Difference between actual subscription price and reference price	The actual subscription price is 80.04% of the reference price of \$19.44				
Impact of conducting private placement on shareholder equity	The purpose of raising funds through the issuance of privately placed securities by the company is to enhance operational capital, improve operational and debt repayment capabilities, optimize financial structure, and reduce interest expenses. These benefits are expected to have a positive impact on shareholder equity. Therefore, the issuance of privately placed securities should not significantly affect shareholder equity.				
The utilization status and progress of the private placement funds	\$301,033,578 has been spent as of the fourth quarter of 2024Q1.				
The visible benefits resulting from the private placement	<ol style="list-style-type: none"> 1. Enhancing operational liquidity by augmenting working capital, bolstering cash reserves, and increasing financial flexibility. 2. Improving financial structure by boosting liquidity ratios and reducing debt-to-equity ratios. 				

Independent Auditors' Report

To Falcon Machine Tools Company Limited

Opinion

We have audited the accompanying consolidated balance sheets of Falcon Machine Tools Company Limited (the “Company”) and its subsidiaries as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the consolidated financial statements, including the summary of material accounting policies (together “the consolidated financial statements”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2023 and 2022, and their consolidated financial performance and cash flows for the years ended December 31, 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were most significance in our audit of 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Receivable Impairment

As of December 31, 2023, the account receivable (including related parties) of the Company was NT\$168,221 thousand that stands for 6% of the total consolidated assets, which considered to be a significant proportion to the company. Given the recoverable of the receivables is a key factor to the company's working capital, the Company's judgements, analyses and estimations as well as the subsequent result could have impact on the account receivable. We therefore considered the receivable impairment a key audit matter.

Our audit procedure includes, but not limited to, assess the effectiveness of the Company's internal control on clients' credit risk management, its management on receivables by assessing the reasonability of the periods of the receivables' age on all groups, assess the accuracy of the original vouchers by random audit; assess the accuracy by recalculating the periods of the receivables' age according to the trading terms, judge the reasonability of allowing the individual clients to have large past due amount or long term past due, and assess the reasonability of non-individual clients' (group assess) allowance by recalculating it in accordance with allowance policy. Random audit the receivable confirmations and review the past due subsequent receivables to evaluate the possibility of recoverable.

We considered Note 5 and 6 to the consolidated financial statements regarding the related disclosure of the account receivables.

Inventory Valuation

As of December 31, 2023, the company's net inventory was NT\$1,011,244 thousand, which stands for 34% of the consolidated asset. Given the Group is primarily engaged in manufacturing and processing of grinder and lathe products. And the products are tailor-made, high unit price and for long duration. The judgement on slow-moving or expired inventory valuation would be a significant factor. We therefore considered the inventory valuation a key audit matter.

Our audit procedure includes, but not limited to, understand and assess the effectiveness of the internal control on inventory, evaluate the appropriateness of the account policy on slow-moving and expired inventory, assess the accuracy of the periods of the inventories' age, evaluate and observe the age of inventory variables in order to judge the reasonability of the slow-moving and expired inventory's reserve.

We considered Note 5 and 6 to the consolidated financial statements regarding the related disclosure of the inventory.

Other Matter – Making Reference to the Audits of Other Auditor

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT\$350,165 thousand and NT\$412,897 thousand, constituting 12% and 17% of consolidated total assets as of December 31, 2023 and 2022, respectively, and total operating revenues of NT\$454,247 thousand and NT\$445,315 thousand, constituting 35% and 28% of consolidated operating revenues for the years ended December 31 2023 and 2022, respectively. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors. We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method whose statements are based solely on the reports of the other auditors. These associates and joint ventures under equity method amounted to NT\$99,456 thousand and NT\$24,758 thousand, representing 3% and 1% of consolidated total assets as of December 31, 2023 and 2022, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NT(\$5,964) thousand and NT\$815 thousand, representing (4)% and 6% of the consolidated net income before tax for the years ended December 31 2023 and 2022, respectively.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditors's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2023 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended December 31, 2023 and 2022.

Chen, Cheng-Chu

Hung, Kuo-Sen

Ernst & Young, Taiwan
March 11, 2024

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of the Consolidated Financial Statements originally issued in Chinese
Falcon Machine Tools Company Limited and Subsidiaries
Consolidated Balance Sheets
December 31, 2023 and 2022
(Amounts in thousands of New Taiwan Dollars)

Assets		Dec 31, 2023		Dec 31, 2022	
Contents	Notes	Amount	%	Amount	%
Current Asset					
Cash and cash equivalents	4, 6(1)	\$835,773	29	\$340,277	14
Financial assets measured at amortized cost are assets - current	4, 6(2), 8	32,257	1	1,986	0
Notes receivable	4, 6(3), 6(16)	26,171	1	25,517	1
Notes receivable - related parties	4, 6(3), 6(16), 7	272	0	1,075	0
Accounts receivable, net	4, 6(4), 6(16), 8	168,143	6	283,297	11
Accounts receivable - related parties, net	4, 6(4), 6(16), 7	78	0	144	0
Other receivables	4	18,351	1	11,975	1
Current tax assets	4	277	0	24,098	1
Inventories	4, 6(5)	1,011,244	34	977,318	40
Prepayments		41,357	1	34,854	1
Assets held for sale	4, 6(6), 8	-	-	78,898	3
Other current assets		134	0	10,658	0
Total current assets		2,134,057	73	1,790,097	72
Noncurrent assets					
Financial assets measured at fair value through other comprehensive income - non-current	4, 6(7)	24,538	1	22,630	1
Financial assets measured at amortized cost - non-current	4, 6(2), 8	46,518	2	38,413	2
Investment accounted for using equity method	4, 6(8)	272,514	9	162,716	7
Property, plant and equipment	4, 6(9), 8	283,259	10	293,688	12
Right-of-use assets	4, 6(17), 8	60,288	2	56,423	2
Investment property	4, 6(8), 8	10,074	0	10,462	1
Intangible assets	4	5,885	0	10,960	0
Deferred tax assets	4, 6(21)	82,974	3	82,789	3
Other non-current assets	4	9,263	0	5,046	0
Total non-current assets		795,313	27	683,127	28
Total Assets					
		\$2,929,370	100	\$2,473,224	100

