

**CAPITAL SECURITIES CORPORATION AND
SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For The Years Ended December 31, 2025 and 2024**

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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the consolidated financial statements of Capital Securities Corporation as of and for the year ended December 31, 2025 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, Capital Securities Corporation and Subsidiaries do not prepare a separate set of consolidated financial statements.

Company name: Capital Securities Corporation
Chairman: Hsiu-Chen Chou
Date: March 6, 2026.



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Independent Auditors' Report

To the Board of Directors of
Capital Securities Corporation:

Opinion

We have audited the consolidated financial statements of Capital Securities Corporation and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, the consolidated statements of comprehensive income changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms, the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and 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 Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the report of another auditor, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. 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. Key audit matters of the Group's financial statements are stated as follows:

1. Valuation of financial instruments

Please refer to Note 4(g) for the related accounting policy regarding the valuation of financial instruments, Note 5(a) for accounting assumptions and estimation uncertainty of the valuation of financial instruments, Note 6(b) financial assets, Note 6(n) financial liabilities at fair value through profit or loss and Note 6(x)(v), fair value and fair value hierarchy of financial instruments for details.

Risk and descriptions of the key audit matter:

The Group's valuation of financial instruments is one of audit processes refer to important judgements. Financial products on balance sheets mainly belong to first or secondary level in fair value hierarchy, and can be achieved by available quoted market prices in an active market and direct or indirect evaluation of observation. Fair value of some derivative financial products invested and issued depends on models and observably variable factors in the market, so management's professional judgement has highly importance when using different valuation methods and assumptions. Therefore, the valuation of financial instruments is one of our key audit matters.

Procedures performed:

Our key audit procedures included considering how management selected appropriate valuation methods and assessed the key assumptions adopted. We confirmed the presentation and disclosures of financial products were in accordance with relevant regulations. For financial assets with quoted market prices in an active market, we selected samples to test the appropriateness of quoted prices used. For financial assets without quoted market prices in an active market and measured at fair value using valuation techniques, we selected samples to test the appropriateness of valuation methods and significantly underlying parameters applied by management.

2. Goodwill impairment

Please refer to Note 4(q) for the related accounting policy regarding the impairment of non-financial assets, Note 5(b) for accounting assumptions and estimation uncertainty of the goodwill impairment, Note 6(j)(a) for details about measurement of goodwill impairment.

Risk and descriptions of the key audit matter:

Assessment of the Group's goodwill impairment is one of our significant audit processes, because it mainly depends on the prediction of future operation and there is a high uncertainty on assessing recoverable amounts by discounted future cash flows. Therefore, the measurement of goodwill impairment is one of our key audit matters.

Procedures performed:

Our key audit procedures included understanding tests of goodwill impairment implemented by management, certifying the assumptions of management by related available external information, making professional assessment on main parameters of predictable growth rate, discount rate, etc. adopted by management, and performing the retrospective analysis for testing the precision of previous years' forecasts including sensitivity analyses on the key assumptions related to Goodwill impairment tests.

Other Matter

We did not audit the financial statements of Capital Investment Trust Corporation, an associate of Capital Securities Corporation. Those financial statements were audited by another auditor, whose report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for Capital Investment Trust Corporation, is based solely on the report of another auditor. The recognized investment amount of Capital Investment Trust Corporation under equity method constituted 0.49% and 0.52% of consolidated total assets of December 31, 2025 and 2024, respectively, and the recognized profit of loss under using equity method constituted 6.13% and 5.28% of consolidated net income before income tax for the years then ended, respectively.

The Group has prepared its parent-company-only financial statements as of and for the years ended December 31, 2025 and 2024, on which we have issued an unmodified opinion with other matters paragraph.

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 Regulations Governing the Preparation of Financial Reports by Securities Firms, the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, and with the the IFRSs, IASs, IFRC, SIC, endorsed and issued into effect by the 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditor'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 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 Group's internal control.

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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, 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 Group 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 the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Wu, Cheng-Yen and Chen, Yi-Jen.

KPMG

Taipei, Taiwan (Republic of China)

March 6, 2026

Notes to Readers

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

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**Consolidated Balance Sheets****December 31, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollars)**

| | December 31, 2025 | | December 31, 2024 | |
|--|------------------------------|-------------------|---------------------------|-------------------|
| | Amount | % | Amount | % |
| Assets | | | | |
| 110000 Current assets: | | | | |
| 111100 Cash and cash equivalents (note 6(a)) | \$ 14,666,156 | 4 | 9,289,189 | 3 |
| 112000 Financial assets at fair value through profit or loss - current (notes 6(b) and 8) | 91,246,381 | 26 | 69,363,225 | 22 |
| 113200 Financial assets at fair value through other comprehensive income - current (note 6(b)) | 26,484,889 | 8 | 31,059,002 | 10 |
| 114010 Bonds purchased under resale agreements (note 6(c)) | 210,718 | - | 250,121 | - |
| 114030 Receivable for securities provided as collateral | 23,394,006 | 7 | 22,406,866 | 7 |
| 114040 Refinancing margin | 26,361 | - | 49,349 | - |
| 114050 Refinancing collateral receivable | 21,941 | - | 41,089 | - |
| 114060 Receivable of securities business money lending | 32,338,389 | 9 | 32,677,621 | 11 |
| 114070 Customers' margin account (note 6(e)) | 57,416,523 | 16 | 48,810,284 | 16 |
| 114080 Receivable - futures margin | 1 | - | - | - |
| 114090 Collateral for securities borrowed | 277,904 | - | 542,368 | - |
| 114100 Security borrowing margin | 13,594,435 | 4 | 14,378,972 | 5 |
| 114110 Notes receivable | 11,813 | - | 7,458 | - |
| 114130 Accounts receivable (note 6(d)) | 25,984,058 | 7 | 13,784,088 | 4 |
| 114150 Prepayments | 79,422 | - | 95,292 | - |
| 114170 Other receivables | 529,722 | - | 491,011 | - |
| 114200 Other financial assets - current | 116 | - | - | - |
| 114300 Leverage contract trading - customers' margin account | 572,040 | - | 907,903 | - |
| 114600 Current income tax assets | 621 | - | 1,126 | - |
| 119095 Amounts held for each customer in the account (note 6(p)) | 44,167,892 | 12 | 35,555,711 | 12 |
| 119990 Other current assets-others | 780,419 | - | 3,216,222 | 1 |
| | <u>331,803,807</u> | <u>93</u> | <u>282,926,897</u> | <u>91</u> |
| 120000 Non-current assets: | | | | |
| 122000 Financial assets at fair value through profit or loss - non-current (notes 6(b) and 8) | 179,227 | - | 177,730 | - |
| 123200 Financial assets at fair value through other comprehensive income - non-current (note 6(b)) | 5,168,875 | 1 | 4,710,452 | 2 |
| 123300 Financial assets at amortized cost - non-current (note 6(b)) | 5,511,713 | 2 | 6,567,032 | 2 |
| 124100 Investments accounted for under equity method (note 6(f)) | 1,827,971 | - | 1,668,360 | 1 |
| 125000 Property and equipment (notes 6(g) and 8) | 2,895,225 | 1 | 3,151,015 | 1 |
| 125800 Right-of-use assets (note 6(h)) | 493,474 | - | 560,957 | - |
| 126000 Investment property (notes 6(i) and 8) | 3,689,539 | 1 | 3,422,160 | 1 |
| 127000 Intangible assets (note 6(j)) | 3,625,945 | 1 | 3,616,766 | 1 |
| 129000 Other non-current assets | 2,203,900 | 1 | 1,887,133 | 1 |
| | <u>25,595,869</u> | <u>7</u> | <u>25,761,605</u> | <u>9</u> |
| Total assets | \$ <u>357,399,676</u> | <u>100</u> | <u>308,688,502</u> | <u>100</u> |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**Consolidated Balance Sheets****December 31, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollars)**

| | December 31, 2025 | | December 31, 2024 | |
|---|--------------------------|------------|--------------------------|------------|
| | Amount | % | Amount | % |
| Liabilities and Equity | | | | |
| 210000 Current liabilities: | | | | |
| 211100 Short-term borrowings (note 6(k)) | \$ 6,563,030 | 2 | 7,304,896 | 2 |
| 211200 Commercial paper payable (note 6(l)) | 54,271,018 | 15 | 41,514,617 | 14 |
| 212000 Financial liabilities at fair value through profit or loss - current (note 6(n)) | 36,493,070 | 10 | 26,097,565 | 9 |
| 214010 Bonds sold under repurchase agreements (note 6(o)) | 43,285,089 | 12 | 53,622,868 | 17 |
| 214040 Guarantee deposited for short sales | 2,564,848 | 1 | 2,527,527 | 1 |
| 214050 Proceeds payable from short sales | 2,863,691 | 1 | 2,874,680 | 1 |
| 214070 Securities lending refundable deposits | 16,352,311 | 5 | 16,292,813 | 5 |
| 214080 Futures traders' equity (note 6(e)) | 57,279,256 | 16 | 48,552,145 | 16 |
| 214090 Equity for each customer in the account (note 6(p)) | 44,167,892 | 13 | 35,555,711 | 12 |
| 214100 Leverage contract trading - customers' equity | 571,630 | - | 907,350 | - |
| 214110 Notes payable | - | - | 152 | - |
| 214130 Accounts payable (note 6(q)) | 22,387,114 | 6 | 11,429,911 | 4 |
| 214150 Advance receipts | 33,054 | - | 34,281 | - |
| 214160 Receipts under custody | 299,580 | - | 825,388 | - |
| 214170 Other payables | 1,915,410 | 1 | 1,414,546 | - |
| 214200 Other financial liabilities - current (note 6(y)) | 8,571,912 | 2 | 6,420,134 | 2 |
| 214600 Current income tax liabilities | 811,011 | - | 655,028 | - |
| 215100 Provisions - current (note 6(s)) | 68,403 | - | 61,267 | - |
| 216000 Current lease liabilities (note 6(r)) | 210,608 | - | 199,337 | - |
| 219000 Other current liabilities | 32,840 | - | 54,888 | - |
| | <u>298,741,767</u> | <u>84</u> | <u>256,345,104</u> | <u>83</u> |
| 220000 Non-Current liabilities: | | | | |
| 221200 Long-term borrowings (note 6(m)) | 6,000,000 | 2 | 4,497,142 | 2 |
| 222000 Financial liabilities at fair value through profit or loss - non-current (note 6(n)) | 184,863 | - | 112,762 | - |
| 224200 Other financial liabilities - non-current (note 6(y)) | 996,775 | - | 516,042 | - |
| 226000 Non-current lease liabilities (note 6(r)) | 321,010 | - | 409,190 | - |
| 228000 Deferred income tax liabilities (note 6(t)) | 722,421 | - | 836,027 | - |
| 229000 Other non-current liabilities | 228,037 | - | 335,762 | - |
| | <u>8,453,106</u> | <u>2</u> | <u>6,706,925</u> | <u>2</u> |
| Total liabilities | <u>307,194,873</u> | <u>86</u> | <u>263,052,029</u> | <u>85</u> |
| Equity attributable to shareholders of the parent: | | | | |
| 301010 Common stock (note 6(u)) | 21,709,081 | 6 | 21,709,081 | 7 |
| 302000 Capital surplus (note 6(u)) | 2,781,067 | 1 | 2,743,257 | 1 |
| 304000 Retained earnings: | | | | |
| 304010 Legal reserve | 3,783,173 | 1 | 3,299,604 | 1 |
| 304020 Special reserve | 7,836,822 | 2 | 6,869,685 | 2 |
| 304040 Unappropriated earnings (note 6(u)) | 6,120,588 | 2 | 4,919,483 | 2 |
| 305120 Exchange differences on translation of foreign operations | 48,589 | - | 153,408 | - |
| 305140 Unrealized gains (losses) on financial assets at fair value through other comprehensive income | 3,277,578 | 1 | 2,576,724 | 1 |
| Total equity attributable to the parent company | <u>45,556,898</u> | <u>13</u> | <u>42,271,242</u> | <u>14</u> |
| 306000 Non-controlling interests | <u>4,647,905</u> | <u>1</u> | <u>3,365,231</u> | <u>1</u> |
| Total equity | <u>50,204,803</u> | <u>14</u> | <u>45,636,473</u> | <u>15</u> |
| Total liabilities and equity | <u>\$ 357,399,676</u> | <u>100</u> | <u>308,688,502</u> | <u>100</u> |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

| | 2025 | | 2024 | |
|--|---------------------|------------|-------------------|------------|
| | Amount | % | Amount | % |
| Income: | | | | |
| 401000 Brokerage commissions (note 6(w)) | \$ 7,162,589 | 37 | 7,128,833 | 42 |
| 402000 Revenues from securities business money lending | 15,718 | - | 5,037 | - |
| 403000 Revenue from securities lending | 611,465 | 3 | 604,658 | 3 |
| 404000 Underwriting commissions (note 6(w)) | 127,762 | 1 | 128,998 | 1 |
| 406000 Commissions on wealth management business | 172,983 | 1 | 103,732 | 1 |
| 410000 Net gains (losses) on sale of trading securities (note 6(w)) | 7,364,668 | 38 | 6,537,604 | 38 |
| 421100 Securities management, distribution, and management fees | 185,362 | 1 | 169,671 | 1 |
| 421200 Interest revenue (note 6(w)) | 4,100,690 | 22 | 3,819,086 | 22 |
| 421300 Dividend revenue | 1,307,755 | 7 | 1,412,477 | 8 |
| 421500 Net gains (losses) on measurement of trading securities at fair value through profit or loss (note 6(w)) | 3,324,262 | 17 | (934,128) | (5) |
| 421600 Net gains (losses) on covering of borrowed securities and bonds with resale agreements (note 6(y)) | (3,225,248) | (17) | (1,061,569) | (6) |
| 421610 Net gains (losses) on measurement of borrowed securities and bonds with resale agreements | (2,064,953) | (11) | (63,427) | - |
| 421750 Realized gains (losses) from investments in debt instruments at fair value through other comprehensive income | 185,379 | 1 | 75,396 | - |
| 421800 Net gains (losses) on securities for futures margin at fair value through profit or loss | (2,717) | - | (8,305) | - |
| 422200 Net gains (losses) on stock warrants issued (notes 6(w) and (y)) | (683,400) | (3) | 252,443 | 1 |
| 424100 Futures commission revenues (note 6(w)) | 546,308 | 3 | 319,734 | 2 |
| 424400 Net gains (losses) on derivative instruments - futures (note 6(y)) | 986,464 | 5 | (882,448) | (5) |
| 424500 Net gains (losses) on derivative instruments - OTC (note 6(y)) | (1,097,729) | (6) | (440,024) | (3) |
| 424800 Management fee revenues | 28,420 | - | 9,018 | - |
| 424900 Consultancy fee revenue | 38,287 | - | 24,774 | - |
| 425100 Net gain (losses) arising from derecognition of financial assets measured in amortized cost (note 6(b)) | (1,002) | - | - | - |
| 425300 Impairment losses and reversal gains (note 6(x)) | (21,106) | - | (4,872) | - |
| 428000 Other operating revenues | 169,034 | 1 | (47,598) | - |
| | <u>19,230,991</u> | <u>100</u> | <u>17,149,090</u> | <u>100</u> |
| Expenses: | | | | |
| 501000 Brokerage fees | 1,179,692 | 6 | 959,087 | 6 |
| 502000 Brokerage and clearing fees - proprietary trading | 71,159 | - | 74,770 | - |
| 503000 Clearing and exchange fees - refinancing | 2,217 | - | 1,885 | - |
| 504000 Clearing and exchange fees - underwriting | 2,108 | - | 2,230 | - |
| 521200 Financial costs | 2,553,884 | 13 | 2,915,410 | 17 |
| 521640 Loss from securities borrowing transactions | 1,141,648 | 6 | 839,876 | 5 |
| 524100 Futures commission expense (note 6(w)) | 351,999 | 2 | 330,340 | 2 |
| 524300 Cleaning and settlement expenses | 219,978 | 1 | 214,318 | 1 |
| 528000 Other operating expenditure | 170,212 | 1 | 87,508 | 1 |
| 531000 Employee benefits expenses (note 6(w)) | 4,545,312 | 24 | 3,829,558 | 22 |
| 532000 Depreciation and amortization expense (note 6(w)) | 497,967 | 3 | 490,947 | 3 |
| 533000 Other operating expenses (note 6(w)) | 4,074,669 | 21 | 3,603,942 | 21 |
| | <u>14,810,845</u> | <u>77</u> | <u>13,349,871</u> | <u>78</u> |
| Other income (expenses): | | | | |
| 601000 Share of profits of associates and joint ventures accounted for using equity method (note 6(f)) | 505,534 | 3 | 385,857 | 2 |
| 602000 Other gains and losses (note 6(w)) | 2,491,687 | 13 | 2,387,295 | 14 |
| | <u>2,997,221</u> | <u>16</u> | <u>2,773,152</u> | <u>16</u> |
| 902001 Net income before income tax | 7,417,367 | 39 | 6,572,371 | 38 |
| 701000 Less: Income tax expenses (note 6(t)) | 1,091,244 | 6 | 1,170,296 | 7 |
| | <u>6,326,123</u> | <u>33</u> | <u>5,402,075</u> | <u>31</u> |
| 805000 Other comprehensive income: | | | | |
| 805500 Components that may not be reclassified to profit or loss in subsequent periods: | | | | |
| 805510 Gains (losses) on remeasurements of defined benefit plans (note 6(s)) | 106,892 | 1 | (203,732) | (1) |
| 805540 Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income | 385,228 | 2 | 367,036 | 2 |
| 805550 Share of other comprehensive income of associates and joint ventures accounted for using equity method | 6,782 | - | 7,675 | - |
| 805599 Less: Income tax related to components of other comprehensive income | - | - | - | - |
| | <u>498,902</u> | <u>3</u> | <u>170,979</u> | <u>1</u> |
| 805600 Components that may be reclassified to profit or loss in subsequent periods: | | | | |
| 805610 Exchange differences on translation of foreign operations | (140,555) | (1) | 277,528 | 2 |
| 805615 Unrealized gains (losses) from investments in debt instruments at fair value through other comprehensive income | 382,944 | 2 | (354,645) | (2) |
| 805699 Less: Income tax related to components of other comprehensive income (note 6(t)) | (14,329) | - | 22,363 | - |
| | <u>256,718</u> | <u>1</u> | <u>(99,480)</u> | <u>-</u> |
| 805000 Other comprehensive income, net | 755,620 | 4 | 71,499 | 1 |
| 902006 Total comprehensive income | <u>\$ 7,081,743</u> | <u>37</u> | <u>5,473,574</u> | <u>32</u> |
| Net income attributable to: | | | | |
| 913100 Shareholders of the parent | \$ 5,735,934 | 30 | 4,883,776 | 28 |
| 913200 Non-controlling interests | 590,189 | 3 | 518,299 | 3 |
| | <u>\$ 6,326,123</u> | <u>33</u> | <u>5,402,075</u> | <u>31</u> |
| Total comprehensive income attributable to: | | | | |
| 914100 Shareholders of the parent | \$ 6,504,208 | 34 | 4,911,665 | 29 |
| 914200 Non-controlling interests | 577,535 | 3 | 561,909 | 3 |
| | <u>\$ 7,081,743</u> | <u>37</u> | <u>5,473,574</u> | <u>32</u> |
| 975000 Basic earnings per share (note 6(v)) | \$ 2.64 | | 2.25 | |
| 985000 Diluted earnings per share (note 6(v)) | \$ 2.64 | | 2.25 | |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**Consolidated Statements of Changes in Equity****For the years ended December 31, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollars)**

