

The Company's Intellectual Property Management Plan and Its Implementation

1. Foreword

Pursuant to Article 37-2 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Item 2.27 of the "Corporate Governance Evaluation Indicators", the Company has developed an intellectual property management plan from 2020 that is linked to our operation strategy, and conducted intellectual property research and development through the implementation of five dimensions including the establishment of policy objectives, establishment of a management system, provision and maintenance of resources, assessment of risk opportunities, and continuous improvement mechanisms. These strategies have improved our intellectual property management plan to ensure that the management system established not only effectively responds to internal and external opportunities and risks, fully protects and utilizes the Company's research and development achievements, reduces operating costs and damages, but also helps to enhance the Company's competitiveness. The intellectual property management plan formulated by the Company and its implementation are regularly reported to the Board of Directors each year.

2. Intellectual Property Management Plan for 2023

The Company's 2023 Intellectual Property Management Plan was reported to the 32th meeting of the Ninth Board of Directors on November 2, 2022, and its contents are as follows:

(1) Intellectual Property Management Policy

Aligning with the core strategies of our company's five-year medium to long-term plan for the years 2023 to 2027, the Company's business strategies and various business objectives are constructed based upon the 4Ts, namely, Transportation, Technology, Taiwan and Touch, among which "Technology" and "Taiwan" have been selected as the

Company's intellectual property management policy.

(2) Intellectual Property Management Objectives

Based on the above two management policies, the Company has accordingly developed the following two intellectual property management objectives:

- 1) Ensure the effective implementation of the Company's intellectual property management plan; and
- 2) Maintain the validity of Taiwan Intellectual Property Management System (TIPS) level A qualification.

(3) Potential intellectual property risks and countermeasures

In order to ensure the effective achievement of intellectual property management goals, the Company identified the following internal and external issues and possible risks, as well as opportunities related to intellectual property management according to the Company's operating conditions, and formulates various response measures including construction of intellectual property management system for the implementation.

Stakeholder	External/Internal Issues	Risk or Opportunity	Counter measures
Employees	<ul style="list-style-type: none"> - Intellectual property ownership - Confidentiality requirements - Talent cultivation and training - Intellectual property application assistance - Intellectual property consultation and communication 	<p><u>Opportunities</u></p> <ul style="list-style-type: none"> - Independent RD - Patent/trademark application <p><u>Risks</u></p> <ul style="list-style-type: none"> - Ability to obey the management system - Maintain confidentiality of company information 	<ul style="list-style-type: none"> - Reward employees for proposals to improve - Regular trainings - Enhance consultation and communication
Investors (shareholder)	<ul style="list-style-type: none"> - Corporate governance - Law compliance - Information transparency 	<p><u>Opportunities</u></p> <ul style="list-style-type: none"> - Raise business funds - Provide investors with the necessary information (rights management, risk management) <p><u>Risks</u></p> <ul style="list-style-type: none"> - Raise business funds 	<ul style="list-style-type: none"> - Regular publication of achievements (via website, annual report or CSR report) - Investor conference

Stakeholder	External/Internal Issues	Risk or Opportunity	Counter measures
Suppliers	<ul style="list-style-type: none"> - Marketing strategy - Improve management system - Intellectual property ownership - Confidentiality protection 	<p><u>Opportunities</u></p> <ul style="list-style-type: none"> - Achieve cooperative RD results - Reduce own RD costs <p><u>Risks</u></p> <ul style="list-style-type: none"> - RD results ownership - Mutual confidentiality requirements - Technology licensing costs - Third party infringement claims 	<ul style="list-style-type: none"> - Improve contract terms and review mechanism - Intellectual property evaluation
Competent authority	<ul style="list-style-type: none"> - Law compliance - Compliance with government policies 	<p><u>Opportunities</u></p> <ul style="list-style-type: none"> - Industrial preferential policy <p><u>Risks</u></p> <ul style="list-style-type: none"> - Management costs arise from regulatory amendments - Industrial policy changes 	<ul style="list-style-type: none"> - Visit and exchange of views - Annual operation inspection - Regular regulatory review and evaluation

(4) Identify and provide the necessary resources to ensure implementation and maintenance of the intellectual property management system

1) Related costs for investing in intellectual property management operations

In year 2023, the Company has approved a budget totaling approximately

NT\$1,649,000 for the Company's intellectual property management related expenses including trademark and patent application and maintenance fees, law firm research fees, as well as education and training fees.