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

English Translation of the Consolidated Financial Statements originally issued in Chinese
Falcon Machine Tools Company Limited and Subsidiaries
Consolidated Balance Sheets (con.)
December 31, 2023 and 2022
(Amounts in thousands of New Taiwan Dollars)

Liabilities and Equity		Dec 31, 2023		Dec 31, 2022	
Content	Note	Amount	%	Amount	%
Current liabilities					
Short-term loans	4, 6(11)	\$247,828	8	\$450,940	18
Current contract liabilities	6(15)	67,726	2	68,272	3
Notes payable		20,576	1	16,742	1
Notes payable - related parties	7	20	0	18	0
Accounts payable		207,138	7	224,183	9
Accounts payable - related parties	7	21,731	1	21,141	1
Other payables		88,748	3	84,803	3
Current tax liabilities		945	0	683	0
Lease liabilities - current	4, 6(17)	25,336	1	14,707	1
Current portion of long-term loans	4, 6(12)	79,944	3	243,339	10
Other current liabilities		16,038	1	18,723	1
Total current liabilities		<u>776,030</u>	<u>27</u>	<u>1,143,551</u>	<u>47</u>
Noncurrent liabilities					
Long-term borrowings	4, 6(12)	680,366	24	405,753	16
Net deferred tax liabilities	4, 6(21)	47,451	2	71,272	3
Lease liabilities - noncurrent	4, 6(17)	14,194	0	21,156	1
Accrued pension liabilities - noncurrent	4, 6(13)	211	0	4,289	0
Deposit received		5,459	0	6,230	0
Total non-current liabilities		<u>747,681</u>	<u>26</u>	<u>508,700</u>	<u>20</u>
Total liabilities		<u>1,523,711</u>	<u>53</u>	<u>1,652,251</u>	<u>67</u>
Interests attributable to parent company owner					
Capital					
Common stock capital		1,068,803	36	768,803	31
Capital reserve		178,260	6	11,460	0
Retained earnings					
Legal reserve		22,474	1	22,474	1
Special reserve		53,916	2	53,916	2
Undistributed earnings (Deficit to be offset)		107,431	3	(11,829)	-
Total retained earnings		<u>183,821</u>	<u>6</u>	<u>64,561</u>	<u>3</u>
Other equity					
Exchange Differences on Translation of Foreign Operations		(28,162)	(1)	(26,729)	(1)
Unrealised gains (losses) on financial assets measured at fair value		2,937	0	2,878	0
Total of other equity		<u>(25,225)</u>	<u>(1)</u>	<u>(23,851)</u>	<u>(1)</u>
Total equity		<u>1,405,659</u>	<u>47</u>	<u>820,973</u>	<u>33</u>
Total liabilities and equity					
		<u>\$2,929,370</u>	<u>100</u>	<u>\$2,473,224</u>	<u>100</u>

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

English translation of Consolidated Financial Statements originally issued in Chinese
Falcon Machine Tools Company Limited and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2023 and 2022
(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Content	Note	2023		2022	
		Amount	%	Amount	%
Operating revenues	4, 6(15), 7	\$1,290,783	100	\$1,610,552	100
Operating costs	6(5), 6(13), 6(17), 6(18), 7	(924,668)	(72)	(1,206,683)	(75)
Gross profit		366,115	28	403,869	25
Operating expenses	6(13), 6(17), 6(18)				
Sales and marketing expenses		(133,067)	(10)	(141,973)	(9)
General and administrative expenses		(223,626)	(17)	(175,480)	(11)
Research and development		(56,527)	(4)	(54,492)	(3)
Expected credit impairment losses	6(16)	8,747	1	(16,588)	(1)
Subtotal		(404,473)	(30)	(388,533)	(24)
Operating income		(38,358)	(2)	15,336	1
Non-operating income and expenses	6(19), 7				
Interest income		3,085	0	820	0
Other income		21,447	2	8,747	1
Other gains and losses		221,281	17	(37)	(0)
Finance costs		(42,622)	(3)	(29,272)	(2)
Share of profit or loss of associates	4, 6(8)	4,909	0	17,091	1
Subtotal		208,100	16	(2,651)	(0)
Net income (loss) before tax		169,742	14	12,685	1
Income tax expenses	4, 6(21)	(54,090)	(4)	(35,680)	(2)
Profit from continuing operations		115,652	10	(22,995)	(1)
Other comprehensive net income	6(20)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation		(161)	(0)	3,465	0
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income		5,834	0	(2,579)	(0)
Income tax related to items that will not be reclassified		32	0	(693)	(0)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		(631)	(0)	41,229	3
Share of other comprehensive income, accounted for using equity method	6(8)	(2,038)	(0)	1,716	0
Income tax related to items that may be reclassified		(802)	(0)	(10,301)	(1)
Subtotal		2,234	0	32,837	2
Total comprehensive income		\$117,886	10	\$9,842	1
Net income (loss) attributable to:					
Stock holders of the parent company	4, 6(22)	\$115,652		(\$22,995)	
Non-controlling interests		-		-	
		\$115,652		(\$22,995)	
Total comprehensive income attributable to:					
Stock holders of the parent company		\$117,886		\$9,842	
Non-controlling interests		-		-	
		\$117,886		\$9,842	
Earnings per share (NT\$)	4, 6(22)				
Basic earnings per share		\$1.44		(\$0.30)	
Diluted earnings per share		\$1.43		(\$0.30)	