| | Equity attributable to the parent company | | | | | | | Non-controlling interests | Total Equity | |
|---|---|-------------------|------------------|------------------|-----------------------------|---|---|---|------------------|-------------------|
| | Stock | Retained earnings | | | Total other equity interest | | | | | |
| | Common stocks | Capital surplus | Legal reserve | Special reserve | Unappropriated earnings | Exchange differences on translation of foreign operations | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Total equity attributable to the parent company | | |
| Balance at January 1, 2024 | \$ 21,709,081 | 2,743,256 | 2,889,367 | 6,049,211 | 4,201,815 | (67,856) | 2,722,009 | 40,246,883 | 3,117,641 | 43,364,524 |
| Net income for the year ended December 31, 2024 | - | - | - | - | 4,883,776 | - | - | 4,883,776 | 518,299 | 5,402,075 |
| Other comprehensive income | - | - | - | - | (203,640) | 221,264 | 10,265 | 27,889 | 43,610 | 71,499 |
| Total comprehensive income | - | - | - | - | 4,680,136 | 221,264 | 10,265 | 4,911,665 | 561,909 | 5,473,574 |
| Appropriation and distribution of retained earnings: (note 6(u)) | | | | | | | | | | |
| Legal reserve | - | - | 410,237 | - | (410,237) | - | - | - | - | - |
| Special reserve | - | - | - | 820,474 | (820,474) | - | - | - | - | - |
| Cash dividends of common stocks | - | - | - | - | (2,887,307) | - | - | (2,887,307) | - | (2,887,307) |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | - | 155,550 | - | (155,550) | - | - | - |
| Changes in ownership interests in subsidiaries | - | 1 | - | - | - | - | - | 1 | - | 1 |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | (314,319) | (314,319) |
| Balance at December 31, 2024 | 21,709,081 | 2,743,257 | 3,299,604 | 6,869,685 | 4,919,483 | 153,408 | 2,576,724 | 42,271,242 | 3,365,231 | 45,636,473 |
| Net income for the year ended December 31, 2025 | - | - | - | - | 5,735,934 | - | - | 5,735,934 | 590,189 | 6,326,123 |
| Other comprehensive income | - | - | - | - | 106,602 | (104,819) | 766,491 | 768,274 | (12,654) | 755,620 |
| Total comprehensive income | - | - | - | - | 5,842,536 | (104,819) | 766,491 | 6,504,208 | 577,535 | 7,081,743 |
| Appropriation and distribution of retained earnings: (note 6(u)) | | | | | | | | | | |
| Legal reserve | - | - | 483,569 | - | (483,569) | - | - | - | - | - |
| Special reserve | - | - | - | 967,137 | (967,137) | - | - | - | - | - |
| Cash dividends of common stocks | - | - | - | - | (3,256,362) | - | - | (3,256,362) | - | (3,256,362) |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | - | 65,637 | - | (65,637) | - | - | - |
| Changes in ownership interests in subsidiaries | - | 37,810 | - | - | - | - | - | 37,810 | - | 37,810 |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | 705,139 | 705,139 |
| Balance at December 31, 2025 | \$ 21,709,081 | 2,781,067 | 3,783,173 | 7,836,822 | 6,120,588 | 48,589 | 3,277,578 | 45,556,898 | 4,647,905 | 50,204,803 |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the years ended December 31, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollars)**

| | <u>2025</u> | <u>2024</u> |
|--|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Net income before tax | \$ 7,417,367 | 6,572,371 |
| Adjustments: | | |
| Income and expenses items: | | |
| Depreciation expense | 438,825 | 435,440 |
| Amortization expense | 59,142 | 55,507 |
| Expected credit impairment losses | 21,106 | 4,872 |
| Net (gain) loss on financial assets or liabilities at fair value through profit | (1,256,592) | 1,005,860 |
| Financial cost | 2,553,884 | 2,915,410 |
| Net loss arising from derecognition of financial assets measured at amortized cost | 1,002 | - |
| Interest revenue (including financial revenue) | (5,772,497) | (5,361,950) |
| Dividend revenue | (1,443,610) | (1,500,819) |
| Share-based payment | 10,427 | - |
| Shares of profit of associates and joint ventures accounted for using equity method | (505,534) | (385,857) |
| Gain on disposal of investments under equity method | - | (406) |
| Net gain on non-operating financial instruments at fair value through profit or loss | (41,151) | (13,828) |
| Impairment loss on non-financial assets | - | 6,504 |
| Net gains on lease modifications | (25) | (157) |
| Subtotal of income of non-cash activities | <u>(5,935,023)</u> | <u>(2,839,424)</u> |
| Changes in operating assets and liabilities: | | |
| Increase in financial assets at fair value through profit or loss | (18,521,955) | (6,200,511) |
| Decrease (increase) in bonds purchased under resale agreements | 39,404 | (189,913) |
| Increase in receivable for securities provided as collateral | (988,699) | (5,009,112) |
| Decrease (increase) in refinancing margin | 22,988 | (32,730) |
| Decrease (increase) receivable on refinancing collateral | 19,148 | (27,242) |
| Decrease (increase) in receivable of securities business money lending | 339,232 | (26,791,117) |
| Increase in customers' margin account | (8,606,239) | (9,935,603) |
| Decrease in margin receivable of futures trading | 237 | 282 |
| Decrease (increase) in collateral for securities borrowed | 264,464 | (327,602) |
| Decrease (increase) in security borrowing margin | 784,537 | (1,795,021) |
| Increase in notes receivable | (4,355) | (850) |
| (Increase) decrease in accounts receivable | (12,297,864) | 2,881,566 |
| Decrease in prepayments | 12,128 | 56,873 |
| Increase in other receivables | (25,405) | (298,174) |
| Increase in other financial assets - current | (116) | - |
| Decrease (increase) in financial assets at fair value through other comprehensive income | 4,876,982 | (7,141,622) |
| Decrease (increase) in leverage contract trading-customers' margin account | 335,863 | (195,448) |
| Decrease (increase) in other current assets | 2,435,803 | (1,212,082) |
| Increase in other non-current assets | (313,465) | (135,106) |
| (Decrease) increase in bonds sold under repurchase agreements | (10,337,779) | 2,197,702 |
| Increase in financial liabilities at fair value through profit or loss | 8,402,652 | 5,056,496 |
| Increase in guarantee deposited for short sales | 37,321 | 523,766 |
| (Decrease) increase in proceeds payable from short sales | (10,989) | 580,036 |
| Increase in securities lending refundable deposits | 59,498 | 811,647 |
| Increase in futures traders' equity | 8,727,111 | 9,789,969 |
| (Decrease) increase in leverage contract trading - customers' equity | (335,720) | 173,817 |
| Decrease in notes payable | (152) | (14) |
| Increase in accounts payable | 10,991,561 | 459,577 |
| (Decrease) increase in advance receipts | (1,227) | 11,852 |
| (Decrease) increase in receipts under custody | (525,808) | 497,454 |
| Increase (decrease) in other payable | 503,395 | (322,645) |
| Increase in provision - current | 7,136 | 6,480 |
| Increase in other financial liabilities | 2,632,511 | 2,035,511 |
| (Decrease) increase in other current liabilities | (22,048) | 11,279 |
| Decrease in other non-current liabilities | (3,203) | (49,857) |
| Total changes in assets and liabilities from operating activities | <u>(11,503,053)</u> | <u>(34,570,342)</u> |
| Total adjustments | <u>(17,438,076)</u> | <u>(37,409,766)</u> |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the years ended December 31, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollars)**

| | 2025 | 2024 |
|--|----------------------|---------------------|
| Cash generated from operating activities | \$ (10,020,709) | (30,837,395) |
| Interest received | 5,810,129 | 5,004,214 |
| Dividends received | 1,801,334 | 1,638,579 |
| Interest paid | (2,586,943) | (3,093,155) |
| Income taxes paid | (1,034,032) | (914,859) |
| Net Cash flows used in operating activities | (6,030,221) | (28,202,616) |
| Cash flows from investing activities: | | |
| Acquisition of financial assets at fair value through other comprehensive income | (5,273) | (862,000) |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | 10,578 | - |
| Proceeds from capital reduction of financial assets at fair value through other comprehensive income | 3,410 | 676 |
| Acquisition of financial assets at amortized cost | (667,136) | (1,239,300) |
| Proceeds from disposal of financial assets at amortized cost | 1,597,633 | - |
| Proceeds from capital reduction of investments accounted for under equity method | 4 | 7,400 |
| Acquisition of property and equipment | (236,845) | (168,980) |
| Acquisition of intangible assets | (69,276) | (52,114) |
| Increase in deferred debits | (1,218) | (498) |
| Increase in prepayments for business facilities | (1,897) | (5,681) |
| Net cash flows provided by (used in) investing activities | 629,980 | (2,320,497) |
| Cash flows from financing activities: | | |
| (Decrease) increase in short-term borrowings | (741,866) | 1,430,462 |
| Increase in commercial papers payable | 12,756,401 | 28,424,448 |
| Proceeds from long-term borrowings | 6,000,000 | 4,500,000 |
| Repayments of long-term borrowings | (4,500,000) | - |
| Payment of lease liabilities | (219,604) | (212,739) |
| Cash dividends paid | (3,571,391) | (3,201,626) |
| Issuance of common stock for cash by subsidiaries | 1,047,564 | - |
| Proceed from right of inclusion options exercised | - | 2 |
| Net cash flows provided by financing activities | 10,771,104 | 30,940,547 |
| Effect of exchange rate changes on cash and cash equivalents | 6,104 | 273,575 |
| Increase in cash and cash equivalents | 5,376,967 | 691,009 |
| Cash and cash equivalents, beginning of period | 9,289,189 | 8,598,180 |
| Cash and cash equivalents, end of period | \$ 14,666,156 | 9,289,189 |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Overview:

Capital Securities Corporation (the “Company”) was registered under the Ministry of Economic Affairs, R.O.C. on June 21, 1988. The address of the Company’s registered office is 11F, No. 156, Section 3, Minsheng East Road, Songshan District, Taipei City, Taiwan, R.O.C. As of December 31, 2025, the composition of the consolidated financial statements includes the Company and the subsidiaries (the “Group”). As of December 31, 2025, except for the Head Office, the Company has established an Offshore Securities Unit branch and 51 branches nationwide.

The Company is authorized to conduct the following businesses:

- (a) Underwriting of marketable securities;
- (b) Trading of marketable securities on a proprietary basis on stock exchange;
- (c) Brokerage of marketable securities on stock exchange;
- (d) Trading of marketable securities at the Company’s branches;
- (e) Brokerage of marketable securities at the Company’s branches;
- (f) Margin loan, short sale and refinancing;
- (g) Securities registration agency services;
- (h) Dealership of foreign marketable securities;
- (i) Short-term bills service;
- (j) Accessory services of futures trading;
- (k) Proprietary trading of securities-related futures;
- (l) Securities business money lending;
- (m) Managing the unexpended balance of clients’ securities accounts within their authorization;
- (n) Trust business;
- (o) Offshore securities business;
- (p) Other relevant services as approved by the authority in charge.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(2) Approval date and procedures of the consolidated financial statements:

The consolidated financial statements were authorized for issuance by the board of directors on March 6, 2026.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the IFRS Accounting Standards endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2025:

- Amendments to IAS21 “Lack of Exchangeability”

- (b) The impact of IFRS Accounting Standards endorsed by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2026, would not have a significant impact on its consolidated financial statements:

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRS Accounting Standards—Volume 11
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (c) The impact of IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

| Standards or Interpretations | Content of amendment | Effective date per IASB |
|---|---|--|
| IFRS 18 “Presentation and Disclosure in Financial Statements” | <p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.</p> <ul style="list-style-type: none"> ● A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. ● Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. ● Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes. | January 1, 2027 note: On September 25, 2025, the FSC issued a press release announcing that Taiwan will adopt IFRS 18 beginning in 2028. Entities that need to adopt the new standard earlier may do with the endorsement of the FSC. |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures” and amendments to IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IAS 21 “Translation to a Hyperinflationary Presentation Currency”

(4) Summary of material accounting policies:

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Firms”, the “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants” (hereinafter referred to as “the Regulations”), and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C. (altogether referred to “IFRS Accounting Standards” endorsed by the “FSC”).

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements has been prepared on a historical cost basis except for the following material items of balance sheet:

- 1) Financial assets and liabilities at fair value through profit or loss are measured at fair value (including derivative instruments);
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liabilities (assets) are measured at fair value of plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Inter-company transactions, balances and any unrealized gains or losses on transactions between companies within the Group are eliminated.

(ii) List of subsidiaries in the consolidated financial statements

Subsidiaries included in the consolidated financial report are as follows:

| Name of the investor | Subsidiaries | Business type | Ratio of Equity Ownership | | Note |
|--|---|---|---------------------------|-------------------|--------|
| | | | December 31, 2025 | December 31, 2024 | |
| The Company | Capital Investment Management Corp. | Engaged in providing advice on securities investment and discretionary investment services | 100.00 % | 100.00 % | |
| " | CSC International Holdings Ltd. | Long-term equity investment business | 100.00 % | 100.00 % | |
| " | Capital Futures Corp. | Engaged in domestic and foreign futures business | 55.46 % | 56.58 % | (Note) |
| " | CSC Venture Capital Corp. | Management, consulting, venture and general investment business | 100.00 % | 100.00 % | |
| " | CSC Private Equity Co., Ltd. (formerly CSC Capital Management Co., Ltd.) | Consulting business, venture capital and general investment business | 100.00 % | 100.00 % | |
| Capital Futures Corp. | CSC Futures (HK) Ltd. | Futures dealing business | 100.00 % | 100.00 % | |
| " | Capital International Technology Corp. | Management, consulting and information service business | 100.00 % | 100.00 % | |
| Capital International Technology Corp. | Capital True Partner Technology Co., Ltd. | Management, consulting and information service business | 51.00 % | 51.00 % | |
| " | QIT Technology Co., Ltd. (formerly Capital Futures Technology (Shanghai) Co., Ltd.) | Management, consulting and information service business | 100.00 % | 100.00 % | |
| CSC International Holdings Ltd. | CSC Securities (HK) Ltd. | Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses | 100.00 % | 100.00 % | |
| CSC Securities (HK) Ltd. | Capital Securities Nominees Ltd. | Agency service | 100.00 % | 100.00 % | |
| CSC Private Equity Co. | CSC Private Equity Fund I Co. | Merged and dissolved | - % | 100.00 % | |

Note: The investee conduct cash replenishment in March 2025. The Group did not subscribe to the new shares in proportion to its existing ownership interests, and its shareholding was consequently diluted.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Subsidiaries not listed in the consolidated financial statements

| Name of the investor | Subsidiaries | Business type | Ratio of Equity Ownership | | Note |
|----------------------|----------------------------------|--|---------------------------|-------------------|--|
| | | | December 31, 2025 | December 31, 2024 | |
| The Company | Capital Insurance Advisory Corp. | Engaged in personal insurance and property insurance agent business. | 100.00 % | 100.00 % | The corporation established in November 2000. The paid-in capitals amounted to \$5,000. As of December 31, 2025 and 2024, the total assets constituted 0.03% and 0.03% of the Group's total assets, respectively. For the years ended December 31, 2025 and 2024, the operation revenue constituted 1.27% and 1.16% of the consolidated revenue, respectively. Thus it was excluded from the consolidated financial statement due to immaterial. |

(d) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) An investment in equity securities designated as at fair value through other comprehensive income;
- 2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) Qualifying cash flow hedges to the extent that the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the presentation currency at average rate. Foreign currency differences are recognized in other comprehensive income.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, exchange differences arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(e) Classification of current and non-current assets and liabilities

The Group classifies the asset as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle.
- (ii) It is held primarily for the purpose of trading.
- (iii) It is expected to be realized within twelve months after the reporting period.
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies the liability as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle.
- (ii) It is held primarily for the purpose of trading.
- (iii) It is due to be settled within twelve months after the reporting period.
- (iv) The Group does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

(f) Cash and cash equivalents

Cash comprises cash on hand, demand deposits and check deposits.

Cash equivalent comprises of time deposit with maturity within 1 year, excess future margin, commercial paper and short-term, highly liquid investments. For an investment to qualify as a cash equivalents it must readily convertible to a known amount of cash and be subjected to an insignificant risk of changes in value.

(g) Financial instruments

Account receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a account receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A account receivable without a significant financing component is initially measured at the transaction price.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Financial assets

All regular transactions of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following criteria and is not designated as at FVTPL :

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Financial assets at fair value through other comprehensive income (FVOCI)

A debt instrument is measured at FVOCI if it meets both of the following criteria and is not designated as at FVTPL :

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividends derived from equity investments are recognized as revenue when the right to receive payment is established, which is normally the ex-dividend date.

3) Financial assets at fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL (e.g. financial assets held for trading and those that are managed and whose performance is evaluated on a fair value basis), including derivative financial assets. On initial recognition, the Group may irrevocably designate financial assets at amortized cost or at fair value through other comprehensive income as at fair value through profit or loss, if they can eliminate or significantly reduce a measurement or recognition inconsistency.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including accounts receivable), debt instrument investments measured at FVOCI and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12 month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables and contract assets are always measured at an amount equal to lifetime ECL.

The Group considers a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Loss allowances for financial assets measured at amortized cost are deducted from the carrying amount of the assets. For debt instrument investments at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

6) Interest rate benchmark

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changes as a result of interest rate benchmark reform, then the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes made to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Group first updates the effective interest rate of the financial asset or financial liability to reflect the changes that are required by interest rate benchmark reform. Subsequently, the Group applies the policies on accounting for modifications set out above to the additional changes.

(iii) Derivative financial instruments

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(h) Margin loan, short sale and refinancing

Margin loan represents loans extended to customers and is accounted for as receivables for securities provided as collateral. Such loans are secured by the securities purchased by customers. These securities are returned when the loans are repaid.

Short sale represents securities lent to customers and the deposits received from customers on securities lent out are accounted to guarantee deposited for securities lent. The proceeds from sales of securities lent to customers, net of securities transaction tax, commission and financing charges, is retained by the Group and are recorded under the proceeds payable from securities lent. The deposits received and the proceeds from short sale will be returned to customers while the securities are returned and paid off.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Refinancing margin loan means that the Group operates margin loan business, if capital is insufficient, the Group can refinance from securities finance companies, recorded as borrowed funds refinanced, and securities from margin loan are regarded pledged.

Refinancing short sale means the Group operates short sale business, if securities are insufficient, the Group can borrow securities from securities finance companies. For securities refinancing, the Company pays margin deposits to securities finance companies and these margin deposits are recorded as refinancing margin. The proceeds from the short sale of securities borrowed from securities finance companies is retained by the securities finance companies as collateral which are recorded as proceeds payable from securities lent and receivable on refinancing collateral, respectively.

(i) Bonds with resell and repurchase agreements

When bonds are repurchased, they are reflected under “bonds sold under repurchase agreements” at the settlement date. The difference between the selling price and repurchase price is recognized as financial costs. When bonds are resold, they are reflected under “bonds purchased under resell agreements” at the settlement date. The difference between the selling price and repurchase price is recognized as interest revenue.