2) Manpower allocation for intellectual property management

The Company's legal team has 4 people responsible for promoting intellectual property management system related matters. In addition, relevant business units of the Company have assigned a total of 14 employees who are familiar with business operations to serve as intellectual property representatives. Through the intellectual property representative meeting held every quarter, these representatives monitor the implementation of the annual intellectual property management plan and submit the annual implementation results to the Board of Directors.

(5) Plan for and implement a continuous improvement mechanism

The continuous improvement mechanism of the Company's intellectual property management plan includes not only internal audits, but also external verifications and the overall correction of systemic abnormalities in the operation plan.

3. Implementation status of the Intellectual Property Management Plan for 2023

The implementation of the Company's 2022 Intellectual Property Management Plan was submitted to the 7th meeting of the Tenth Board of Directors for a report on November 8, 2023, and its contents are as follows:

(1) Ensure the effective implementation of the Company's intellectual property management plan

1) For development and innovation

A. Each department has implemented a total of 14 projects related to R&D and all of them have been accomplished.

B. Proposals for improvement (as of November 30, 2023):

A total of 967 proposals have been accumulated, saving NT\$8,778,307 and approximately 18,829 man-hours.

2) For protection and maintenance

A. Conducting intellectual property trainings

(a) Three employees have participated the year 2023 TIPS level A training course, and both have successfully obtained the qualification for conducting self-assessment.

(b) Conducted the Company's "Intellectual Property Management" education and training through the internal online learning system. The participants were all employees of the Company; a total of 4,706 employees have completed the training (completion rate is 98.64%), and passed the training test.

B. Intellectual Property inventory control (as of November 30, 2023):

(a) Patent : A total of 62 patents (including 24 invention patents and 38 utility model patents)

I. New cases: 1 invention patent and 1 utility model patents was obtained in year 2023 (test device for bogie test bench of rail vehicle, and switch machine control chassis).

II. Pending cases: 1 invention patent and 2 utility model patents (track switch control system, train track signal transmission device, and a turnout monitoring system).

(b) Trademark : A total of 168 trademarks have been accumulated in the past.

I. New cases: nil.

II. Pending cases: nil.

C. Optimization of Intellectual Property Management Standards

(a) Strengthen Pre-RD Activities

A new “Research and Development Assessment Form” is introduced for pre-assessment in R&D, which will be used as the first line of defense to prevent waste of resource, maximize R&D efficiency, identify potential risks, and implement management measures at an early stage.

(b) Optimization of Employee Management

A new “Pre-Employment Intellectual Property Investigation Form for New Hires” will be adopted in order to clarify the intellectual property rights between the company and the employees, thus avoid disputes. This initiative also seeks to reduce the time spent on data collection.

(c) Add New Form for R&D Records

R&D personnel will be required to fill out the “Research and Development Record Form”, which will be used for effective preservation of R&D information and evidence. This aims to prevent loss due to personnel changes and minimize the post-event time spent on data collection.

3) For value-added applications

The Company’s year 2023 income through the utilization of intellectual property is as follows:

- A. Licensing revenues for products with own trademarks (trademark licensing for train model series): NT\$1,560,029.
- B. Licensing revenues for con-branding products: NT\$1,595,316.
- C. Other licensing revenues (videos and print media): NT\$139,000.

(2) Maintain the validity of TIPS level A qualification

Since year 2021, the Company has introduced Taiwan Intellectual Property Management System for verification of its patents and trademarks, and has for the first time passed the TIPS level A verification, effective until December 31, 2022. In order to maintain the validity of such qualification, the Company applied for the TIPS level A verification

again in September 2022, and successfully passed the verification. The validity period will last until December 31, 2024.

(3) Implementation of a continuous improvement mechanism

- 1) Internal audits were conducted in 2023, and no non-compliance was found.
- 2) The 3 minor non-conformities discovered during the TIPS external verification conducted in 2021 have all been improved in 2022.
- 3) In summary, there is no significant correction required in the Company's intellectual property management system.