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

English Translation of the parent company only Financial Statements originally issued in Chinese
Falcon Machine Tools Company Limited and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2023 and 2022
(Amounts in thousands of New Taiwan Dollars)

Content	Common Stock	Capital surplus	Retained Earnings			Other Equity		Total Equity
			Legal Reserve	Special Reserve	Undistributed Earnings (Deficit to be offset)	Exchange Differences on Translation of Foreign Operations	Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive	
Balance as of January 1, 2022	\$768,803	\$11,460	\$21,054	\$49,531	\$14,199	(\$57,657)	\$3,741	\$811,131
Appropriations of prior year's earnings 2021:								
Legal reserve	-	-	1,420	-	(1,420)	-	-	-
Special reserve	-	-	-	4,385	(4,385)	-	-	-
Net income in 2022	-	-	-	-	(22,995)	-	-	(22,995)
Other comprehensive income (loss) 2022	-	-	-	-	2,772	30,928	(863)	32,837
Total comprehensive income (loss)	-	-	-	-	(20,223)	30,928	(863)	9,842
Balance as of December 31, 2022	<u>\$768,803</u>	<u>\$11,460</u>	<u>\$22,474</u>	<u>\$53,916</u>	<u>\$(11,829)</u>	<u>(\$26,729)</u>	<u>\$2,878</u>	<u>\$820,973</u>
Balance as of January 1, 2023	\$768,803	\$11,460	\$22,474	\$53,916	(\$11,829)	(\$26,729)	\$2,878	\$820,973
Appropriations of prior year's earnings 2022:								
Legal reserve	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-
Net income in 2023	-	-	-	-	115,652	-	-	115,652
Other comprehensive income (loss) 2023	-	-	-	-	(129)	(1,433)	3,796	2,234
Total comprehensive income (loss)	-	-	-	-	115,523	(1,433)	3,796	117,886
Issue of shares	300,000	166,800	-	-	-	-	-	466,800
Disposal of equity instrument investments measured at fair value through other comprehensive income	-	-	-	-	3,737	-	(3,737)	-
Balance as of December 31, 2023	<u>\$1,068,803</u>	<u>\$178,260</u>	<u>\$22,474</u>	<u>\$53,916</u>	<u>\$107,431</u>	<u>(\$28,162)</u>	<u>\$2,937</u>	<u>\$1,405,659</u>

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

English Translation of the parent company only Financial Statements originally issued in Chinese
Falcon Machine Tools Company Limited and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(Amounts in thousands of New Taiwan Dollars)

Content	2023	2022	Content	2023	2022
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$169,742	\$12,685	Acquisition of financial assets measured at fair value through other comprehensive income	-	(25,020)
Adjustments to reconcile net income (loss) before tax to net cash:			Proceeds from disposal of financial assets at fair value through other comprehensive income	7,497	-
Provided by (used in) operating activities:			Proceeds from disposal of financial assets measured at amortized cost	(38,376)	7,932
Depreciation	56,225	58,703	Acquisition of investments accounted for under the equity method	(111,900)	-
Amortization	2,004	2,748	Repayment of reduction of capital from investees for using equity method	-	23
Expected credit (gain) loss	(8,747)	16,588	Proceeds from disposal of non-current assets classified as held for sale	297,754	-
Interest expenses	42,622	29,272	Acquisition of property, plant and equipment	(24,952)	(8,031)
Interest income	(3,085)	(820)	Proceeds from disposal of property, plant and equipment	2,956	1,499
Dividend revenue	(10)	(10)	Acquisition of intangible assets	(500)	(362)
Share of loss of associates accounted for using equity method	(4,909)	(17,091)	Increase in other non-current assets	(4,217)	-
Gain on disposal of property, plant and equipment	(221,377)	(289)	Decrease in other non-current assets	-	18
Impairment loss on non-financial assets	-	785	Decrease in prepayments for business facilities	-	2,278
Loss on inventory valuation	2,694	60,031	Dividend received (cash dividend of the year of investments accounted for using equity method)	4,975	2,501
Profit from lease modification	-	(103)	Net cash provided by (used in) investment activities	<u>133,237</u>	<u>(19,162)</u>
Unrealized foreign currency exchange (gains)	-	(3,773)			
Changes in operating assets and liabilities:			Cash flows from financing activities:		
Notes receivables	(654)	29,221	Increase in short-term loans	1,101,138	1,059,983
Notes receivables - related parties	803	996	Decrease in short-term loans	(1,303,605)	(884,777)
Account receivables	124,022	(40,024)	Increase in short-term notes payable	-	120,430
Account receivables - related parties	66	1,053	Decrease in short-term notes payable	-	(150,385)
Other receivables	(6,376)	7,183	Proceeds from long-term loans	629,219	505,419
Inventories	(35,353)	(9,278)	Repayments of long-term loans	(516,562)	(541,475)
Prepayments	(6,503)	21,128	Repayments of lease liabilities	(24,988)	(20,002)
Other current assets	10,524	8,184	Decrease in other non-current liabilities	(771)	(575)
Contract liabilities - current	(546)	(30,469)	Proceeds from issuing shares	466,800	-
Notes payable	3,834	(2,924)	Interest paid	(41,686)	(24,596)
Notes payable - related parties	2	(330)	Net cash provided by financing activities	<u>309,545</u>	<u>64,022</u>
Account receivables	(17,045)	(128,005)	Effect of exchange rate changes on cash and cash equivalents	(206)	54,217
Account receivables - related parties	590	(3,288)	Net increase in cash and cash equivalents	495,496	35,424
Other payable	3,009	(4,710)	Cash and cash equivalents at beginning of year	<u>340,277</u>	<u>304,853</u>
Other current liabilities	(2,685)	(3,689)	Cash and cash equivalents at end of year	<u>\$835,773</u>	<u>\$340,277</u>
Net defined benefit liabilities-non-current	(4,078)	(15,160)			
Cash generated from operations	<u>104,769</u>	<u>(11,386)</u>			
Interest received	3,085	820			
Dividend received	10	10			
Income tax paid	(54,944)	(53,097)			
Net cash provided by (used in) operating activities	<u>52,920</u>	<u>(63,653)</u>			