(j) Customers’ margin accounts and futures customers’ equity

Receiving margin deposits from customers for futures transactions as requirements is in accordance with the regulations. Customers’ margin account balances are calculated daily by marking to market the open positions of each customer and determining the required margin levels, recognized as current assets in the balance sheet. Margin deposits received from customers for futures transactions and futures traders’ equity calculated daily by marking to market, recognized as current liabilities in the balance sheet. Futures traders’ equity cannot be offset unless these accounts pertain to the same customers. When futures customers’ equity is in debit of balance, they are reflected under “receivable futures margin”.

(k) Securities borrowing transactions

Engage in securities lending transactions, the amount of the sale of securities borrowing recognized liability, and to distinguish hedging and non-hedging purposes, in accordance with stocks and bonds. The amount paid to redeem shares or bonds borrowed, as a deduction of the subjects, the collateral paid in cash recorded as security borrowing margin, short sales delivered for securities market financing recorded as security borrowing collateral price.

(l) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in capital surplus in proportion to its ownership.

Gains and losses resulting from the transactions between the Group and an associate are recognized only to the extent of unrelated the Group's interests in the associate.

When the Group's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date. The difference between the fair value of retained investment and proceeds from disposal of the part of interest in the investment, and the carrying amount of the investment at that date was recognized in profit or loss. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amount previously recognized in other comprehensive income in relation to that associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

If the investments in associates become the investment in joint ventures, or vice versa, the Group is accounted for using the equity method consistently and does not remeasure the retained equity.

If the Group does not subscribe the new issuance of capital based on holding percentage and result in a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus and investments under equity method. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments under equity method is insufficient, the shortage is debited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis.

- (m) Property and equipment
 - (i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(ii) Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from owner occupied to investment property.

(iii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iv) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property and equipment.

Land is not depreciated.

The estimated useful lives of property and equipment are as follows:

- | | |
|---|------------|
| 1) Buildings | 3~55 years |
| 2) Transportation equipment | 5 years |
| 3) Office equipment and computer facilities | 3~5 years |
| 4) Miscellaneous equipment | 5~10 years |
| 5) Leasehold improvements are depreciated evenly by the shorter of the estimated useful life or the lease period. | |

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If the expected value differs from the previous estimation, the change regards as changes in accounting estimation.

(n) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

(iii) Amortization

The amortizable amount is the cost of an asset less its residual value, other than goodwill, operation franchise and the seats of foreign futures exchanges with all indefinite useful lives, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

- 1) Customer relationships: 5 years
- 2) Computer software cost and dial-up service charges: 3 years

Amortization method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(p) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) Lessee

The Group recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right of use asset, or in profit and loss if the carrying amount of the right of use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right of use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group has listed right of use assets and leasing liabilities that are not categorized as investment properties as individual items in the balance sheet.

The Group has elected not to recognize right of use assets and lease liabilities for short term leases of office equipment and transportation equipment etc. that have a lease term of 12 months or less and leases of low value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(q) Non-financial assets impairment

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets and assets arising from employee benefits) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash-generating Units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(s) Revenue recognition

The recognition of the Group's major revenue:

(i) Brokerage commissions, gains or loss on securities sold and related handling fees is recognized on the settlement date.

(ii) Underwriting commissions

Underwriting brokerage revenue is recognized when the underwriting contract is completed; revenue from underwriting securities on a firm commitment basis is recognized when the payment received after underwriting securities, and revenue from underwriting consultation is recognized according to the period specified in the underwriting consultation contract.

(iii) Interest revenue and expense arising from margin loan, short sale and bonds with repurchase agreements is recognized on an accrual basis during trading.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (iv) Futures commission revenue arising from accessory services of futures trading, collecting commission from appointed futures dealer, the revenue is recognized on an accrual basis in accordance with related agreement.
- (v) Gains or losses from sale of equity investments at fair value is recognized on the trade date.
- (vi) Dividend revenue is recognized as the right of receiving payment confirmed.
- (vii) Gains on Futures and Options transactions: Futures transaction margins are recognized as costs and valued at daily fair value. The gains or losses arising from reverse trading or execution of the futures and options recognized as Net Profit or Loss for the period.

(t) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(u) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Group has determined that the global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year measured using tax rates enacted or substantively enacted and any adjustment to the tax payable or receivable in respect of previous years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for reporting date and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) Initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences.
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) The Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) The same taxable entity; or
 - 2) Different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Income tax of overseas subsidiaries is estimated in accordance with local regulation. Income tax of the Group is the sum of the income tax of subsidiaries in the consolidated financial statements.

(v) Business combinations

The Group only chose to restate the business combinations occurred after January 1, 2012, upon the transition from ROC GAAP to IFRSs endorsed by FSC are approved, with regard to acquisition before January 1, 2012, the amount should be recognized as Regulations Governing the Preparation of Financial Reports released by Securities Issuers as of January 10, 2009 and Statement of Financial Accounting Standards announced by Accounting Research and Development Foundation.

(w) Earnings per share (EPS)

The Group presents its basic and dilutive earnings per share attributable to the Company's ordinary equity holders. The basic earnings per share of the Group is calculated by dividing profit or loss attributable to the Company's ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Group include the estimation of employee remuneration.

(x) Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's CEO who allocates resources and assesses segment performance. Each operating segment consists of standalone financial information.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

In preparing these consolidated financial statements, management has made judgments and estimates about the future, including climate-related risks and opportunities, that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Group's risk management and climate-related commitments where appropriate. Revisions to estimates are recognized prospectively in the period of the change and future periods.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial 12 months are included in the following notes:

(a) The fair value of financial instrument:

The fair value of non active market or non quoted financial instruments is determined by evaluation method. In this case, fair value is assessed from observable data or patterns of similar financial instruments. If there are no market observables, the fair value of financial instruments is assessed using appropriate assumptions. When using the evaluation model to determine fair value, all models must be calibrated to ensure that the output reflects actual data and market prices. The model uses only observable data as much as possible; however, for the part of credit risk (risk of itself and the counterparty), the Company must estimate the fluctuation and correlation for the fair value of financial assets. For sensitivity analysis of financial instruments, please refer to note 6(y).

(b) The impairment evaluation of goodwill:

The Group performed the impairment test of goodwill annually. The recoverable amount of the cash-generating unit was based on the value in use. The Group chose the appropriate discount rate and estimated the expected cash flows of the cash-generating unit.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

| | December 31, 2025 | December 31, 2024 |
|--------------------------------|------------------------------|------------------------------|
| Cash | \$ <u>3,026</u> | <u>2,838</u> |
| Bank deposits | | |
| Checking accounts | 198,888 | 129,721 |
| Demand deposits | <u>2,284,392</u> | <u>2,317,396</u> |
| Subtotal | <u>2,483,280</u> | <u>2,447,117</u> |
| Cash equivalents | | |
| Time deposits | 7,450,912 | 3,089,350 |
| Futures margin - excess margin | 4,105,334 | 3,442,899 |
| Commercial papers | <u>623,604</u> | <u>306,985</u> |
| Subtotal | <u>12,179,850</u> | <u>6,839,234</u> |
| Total | \$ <u>14,666,156</u> | <u>9,289,189</u> |

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Financial assets

(i) Financial assets at fair value through profit or loss - current:

| | <u>December 31,</u> <u>2025</u> | <u>December 31,</u> <u>2024</u> |
|--|------------------------------------|------------------------------------|
| Open-ended funds and money-market instruments | | |
| Open-ended funds and money-market instruments | \$ 811,216 | 1,341,074 |
| Valuation adjustment | <u>30,586</u> | <u>44,343</u> |
| Subtotal | <u>841,802</u> | <u>1,385,417</u> |
| Invested securities | | |
| Invested Securities | 220,373 | 200,689 |
| Valuation adjustment | <u>19,121</u> | <u>290</u> |
| Subtotal | <u>239,494</u> | <u>200,979</u> |
| Trading securities - proprietary trading | | |
| Listed stocks | 16,400,432 | 4,572,615 |
| Listed funds | 15,814,167 | 11,508,102 |
| OTC stocks | 3,521,568 | 1,089,198 |
| OTC funds | 7,424,599 | 7,246,835 |
| Emerging market stocks | 490,580 | 629,529 |
| Convertible bonds | 4,996,785 | 3,914,731 |
| Government bonds | 49,640 | 444,341 |
| Corporate bonds | 2,746,663 | 5,217,626 |
| International bonds | 2,451,409 | 4,675,185 |
| Financial debentures | - | 500,000 |
| Foreign stocks | 265,988 | 144,562 |
| Foreign funds | 502,828 | 159,550 |
| Foreign bonds | 1,246,092 | 1,192,058 |
| Others | <u>59,557</u> | <u>14,056</u> |
| | 55,970,308 | 41,308,388 |
| Valuation adjustment | <u>1,668,125</u> | <u>(606,102)</u> |
| Subtotal | <u>57,638,433</u> | <u>40,702,286</u> |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | <u>December 31,</u> <u>2025</u> | <u>December 31,</u> <u>2024</u> |
|--|------------------------------------|------------------------------------|
| Trading securities - underwriting | | |
| Listed stocks | \$ 6,467 | 17,355 |
| OTC stocks | 9,865 | 104,126 |
| Convertible bonds | <u>264,136</u> | <u>309,130</u> |
| | 280,468 | 430,611 |
| Valuation adjustment | <u>21,429</u> | <u>5,558</u> |
| Subtotal | <u>301,897</u> | <u>436,169</u> |
| Trading securities - hedging | | |
| Listed stocks | 6,027,704 | 4,822,176 |
| OTC stocks | 1,203,266 | 860,552 |
| Convertible bonds | 18,038,542 | 17,999,139 |
| Others | <u>76,733</u> | <u>90,789</u> |
| | 25,346,245 | 23,772,656 |
| Valuation adjustment | <u>687,724</u> | <u>(371,972)</u> |
| Subtotal | <u>26,033,969</u> | <u>23,400,684</u> |
| Derivatives | | |
| Buy options | 139,373 | 280,311 |
| Futures margin - security | 701,795 | 394,650 |
| Futures margin - proprietary fund | 3,664,637 | 1,541,089 |
| IRS asset swaps | 18,708 | 48,834 |
| Asset swap options - long position | 1,482,197 | 785,194 |
| Leverage derivatives - non-hedging | 117,508 | 153,147 |
| Structured notes | 1,128 | 2,623 |
| Exchange rate derivatives | 56,566 | 27,503 |
| Equity derivatives | 8,731 | 4,096 |
| Interest rate swaps | <u>143</u> | <u>243</u> |
| Subtotal | <u>6,190,786</u> | <u>3,237,690</u> |
| Total | <u>\$ 91,246,381</u> | <u>69,363,225</u> |

As of December 31, 2025 and 2024, trading securities undertaken for repurchase agreements of the Group, please refer to note 8 for details.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Financial assets at fair value through other comprehensive income – current

| | <u>December 31,</u> <u>2025</u> | <u>December 31,</u> <u>2024</u> |
|--|------------------------------------|------------------------------------|
| Debt instruments at fair value through other comprehensive income | | |
| Government bonds | \$ 1,265,623 | 3,403,185 |
| Corporate bonds | 7,349,301 | 10,026,546 |
| International bonds | 942,900 | 1,180,260 |
| Foreign bonds | <u>15,630,874</u> | <u>14,592,931</u> |
| | 25,188,698 | 29,202,922 |
| Valuation adjustment | <u>(59,604)</u> | <u>(460,102)</u> |
| Subtotal | <u>25,129,094</u> | <u>28,742,820</u> |
| Equity instrument at fair value through other comprehensive income | | |
| Listed stocks | \$ 896,240 | 1,813,965 |
| OTC stocks | 60,469 | 154,402 |
| Emerging market stocks | <u>405,861</u> | <u>316,983</u> |
| | 1,362,570 | 2,285,350 |
| Valuation adjustment | <u>(6,775)</u> | <u>30,832</u> |
| Subtotal | <u>1,355,795</u> | <u>2,316,182</u> |
| Total | <u>\$ 26,484,889</u> | <u>31,059,002</u> |

1) Debt instrument investments measured at fair value through other comprehensive income

The Group has assessed the debentures shown above are held within a business model whose objective is achieved by both collecting the contractual cash flows and selling securities; therefore, they have been classified as financial asset at fair value through other comprehensive income.

2) Equity instrument investments measured at fair value through other comprehensive income

For the years ended December 31, 2025 and 2024, the dividends were recognized from the Group equity instrument investments measured at fair value through other comprehensive income – current amounted to \$91,319 and \$50,255, respectively. For the years ended December 31, 2025 and 2024, there were no holdings of equity instrument investments, and the dividends were recognized from the disposing equity instrument investments amounted to \$47,513 and \$11,238, respectively.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Due to the consideration of asset allocation and managing and adjusting the investment portfolio, the Group sold equity instrument at fair value through other comprehensive income (FVOCI) - current at a fair value \$3,804,492 and \$2,034,541, respectively, cumulative dispose gains (losses) for the year ended December 31, 2025 and 2024, amounted to \$63,023 and \$153,828, respectively, were transferred from other equity items to retained earnings.

- 3) For credit risk (including the impairment of debt instrument investments) and market risk; please refer to note 6(x).
- 4) For the years ended December 31, 2025 and 2024, impairment test has been applied by the Group, the variation of loss allowance in the debt instrument measured at fair value through other comprehensive income of the Group please refer to note 6(x).
- 5) As of December 31, 2025 and 2024, financial assets at fair value through other comprehensive income undertaken for repurchase agreements of the Group, please refer to note 8 for details.

(iii) Financial assets at fair value through profit or loss - non-current:

| | <u>December 31, 2025</u> | <u>December 31, 2024</u> |
|--|------------------------------|------------------------------|
| Mandatorily measured at fair value through profit or loss: | | |
| Government bonds | \$ 179,704 | 179,604 |
| Valuation adjustment | <u>(477)</u> | <u>(1,874)</u> |
| Total | <u>\$ 179,227</u> | <u>177,730</u> |

As of December 31, 2025 and 2024, the Group took advantage of government bonds as guaranty deposited of bills, interest rate swaps business, structured notes business, settlement fund and compensation reserve for trust business (for details please refer to note 8).

(iv) Financial assets at fair value through other comprehensive income - non-current

| | <u>December 31, 2025</u> | <u>December 31, 2024</u> |
|---|------------------------------|------------------------------|
| Equity instruments at fair value through other comprehensive income | | |
| Non-listed or non-over-the-counter stocks | \$ 1,700,500 | 1,601,763 |
| Foreign stocks | <u>245,333</u> | <u>245,333</u> |
| | 1,945,833 | 1,847,096 |
| Valuation adjustment | <u>3,223,042</u> | <u>2,863,356</u> |
| Total | <u>\$ 5,168,875</u> | <u>4,710,452</u> |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024, the dividends were recognized from the Group equity instrument investments at fair value through other comprehensive income – non-current amounted to \$133,481 and \$81,513, respectively.

For the years ended December 31, 2025 and 2024 under the consideration of asset allocation and managing and adjusting the investment portfolio, the Group sold equities recognized in FVOCI non-current for a fair value \$1,125 and \$5,222, generated cumulative dispose (losses) gains \$125 and \$1,722. Furthermore, for the years ended December 31, 2025 and 2024, the Group received the refunded capital reduction proceeds amounted to \$3,410 and \$676.

- (v) The Group uses Value at risk (VaR) to monitor and measure the market risk of its investment in equity stocks. VaR refers to the unexpected loss of financial instruments derived from the changes in market risk factors within certain time periods and confidence level. The table below discloses the VaR, which is the estimation of potential loss in ten days and is covered by 99% of the adverse changes in market prices. In the table below by using this assumption, 2.5 out of 250 days VaR will exceed the disclosed amounts due to the changes in market price. For the years ended December 31, 2025 and 2024 VaR (99%, per 10-day) of equity stocks are as follows:

| Type of market risk | December 31, 2025 | December 31, 2024 | For the years ended December 31, | | | | | |
|---------------------|-------------------|-------------------|----------------------------------|-----------|-----------|-----------|-----------|-----------|
| | | | 2025 | | | 2024 | | |
| | | | Mean | Maximum | Minimum | Mean | Maximum | Minimum |
| Equity stocks | 3,759,679 | 3,267,170 | 3,178,571 | 3,759,679 | 2,474,220 | 3,191,630 | 3,353,425 | 2,836,760 |

- (vi) Financial assets at amortized cost - non-current

| | December 31, 2025 | December 31, 2024 |
|--|----------------------|----------------------|
| 1) Debt Instrument at amortized cost : | | |
| Financial debentures | \$ 500,000 | 500,000 |
| Foreign currency debentures | <u>5,013,493</u> | <u>6,069,135</u> |
| | 5,513,493 | 6,569,135 |
| Less: loss allowance | <u>(1,780)</u> | <u>(2,103)</u> |
| | <u>\$ 5,511,713</u> | <u>6,567,032</u> |

The Group has assessed the assets shown above are held for collecting the contractual cash flows, and these financial assets' cash flows are expected to completely provided by repayment of principal and interest calculated on the basis of outstanding principal amount; therefore, they have been classified as debt instrument investments measured at amortized cost.

For credit risk (including the impairment of debt instrument investments) please refer to note 6(x).

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 2) Profit and Loss arisen from Sale of Financial Assets at amortized cost and the derecognized carrying amount on the date of derecognition:

| | For the years ended December 31, | |
|--|---|-----------------|
| | 2025 | 2024 |
| Carrying amount on the date of derecognition | \$ <u>1,598,634</u> | <u>-</u> |
| | For the years ended December 31, | |
| | 2025 | 2024 |
| Current profit and loss | \$ <u>(1,002)</u> | <u>-</u> |

The main reason for the Group selling financial assets measured at amortized cost is that the bond issuer execute early redemption or redemption at maturity, and other sales are infrequent (even if the amount is significant), or the individual and collective amounts are not significant (even if frequent).

- (c) Bonds purchased under resale agreements

| | December 31, 2025 | December 31, 2024 |
|---|---------------------------------|---------------------------------|
| Bonds purchased under resell agreements | \$ <u>210,718</u> | <u>250,121</u> |
| Agreed-upon resale amounts | \$ <u>210,754</u> | <u>250,154</u> |
| Interest rate | <u>1.00%</u> | <u>1.00%</u> |
| Date of resale | <u>2026.1.2~2026.1.7</u> | <u>2025.1.2~2025.1.6</u> |

- (d) Accounts Receivable

| | December 31, 2025 | December 31, 2024 |
|---|------------------------------|------------------------------|
| Receivable on securities purchased by customers | \$ 115,411 | 57,552 |
| Settlement | 4,673,299 | - |
| Interests receivable | 967,093 | 1,046,166 |
| Receivables on securities sold | 19,963,039 | 12,344,224 |
| Others | <u>265,216</u> | <u>336,146</u> |
| Total | \$ <u>25,984,058</u> | <u>13,784,088</u> |

For credit risk and the variation of loss allowance in receivables, please refer to note 6(x).

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(e) Customers' margin account / Futures traders' equity

Reconciliation of the customers' margin account and the futures traders' equity was as follows:

| | <u>December 31, 2025</u> | <u>December 31, 2024</u> |
|--|------------------------------|------------------------------|
| Customers' margin account | | |
| Cash in banks | \$ 35,173,775 | 30,889,798 |
| Customers' margin account - futures clearing house | 14,289,325 | 10,544,939 |
| Customers' margin account - other futures commission merchants | 7,574,814 | 7,145,394 |
| Marketable securities | <u>378,609</u> | <u>230,153</u> |
| Total customers' margin account | <u>57,416,523</u> | <u>48,810,284</u> |
| Add: | | |
| Commission expense | 2,904 | 1,542 |
| Other | - | 1,159 |
| Less: | | |
| Brokerage fee revenue | (11,618) | (9,133) |
| Futures transaction tax | (4,409) | (3,169) |
| Interest revenues | (2,260) | (5,941) |
| Temporary receipts | (581) | (33,377) |
| Remittance amount of the customers after the market closed | (24,934) | (13,558) |
| Other receivable | (93,637) | (195,662) |
| Other | <u>(2,732)</u> | <u>-</u> |
| Futures traders' equity | <u>\$ 57,279,256</u> | <u>48,552,145</u> |

(f) Investments accounted for under equity method

As of December 31, 2025 and 2024, investments under equity method consisted of the following:

| | <u>December 31, 2025</u> | <u>December 31, 2024</u> |
|----------------------------------|------------------------------|------------------------------|
| Subsidiaries | | |
| Capital Insurance Advisory Corp. | \$ 76,539 | 64,438 |
| Associates | | |
| Capital Investment Trust Corp. | 1,751,432 | 1,603,918 |
| Enno Cap Venture Inc. | <u>-</u> | <u>4</u> |
| Subtotal | <u>1,751,432</u> | <u>1,603,922</u> |
| Total | <u>\$ 1,827,971</u> | <u>1,668,360</u> |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Subsidiaries:

For the years ended December 31, 2025 and 2024, the Group's share of gains or losses and the summarized financial information of the subsidiaries were as follows:

| | For the years ended December 31, | |
|--|---|---------------------|
| | 2025 | 2024 |
| The Group's share of gains based on the subsidiaries' financial statements | \$ <u>50,661</u> | <u>38,852</u> |
| | December 31, | December 31, |
| | 2025 | 2024 |
| Total assets | \$ <u>113,178</u> | <u>94,992</u> |
| Total liabilities | \$ <u>36,639</u> | <u>30,554</u> |
| | For the years ended December 31, | |
| | 2025 | 2024 |
| Revenue | \$ <u>245,179</u> | <u>218,134</u> |
| Net income | \$ <u>50,661</u> | <u>38,852</u> |

(ii) Associates

| Name of associate | Nature between the Company | Primary business area and registered country | Proportion of Ownership and Voting Rights | |
|--------------------------------|---|---|--|--------------------------|
| | | | December 31, 2025 | December 31, 2024 |
| Capital Investment Trust Corp. | Engaged in security investment and discretionary investment services. | Taiwan | 20.00 % | 20.00 % |
| Enno Cap Venture Inc. | Liquidation completed. | Taiwan | - | 40.00 % |

The Group holds 20% of the voting shares of Capital Investment Trust Corp., which is the single largest shareholder. Although the remaining 80% of the outstanding in shares are not concentrated in specific shareholders, the Group still cannot obtain more than half of the board seats, and it has not obtained more than half of the voting rights of the shareholders present at the shareholders meeting, so the Group has determined that it has significant influence on it.

Summarized financial information of associates accounted for under equity method that was individually immaterial to the Group was shown in aggregate as follows:

| | December 31, | December 31, |
|--|---------------------|---------------------|
| | 2025 | 2024 |
| Total carrying amount of interests in associates that were individually immaterial | \$ <u>1,751,432</u> | <u>1,603,922</u> |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | For the years ended December 31, | |
|---|---|-----------------------|
| | 2025 | 2024 |
| The Group's share of gains based on the associates' financial statements: | | |
| Net gains from continuing operations | \$ 454,873 | 347,005 |
| Other comprehensive income (losses) | <u>6,782</u> | <u>7,675</u> |
| Total comprehensive income (losses) | <u><u>\$ 461,655</u></u> | <u><u>354,680</u></u> |

(iii) Collateral

As of December 31, 2025 and 2024, none of the investment accounted for under equity method of the Group was pledged for collateral.

(g) Property and equipment

Movements in property and equipment of the Group are as follows:

| | Land | Buildings | Equipment | Leasehold improvements | Total |
|--------------------------------------|----------------------------|-------------------------|-----------------------|-------------------------------|-------------------------|
| Cost or deemed cost | | | | | |
| Balance at January 1, 2025 | \$ 2,045,574 | 1,271,209 | 826,004 | 198,039 | 4,340,826 |
| Additions | - | - | 233,044 | 9,440 | 242,484 |
| Transferred from investment property | 117,534 | 10,230 | - | - | 127,764 |
| Reclassified to investment property | (308,990) | (158,125) | - | - | (467,115) |
| Disposals and retirements | - | - | (101,075) | (20,164) | (121,239) |
| Effect of exchange rate changes | - | (2,844) | (3,440) | (561) | (6,845) |
| Balance at December 31, 2025 | <u><u>\$ 1,854,118</u></u> | <u><u>1,120,470</u></u> | <u><u>954,533</u></u> | <u><u>186,754</u></u> | <u><u>4,115,875</u></u> |
| Balance at January 1, 2024 | \$ 2,045,574 | 1,266,014 | 794,986 | 279,705 | 4,386,279 |
| Additions | - | - | 158,700 | 10,280 | 168,980 |
| Disposals and retirements | - | - | (133,218) | (92,834) | (226,052) |
| Effect of exchange rate changes | - | 5,195 | 5,536 | 888 | 11,619 |
| Balance at December 31, 2024 | <u><u>\$ 2,045,574</u></u> | <u><u>1,271,209</u></u> | <u><u>826,004</u></u> | <u><u>198,039</u></u> | <u><u>4,340,826</u></u> |
| Depreciation and impairment loss | | | | | |
| Balance at January 1, 2025 | \$ - | 586,587 | 475,677 | 127,547 | 1,189,811 |
| Depreciation | - | 22,952 | 145,550 | 33,868 | 202,370 |
| Transferred from investment property | - | 4,474 | - | - | 4,474 |
| Reclassified to investment property | - | (49,714) | - | - | (49,714) |
| Disposals and retirements | - | - | (101,075) | (20,164) | (121,239) |
| Effect of exchange rate changes | - | (1,567) | (3,109) | (376) | (5,052) |
| Balance at December 31, 2025 | <u><u>\$ -</u></u> | <u><u>562,732</u></u> | <u><u>517,043</u></u> | <u><u>140,875</u></u> | <u><u>1,220,650</u></u> |
| Balance at January 1, 2024 | \$ - | 558,490 | 465,829 | 179,175 | 1,203,494 |
| Depreciation | - | 25,328 | 138,155 | 40,747 | 204,230 |
| Disposals and retirements | - | - | (133,218) | (92,834) | (226,052) |
| Effect of exchange rate changes | - | 2,769 | 4,911 | 459 | 8,139 |
| Balance at December 31, 2024 | <u><u>\$ -</u></u> | <u><u>586,587</u></u> | <u><u>475,677</u></u> | <u><u>127,547</u></u> | <u><u>1,189,811</u></u> |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | <u>Land</u> | <u>Buildings</u> | <u>Equipment</u> | <u>Leasehold improvements</u> | <u>Total</u> |
|-------------------|---------------------|------------------|------------------|-----------------------------------|------------------|
| Carrying amount: | | | | | |
| December 31, 2025 | \$ <u>1,854,118</u> | <u>557,738</u> | <u>437,490</u> | <u>45,879</u> | <u>2,895,225</u> |
| December 31, 2024 | \$ <u>2,045,574</u> | <u>684,622</u> | <u>350,327</u> | <u>70,492</u> | <u>3,151,015</u> |

As of December 31, 2025 and 2024, the property and equipment which were provided as collateral or pledge, please refer to note 8 for details.

(h) Right-of-use assets

| | <u>Buildings</u> | <u>Others</u> | <u>Total</u> |
|--|---------------------|---------------|------------------|
| Cost: | | | |
| Balance at January 1, 2025 | \$ 1,369,400 | 28,193 | 1,397,593 |
| Additions | 141,334 | 4,322 | 145,656 |
| Reductions | (177,572) | (3,999) | (181,571) |
| Effect of exchange rate changes | <u>(1,876)</u> | <u>-</u> | <u>(1,876)</u> |
| Balance at December 31, 2025 | \$ <u>1,331,286</u> | <u>28,516</u> | <u>1,359,802</u> |
| Balance at January 1, 2024 | \$ 1,324,272 | 28,911 | 1,353,183 |
| Additions | 89,560 | 6,518 | 96,078 |
| Reductions | (48,273) | (7,236) | (55,509) |
| Effect of exchange rate changes | <u>3,841</u> | <u>-</u> | <u>3,841</u> |
| Balance at December 31, 2024 | \$ <u>1,369,400</u> | <u>28,193</u> | <u>1,397,593</u> |
| Accumulated depreciation and impairment losses: | | | |
| Balance at January 1, 2025 | \$ 823,194 | 13,442 | 836,636 |
| Depreciation | 203,695 | 6,858 | 210,553 |
| Reductions | (177,572) | (2,104) | (179,676) |
| Effect of exchange rate changes | <u>(1,185)</u> | <u>-</u> | <u>(1,185)</u> |
| Balance at December 31, 2025 | \$ <u>848,132</u> | <u>18,196</u> | <u>866,328</u> |
| Balance at January 1, 2024 | \$ 668,226 | 13,268 | 681,494 |
| Depreciation | 200,230 | 7,410 | 207,640 |
| Reductions | (48,273) | (7,236) | (55,509) |
| Effect of exchange rate changes | <u>3,011</u> | <u>-</u> | <u>3,011</u> |
| Balance at December 31, 2024 | \$ <u>823,194</u> | <u>13,442</u> | <u>836,636</u> |
| Carrying amount: | | | |
| December 31, 2025 | \$ <u>483,154</u> | <u>10,320</u> | <u>493,474</u> |
| December 31, 2024 | \$ <u>546,206</u> | <u>14,751</u> | <u>560,957</u> |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Investment property

| | <u>Land</u> | <u>Buildings</u> | <u>Total</u> |
|---|---------------------|------------------|------------------|
| <u>Cost or deemed cost</u> | | | |
| Balance at January 1, 2025 | \$ 2,910,133 | 1,157,853 | 4,067,986 |
| Transferred from property and equipment | 308,990 | 158,125 | 467,115 |
| Reclassified to property and equipment | (117,534) | (10,230) | (127,764) |
| Effect of exchange rate changes | - | (1,915) | (1,915) |
| Balance at December 31, 2025 | <u>\$ 3,101,589</u> | <u>1,303,833</u> | <u>4,405,422</u> |
| Balance at January 1, 2024 | \$ 2,910,133 | 1,155,743 | 4,065,876 |
| Effect of exchange rate changes | - | 2,110 | 2,110 |
| Balance at December 31, 2024 | <u>\$ 2,910,133</u> | <u>1,157,853</u> | <u>4,067,986</u> |
| <u>Depreciation and impairment loss</u> | | | |
| Balance at January 1, 2025 | \$ - | 645,826 | 645,826 |
| Depreciation | - | 25,902 | 25,902 |
| Transferred from property and equipment | - | 49,714 | 49,714 |
| Reclassified to property and equipment | - | (4,474) | (4,474) |
| Effect of exchange rate changes | - | (1,085) | (1,085) |
| Balance at December 31, 2025 | <u>\$ -</u> | <u>715,883</u> | <u>715,883</u> |
| Balance at January 1, 2024 | \$ - | 621,113 | 621,113 |
| Depreciation | - | 23,570 | 23,570 |
| Effect of exchange rate changes | - | 1,143 | 1,143 |
| Balance at December 31, 2024 | <u>\$ -</u> | <u>645,826</u> | <u>645,826</u> |
| <u>Carrying Amount:</u> | | | |
| December 31, 2025 | <u>\$ 3,101,589</u> | <u>587,950</u> | <u>3,689,539</u> |
| December 31, 2024 | <u>\$ 2,910,133</u> | <u>512,027</u> | <u>3,422,160</u> |
| <u>Fair Value:</u> | | | |
| December 31, 2025 | | | <u>7,716,969</u> |
| December 31, 2024 | | | <u>7,300,845</u> |

The Group selected to apply Cost Method to evaluate investment property. The fair value of investment property was evaluated and estimated by using Market Method based on the market evidence of transaction price of similar properties in the locations, and it belongs to level 3.

As of December 31, 2025 and 2024, the investment properties were provided as collateral or pledged, for details please refer to note 8.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investment property include several commercial buildings for lease. Each lease contract contains original non-cancellable lease period of 1 to 12 years, which the subsequent lease period is negotiable with lessee, and no contingent rent payment. Related information (including rental revenue and direct operation expense), please refer to note 6(w).

Lessor

The Group leases investment property to other under operating lease agreements. The future lease receivables under non-cancellable leases are as follows:

| | December 31, 2025 | December 31, 2024 |
|---------------|------------------------------|------------------------------|
| Within 1 year | \$ 156,473 | 146,370 |
| 1-5 years | 291,117 | 356,243 |
| Over 5 years | 40,765 | - |
| | <u>\$ 488,355</u> | <u>502,613</u> |

The rental revenue from investment property for the year ended December 31, 2025 and 2024 amounted to \$189,104 and \$181,518, respectively.

(j) Intangible assets

(i) Goodwill

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized goodwill. As of December 31, 2025 and 2024, the carrying amounts were all \$3,126,698.

Goodwill is allocated to the operating segments as follows:

| | December 31, 2025 | December 31, 2024 |
|-----------------------------|------------------------------|------------------------------|
| Brokerage segment | \$ 1,304,458 | 1,304,458 |
| Underwriting segment | 265,144 | 265,144 |
| Proprietary trading segment | 1,557,096 | 1,557,096 |
| Total | <u>\$ 3,126,698</u> | <u>3,126,698</u> |

Recoverable amount of the cash-generating units is assessed by the value in use, which is the present value of the future cash flows expected to be derived from the cash-generating unit. In measuring value in use, the key assumptions are as follows.

The past experience, the actual operating results and the pre-tax cash flows of the next year's financial budget approved by the board of directors are the basis to estimate the future cash flows. The growth rate was both 1.00% and the discount rate was 3.66% and 4.15% in year 2025 and 2024, respectively. But the cash flow projections for periods after five years will be estimated with no growth conservatively.

After impairment test, the recoverable amounts of both year 2025 and 2024 exceeded the carrying amount, no impairment occurred for both years.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Capital International Technology Corp., the second level subsidiary, acquired 51% shares of the Capital True Partner Technology Co., Ltd on February 9, 2015 in order to expand operations. The Group recognized the differences between consideration transferred and fair value of identifiable net assets as goodwill. As of December 31, 2025 and 2024, the carrying amounts of goodwill were all \$0, respectively. Furthermore, the Group recognized an impairment loss of \$6,504 for the years ended December 31, 2024 by using discount rate of 3.60% to be used to estimate the future recoverable amount of Capital True Partner Technology Co.

(ii) Other intangible assets - Operation franchise

The Company acquired the operation franchise of securities corporation channel during 1994 to 2005 and expected the franchise will generate continuing cash inflows. In accordance with IAS No.38 “Intangible Assets” endorsed by the FSC, the franchise is regarded as intangible assets with an indefinite useful life. As of December 31, 2025 and 2024, the carrying amounts of the operation franchise were all \$389,999.

(iii) Other intangible assets - Membership of foreign futures Exchanges

The subsidiaries obtained the membership of foreign futures Exchanges - NYMEX, COMEX, CBOT, HKEX and CME for business development. In accordance with IAS 38 “Intangible Assets” endorsed by the FSC, the memberships are regarded as intangible assets with an indefinite useful life. As of December 31, 2025 and 2024, the carrying amounts of intangible assets were \$46,329 and \$46,421, respectively.

(iv) Other intangible assets - Computer software

Computer software was booked at cost and amortized by using the straight-line method over the estimated useful lives. As of December 31, 2025 and 2024, the amortized book value were \$62,919 and \$53,648, respectively.

(k) Short-term borrowings

| <u>Nature of borrowings</u> | <u>December 31, 2025</u> | <u>December 31, 2024</u> |
|-----------------------------|------------------------------|------------------------------|
| Collateralized loan | \$ 4,052,680 | - |
| Credit loan | <u>2,510,350</u> | <u>7,304,896</u> |
| Total | <u>\$ 6,563,030</u> | <u>7,304,896</u> |
| Interest rate range | <u>1.700%~5.040%</u> | <u>1.700%~5.590%</u> |

As of December 31, 2025 and 2024, the Group had provided land, buildings, and certificates of time deposits as collateral, for details please refer to note 8.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(l) Commercial paper payable

| | December 31, 2025 | December 31, 2024 |
|----------------------------|------------------------------|------------------------------|
| Commercial paper payable | \$ 54,400,000 | 41,580,000 |
| Less: Unamortized discount | <u>(128,982)</u> | <u>(65,383)</u> |
| Net amount | <u>\$ 54,271,018</u> | <u>41,514,617</u> |
| Interest rate range | <u>1.588%~1.848%</u> | <u>1.868%~2.108%</u> |

All commercial papers were issued by bills of finance companies or banks.

(m) Long-term borrowings

The details of the long-term borrowings of the Group were as follows:

(i) Long-term bank borrowings

| | December 31, 2025 | December 31, 2024 |
|-----------------------------|------------------------------|------------------------------|
| Credit loan | \$ 6,000,000 | - |
| Less: current portion | <u>-</u> | <u>-</u> |
| Total | <u>\$ 6,000,000</u> | <u>-</u> |
| Unused credit lines | <u>4,000,000</u> | <u>-</u> |
| Borrowing of interest rates | <u>2.187%</u> | <u>-</u> |

To strengthen its medium-term operating capital, the Group entered into a syndicated loan agreement with a consortium of 10 banks led by Yuanta Commercial Bank in August 2024. The total credit facility amounts to \$10 billion, with a loan term of three years starting from the first drawdown date in January 2025 .

(ii) Other long-term borrowings

| | December 31, 2025 | December 31, 2024 |
|------------------------------------|------------------------------|------------------------------|
| Long-term commercial paper payable | \$ - | 4,500,000 |
| Less: Unamortized discount | <u>-</u> | <u>(2,858)</u> |
| Total | <u>\$ -</u> | <u>4,497,142</u> |
| Issuance commitments | <u>-</u> | <u>4,500,000</u> |
| Borrowing of interest rates | <u>-</u> | <u>1.970%~2.020%</u> |

The Group has started to enter into non-guaranteed commercial papers loan agreements with several bills finance corporations from May 2024. The term of contracts period is 2-years and the issuance needs to be revolving during the agreement period.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

On August 15, 2025, the Accounting Research and Development Foundation issued a Q&A which clarified that, as the revolving commercial paper issued by the entity does not have the right, at the end of the reporting period, to defer settlement of the liability for at least twelve months after the reporting period, such liabilities shall be classified as current liabilities.

In response, the FSC issued transitional provisions stating that, entities with revolving commercial paper issued on or after January 1, 2026 shall apply the classification guidance in the Q&A, while those issued on or before December 31, 2025 need not comply.

Accordingly, the commercial paper issued by the Company on May, 2024 is classified as a non-current liability. For revolving issuances made on or after January 1, 2026, classification will be adjusted and reported as current liabilities in accordance with the above-mentioned guidance.