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

Independent Auditors' Report

To Falcon Machine Tools Company Limited

Opinion

We have audited the accompanying parent company only balance sheets of Falcon Machine Tools Company Limited (the “Company”) and as of December 31, 2023 and 2022, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the parent company only financial statements, including the summary of material accounting policies (together “the parent company only financial statements”).

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2023 and 2022, and their parent company only financial performance and cash flows for the years ended December 31, 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants, and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were most significant in our audit of 2023 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Receivable Impairment (including receivables of the subsidiaries invested by using Equity Method)

The account receivables of the Company and its subsidiaries invested by using Equity Method is significant to the financial statements. Given the recoverable of the receivables is a key factor to the company's working capital, the Company's judgements, analyses and estimations as well as the subsequent result could have impact on the account receivable. We therefore considered the receivable impairment a key audit matter.

Our audit procedure includes, but not limited to, assess the effectiveness of the Company's internal control on clients' credit risk management, its management on receivables by assessing the reasonability of the periods of the receivables' age on all groups, assess the accuracy of the original vouchers by random audit; assess the accuracy by recalculating the periods of the receivables' age according to the trading terms, judge the reasonability of allowing the individual clients to have large past due amount or long term past due, and assess the reasonability of non-individual clients' (group assess) allowance by recalculating it in accordance with allowance policy. Random audit the receivable confirmations and review the past due subsequent receivables to evaluate the possibility of recoverable.

We considered Note 5 and 6 to the individual financial statements regarding the related disclosure of the account receivables.

Inventory Valuation (including inventory valuation of the subsidiaries invested by using Equity Method)

The net inventory of the Company and its subsidiaries invested by using Equity Method is significant to the financial statements. Given the Group is primarily engaged in manufacturing and processing of grinder and lathe products. And the products are tailor-made, high unit price and for long duration. The judgement on slow-moving or expired inventory valuation would be a significant factor. We therefore considered the inventory valuation a key audit matter.

Our audit procedure includes, but not limited to, understand and assess the effectiveness of the internal control on inventory, evaluate the appropriateness of the account policy on slow-moving and expired inventory, assess the accuracy of the periods of the inventories' age, evaluate and observe the age of inventory variables in order to judge the reasonability of the slow-moving and expired inventory's reserve.

We considered Note 5 and 6 to the individual financial statements regarding the related disclosure of the inventory.

Other Matter – Making Reference to the Audits of Other Auditor

Part of the investees' financial statements in the parent company only financial statements were audited by component auditors and have not been audited by us. Thus the amounts stated in the parent company only financial statements regarding the investees were according to the audits of the component auditors. As of December 31, 2023 and 2022, the investees' investment for using Equity Method were NT\$186,842 thousand and NT\$255,173 thousand respectively, which stand for 7% and 12% of the total assets. The comprehensive income shares of investees' investments in subsidiaries, associates and joint ventures for using Equity Method for the years then ended were NT\$25,109 thousand and NT\$29,012 thousand respectively, which stand for 16% and (1316)%. The comprehensive income shares of the investments in associates and joint ventures for using Equity Method were NT\$4,012 thousand and NT\$36,341 thousand, which stand for 180% and 111% of other comprehensive income.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the ability to continue as a going concern of the Company, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company.