(n) Financial liabilities at fair value through profit or loss

(i) Financial liabilities at fair value through profit or loss - current

| | December 31, 2025 | December 31, 2024 |
|---|------------------------------|------------------------------|
| Liabilities on sale of borrowed securities | \$ 27,996,579 | 21,799,169 |
| Redeem liabilities on sale of borrowed securities | (96,698) | (87,291) |
| Valuation adjustment | <u>2,163,259</u> | <u>96,180</u> |
| Subtotal | <u>30,063,140</u> | <u>21,808,058</u> |
| Stock warrants issued | 24,362,160 | 21,043,522 |
| Stock warrants repurchased | <u>(22,373,285)</u> | <u>(19,979,491)</u> |
| Subtotal | <u>1,988,875</u> | <u>1,064,031</u> |
| Sale options | 165,882 | 94,390 |
| IRS asset swaps | 434,077 | 292,254 |
| Asset swap options - short position | 3,772,141 | 2,781,544 |
| Structured notes | 39,585 | 42,760 |
| Leverage derivatives - non-hedging | 18,191 | 12,900 |
| Exchange rate derivatives | 319 | 220 |
| Equity derivatives | <u>10,860</u> | <u>1,408</u> |
| Subtotal | <u>4,441,055</u> | <u>3,225,476</u> |
| Total | <u><u>\$ 36,493,070</u></u> | <u><u>26,097,565</u></u> |

(ii) Financial liabilities at fair value through profit or loss - non-current

| | December 31, 2025 | December 31, 2024 |
|--|------------------------------|------------------------------|
| Financial liabilities designated at fair value through profit or loss: | | |
| Structured notes | <u><u>\$ 184,863</u></u> | <u><u>112,762</u></u> |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Bonds sold under repurchase agreements

| | December 31, 2025 | December 31, 2024 |
|--|------------------------------|------------------------------|
| Bonds sold under repurchase agreements | <u>\$ 43,285,089</u> | <u>53,622,868</u> |
| Agreed-upon repurchase amounts | <u>44,094,095</u> | <u>54,594,750</u> |
| Interest rates | <u>1.05%~4.35%</u> | <u>1.00%~5.06%</u> |
| Date of repurchase | <u>2026.1.2~2026.12.31</u> | <u>2025.1.2~2025.12.24</u> |

(p) Equity for each customer in the account

| | December 31, 2025 | December 31, 2024 |
|---|------------------------------|------------------------------|
| Equity for each customer in the account | <u>\$ 44,167,892</u> | <u>35,555,711</u> |
| Amount of separate account ledger in NTD | | |
| Demand deposit amount | 5,558,713 | 4,949,572 |
| Time deposit amount | 16,000,000 | 16,500,000 |
| Time deposit amount in other banks(market values) | <u>22,600,000</u> | <u>14,100,000</u> |
| Total | <u>\$ 44,158,713</u> | <u>35,549,572</u> |

(q) Accounts payable

| | December 31, 2025 | December 31, 2024 |
|---|------------------------------|------------------------------|
| Payable of securities sold by customers | \$ 73,817 | 56,776 |
| Settlement | - | 1,695,614 |
| Payable of settlements | 21,926,897 | 9,239,779 |
| Others | <u>386,400</u> | <u>437,742</u> |
| Total | <u>\$ 22,387,114</u> | <u>11,429,911</u> |

(r) Lease liabilities

The Group' s lease liabilities are as follow:

| | December 31, 2025 | December 31, 2024 |
|-------------|------------------------------|------------------------------|
| Current | <u>\$ 210,608</u> | <u>199,337</u> |
| Non-current | <u>\$ 321,010</u> | <u>409,190</u> |

The maturity analysis please refer to note 6(x) financial instruments.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The amounts recognized in profit or loss were as follows:

| | For the years ended December 31, | |
|--|---|---------------|
| | 2025 | 2024 |
| Interest on lease liabilities | \$ <u>8,691</u> | <u>8,712</u> |
| Expenses relating to short-term leases | \$ <u>22,365</u> | <u>16,879</u> |
| Expenses relating to leases of low-value assets, excluding low-value assets of short-term leases | \$ <u>6,075</u> | <u>7,162</u> |

The amounts recognized in the statement of cash flows for the Group was as follows:

| | For the years ended December 31, | |
|-------------------------------|---|----------------|
| | 2025 | 2024 |
| Total cash outflow for leases | \$ <u>256,735</u> | <u>245,492</u> |

(s) Employee benefit

(i) Defined benefit plans

The reconciliation in the present value of the defined benefit obligations and fair value of plan assets are as follows:

| | December 31, 2025 | December 31, 2024 |
|--|------------------------------|------------------------------|
| Present value of defined benefit obligations | \$ (953,623) | (1,017,874) |
| Fair value of plan assets | <u>789,377</u> | <u>742,591</u> |
| Recognized liabilities for defined benefit obligations | \$ <u>(164,246)</u> | <u>(275,283)</u> |

The Group's employee benefits liabilities are as follows:

| | December 31, 2025 | December 31, 2024 |
|----------------------|------------------------------|------------------------------|
| Compensated absences | \$ <u>68,403</u> | <u>61,267</u> |

Under the defined benefit plan, the Group deposited the pension fund to the labor pension preparatory special account in Bank of Taiwan. For employee subject to the Labor Standards Law, the retirement benefit are determined based on the years of services and average monthly salary in the last six-months prior to the employee's retirement.

1) Composition of plan assets

The Group set aside the pension funds in accordance with Labor Standards Act, are put under the management of the Bureau of labor funds, ministry of labor. In regards to the utilization of the fund under the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", the minimum earnings for the annual distribution shall not be less than the accrued earnings attainable from the interest rates of two year time deposit offered by the local banks.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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The balance of the Group's labor pension preparatory special account in Bank of Taiwan amounted to \$787,975 and \$741,604 as of December 31, 2025 and 2024, respectively. The utilization of the labor pension fund includes the assets allocation and yield of the fund, please refers to the information published on the website under Bureau of Labor Funds, Ministry of Labor.

The balance of pension fund under employee retirement fund management committee was \$1,402 and \$987 as of December 31, 2025 and 2024, respectively.

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Group in 2025 and 2024 were as follows:

| | For the years ended December 31, | |
|--|---|------------------|
| | 2025 | 2024 |
| Defined benefit obligation on January 1 | \$ 1,017,874 | 793,800 |
| Current service costs and interest | 12,599 | 10,591 |
| Remeasurement of net defined liabilities | | |
| -Actuarial loss (gain) arising from changes in financial assumptions | (6,299) | 11,743 |
| -Experience adjustments | (44,279) | 256,248 |
| Benefits paid by the plan | (26,272) | (54,508) |
| Defined benefit obligation on December 31 | \$ 953,623 | 1,017,874 |

3) Movements in fair value of defined benefit plan assets

The movements in fair value of defined benefit plan assets of the Group in 2025 and 2024 were as follows:

| | For the years ended December 31, | |
|---|---|----------------|
| | 2025 | 2024 |
| Fair value of plan assets on January 1 | \$ 742,591 | 707,616 |
| Interest revenue | 8,377 | 8,610 |
| Remeasurement of net defined liabilities | | |
| -Return on plan assets (excluding interest) | 56,315 | 64,259 |
| Contributions from the employer | 8,366 | 16,353 |
| Benefits paid from plan assets | (26,272) | (54,247) |
| Fair value of plan assets on December 31 | \$ 789,377 | 742,591 |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Expense recognized in profit or loss

The expenses recognized by the Group in 2025 and 2024 were as follows:

| | <u>For the years ended December 31,</u> | |
|--|---|--------------|
| | <u>2025</u> | <u>2024</u> |
| Current service cost | \$ 1,152 | 977 |
| Net interest of net defined benefit liabilities (assets) | 3,070 | 1,004 |
| Current pension cost | <u>\$ 4,222</u> | <u>1,981</u> |

5) Re-measurement of net defined benefit plan recognized in other comprehensive income

For the years ended December 31, 2025 and 2024, the re-measurement of net defined benefit plan recognized accumulatively in other comprehensive income was as follows:

| | <u>For the years ended December 31,</u> | |
|-------------------------------------|---|------------------|
| | <u>2025</u> | <u>2024</u> |
| Balance at January 1 | \$ (564,948) | (361,216) |
| Recognized amount during the period | 106,893 | (203,732) |
| Balance at December 31 | <u>\$ (458,055)</u> | <u>(564,948)</u> |

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

| | <u>December 31,</u> <u>2025</u> | <u>December 31,</u> <u>2024</u> |
|---------------------------|------------------------------------|------------------------------------|
| Discount rate | 1.27%~1.750% | 1.140%~2.000% |
| Future salary growth rate | 2.75%~3.94% | 2.750%~3.500% |

The expected contribution to the defined benefit plan for the next year is \$1,190. The weighted average duration of the defined benefit obligation is 1~10.57 years.

7) Sensitivity Analysis

When calculating the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions, including discount rate and future salary increases. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

As of December 31, 2025 and 2024, the effects of adopting significant actuarial assumptions to defined benefit obligations were as follows:

| | <u>Effects to Defined Benefit Obligations</u> | |
|---------------------------|---|----------------------|
| | <u>Increase 0.5%</u> | <u>Decrease 0.5%</u> |
| December 31, 2025 | | |
| Discount rate | (20,279) | 20,997 |
| Future salary growth rate | 16,119 | (15,769) |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | Effects to Defined Benefit Obligations | |
|---------------------------|---|----------------------|
| | Increase 0.5% | Decrease 0.5% |
| December 31, 2024 | | |
| Discount rate | (22,967) | 23,836 |
| Future salary growth rate | 18,470 | (18,023) |

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. The method that the sensitivity analysis adopted is in accordance with the method of calculating net pension liability.

The assumptions and methods adopted for current period sensitivity analysis are identical with the previous period.

(ii) Defined contribution plan

In accordance with the Labor Pension Act of R.O.C, the Group contributes 6% of the employee's monthly wages to employee's individual pension accounts under the Bureau of the Labor Insurance. Therefore, the Group has no further legal or constructive obligations to make any additional contribution once the contributions have been paid.

The Group contributed \$121,162 and \$112,842 under defined contribution plan to the Bureau of the Labor Insurance for the years ended December 31, 2025 and 2024, respectively.

(iii) For the years ended December 31, 2025 and 2024, the pension costs contributed by overseas subsidiaries in compliance with local ordinance were \$6,891 and \$5,931, respectively.

(t) Income tax

(i) The Group's tax rate interpretation was as follow:

The Company and its consolidated subsidiaries including Capital Investment Management Corp., Capital Futures Corp., CSC Venture Capital Corp., CSC Private Equity Co. and CSC Private Equity Fund I Co. are founded in Taiwan. The corporate income tax rates are both 20% for the years ended December 31, 2025 and 2024.

The subsidiary CSC International Holdings Ltd. is founded in British Virgin Islands, and it has a tax exemption for the years ended December 31, 2025 and 2024.

The tax rates of reinvestment business of subsidiaries which founded in Hong Kong are all 16.5% for the years ended December 31, 2025 and 2024.

The tax rates of reinvestment business of subsidiaries founded in Mainland China are all 25% for the years ended December 31, 2025 and 2024.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Income tax expense (benefit)

The amount of income tax expense (benefit) were as follows:

| | For the years ended December 31, | |
|--|---|-------------------------|
| | 2025 | 2024 |
| Current tax expense | | |
| Current year | \$ 1,190,778 | 854,517 |
| Adjustment to the prior years' income tax | (257) | (645) |
| | <u>1,190,521</u> | <u>853,872</u> |
| Deferred tax expense | | |
| Unrealized gains (losses) on derivative financial instruments | (94,098) | 254,956 |
| Unrealized gains (losses) on foreign investments under Equity Method | (5,179) | 61,468 |
| | <u>(99,277)</u> | <u>316,424</u> |
| Income tax expense from continuing operations | <u>\$ 1,091,244</u> | <u>1,170,296</u> |

The amount of income tax expense or benefit recognized in other comprehensive income were as follows:

| | For the years ended December 31, | |
|---|---|----------------------|
| | 2025 | 2024 |
| Foreign exchange difference from translating financial statements of foreign operations | <u>\$ (14,329)</u> | <u>22,363</u> |

Reconciliation of income tax expense (benefit) and income before tax were as follows:

| | For the years ended December 31, | |
|---|---|-------------------------|
| | 2025 | 2024 |
| Net income before tax | \$ <u>7,417,367</u> | <u>6,572,371</u> |
| Income tax using the domestic tax rate of each Group entity | \$ 1,635,553 | 1,454,733 |
| Tax exempt income | (589,971) | (278,653) |
| Alternative minimum tax | 8,739 | - |
| Unrecognized deferred tax assets for current-year losses | 1,625 | 964 |
| Changes in unrecognized temporary differences | 2,921 | 1,245 |
| Additional surtax on undistributed retained earnings | 13,665 | - |
| Adjustments to prior years' income tax | 2,546 | (645) |
| Others | <u>16,166</u> | <u>(7,348)</u> |
| Total | <u>\$ 1,091,244</u> | <u>1,170,296</u> |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Deferred income tax assets and liabilities

1) Unrecognized deferred tax assets

| | December 31, 2025 | December 31, 2024 |
|--|------------------------------|------------------------------|
| Aggregate amount of temporary differences related to investments in subsidiaries | \$ 3,429 | 3,411 |
| Tax loss carried forward | 5,858 | 6,070 |
| Total | \$ 9,287 | 9,481 |

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

As of December 31, 2025, the subsidiaries Capital Investment Management Corp. and CSC Venture Capital Corp. estimated tax losses recognized under deferred income tax asset were as follows:

| <u>Year or loss</u> | <u>Amount</u> | <u>Expiry date</u> |
|---------------------|------------------|--------------------|
| 2016 (Declared) | \$ 1,256 | 2026 |
| 2017 (Declared) | 2,480 | 2027 |
| 2020 (Declared) | 1,112 | 2030 |
| 2021 (Declared) | 24,440 | 2031 |
| Total | \$ 29,288 | |

2) Recognized deferred income tax liabilities

| | December 31, 2025 | December 31, 2024 |
|--|------------------------------|------------------------------|
| Unrealized gains on derivative financial instruments | \$ 257,379 | 351,477 |
| Gains on intercompany transactions | 1,928 | 1,928 |
| Amortization of goodwill | 362,697 | 362,697 |
| Land value incremental tax | 47,690 | 47,690 |
| Exchange differences on translation of foreign financial statement | 12,332 | 26,661 |
| Unrealized gains on foreign investments under Equity Method | 40,395 | 45,574 |
| Total | \$ 722,421 | 836,027 |

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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3) Unrecognized deferred tax liabilities

As of December 31, 2025 and 2024, the Group's temporary differences are not recognized under deferred tax liabilities. Details are as follows:

| | December 31, 2025 | December 31, 2024 |
|--|----------------------|----------------------|
| Aggregate amount of temporary differences related to investments in subsidiaries | \$ 30,939 | 43,396 |

The dividend policies of the Group's second level subsidiaries, CSC Futures (HK) Ltd. was prescribed not to appropriate the retained earnings until December 31, 2025. Also, the Group does not plan to dispose of the investees in foreseeable future. Thus, the temporary differences related to investments in subsidiaries for the portion of not to intend to dispose or to appropriate are not recognized under deferred tax liabilities.

(iv) Income tax assessment status

- 1) The Company's income tax returns through 2022 were assessed by the Tax Authority.
- 2) Subsidiary - Capital Investment Management Corp.'s income tax returns through 2023 were assessed by the Tax Authority.
- 3) Subsidiary - Capital Futures Corp.'s income tax returns through 2023 were assessed by the Tax Authority.
- 4) Subsidiary - Capital International Technology Corp.'s income tax returns through 2023 were assessed by the Tax Authority.
- 5) Subsidiary - CSC Venture Capital Corp.'s income tax returns through 2023 were assessed by the Tax Authority.
- 6) Subsidiary - CSC Private Equity Co.'s income tax returns through 2023 were assessed by the Tax Authority.
- 7) Second level Subsidiary - CSC Private Equity Fund I Co.'s income tax returns through 2023 were assessed by the Tax Authority.

(v) Income tax administrative relief :

Since the Company still has discrepancies with the assessed income tax in year 2019, and the Company has filed for administrative relief. The additional tax was accrued based on conservative concept.

(u) Capital and other equity

(i) Capital stock

As of December 31, 2025 and 2024, the Company had authorized capital of \$30,000,000 and issued common stock were all 2,170,908 thousand shares, with a par value of \$10 per share.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Capital surplus

In accordance with the ROC Company Act amended in January 2012, realized capital surplus can only be used to cover accumulated deficit or to issue new shares or cash to shareholders in proportion to their share ownership, provided that the company has no accumulated deficit. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers”, the amount of capital surplus to be capitalized shall not exceed 10 percent of the paid-in capital each year.

The followings are the capital surplus of the Company:

| | December 31, 2025 | December 31, 2024 |
|---|------------------------------|------------------------------|
| Premium from stock issuance | \$ 1,661,604 | 1,661,604 |
| Treasury stock transactions | 486,556 | 486,556 |
| Paid-in capital from merger | 563,715 | 563,715 |
| Difference between consideration transferred and carrying amount of subsidiaries acquired and disposed | 1,042 | 1,042 |
| Changes in ownership interests in subsidiaries | <u>68,150</u> | <u>30,340</u> |
| | <u>\$ 2,781,067</u> | <u>2,743,257</u> |

(iii) Retained earnings

1) Legal reserve

If the company incurs no loss for the year, the distribution of the legal reserve, either by issuing new shares or by cash, shall be decided at the shareholders’ meeting, and only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.

2) Special reserve

In accordance with Article 41 of the “Securities and Exchange Act”, 20 percent of the current year’s earnings after tax should be set aside as special reserve. Ruling No. 1100365484 issued by the Financial Supervisory Commission on January 21, 2022, an equivalent amount of special reserve should be set aside from earnings after tax of the current year and the undistributed earnings of the prior period based on the decreased amount of stockholders’ equity. For the cumulative deduction in stockholders’ equity of the prior period, the equal amount of special reserve set aside based on undistributed earnings should not be distributed. If there is any reversal of the deduction in stockholders’ equity, the earnings may be distributed based on the reversal proportion.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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Originally in accordance with Ruling No. 10500278285 issued by the Financial Supervisory Commission on August 5, 2016, 0.5% to 1.0% of the current year's earnings after tax should be set aside as special reserve for year 2016 to 2018. From year 2017, the aforementioned special reserve can be reversed within an amount equal to the expenditures stemming from employee re-training, re-assignments, or relocations made necessary by the introduction of financial technology; However, in accordance with Ruling No. 1080321644 issued by the Financial Supervisory Commission on July 10, 2019, from year 2019, a special reserve can not to be set aside. From year 2019, the special reserve can be reversed within an amount equal to special reserve for prior year when the aforementioned fees being expended.

3) Undistributed earnings

According to the Company's Articles of Incorporation, after-tax earnings should first offset accumulated deficit, and then appropriated 10% as legal reserve, 20% as special reserve and any other as required by law.

The Company's earnings distribution was proposed by board of directors and is subject to the resolution of the shareholders' meeting. The shareholders' meeting may declare dividends after retaining a certain portion of earnings. The amount of earnings to distribute after retaining earnings must be higher than 10% of the distributable balance. According to the capital budget of the Company, the payout of stock dividend is for retaining necessary capital and the remainder can be paid as cash dividend. Cash dividend shall not fall below 10% of the total dividend.

The Company's fiscal year 2024 earnings distribution resolved by the shareholders' meeting on May 28, 2025, and fiscal year 2023 earnings distribution resolved by the shareholders' meeting on June 27, 2024. Dividends distributed to the owners were as follows:

| | 2024 | | 2023 | |
|----------------|---------------------|---|------------------|---|
| | Amount | Dividends per share (dollar) | Amount | Dividends per share (dollar) |
| Cash dividends | <u>\$ 3,256,362</u> | 1.50 | <u>2,887,307</u> | 1.33 |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Earnings per share

The basic earnings per share and dilutive earnings per share were calculated as follows:

| | For the years ended December 31, | |
|---|---|------------------|
| | 2025 | 2024 |
| Net income attributable to common shareholders of the Company | \$ <u>5,735,934</u> | <u>4,883,776</u> |
| Weighted-average number of common stock shares outstanding (thousands of shares) | <u>2,170,908</u> | <u>2,170,908</u> |
| Basic earnings per share (dollar) | \$ <u>2.64</u> | <u>2.25</u> |
| Effect of potentially dilutive common stock | <u>4,180</u> | <u>3,599</u> |
| - Employee remuneration (thousands of shares) (Note) | | |
| Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares) | <u>2,175,088</u> | <u>2,174,507</u> |
| Dilutive earnings per share (dollar) | \$ <u>2.64</u> | <u>2.25</u> |

Note: The number of shares issued was calculated based on the closing price at the reporting date.

(w) Items of the statements of comprehensive income

(i) Brokerage commissions

| | For the years ended December 31, | |
|---------------------------------------|---|------------------|
| | 2025 | 2024 |
| Brokerage commission from TSE market | \$ 3,777,199 | 3,842,425 |
| Brokerage commission from OTC market | 1,197,181 | 1,184,016 |
| Handling fee from security financing | 32,573 | 32,023 |
| Futures commission income - brokerage | 1,856,602 | 1,855,796 |
| Overseas subsidiaries | 29,728 | 15,857 |
| Others | <u>269,306</u> | <u>198,716</u> |
| | <u>\$ 7,162,589</u> | <u>7,128,833</u> |

(ii) Underwriting commissions

| | For the years ended December 31, | |
|--|---|----------------|
| | 2025 | 2024 |
| Revenue from underwriting securities on a firm commitment basis | \$ 79,074 | 72,432 |
| Handling fee revenues from underwriting securities on consignment | 1,276 | 1,227 |
| Processing fee revenues from underwriting operations | 38,727 | 42,308 |
| Revenue from underwriting consultation | 4,550 | 4,170 |
| Others | <u>4,135</u> | <u>8,861</u> |
| | <u>\$ 127,762</u> | <u>128,998</u> |

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Net gains (losses) on sale of trading securities

| | For the years ended December 31, | |
|---|---|-------------------------|
| | 2025 | 2024 |
| Gains (losses) on securities sold - proprietary trading | \$ 5,527,272 | 4,085,664 |
| Gains (losses) on securities sold - underwriting | 76,178 | 28,120 |
| Gains (losses) on securities sold - hedging | <u>1,761,218</u> | <u>2,423,820</u> |
| | <u>\$ 7,364,668</u> | <u>6,537,604</u> |

(iv) Interest revenue

| | For the years ended December 31, | |
|--|---|-------------------------|
| | 2025 | 2024 |
| Interest revenue - margin loans | \$ 961,785 | 1,053,598 |
| Interest revenue - bonds | 1,507,938 | 1,608,757 |
| Interest revenue - each customer in the account | 587,150 | 432,239 |
| Interest revenue - securities business money lending | 841,532 | 570,083 |
| Overseas subsidiaries | 9,970 | 26,833 |
| Others | <u>192,315</u> | <u>127,576</u> |
| | <u>\$ 4,100,690</u> | <u>3,819,086</u> |

(v) Net gains (losses) on measurement of trading securities at fair value through profit or loss

| | For the years ended December 31, | |
|-----------------------------------|---|-------------------------|
| | 2025 | 2024 |
| Trading securities - proprietary | \$ 2,248,695 | (309,688) |
| Trading securities - underwriting | 15,871 | 3,032 |
| Trading securities - hedging | <u>1,059,696</u> | <u>(627,472)</u> |
| | <u>\$ 3,324,262</u> | <u>(934,128)</u> |

(vi) Net gains (losses) on stock warrants issued

| | For the years ended December 31, | |
|---|---|-----------------------|
| | 2025 | 2024 |
| Gains on changes in fair value of stock warrants | \$ 10,337,540 | 17,219,248 |
| Gains on exercise of stock warrants before maturity | 62,653,690 | 73,093,737 |
| Losses on changes in fair value of stock warrants repurchased | (73,357,121) | (89,628,931) |
| Gains on expiration of stock warrants | 93,357 | 113,087 |
| Stock warrants issuance expenses | <u>(410,866)</u> | <u>(544,698)</u> |
| | <u>\$ (683,400)</u> | <u>252,443</u> |

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vii) Futures commission revenues

| | For the years ended December 31, | |
|---|---|----------------|
| | 2025 | 2024 |
| Futures commission revenues - CSC Futures (HK) Ltd. | \$ 546,308 | 319,734 |

Future commission revenues is the commission revenue from future trading by CSC Futures (HK) Ltd, the second level subsidiary, which is reflected under “Brokerage Commission Income”. The Group recognized the commission from CSC Futures (HK) Ltd as “Futures commission revenues” in the consolidated financial statements.

(viii) Commission expenses - future

| | For the years ended December 31, | |
|---|---|----------------|
| | 2025 | 2024 |
| Future trading - reconignment | \$ 255,988 | 250,164 |
| Future trading - introducing brokers | 3,353 | 2,902 |
| Commission expenses - CSC Futures (HK) Ltd. | 92,658 | 77,274 |
| | \$ 351,999 | 330,340 |

(ix) Employee benefits, depreciation, and amortization expenses

| | For the years ended December 31, | |
|------------------------------------|---|------------------|
| | 2025 | 2024 |
| Employee benefit expenses | | |
| Salary expense | \$ 4,036,614 | 3,367,322 |
| Health and labor insurance expense | 247,698 | 227,994 |
| Pension expense | 132,275 | 120,754 |
| Others | 128,725 | 113,488 |
| Depreciation expense | 438,825 | 435,440 |
| Amortization expense | 59,142 | 55,507 |
| | \$ 5,043,279 | 4,320,505 |

(x) Other operating expenses

| | For the years ended December 31, | |
|--------------------------------|---|------------------|
| | 2025 | 2024 |
| Rental expense | \$ 28,502 | 24,100 |
| Taxes | 1,083,444 | 1,060,928 |
| Information technology expense | 416,436 | 372,900 |
| Postage expense | 345,367 | 296,371 |
| Professional service fee | 38,916 | 38,392 |
| Security borrowed expense | 666,165 | 681,765 |
| Other expenses | 1,495,839 | 1,129,486 |
| | \$ 4,074,669 | 3,603,942 |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(xi) Other gains and losses

| | For the years ended December 31, | |
|---|---|------------------|
| | 2025 | 2024 |
| Financial revenue | \$ 1,671,807 | 1,542,864 |
| Currency exchange gains (losses) | (17,509) | 7,906 |
| Net gains (losses) on disposal of investment | 213,251 | 164,733 |
| Net gains (losses) on measurement of non-operating financial instruments at fair value through profit or loss | 41,151 | 13,828 |
| Revenue from bank's allocation fee | 184,636 | 202,942 |
| Dividend revenue | 135,855 | 88,342 |
| Gains on reversal of prior year's liabilities | 10,089 | 140,457 |
| Rental income | 189,104 | 181,518 |
| Others | 63,303 | 44,705 |
| | \$ 2,491,687 | 2,387,295 |

(xii) Remuneration to employees and directors

According to the Company's Articles of Incorporation, the Company shall appropriate 0.6% to 2.0% of its earnings, if applicable, as remuneration to employees. The Board of Directors shall determine if the employees' remuneration distributed, in the form of shares or in cash. The targets of remuneration shall include the employees of subsidiaries meeting certain specific requirement that shall be determined by the Company's Board of Directors. The Company shall also appropriate no more than 3% of the aforementioned amount of earnings as remuneration to the Directors. The proposal for the remuneration to employees and directors shall be reported to the shareholders' meeting. If there is accumulated deficit, specific amount shall be retained to cover, and appropriate the remainder in the aforementioned percentage as remuneration to employees and directors.

For the years ended December 31, 2025 and 2024, the estimated amounts of remuneration to employees were \$100,122 and \$88,718, respectively, and to directors were \$66,748 and \$29,285, respectively, which were calculated based on the Company's net profit before income tax and remuneration to employees and director multiple the earnings allocation percentage as stated under the Company's Articles of Incorporation and were recognized as operating expense. If the actual amounts were subsequently decided after the approval and the issuance date of the financial statements in the following year differ from the estimated amounts, the differences are accounted for as changes in accounting estimates and recognized in profit or loss in the following year. If the Board of Directors resolved to distribute the employees' remuneration in the form of shares, the number of shares of the distribution is based on the closing price of the day before the Board of Directors' meeting date.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023, the estimated amounts of remuneration to employees were \$88,718 and \$92,459, and to directors were \$29,285 and \$138,689 by the Company. The difference between actual employee remuneration of \$88,718 and \$73,000 and actual remuneration to directors of \$19,500 and \$17,926 were \$9,785 and \$140,222 in total. The difference was accounted for as changes in accounting estimates and would be recognized as profit or loss in 2025 and 2024. The information about the appropriations of remuneration to employees and to directors approved by the Board of Directors is available at the website of the Market Observation Post System.

For the years ended December 31, 2025 and 2024, the estimated amounts of remuneration to employees were \$19,909 and \$17,433 and to directors were \$20,208 and \$17,419 by the domestic subsidiaries of the Group, respectively.

(x) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. As of December 31, 2025 and 2024, the maximum credit exposure amounted to \$269,647,572 and \$251,623,021, respectively.

The regional distribution of financial assets' credit risk exposure amount which owned by the Group is as the list below. The region of exposure is mostly in Taiwan (accounted for 88.49%); secondly, is in Asia (accounted for 4.67%, exclusion of Taiwan); then, is in Europe (accounted for 3.61%). Compare to the same period of last year, there is no significant change in proportion of region of investments.

| <u>Region</u> | <u>December 31, 2025</u> | <u>December 31, 2024</u> |
|---------------------------|------------------------------|------------------------------|
| Taiwan | \$ 238,605,292 | 218,229,776 |
| Asia (Taiwan is excluded) | 12,600,707 | 12,777,068 |
| Europe | 9,738,554 | 9,249,483 |
| America | <u>8,703,019</u> | <u>11,366,694</u> |
| Total | <u>\$ 269,647,572</u> | <u>251,623,021</u> |

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Impairment loss

The Group's aging analysis of receivables at reporting date was as follows:

| | December 31, 2025 | | December 31, 2024 | |
|-----------------------------|-----------------------|----------------|-----------------------|----------------|
| | Gross carrying amount | Allowance | Gross carrying amount | Allowance |
| Not past due | \$ 82,278,970 | 32,794 | 69,389,188 | 29,602 |
| Past due 0~30 days | 3,700 | 3,700 | - | - |
| Past due 31~120 days | 47 | 47 | 213 | 213 |
| Past due 121~360 days | 1,476 | 1,476 | 1,653 | 1,653 |
| Past due more than 360 days | 262,845 | 262,845 | 269,377 | 269,377 |
| | <u>\$ 82,547,038</u> | <u>300,862</u> | <u>69,660,431</u> | <u>300,845</u> |

Allowance for doubtful debts under receivables and overdue receivables are recorded for the impairment loss. When a claim becomes definitely uncollectible, the allowance for doubtful debts should be written off to financial assets account. As of December 31, 2025 and 2024, the impairment losses of receivables were \$300,862 and \$300,845, respectively.

3) Credit risk of receivables and debt securities

Debt securities held by the Group including government bonds, listed and unlisted debt securities are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g).

The Group regards a financial asset as a default when the client of brokerage business is unable to fulfill the settlement obligation, which the counterparty is unable to pay the Group. Thus, the Group will recognize the impairment losses.

The loss allowance provision for the years ended December 31, 2025 and 2024 was as follows:

| | 12-month ECL | | | Lifetime ECL-not credit impaired | | | Lifetime ECL-credit impaired | | | Total |
|--|---------------------|--------------------------|-----------------------------------|----------------------------------|--------------------------|-----------------------------------|------------------------------|--------------------------|-----------------------------------|----------------|
| | Accrued receivables | Debt securities at FVOCI | Debt securities at amortized cost | Accrued receivables | Debt securities at FVOCI | Debt securities at amortized cost | Accrued receivables | Debt securities at FVOCI | Debt securities at amortized cost | |
| Balance on January 1, 2025 | \$ - | 12,595 | 2,103 | - | - | - | 300,845 | - | - | 315,543 |
| Provision or reversal of Impairment loss | - | (1,837) | (341) | - | - | - | 23,284 | - | - | 21,106 |
| Amounts written off | - | - | - | - | - | - | (21,700) | - | - | (21,700) |
| Effect of exchange rate | - | - | 18 | - | - | - | (1,567) | - | - | (1,549) |
| Balance on December 31, 2025 | <u>\$ -</u> | <u>10,758</u> | <u>1,780</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>300,862</u> | <u>-</u> | <u>-</u> | <u>313,400</u> |
| | | | | | | | | | | |
| | 12-month ECL | | | Lifetime ECL-not credit impaired | | | Lifetime ECL-credit impaired | | | Total |
| | Accrued receivables | Debt securities at FVOCI | Debt securities at amortized cost | Accrued receivables | Debt securities at FVOCI | Debt securities at amortized cost | Accrued receivables | Debt securities at FVOCI | Debt securities at amortized cost | |
| Balance on January 1, 2024 | \$ - | 9,682 | 1,721 | - | - | - | 297,746 | - | - | 309,149 |
| Provision or reversal of Impairment loss | - | 2,913 | 375 | - | - | - | 1,584 | - | - | 4,872 |
| Amounts written off | - | - | - | - | - | - | (273) | - | - | (273) |
| Effect of exchange rate | - | - | 7 | - | - | - | 1,788 | - | - | 1,795 |
| Balance on December 31, 2024 | <u>\$ -</u> | <u>12,595</u> | <u>2,103</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>300,845</u> | <u>-</u> | <u>-</u> | <u>315,543</u> |

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Liquidity risk

The following table shows the effect of contract maturity on financial liabilities. The Group does not expect that the cash flow included in the maturity analysis could occur significantly earlier or at significantly different amounts.

| | <u>Carrying amount</u> | <u>Contractual cash flows</u> | <u>Less than 6 months</u> | <u>6-12 months</u> | <u>1-2 years</u> | <u>2-5 years</u> | <u>More than 5 years</u> |
|---|----------------------------|-----------------------------------|-------------------------------|------------------------|------------------|------------------|------------------------------|
| December 31, 2025 | | | | | | | |
| Financial liabilities at fair value through profit or loss | | | | | | | |
| Liabilities on sale of borrowed securities | \$ 30,063,140 | 30,063,140 | 30,063,140 | - | - | - | - |
| Stock warrants issued | 1,988,875 | 1,988,875 | 1,804,965 | 174,987 | 8,923 | - | - |
| Put options | 165,882 | 165,882 | 165,882 | - | - | - | - |
| Equity derivatives | 10,860 | 10,860 | 10,860 | - | - | - | - |
| Interest rate swaps and Exchange rate derivatives (including IRS asset swaps) | 434,396 | 434,396 | 7,259 | 49,076 | 187,550 | 190,511 | - |
| Asset swap option - short position | 3,772,141 | 3,772,141 | 232,844 | 355,970 | 1,345,894 | 1,837,433 | - |
| Leverage derivatives - non-hedging | 18,191 | 18,191 | 18,191 | - | - | - | - |
| Structured notes | 224,448 | 224,448 | 20,267 | 6,351 | 12,967 | - | 184,863 |
| Short-term borrowings | 6,563,030 | 6,563,030 | 6,563,030 | - | - | - | - |
| Commercial paper payable | 54,271,018 | 54,400,000 | 54,400,000 | - | - | - | - |
| Bonds sold under repurchase agreements | 43,285,089 | 44,094,094 | 23,582,876 | 20,511,218 | - | - | - |
| Guarantee deposited for short sales | 2,564,848 | 2,564,848 | 2,564,848 | - | - | - | - |
| Proceeds payable from short sales | 2,863,691 | 2,863,691 | 2,863,691 | - | - | - | - |
| Securities lending refundable deposits | 16,352,311 | 16,352,311 | 16,352,311 | - | - | - | - |
| Futures traders' equity | 57,279,256 | 57,279,256 | 57,279,256 | - | - | - | - |
| Equity for each customer in the account | 44,167,892 | 44,167,892 | 44,167,892 | - | - | - | - |
| Leverage contract trading customers' equity | 571,630 | 571,630 | 571,630 | - | - | - | - |
| Notes payable and accounts payable | 386,400 | 386,400 | 386,400 | - | - | - | - |
| Receipts under custody | 299,580 | 299,580 | 299,580 | - | - | - | - |
| Other payables | 1,915,410 | 1,915,410 | 1,913,160 | 2,250 | - | - | - |
| Other financial liabilities | 9,568,687 | 9,568,687 | 7,650,822 | 921,090 | 551,140 | 445,635 | - |
| Lease liabilities | 531,618 | 543,801 | 116,893 | 100,575 | 184,634 | 141,027 | 672 |
| Long-term borrowings | <u>6,000,000</u> | <u>6,000,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,000,000</u> | <u>-</u> |
| | <u>\$ 283,298,393</u> | <u>284,248,563</u> | <u>251,035,797</u> | <u>22,121,517</u> | <u>2,291,108</u> | <u>8,614,606</u> | <u>185,535</u> |

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | <u>Carrying amount</u> | <u>Contractual cash flows</u> | <u>Less than 6 months</u> | <u>6-12 months</u> | <u>1-2 years</u> | <u>2-5 years</u> | <u>More than 5 years</u> |
|---|----------------------------|-----------------------------------|-------------------------------|------------------------|------------------|------------------|------------------------------|
| December 31, 2024 | | | | | | | |
| Financial liabilities at fair value through profit or loss | | | | | | | |
| Liabilities on sale of borrowed securities | \$ 21,808,058 | 21,808,058 | 21,808,058 | - | - | - | - |
| Stock warrants issued | 1,064,031 | 1,064,031 | 854,432 | 194,900 | 14,699 | - | - |
| Put options | 94,390 | 94,390 | 94,390 | - | - | - | - |
| Equity derivatives | 1,408 | 1,408 | 1,408 | - | - | - | - |
| Interest rate swaps and Exchange rate derivatives (including IRS asset swaps) | 292,474 | 292,474 | 2,730 | 7,013 | 100,976 | 181,755 | - |
| Asset swap option - short position | 2,781,544 | 2,781,544 | 160,425 | 340,580 | 1,043,668 | 1,236,871 | - |
| Leverage derivatives - non- hedging | 12,900 | 12,900 | 12,900 | - | - | - | - |
| Structured notes | 155,522 | 155,522 | 16,400 | 2,865 | 9,078 | 14,417 | 112,762 |
| Short-term borrowings | 7,304,896 | 7,304,896 | 7,304,896 | - | - | - | - |
| Commercial papers payable | 41,514,617 | 41,580,000 | 41,580,000 | - | - | - | - |
| Bonds sold under repurchase agreements | 53,622,868 | 54,594,750 | 35,154,961 | 19,439,789 | - | - | - |
| Guarantee deposited for short sales | 2,527,527 | 2,527,527 | 2,527,527 | - | - | - | - |
| Proceeds payable from short sales | 2,874,680 | 2,874,680 | 2,874,680 | - | - | - | - |
| Securities lending refundable deposits | 16,292,813 | 16,292,813 | 16,292,813 | - | - | - | - |
| Futures traders' equity | 48,552,145 | 48,552,145 | 48,552,145 | - | - | - | - |
| Equity for each customer in the account | 35,555,711 | 35,555,711 | 35,555,711 | - | - | - | - |
| Leverage contract trading customers' equity | 907,350 | 907,350 | 907,350 | - | - | - | - |
| Notes payable and accounts payable | 437,894 | 437,894 | 437,894 | - | - | - | - |
| Receipts under custody | 825,388 | 825,388 | 825,388 | - | - | - | - |
| Other payables | 1,414,546 | 1,414,546 | 1,413,476 | 1,070 | - | - | - |
| Other financial liabilities | 6,936,176 | 6,936,176 | 6,021,004 | 399,130 | 411,672 | 104,370 | - |
| Lease liabilities | 608,527 | 622,694 | 112,405 | 93,787 | 175,401 | 239,757 | 1,344 |
| Long-term borrowings | 4,497,142 | 4,500,000 | - | - | 4,500,000 | - | - |
| | <u>\$ 250,082,607</u> | <u>251,136,897</u> | <u>222,510,993</u> | <u>20,479,134</u> | <u>6,255,494</u> | <u>1,777,170</u> | <u>114,106</u> |