Auditors's Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2023 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chen,Cheng-Chu

Hung, Kuo-Sen

Ernst & Young, Taiwan

March 11, 2024

Notice to Readers

The accompanying parent company only financial statements are intended only to present the parent company only financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such parent company only financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of the parent company only Financial Statements originally issued in Chinese

Falcon Machine Tools Company Limited

Parent Company Only Balance Sheets

December 31, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars)

Assets		Dec 31, 2023		Dec 31, 2022	
Contents	Notes	Amount	%	Amount	%
Current Asset					
Cash and cash equivalents	4,6(1)	\$753,432	30	\$138,796	7
Financial assets measured at amortized cost are assets - current	4,6(2),8	29,589	1	-	-
Notes receivable	4,6(3)	18,436	1	17,658	1
Notes receivable - related parties	4,6(3),7	272	0	1,075	0
Accounts receivable, net	4,6(4)	96,082	4	217,838	10
Accounts receivable - related parties, net	4,6(4),7	36,975	1	56,012	3
Other receivables	4,7	13,875	1	11,941	1
Current tax assets		262	0	21,916	1
Inventories	4,6(5)	610,825	24	549,356	26
Prepayments		12,027	0	9,863	0
Assets held for sale	4,6(6),8	-	-	78,898	4
Other current assets		10,064	0	14,187	1
Total current assets		<u>1,581,839</u>	<u>62</u>	<u>1,117,540</u>	<u>54</u>
Non-current assets					
Financial assets measured at fair value through other comprehensive income - non-current	4,6(7)	24,538	1	22,630	1
Financial assets measured at amortized cost - non-current	4,6(2),8	46,518	2	38,413	1
Investment accounted for using equity method	4,6(8)	602,476	24	610,446	29
Property, plant and equipment	4,6(9),8	180,758	7	190,914	9
Right-of-use assets	3,6(17)	21,069	1	11,148	1
Investment property	4,6(10),8	10,074	0	10,462	1
Intangible assets	4	5,333	0	10,769	1
Deferred tax assets	4,6(21)	65,780	3	64,930	3
Other non-current assets	4	4,709	0	1,912	0
Total non-current assets		<u>961,255</u>	<u>38</u>	<u>961,624</u>	<u>46</u>
Total Assets		<u><u>\$2,543,094</u></u>	<u><u>100</u></u>	<u><u>\$2,079,164</u></u>	<u><u>100</u></u>

(The accompanying notes are an integral part of parent company only financial statements.)

English Translation of the parent company only Financial Statements originally issued in Chinese
Falcon Machine Tools Company Limited
Parent Company Only Balance Sheets (con.)
December 31, 2023 and 2022
(Amounts in thousands of New Taiwan Dollars)

Liabilities and Equity		Dec 31, 2023		Dec 31, 2022	
Content	Note	Amount	%	Amount	%
Current liabilities					
Short-term loans	4,6(11)	\$173,750	7	\$353,412	17
Current contract liabilities	6(15)	64,325	3	40,535	2
Notes payable		11,905	0	10,130	0
Notes payable - related parties	7	20	0	18	0
Accounts payable		145,594	6	157,780	8
Accounts payable - related parties	7	20,920	1	10,361	1
Other payables		44,613	2	44,311	2
Current tax liabilities		-	-	362	0
Lease liabilities - current	6(17)	6,414	0	1,661	0
Current portion of long-term loans	6(12)	79,944	3	236,727	11
Other current liabilities		7,273	0	10,475	1
Total current liabilities		554,758	22	865,772	42
Noncurrent liabilities					
Long-term borrowings	4,6(12)	526,841	21	313,623	15
Net deferred tax liabilities	4,6(21)	42,803	2	66,479	4
Lease liabilities - noncurrent	6(17)	12,642	0	7,848	0
Accrued pension liabilities - noncurrent	4,6(13)	211	0	4,289	0
Deposit received		180	0	180	0
Total non-current liabilities		582,677	23	392,419	19
Total liabilities		1,137,435	45	1,258,191	61
Equity attributable to the parent company					
Capital					
Common stock		1,068,803	42	768,803	37
Capital reserve		178,260	7	11,460	0
Retained earnings					
Legal reserve		22,474	1	22,474	1
Special reserve		53,916	2	53,916	3
Undistributed earnings (Deficit to be offset)		107,431	4	(11,829)	(1)
Total retained earnings		183,821	7	64,561	3
Other equity					
Exchange Differences on Translation of Foreign Operations		(28,162)	(1)	(26,729)	(1)
Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income		2,937	0	2,878	0
Total of other equity		(25,225)	(1)	(23,851)	(1)
Total equity		1,405,659	55	820,973	39
Total liabilities and equity		\$2,543,094	100	\$2,079,164	100

(The accompanying notes are an integral part of parent company only financial statements.)

English Translation of the parent company only Financial Statements originally issued in Chinese

Falcon Machine Tools Company Limited

Parent Company Only Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars)

Content	Note	2023		2022	
		Amount	%	Amount	%
Operating revenues	4,6(15),7	\$856,306	100	\$1,191,535	100
Operating costs	6(5),6,(18),7	(678,736)	(79)	(948,847)	(80)
Gross profit		177,570	21	242,688	20
Unrealized gross (loss)		(47,332)	(6)	(43,689)	(3)
Realized gross profit		43,689	5	29,593	2
Net operating margin		173,927	20	228,592	19
Operating expenses	6(16),6(18)				
Sales and marketing expenses		(72,251)	(8)	(87,546)	(7)
General and administrative expenses		(85,505)	(10)	(68,074)	(6)
Research and development		(48,225)	(6)	(44,493)	(4)
Expected credit impairment losses		(199)	(0)	(7,912)	(0)
Subtotal		(206,180)	(24)	(208,025)	(17)
Operating income		(32,253)	(4)	20,567	2
Non-operating income and expenses	6(19),7				
Interest income		2,814	0	745	0
Other income		13,090	2	6,253	1
Other gains and losses		222,096	26	12,062	1
Finance costs		(31,366)	(4)	(22,003)	(2)
Share of profit or loss of associates	4,6(8)	(15,037)	(2)	(19,828)	(2)
Subtotal		191,597	22	(22,771)	(2)
Net income (loss) before tax		159,344	18	(2,204)	(0)
Income tax expenses	4,6(21)	(43,692)	(5)	(20,791)	(2)
Profit from continuing operations		115,652	13	(22,995)	(2)
Other comprehensive net income	6(20)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation	6(13)	(161)	(0)	3,465	0
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income		5,834	1	(2,579)	(0)
Income tax related to items that will not be reclassified		32	0	(693)	(0)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		(631)	(0)	41,229	3
Share of other comprehensive income, accounted for using equity method		(2,038)	(0)	1,716	0
Income tax related to items that may be reclassified		(802)	(0)	(10,301)	(0)
Subtotal		2,234	1	32,837	3
Total comprehensive income		\$117,886	14	\$9,842	1
Earnings per share	4,6(22)				
Earnings per share-basic		\$1.44		\$(0.30)	
Earnings per share-diluted		\$1.43		\$(0.30)	

(The accompanying notes are an integral part of parent company only financial statements.)

English Translation of the parent company only Financial Statements originally issued in Chinese
Falcon Machine Tools Company Limited
Parent Company Only Statements of Changes in Equity
For the years ended December 31, 2023 and 2022
(Amounts in thousands of New Taiwan Dollars)

Content	Common Stock	Capital surplus	Retained Earnings			Other Equity		Total Equity
			Legal Reserve	Special Reserve	Undistributed Earnings (Deficit to be offset)	Exchange Differences on Translation of Foreign Operations	Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	
Balance as of January 1, 2022	\$768,803	\$11,460	\$21,054	\$49,531	\$14,199	(\$57,657)	\$3,741	\$811,131
Appropriations of prior year's earnings 2021:								
Legal reserve	-	-	1,420	-	(1,420)	-	-	-
Special reserve	-	-	-	4,385	(4,385)	-	-	-
Net income in 2022	-	-	-	-	(22,995)	-	-	(22,995)
Other comprehensive income (loss) 2022	-	-	-	-	2,772	30,928	(863)	32,837
Total comprehensive income (loss)	-	-	-	-	(20,223)	30,928	(863)	9,842
Balance as of December 31, 2022	\$768,803	\$11,460	\$22,474	\$53,916	\$(11,829)	(\$26,729)	\$2,878	\$820,973
Balance as of January 1, 2023	\$768,803	\$11,460	\$22,474	\$53,916	\$(11,829)	(\$26,729)	\$2,878	\$820,973
Appropriations of prior year's earnings 2022:								
Legal reserve	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-
Net income in 2023	-	-	-	-	115,652	-	-	115,652
Other comprehensive income (loss) 2023	-	-	-	-	(129)	(1,433)	3,796	2,234
Total comprehensive income (loss)	-	-	-	-	115,523	(1,433)	3,796	117,886
Issue of shares	300,000	166,800	-	-	-	-	-	466,800
Disposal of equity instrument investments measured at fair value through other comprehensive income	-	-	-	-	3,737	-	(3,737)	-
Balance as of December 31, 2023	\$1,068,803	\$178,260	\$22,474	\$53,916	\$107,431	(\$28,162)	\$2,937	\$1,405,659

(The accompanying notes are an integral part of parent company only financial statements.)

English Translation of the parent company only Financial Statements originally issued in Chinese
Falcon Machine Tools Company Limited
Parent Company Only Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(Amounts in thousands of New Taiwan Dollars)

Content	2023	2022	Content	2023	2022
Cash flows from operating activities:			Cash flows from investing activities:		
Net income (loss) before tax	\$159,344	(\$2,204)	Acquisition of financial assets measured at fair value through other comprehensive income	-	(25,020)
Adjustments to reconcile net income (loss) before tax to net cash provided by operating activities:			Proceeds from disposal of financial assets at fair value through other comprehensive income	7,497	-
Provided by (used in) operating activities:			Proceeds from disposal of financial assets measured at amortized cost	(37,694)	6,931
Depreciation	24,684	31,519	Acquisition of investments accounted for under the equity method	(115,000)	(50,000)
Amortization	1,865	2,078	Repayment of reduction of capital from investees for using equity method	-	23
Expected credit loss	199	7,912	Proceeds from disposal of non-current assets classified as held for sale	297,754	-
Interest expenses	31,366	22,003	Acquisition of property, plant and equipment	(14,521)	(2,583)
Interest income	(2,814)	(745)	Proceeds from disposal of property, plant and equipment	2,799	194
Dividend revenue	(10)	(10)	Acquisition of intangible assets	-	(362)
Share of loss of associates accounted for using equity method	15,037	19,828	Increase in other non-current assets	(2,797)	-
Gain on disposal of property, plant and equipment	(221,267)	(194)	Dividend received (cash dividend of the year of investments accounted for using equity method)	101,621	111,561
Impairment loss on non-financial assets	-	785	Net cash provided by investment activities	239,659	40,744
Loss on inventory valuation	7,016	39,057			
Profit from lease modification	-	(103)	Cash flows from financing activities:		
Unrealized foreign currency exchange (gains)	-	(3,773)	Increase in short-term loans	736,075	963,617
Unrealized profit (loss) from sales	3,643	-	Decrease in short-term loans	(915,737)	(822,991)
Changes in operating assets and liabilities:			Increase in short-term notes payable	-	120,430
Notes receivables	(778)	27,433	Decrease in short-term notes payable	-	(150,385)
Notes receivables - related parties	803	996	Proceeds from long-term loans	557,539	496,677
Account receivables	121,557	(80,514)	Repayments of long-term loans	(501,104)	(538,355)
Account receivables - related parties	19,037	(39,696)	Deposit received	-	1
Other receivables	(1,934)	6,937	Repayments of lease liabilities	(8,496)	(6,935)
Inventories	(60,370)	39,531	Proceeds from issuing shares	466,800	-
Prepayments	(2,164)	(3,312)	Interest paid	(30,517)	(17,970)
Other current assets	4,123	4,713	Net cash provided by financing activities	304,560	44,089
Contract liabilities - current	23,790	(31,222)	Net increase (decrease) in cash and cash equivalents	614,636	(31,841)
Notes payable	1,775	304	Cash and cash equivalents at beginning of period	138,796	170,637
Notes payable - related parties	2	(330)	Cash and cash equivalents at end of period	\$753,432	\$138,796
Account receivables	(12,186)	(101,844)			
Account receivables - related parties	10,559	(8,322)			
Other payable	(547)	(2,723)			
Other current liabilities	(3,202)	2,560			
Net defined benefit liabilities-non-current	(4,078)	(15,160)			
Cash generated from operations	115,450	(84,496)			
Interest received	2,814	745			
Dividend received	10	10			
Income tax paid	(47,857)	(32,933)			
Net cash provided by (used in) operating activities	70,417	(116,674)			