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Currency risk exposure

The Group's significant exposure to foreign currency risk of financial assets and liabilities is as follows:

| | December 31, 2025 | | |
|---------------------------------|---------------------------------|---------------|------------|
| | Foreign Currency (thousands) | Exchange Rate | Amount |
| <u>Financial assets</u> | | | |
| <u>Monetary Item</u> | | | |
| USD | \$ 1,286,566 | 31.4300 | 40,436,769 |
| AUD | 8,396 | 21.0100 | 176,400 |
| CAD | 14 | 22.9400 | 321 |
| CHF | 51 | 39.6150 | 2,020 |
| EUR | 14,287 | 36.9000 | 527,190 |
| GBP | 1,343 | 42.3300 | 56,849 |
| HKD | 158,391 | 4.0380 | 639,583 |
| JPY | 2,118,572 | 0.2008 | 425,409 |
| SGD | 165 | 24.4500 | 4,034 |
| CNY | 188,275 | 4.4960 | 846,484 |
| ZAR | 1,577 | 1.8940 | 2,987 |
| KRW | 174,620 | 0.0220 | 3,842 |
| THB | 11,564 | 1.0019 | 11,586 |
| MYR | 489 | 7.4805 | 3,658 |
| VND | 13,053,297 | 0.0012 | 15,664 |
| INR | 41,080 | 0.3495 | 14,357 |
| <u>Non-Monetary Item</u> | | | |
| USD | 666,091 | 31.4300 | 20,935,240 |
| AUD | 186,789 | 21.0100 | 3,924,437 |
| CHF | 83 | 39.6150 | 3,288 |
| EUR | 32,407 | 36.9000 | 1,195,818 |
| GBP | 2,008 | 42.3300 | 84,999 |
| HKD | 7,063 | 4.0380 | 28,520 |
| JPY | 47,933 | 0.2008 | 9,625 |
| CNY | 50,096 | 4.4960 | 225,232 |
| ZAR | 8 | 1.8940 | 15 |
| KRW | 60,192 | 0.0220 | 1,324 |

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | December 31, 2025 | | |
|-------------------------------------|---------------------------------|---------------|------------|
| | Foreign Currency (thousands) | Exchange Rate | Amount |
| <u>Financial liabilities</u> | | | |
| <u>Monetary Item</u> | | | |
| USD | \$ 1,984,806 | 31.4300 | 62,382,453 |
| AUD | 188,615 | 21.0100 | 3,962,801 |
| CHF | 23 | 39.6150 | 911 |
| EUR | 43,427 | 36.9000 | 1,602,456 |
| GBP | 2,939 | 42.3300 | 124,408 |
| HKD | 250,808 | 4.0380 | 1,012,763 |
| JPY | 1,916,665 | 0.2008 | 384,866 |
| SGD | 157 | 24.4500 | 3,839 |
| CNY | 124,267 | 4.4960 | 558,704 |
| KRW | 216,168 | 0.0220 | 4,756 |
| NZD | 4 | 18.1500 | 73 |
| THB | 758 | 1.0019 | 759 |
| MYR | 448 | 7.4805 | 3,351 |
| <u>Non-Monetary Item</u> | | | |
| USD | 353 | 31.4300 | 11,095 |
| AUD | 2 | 21.0100 | 42 |
| JPY | 32,008 | 0.2008 | 6,427 |
| SGD | 1 | 24.4500 | 24 |
| CNY | 2,387 | 4.4960 | 10,732 |
| NZD | 4 | 18.1500 | 73 |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | | | | December 31, 2024 | | |
|---------------------------------|----|-----------|--|--------------------------|----------------------|---------------|
| | | | | Foreign Currency | | |
| | | | | (thousands) | Exchange Rate | Amount |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary Item</u> | | | | | | |
| USD | \$ | 1,172,545 | | 32.7850 | | 38,441,888 |
| AUD | | 4,337 | | 20.3900 | | 88,431 |
| CAD | | 22 | | 22.8200 | | 502 |
| CHF | | 333 | | 36.2650 | | 12,076 |
| EUR | | 7,346 | | 34.1400 | | 250,792 |
| GBP | | 1,399 | | 41.1900 | | 57,625 |
| HKD | | 291,873 | | 4.2220 | | 1,232,288 |
| JPY | | 2,084,495 | | 0.2099 | | 437,536 |
| SGD | | 106 | | 24.1300 | | 2,558 |
| CNY | | 73,371 | | 4.4780 | | 328,555 |
| ZAR | | 2,688 | | 1.7500 | | 4,704 |
| KRW | | 287,550 | | 0.0225 | | 6,470 |
| NZD | | 45 | | 18.4700 | | 831 |
| THB | | 4,504 | | 0.9623 | | 4,334 |
| MYR | | 48 | | 7.0655 | | 340 |
| VND | | 8,681,559 | | 0.0013 | | 11,286 |
| SEK | | 1,273 | | 2.9900 | | 3,806 |
| INR | | 40,176 | | 0.3830 | | 15,387 |
| <u>Non-Monetary Item</u> | | | | | | |
| USD | | 739,696 | | 32.7850 | | 24,250,933 |
| AUD | | 124,292 | | 20.3900 | | 2,534,314 |
| CHF | | 58 | | 36.2650 | | 2,103 |
| EUR | | 27,908 | | 34.1400 | | 952,779 |
| HKD | | 15,056 | | 4.2220 | | 63,566 |
| JPY | | 49,254 | | 0.2099 | | 10,338 |
| CNY | | 34,639 | | 4.4780 | | 155,113 |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | December 31, 2024 | | |
|-------------------------------------|---------------------------------|---------------|------------|
| | Foreign Currency (thousands) | Exchange Rate | Amount |
| <u>Financial liabilities</u> | | | |
| <u>Monetary Item</u> | | | |
| USD | \$ 1,956,864 | 32.7850 | 64,155,786 |
| AUD | 122,088 | 20.3900 | 2,489,374 |
| CHF | 27 | 36.2650 | 979 |
| EUR | 33,901 | 34.1400 | 1,157,380 |
| GBP | 1,363 | 41.1900 | 56,142 |
| HKD | 449,178 | 4.2220 | 1,896,430 |
| JPY | 2,095,797 | 0.2099 | 439,908 |
| SGD | 140 | 24.1300 | 3,378 |
| CNY | 68,387 | 4.4780 | 306,237 |
| ZAR | 158 | 1.7500 | 277 |
| KRW | 284,314 | 0.0225 | 6,397 |
| THB | 1,533 | 0.9623 | 1,475 |
| VND | 3,158,805 | 0.0013 | 4,106 |
| SEK | 1,257 | 2.9900 | 3,758 |
| <u>Non-Monetary Item</u> | | | |
| USD | 241 | 32.7850 | 7,901 |
| AUD | 1 | 20.3900 | 20 |
| CAD | 2 | 22.8200 | 46 |
| JPY | 2,566 | 0.2099 | 539 |
| SGD | 1 | 24.1300 | 24 |
| ZAR | 3,181 | 1.7500 | 5,567 |
| NZD | 11 | 18.4700 | 203 |

Because there are a variety of functional currencies, the Group discloses a summary of currency exchange variation on the monetary items. For the years ended December 31, 2025 and 2024, the realized and unrealized currency exchange gains (losses) amounted to \$10,709 and \$(227,231), respectively.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Sensitivity analysis

The currency risk of the Group arises mainly from cash and cash equivalents, other receivables, security borrowing margin, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortized cost, customers' margin account, short-term borrowings, futures traders' equity, and securities lending refundable deposits, which are denominated in foreign currencies. Currency exchange gains or losses occur when translating the foreign currency assets to NTD assets. For the years ended December 31, 2025 and 2024, given other factors remain constantly, if the relevant foreign currencies, when compared with the NTD, had appreciates or depreciates by 5%, the net income and other comprehensive income will change as follows:

| | For the year ended December 31, 2025 | | For the year ended December 31, 2024 | |
|----------------------------|---|-------------|---|-------------|
| | Appreciated | Depreciated | Appreciated | Depreciated |
| | 5% | 5% | 5% | 5% |
| Net income | (679,327) | 679,327 | (681,986) | 681,986 |
| Other comprehensive income | 659,534 | (659,534) | 615,291 | (615,291) |

(iv) Sensitivity analysis of interest rate risk

The following sensitivity analysis is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments on the reporting date. For floating rate instruments, the sensitivity analysis assumes the liabilities are outstanding for the whole year at the reporting date. The variable rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. This is mainly attributable to the Group's exposure to floating rates on its bond position.

| Market risk type | December 31, 2025 | December 31, 2024 | For the years ended December 31, | | | | | |
|------------------|----------------------|----------------------|----------------------------------|-----------|-----------|-----------|-----------|-----------|
| | | | 2025 | | | 2024 | | |
| | | | Average | Maximum | Minimum | Average | Maximum | Minimum |
| Interest risk | 2,491,414 | 3,022,542 | 2,922,976 | 3,464,010 | 2,491,414 | 2,794,749 | 3,159,498 | 2,592,498 |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Fair value information and hierarchy

1) Fair value information

a) General description

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Initially, financial instruments should be measured at fair value, which mostly refers to transaction price. Except for those measured at amortized cost, financial instruments are subsequently measured at fair value. A quoted market in an active market provides the most reliable evidence of fair value. If the market is not active, the Group determines the fair value of financial instruments in accordance with (a) the calculation of valuation techniques, (b) valuation provided by the professional electronic information company and commonly used by market participants, or (c) quoted prices of the counter party.

b) Definition of fair value hierarchy

i) Level 1

The input of Level 1 is the public quote of the same financial instrument in an active market. An active market satisfies all the following conditions: Products traded in the market is of homogeneity; it is able to reach buyer and seller anytime in the market and the price information can be accessed by the public. The Group's investments in Taiwan central government bonds, equity instruments, debt instruments and derivative instruments with public quote in an active market belong to Level 1.

ii) Level 2

The input of Level 2 refers to observable price except public quote in an active market, including direct observable input parameters (such as price) or indirect observable input parameters (derivation from price). The bond instruments without public quotes in an active market and most of the derivative financial instruments of the Group belong to Level 2.

iii) Level 3

Level 3 means input in this level are based neither on direct market data nor from the counter party.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Not measured at fair value

As of December 31, 2025 and 2024, the fair value information of the financial assets and financial liabilities of the Group was as follows:

a) Fair value information

| | <u>December 31, 2025</u> | | <u>December 31, 2024</u> | |
|---|--------------------------|-------------------|--------------------------|-------------------|
| | <u>Book value</u> | <u>Fair value</u> | <u>Book value</u> | <u>Fair value</u> |
| Financial assets: | | | | |
| Cash and cash equivalents | \$ 14,666,156 | 14,666,156 | 9,289,189 | 9,289,189 |
| Bonds purchased under resale agreements | 210,718 | 210,718 | 250,121 | 250,121 |
| Accrued receivable | 140,347,143 | 140,347,143 | 119,935,659 | 119,935,659 |
| Customers' margin account | 57,416,523 | 57,416,523 | 48,810,284 | 48,810,284 |
| Leverage contract trading - customers' margin account | 572,040 | 572,040 | 907,903 | 907,903 |
| Restricted assets - current | 477,106 | 477,106 | 2,368,179 | 2,368,179 |
| Other non-current assets | 2,127,730 | 2,127,730 | 1,843,360 | 1,843,360 |
| Financial liabilities: | | | | |
| Short-term borrowings | 6,563,030 | 6,563,030 | 7,304,896 | 7,304,896 |
| Commercial paper payable | 54,271,018 | 54,271,018 | 41,514,617 | 41,514,617 |
| Bonds sold under repurchase agreements | 43,285,089 | 43,285,089 | 53,622,868 | 53,622,868 |
| Accrued payable | 91,361,857 | 91,361,857 | 71,575,756 | 71,575,756 |
| Futures traders' equity | 57,279,256 | 57,279,256 | 48,552,145 | 48,552,145 |
| Leverage contract trading - customers' equity | 571,630 | 571,630 | 907,350 | 907,350 |
| Other financial liabilities - current | 8,571,912 | 8,571,912 | 6,420,134 | 6,420,134 |
| Long-term borrowings | 6,000,000 | 6,000,000 | 4,497,142 | 4,497,142 |
| Other financial liabilities - non-current | 996,775 | 996,775 | 516,042 | 516,042 |
| Other non-current liabilities | 49,795 | 49,795 | 49,165 | 49,165 |

b) Hierarchy information of non-financial instruments not measured at fair value

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-----------------------------------|----------------|------------------|----------------|------------------|
| Debt securities at amortized cost | | | | |
| December 31, 2025 | \$ - | <u>5,584,918</u> | - | <u>5,584,918</u> |
| December 31, 2024 | \$ - | <u>6,639,189</u> | - | <u>6,639,189</u> |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- c) Valuation techniques used in estimating the fair values of financial instruments
- i) For short term financial instruments, the fair values are determined based on their book value because of their short maturities. Their carrying amounts is a reasonable approximation of the fair value. The method is applied to cash and cash equivalents, bonds purchased under resale agreements, accrued receivable, customers' margin account, leverage contract trading - customers' margin account, other current assets, other non-current assets, short-term borrowings, long-term borrowings, commercial paper payable, bonds sold under repurchase agreements, accrued payable, futures traders' equity, leverage contract trading-customers' equity, other financial liabilities-current, other financial liabilities-non-current, and other non-current liabilities.
- ii) The quoted market price is used as the fair value when the debt instrument investments measured at amortized cost have an active market, if there is no market price as reference, the fair values are determined based on evaluation approach. Estimation and assumption in which the Group applies on evaluation approach will be as same as information market participators use to estimate and assume when pricing financial instruments, and the information can be acquired by the Group.

3) Measured at fair value

a) Hierarchy information of fair value

The Group's financial instruments measured at fair value are evaluated on a recurring basis. The financial assets and liabilities measured at fair value were as follows:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------------|-------------------|------------------|--------------------|
| December 31, 2025 | | | | |
| Financial assets at fair value through profit or loss | \$ 55,572,067 | 29,659,800 | 2,955 | 85,234,822 |
| Financial assets at fair value through other comprehensive income | 2,800,579 | 23,855,968 | 4,997,217 | 31,653,764 |
| Derivative financial assets | <u>4,505,805</u> | <u>1,684,981</u> | - | <u>6,190,786</u> |
| | <u>\$ 62,878,451</u> | <u>55,200,749</u> | <u>5,000,172</u> | <u>123,079,372</u> |
| Financial liabilities at fair value through profit or loss | \$ 32,052,015 | - | - | 32,052,015 |
| Derivative financial liabilities | <u>187,019</u> | <u>4,438,899</u> | - | <u>4,625,918</u> |
| | <u>\$ 32,239,034</u> | <u>4,438,899</u> | - | <u>36,677,933</u> |

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|-----------------------------|--------------------------|-------------------------|---------------------------|
| December 31, 2024 | | | | |
| Financial assets at fair value through profit or loss | \$ 33,435,793 | 32,766,164 | 101,308 | 66,303,265 |
| Financial assets at fair value through other comprehensive income | 5,847,994 | 25,363,281 | 4,558,179 | 35,769,454 |
| Derivative financial assets | <u>2,216,050</u> | <u>1,021,640</u> | <u>-</u> | <u>3,237,690</u> |
| | <u>\$ 41,499,837</u> | <u>59,151,085</u> | <u>4,659,487</u> | <u>105,310,409</u> |
| Financial liabilities at fair value through profit or loss | \$ 22,872,089 | - | - | 22,872,089 |
| Derivative financial liabilities | <u>234,335</u> | <u>3,103,903</u> | <u>-</u> | <u>3,338,238</u> |
| | <u>\$ 23,106,424</u> | <u>3,103,903</u> | <u>-</u> | <u>26,210,327</u> |

- b) Valuation techniques of financial instruments measured at fair value
- i) Non-derivative financial instruments

The quoted market price is used as the fair value when the financial instruments have an active market. Publicly listed and over-the-counter traded equity instruments of primary stock exchanges along with central government bonds that are popular securities all regard active market quotes as the basis of fair value.

When quotes of financial instruments are obtained from the Stock Exchange, Reuters, Bloomberg, dealers or competent authorities and the prices represent arm's length transactions with sufficient frequency, the financial instruments are regarded as active market quotes. If the aforementioned requirements are not met, then the financial instruments are regarded as quotes without an active market. Large bid-ask spreads or low trade volumes are features of quotes without an active market.

Excluding the above mentioned financial instruments with active market quotes, the fair value of the remaining financial instruments are obtained by financial valuation models or referencing counterparty quotes. Fair value obtained through the calculations of financial valuation models include, but are not limited to, fair value references of substantive factors and characteristics from similar financial instruments, those obtained from the cash flow discounting method or those obtained by other financial valuation techniques. Fair values obtained through financial valuation techniques are derived from market information on the balance sheet date, and utilizes the fair values derived from the calculations of financial valuation models (for example referencing the yield curve from the Taipei Exchange, Reuters' average commercial paper interest et cetera).

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

ii) Derivative financial instruments

The fair value of derivative financial instruments is determined by using valuation model. Option instruments are determined by using Black-Scholes Model and non-option derivative financial instruments are determined by using discounted cash flow method. The market inputs for the valuation are derived from stock exchange market and independent financial information service institution, such as Stock Exchange, Futures Exchange, Reuters and Bloomberg. Closing price, settlement price, and the average rate of ask and bid price during certain specific time are adopted.

4) Transfer between Level 1 and Level 2

For the years ended December 31, 2025 and 2024, there is no transfer of financial instruments between Level 1 and Level 2.

5) Fair value adjustments

Financial valuation techniques do not necessarily completely reflect all relevant elements of financial or non-financial instruments held by the Group. Thus, the outputs of financial valuation models may need necessary adjustments in line with important relevant elements. The valuation models and adjustment parameters were verified to ensure valuation procedures and results are in accordance with the requirements, so the valuation adjustments are pertinent and appropriate. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market condition.