(The accompanying notes are an integral part of parent company only financial statements.)

FALCON MACHINE TOOLS CO., LTD.
2023 Statement of Profit Distribution

Unit: NT\$

Item	Total
Beginning Undistributed Earnings	(11,829,144)
Add (Loss):	
Net Profit After Tax for the Current Year	115,652,090
Re-measurement of Defined Benefit Plans	(128,768)
Cumulative Gains or Losses from Disposal of Equity Instruments Transferred to Retained Earnings	3,737,440
Appropriation of Legal Reserve	(10,743,162)
Earnings Available for Distribution for the Current Year	96,688,456
Distribution Items:	
Cash Dividend (0.1 NT\$ per share)	(10,688,030)
Stock Dividend (0.7 NT\$ per share)	(74,816,210)
Ending Undistributed Earnings	11,184,216

Chairman:
Lin, Tsung-Lin

General Manager:
Tung, Shang-Yu

Accounting Supervisor:
Pei, Yu-Wen

FALCON MACHINE TOOLS CO., LTD.
Comparison Table Illustrating the Original and Amended Text of the “The Articles of Incorporatio”

Amended Text	Original Text	Explanation
<p>Article 5: The registered total capital of the Company shall be <u>two billion million New Taiwan Dollars (NT\$2,000,000,000)</u>, divided into <u>two hundred million (200,000,000)</u> shares, with a par value of ten New Taiwan Dollars (NT\$10) per share. The Board of Directors authorizes the shares to be issued in installments. The shares may be issued in installments, and the Board of Directors is authorized to handle it in accordance with the Company Act and relevant laws and regulations.</p> <p>The total amount of shares in the preceding paragraph is NT\$50 million reserved for the issuance of stock warrant certificates and subscription shares of special stock with stock warrants totaling 5 million shares.</p>	<p>Article 5: The registered total capital of the Company shall be <u>one billion three hundred and fifty million New Taiwan Dollars (NT\$1,350,000,000)</u>, divided into <u>one hundred and thirty-five million (135,000,000)</u> shares, with a par value of ten New Taiwan Dollars (NT\$10) per share. The Board of Directors authorizes the shares to be issued in installments. The shares may be issued in installments, and the Board of Directors is authorized to handle it in accordance with the Company Act and relevant laws and regulations.</p> <p>The total amount of shares in the preceding paragraph is NT\$50 million reserved for the issuance of stock warrant certificates and subscription shares of special stock with stock warrants totaling 5 million shares.</p>	<p>Additional revisions to meet operational needs.</p>
<p>Article 34: These Articles of Incorporation were resolved on March 6, 1978. The first amendment was on March 23, 1978. The second amendment was on June 25, 1979. The third amendment was on May 20, 1982. The fourth amendment was on October 20, 1982. The fifth amendment was on June 24, 1983. The sixth amendment was on August 10, 1984. The seventh amendment was on May 27, 1987. The eighth amendment was on November 5, 1988. The ninth amendment was on October 6, 1989. The tenth amendment was on June 1, 1991. The eleventh amendment was on July 9, 1991. The twelfth amendment was on April 23, 1992. The thirteenth amendment was on May 25, 1992. The fourteenth amendment was on February 22, 1993. The fifteenth amendment was on October 20, 1994 The sixteenth amendment was on November 7, 1994. The seventeenth amendment was on June 10, 1995. The eighteenth amendment was on May 30, 1996. The nineteenth amendment on March 4, 1997. The twentieth amendment was on May 31, 1997. The twenty-first amendment was on May 18, 1998. The twenty-second amendment was on May 19, 1999. The twenty-third amendment was on June 16, 2000. The twenty-fourth amendment was on May 31, 2001. The twenty-fifth amendment was on June 28, 2002. The twenty-sixth amendment was on June 25, 2004. The twenty-seventh amendment was on June 29, 2005. The twenty-eighth amendment was on June 23, 2006. The twenty-ninth amendment was on June 25, 2008. The thirtieth amendment was on June 19, 2009. The thirty-first amendment was on June 15, 2012. The thirty-second amendment was on June 18, 2014. The thirty-third amendment was on June 22, 2016. The thirty-fourth amendment was on June 23, 2020. The thirty-fifth amendment was on July 7, 2021. The thirty-sixth amendment was on June 21, 2023. <u>The thirty-seventh amendment was on June 25, 2024.</u></p>	<p>Article 34: These Articles of Incorporation were resolved on March 6, 1978. The first amendment was on March 23, 1978. The second amendment was on June 25, 1979. The third amendment was on May 20, 1982. The fourth amendment was on October 20, 1982. The fifth amendment was on June 24, 1983. The sixth amendment was on August 10, 1984. The seventh amendment was on May 27, 1987. The eighth amendment was on November 5, 1988. The ninth amendment was on October 6, 1989. The tenth amendment was on June 1, 1991. The eleventh amendment was on July 9, 1991. The twelfth amendment was on April 23, 1992. The thirteenth amendment was on May 25, 1992. The fourteenth amendment was on February 22, 1993. The fifteenth amendment was on October 20, 1994 The sixteenth amendment was on November 7, 1994. The seventeenth amendment was on June 10, 1995. The eighteenth amendment was on May 30, 1996. The nineteenth amendment on March 4, 1997. The twentieth amendment was on May 31, 1997. The twenty-first amendment was on May 18, 1998. The twenty-second amendment was on May 19, 1999. The twenty-third amendment was on June 16, 2000. The twenty-fourth amendment was on May 31, 2001. The twenty-fifth amendment was on June 28, 2002. The twenty-sixth amendment was on June 25, 2004. The twenty-seventh amendment was on June 29, 2005. The twenty-eighth amendment was on June 23, 2006. The twenty-ninth amendment was on June 25, 2008. The thirtieth amendment was on June 19, 2009. The thirty-first amendment was on June 15, 2012. The thirty-second amendment was on June 18, 2014. The thirty-third amendment was on June 22, 2016. The thirty-fourth amendment was on June 23, 2020. The thirty-fifth amendment was on July 7, 2021. The thirty-sixth amendment was on June 21, 2023.</p>	<p>Addition of the number of revisions.</p>

FALCON MACHINE TOOLS CO., LTD.
Comparison Table Illustrating the Original and Amended Text of the
“Procedures for Endorsements and Guarantees”

Amended Text	Original Text	Explanation
<p>Article 3: The objects of endorsement guarantee shall be limited to one of the following: I. Companies with business transactions. II. Companies directly or indirectly holding more than fifty percent of the voting shares. III. Companies directly or indirectly holding more than fifty percent of the voting shares of the company. <u>IV. Companies that, based on joint investment or joint construction relationships, jointly provide guarantees according to contract provisions, or jointly provide guarantees between industries as required by contracts for undertaking projects, or as joint guarantors of performance bonds for pre-sale house sales contracts in accordance with the Consumer Protection Act, shall not be subject to the restrictions of this article and may provide endorsement guarantees.</u> For companies in which the company directly or indirectly holds more than ninety percent of the voting shares, endorsement guarantees may be arranged only after approval by the company's board of directors, and the amount thereof shall not exceed ten percent of the company's latest financial statement net worth. However, endorsement guarantees between companies in which the company directly or indirectly holds one hundred percent of the voting shares are not subject to this limit. If the object of the endorsement guarantee is a subsidiary with a net worth less than half of the paid-in capital, relevant control measures for subsequent actions shall be specified.</p>	<p>Article 3: The objects of endorsement guarantee shall be limited to one of the following: I. Companies with business transactions. II. Companies directly or indirectly holding more than fifty percent of the voting shares. III. Companies directly or indirectly holding more than fifty percent of the voting shares of the company. For companies in which the company directly or indirectly holds more than ninety percent of the voting shares, endorsement guarantees may be arranged only after approval by the company's board of directors, and the amount thereof shall not exceed ten percent of the company's latest financial statement net worth. However, endorsement guarantees between companies in which the company directly or indirectly holds one hundred percent of the voting shares are not subject to this limit. If the object of the endorsement guarantee is a subsidiary with a net worth less than half of the paid-in capital, relevant control measures for subsequent actions shall be specified.</p>	<p>Additional revisions to meet operational needs.</p>
<p>Article 14: This procedure was established on May 19, 1995. First Amendment on February 14, 1997. Second Amendment on April 8, 1998. Third Amendment on February 27, 2003. Fourth Amendment on June 23, 2006. Fifth Amendment on June 19, 2009. Sixth Amendment on June 18, 2010. Seventh Amendment on June 17, 2013. Eighth Amendment on June 25, 2019. Ninth Amendment on July 7, 2021. <u>Tenth Amendment on June 25, 2024.</u></p>	<p>Article 14: This procedure was established on May 19, 1995. First Amendment on February 14, 1997. Second Amendment on April 8, 1998. Third Amendment on February 27, 2003. Fourth Amendment on June 23, 2006. Fifth Amendment on June 19, 2009. Sixth Amendment on June 18, 2010. Seventh Amendment on June 17, 2013. Eighth Amendment on June 25, 2019. Ninth Amendment on July 7, 2021.</p>	<p>Addition of the number of revisions.</p>