6) Movements of financial assets at fair value classified into Level 3

(In Thousands Dollars)

| Item | For the year ended December 31, 2025 | | | | | | | | |
|---|--------------------------------------|-------------------------------------|---|---------------------|------------------------|---------------------------|-------------------|--------------------------|------------------|
| | Beginning Balance | Gains and losses on valuation | | Addition | | Reduction | | | Ending Balance |
| | | Amount recognized in profit or loss | Amount recognized in comprehensive income | Purchased or issued | Transferred to Level 3 | Sold, disposed or settled | Capital reduction | Transferred from Level 3 | |
| Financial assets at fair value through profit or loss | \$ 101,308 | (2,328) | - | 26,000 | - | 14,025 | - | 108,000 | 2,955 |
| Financial assets at fair value through other comprehensive income | 4,558,179 | - | 340,301 | 170,097 | - | 1,000 | 3,410 | 66,950 | 4,997,217 |
| Total | \$ 4,659,487 | (2,328) | 340,301 | 196,097 | - | 15,025 | 3,410 | 174,950 | 5,000,172 |
| Item | For the year ended December 31, 2024 | | | | | | | | |
| | Beginning Balance | Gains and losses on valuation | | Addition | | Reduction | | | Ending Balance |
| | | Amount recognized in profit or loss | Amount recognized in comprehensive income | Purchased or issued | Transferred to Level 3 | Sold, disposed or settled | Capital reduction | Transferred from Level 3 | |
| Financial assets at fair value through profit or loss | \$ 102,630 | (1,322) | - | - | - | - | - | - | 101,308 |
| Financial assets at fair value through other comprehensive income | 3,602,562 | - | 130,793 | 882,000 | - | 3,500 | 676 | 53,000 | 4,558,179 |
| Total | \$ 3,705,192 | (1,322) | 130,793 | 882,000 | - | 3,500 | 676 | 53,000 | 4,659,487 |

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

7) Quantified information of fair value measurement for significant unobservable inputs (Level 3)

The Group's Level 3 fair value measurements are financial assets at fair value through other comprehensive income – equity instruments investment.

The Group's equity instruments investment without active market include multiple significant unobservable inputs. Those unobservable inputs of equity instrument without active market are independent from each other, thus, they are not correlative. Since the correlation between significant unobservable inputs and fair value cannot be fully measured in practical, the quantified information is not disclosed.

| <u>Item</u> | <u>Valuation technique</u> | <u>Significant unobservable inputs</u> | <u>Correlation between inputs and fair value</u> |
|---|----------------------------|---|---|
| Financial assets at fair value through profit or loss - equity instruments without an active market - private equity company limited | Market approach | <ul style="list-style-type: none"> • Price-to-Book Ratio • Discount for lack of marketability | <ul style="list-style-type: none"> • The higher the multiple, the higher fair value. • The higher the discount for lack of marketability, the lower the fair value. |
| Financial assets at fair value through other comprehensive income - equity instruments without an active market | Market approach | <ul style="list-style-type: none"> • Price-to-Book Ratio • Discount for lack of marketability | <ul style="list-style-type: none"> • The higher the multiple, the higher fair value. • The higher the discount for lack of marketability, the lower the fair value. |
| Financial assets at fair value through other comprehensive income - equity instruments without an active market - venture capital corporation | Net Asset Value Method | <ul style="list-style-type: none"> • Net Asset Value | Not applicable |

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 8) Fair value measurement to Level 3, and the sensitivity analysis of the substitutable appropriate assumption made on fair value

The fair value measurement that the Group made for the financial instruments is deemed reasonable; however, different valuation models or inputs could result in different valuation results. Specifically, if the valuation input of financial instruments classified in the Level 3 changes by 1%, the effects on other comprehensive income are as follows:

| | Change in fair value recognized in other comprehensive income | |
|---|--|-------------------------------|
| | Favorable change | Unfavorable change |
| December 31, 2025 | | |
| Financial assets at fair value through profit or loss | \$ <u>30</u> | <u>(30)</u> |
| Financial assets at fair value through other comprehensive income | \$ <u>49,972</u> | <u>(49,972)</u> |
| December 31, 2024 | | |
| Financial assets at fair value through profit or loss | \$ <u>1,013</u> | <u>(1,013)</u> |
| Financial assets at fair value through other comprehensive income | \$ <u>45,582</u> | <u>(45,582)</u> |

Favorable and unfavorable movements of the Group refer to the fluctuation of fair value, and the fair value is calculated through the valuation technique according to the unobservable inputs to different extent. If the fair value of a financial instrument is affected by more than one input, the above table only illustrates the effect as a result of one single input, and the correlation and variance among multiple inputs are not listed here.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vi) Transfer of financial assets

The transferred financial assets of the Group which are not qualified for de-recognition in the daily operation are mainly debt securities under repurchase agreements or equity securities under securities lending agreement. Since the right to receive cash flow is transferred and it reflects the associated liabilities to repurchase transferred financial assets at fixed price in future period, the Group cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since the Group still bears the interest rate risk and credit risk, so transferred financial assets are not fully derecognized. Financial assets that do not meet criteria for de-recognition and related financial liabilities are as below:

| December 31, 2025 | | | | | |
|----------------------------------|---|---|--|--|---------------------------------------|
| Types of financial assets | Book value of the transferred financial assets | Book value of relevant financial liabilities | Fair value of the transferred financial assets (Note) | Fair value of relevant financial liabilities (Note) | Fair value net position (Note) |
| Under repurchase agreements | \$ <u>45,085,545</u> | <u>43,285,089</u> | <u>-</u> | <u>-</u> | <u>-</u> |

| December 31, 2024 | | | | | |
|----------------------------------|---|---|--|--|---------------------------------------|
| Types of financial assets | Book value of the transferred financial assets | Book value of relevant financial liabilities | Fair value of the transferred financial assets (Note) | Fair value of relevant financial liabilities (Note) | Fair value net position (Note) |
| Under repurchase agreements | \$ <u>55,605,652</u> | <u>53,622,868</u> | <u>-</u> | <u>-</u> | <u>-</u> |

Note: The counterparties in repurchase agreements hold the right of recourse not merely on the transferred assets against the Group; hence according to IFRS7p42D(d), disclosure of the fair values of transferred assets and their relevant liabilities and fair value net position is not mandatory.

(vii) Offsetting financial assets and financial liabilities

The Group did not hold any financial instruments contracts which meet Section 42 of IAS 32 endorsed by the FSC therefore, the financial assets and financial liabilities of the above instruments shall be offset on the balance sheet.

The Group has transactions, such as repurchase and resell agreements, that are or are similar to net settled master netting arrangements but do not meet the offsetting criteria. The above transactions are settled on a net basis after offsetting financial assets with financial liabilities if both parties of the transaction choose to use net settlement; the above transactions are settled on a gross basis if both parties do not choose to use net settlement. However, if one party defaults, the other party can choose to use net settlement.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The offsetting of financial assets and liabilities information is as below:

| December 31, 2025 | | | | | | |
|--|--|---|---|--|------------------------------|---------------------------|
| Financial assets under offsetting or general agreement of net amount settlement or similar norms | | | | | | |
| | Gross amount of recognized financial assets (a) | Gross amount of recognized financial liabilities offsetting in the balance sheet (b) | Net amount of financial assets presented in the balance sheets (c)=(a)-(b) | Related amount not offset in the balance sheet (d) | | Net amount (e)=(c)-(d) |
| | | | | Financial instruments (Note) | Cash received as collaterals | |
| Derivative financial assets | \$ 1,684,981 | - | 1,684,981 | - | - | 1,684,981 |

| December 31, 2025 | | | | | | |
|---|---|--|--|--|------------------------------|---------------------------|
| Financial liabilities under offsetting or general agreement of net amount settlement or similar norms | | | | | | |
| | Gross amount of recognized financial liabilities (a) | Gross amount of recognized financial assets offsetting in the balance sheet (b) | Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b) | Related amount not offset in the balance sheet (d) | | Net amount (e)=(c)-(d) |
| | | | | Financial instruments (Note) | Cash received as collaterals | |
| Derivative financial liabilities | \$ 4,460,036 | - | 4,460,036 | - | - | 4,460,036 |
| Under repurchase agreements | 43,285,089 | - | 43,285,089 | 43,285,089 | - | - |
| Total | \$ 47,745,125 | - | 47,745,125 | 43,285,089 | - | 4,460,036 |

| December 31, 2024 | | | | | | |
|--|--|---|---|--|------------------------------|---------------------------|
| Financial assets under offsetting or general agreement of net amount settlement or similar norms | | | | | | |
| | Gross amount of recognized financial assets (a) | Gross amount of recognized financial liabilities offsetting in the balance sheet (b) | Net amount of financial assets presented in the balance sheets (c)=(a)-(b) | Related amount not offset in the balance sheet (d) | | Net amount (e)=(c)-(d) |
| | | | | Financial instruments (Note) | Cash received as collaterals | |
| Derivative financial assets | \$ 1,021,640 | - | 1,021,640 | - | - | 1,021,640 |

| December 31, 2024 | | | | | | |
|---|---|--|--|--|------------------------------|---------------------------|
| Financial liabilities under offsetting or general agreement of net amount settlement or similar norms | | | | | | |
| | Gross amount of recognized financial liabilities (a) | Gross amount of recognized financial assets offsetting in the balance sheet (b) | Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b) | Related amount not offset in the balance sheet (d) | | Net amount (e)=(c)-(d) |
| | | | | Financial instruments (Note) | Cash received as collaterals | |
| Derivative financial liabilities | \$ 3,243,848 | - | 3,243,848 | - | - | 3,243,848 |
| Under repurchase agreements | 53,622,868 | - | 53,622,868 | 53,622,868 | - | - |
| Total | \$ 56,866,716 | - | 56,866,716 | 53,622,868 | - | 3,243,848 |

Note: Including netting settlement agreement and non-cash financial collaterals.

(y) Financial risk management

(i) Brief

The Group is exposed to the following risks due to the usage of financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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The disclosure hereby presents above-mentioned risk information, evaluation, and objectives, policies, and procedures of managing information. Further information regarding quantity disclosure please refers to related disclosures.

(ii) Risk management framework

The risk management system includes the set-up of an independent risk management department and whole risk management framework which comprises segregation of duties and delegation of board of directors, president, risk management department, auditing department, finance department, settlement and clearing department and other business department. The Group also established an operating strategy, capital structure, risk management policy and executive procedure by risk and operating activities. Furthermore, the Group set up a risk management information system to assist whole risk management execute effectively.

(iii) Credit risk

1) Determining whether credit risk has increased significantly since initial recognition

- a) The Group measures each financial instrument that applies under IFRS9 if the credit risk of financial asset at the reporting date has increased significantly since initial recognition. The Group considers reasonable and supportable information that is relevant and available, including forward-looking information, since initial recognition for assessment. Main factors taking into consideration include credit risk rating and information of past due condition.
- b) Low Credit Risk: A financial instrument has low credit risk at the reporting date, assumed to have no significant increase in credit risk since initial recognition. The determination criteria are the financial instrument's external credit rating is 'investment grade' or above.

2) Measurement of Expected Credit Losses (ECL)

a) Methods adopted and assumptions

The Group applies 12-month ECLs to measure the impairment loss of financial instruments, which have not increased significantly since initial recognition. For those financial instruments have increased significantly after initial recognition or with credit loss, the Group adopts lifetime ECLs to measure.

In order to measure ECLs, the Group takes into the future 12 months and lifetime probability of default (PD) on the financial assets, issuer, and counterparty to the possibility of Loss given default (LGD), then multiplies the amount of exposure at default (EAD) with the consideration of time value on currency, to calculate the 12 month and lifetime ECLs respectively.

Probability of PD is the probability of defaults occurring of an issuer or the counterparty. Probability of LGD is the percentage of the amount of loss incurred when issuers or the counterparty default. The probability of PD and LGD used by the Group was referring to the information periodically release from international credit rating institutions such as S&P, Moody's and Fitch. The Group measures EAD by the amortized cost plus interest receivables of financial instruments.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Liquidity risk

Liquidity risk refers to the risk that the Group cannot meet obligations because of the inability to obtain adequate funding or liquidate of other financial assets to settle the financial liabilities. It includes financial funding risk and financial market liquidity risk.

Besides decentralizing the financial institutions, the Group also to diversify the financing channels for funding. The Group plans and controls the daily funding operation in advance as the need for funding from various business situations. Also utilizes the simulation analysis mechanism of special event to keep up with the abnormal funding need from the system risks. The Group has set up the rules based on the different risk factors such as issue amount, trading volume, counterparty and etc. to address the liquidity risk of each holding position. Moreover, the Group operates a dynamic monitoring of the volatility of market to manage the liquidity risk of holding positions.

(v) Market risk

Market risk refers to the risk that change in market prices, exchange rates, interest rates and equity instrument prices, which will affect the Group's revenue or the value of its holdings of financial instruments.

The Group has set up the trading quotas and upper limit of Value at Risk ("VaR") in all operation to ensure the capital adequacy ratio meets the qualification requirements and maximum loss limit to be controlled. The different risk factors that the Group uses to measure the market risk are as follows:

- 1) Equity securities: calculate by variance-covariance method and to conduct back testing to estimate the VaR of one day at 99% of confidence interval.
- 2) Bond: use the base point (0.01%) value as the controlling base, and estimate the VaR of one day at 99% of confidence interval.
- 3) Financial derivatives: use the Delta and Gamma value as the controlling base, and estimate the VaR of one day at 99% of confidence interval.
- 4) Margin trading: use the maintenance ratio ruled by the competent authority as the standard for disposal.

Each business departments of the Group can utilize approved financial hedging instruments (such as Futures, Options, Swap and etc.) to adjust the risk level to improve the risk management system implemented.

(vi) Hedging strategies (financial hedging)

The Group's strategies use financial derivatives to hedge market price fluctuations in the attainable scope. The Group sets up each business quota, the capacity for tolerating risk and hedging strategy according to risk tolerance and establishes a monitoring system to understand variation of hedging position. In addition, the Group also formulates principal to conduct over or under limitations with hedging position.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Equity securities:

As equity securities price fluctuate, the Group will suffer losses when the unfavorable variation of equity securities price is incurred. To reduce the above risk, the Group not only relies on its well-designed risk management system but also uses index futures and options to hedge the market risk of equity securities.

2) Fixed income instruments:

Risk of fixed income instruments is mainly affected by the fluctuations of market rate. The Group will suffer losses when unfavorable variation of market rate is incurred. The Group uses financial derivatives such as interest rate swap, government bond futures and bond options whose variation in fair value and cash flow are negative correlated with the hedged position to hedge the market risk.

3) Stock warrants:

The market risk of stock warrants issued arises from the fluctuations of market price of the underlying securities and the risk of investors' exercising the stock warrants. The Group will acquire stock warrants of the same underlying securities issued by others whose theoretical price was underestimated to hedge against the fluctuations. Furthermore, the Group will also adjust the hedged position such as the underlying securities, convertible corporate bonds and stock warrants based on the dynamic hedging strategies with the variation of Delta.

4) Structured notes:

Structured notes are the combination of fixed income and asset option. The market risk includes variation of interest rate, stock price and the volatility. In order to hedge the interest rate risk in the fixed income aspect, the Group uses the interest which it generates from investing to repay the principal due. In the asset option aspect, the Group establishes related hedged position to hedge the stock price and the volatility risk.

5) Asset swap:

Convertible bond asset swap is a hybrid derivative comprising of an interest rate swap and a call option on a convertible bond. The related risks are market risk and credit risk of the counterparties. The Group manages its risk through selling of the interest rate swap and options with third parties and verifies its counterparty's credit limit to lower the above risk.

(vii) Financial risk information of financial derivatives and other financial instruments as approved by the authority

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of December 31, 2025 and 2024, the related financial risk and the presentation of the Group's financial derivatives and other financial instruments as approved by the authority were as follows:

Stock warrants

- (i) Notional principal (nominal amount) and credit risk

| Financial Instruments | December 31, 2025 | | December 31, 2024 | |
|-----------------------|--|----------------|--|----------------|
| | Notional principal / Nominal amount | Credit Risk | Notional principal / Nominal amount | Credit Risk |
| For trading purpose: | | | | |
| Stock warrants issued | \$ 37,930,671 | - | 31,046,844 | - |

The Group collects premium from investors prior to issuing stock warrants, and therefore, does not assume any credit risk.

- (ii) Market risk:

Market risk of stock warrants issued arises from changes in prices of the underlying securities. Market risk can be hedged by adjusting the positions of stock warrants and hedging instruments.

- (iii) Liquidity risk, cash flow risk, and the amount, period, and uncertainty of future cash demand:

The Group establishes hedging positions by collecting margins or premium prior to the issue of stock warrants, which are based on the underlying securities. Therefore, there is no significant funding demand. Furthermore, since the underlying security are restricted by certain market prices and diversification requirements, the risk of being unable to sell securities at reasonable prices is rather low; likewise for liquidity risk as well. The only risk is capital demands resulting from hedged positions adjusted for changes in securities prices. However, under the assumption of good market liquidity, cash flow risk is assessed to be low.

The duration of stock warrants issued is three months to two years from the issue date. Except for cash flows from hedging transactions, there is no additional cash demand.

- (iv) Type, purpose, and strategy of financial derivatives held:

The Group's strategy is to avoid most of the market risk. Non-trading marketable securities hedging positions are used to hedge against risk from investors' exercising of stock warrants. These underlying securities used as hedging instruments exhibit highly positive correlation with the fair values of stock warrants issued, and positions held are evaluated and adjusted periodically.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Presentation of financial derivatives

Relevant transaction pertaining to issuance of stock warrants, its presentation and valuation, and gains or losses on sale and expiration and settlement prior to maturity date, were reflected as follows:

1) For the years ended December 31, 2025 and 2024:

a) Gains (losses) on valuation

| | For the years ended December 31, | | Account |
|----------------------------|----------------------------------|--------------|---|
| | 2025 | 2024 | |
| Stock warrants issued | \$ 21,776,554 | 29,058,735 | Gains (losses) on stock warrants issued |
| Stock warrants repurchased | (22,661,637) | (28,468,679) | Gains (losses) on stock warrants issued |

b) Gains (losses) on sale

| | For the years ended December 31, | | Account |
|------------------------------|----------------------------------|-----------|--|
| | 2025 | 2024 | |
| Security borrowing | \$ (119,797) | (8,226) | Gains (losses) on covering of borrowed securities and bonds with resale agreements |
| Trading securities - hedging | 446,113 | 695,473 | Gains (losses) on sale of trading securities |
| Futures transaction | (40,517) | (359,762) | Gains (losses) on derivative financial instruments - futures |

c) Gains (losses) on maturity

| | For the years ended December 31, | | Account |
|----------------------------|----------------------------------|--------------|---|
| | 2025 | 2024 | |
| Stock warrants issued | \$ 51,308,033 | 61,367,337 | Gains (losses) on stock warrants issued |
| Stock warrants repurchased | (50,695,484) | (61,160,252) | Gains (losses) on stock warrants issued |

Futures

(i) Notional principal (nominal amount) and credit risk:

Please refer to note 12(a) for the notional principal and nominal amount as of December 31, 2025 and 2024.

Should counterparties to futures and options default, the associated loss is borne by the futures commission merchants. Hence, the Group is subject to insignificant credit risk.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Market risk:

Market risk resulted from the purchase and sale of futures and options. Since the fair values of futures and options are available, and stop-loss points are established in order to manage risk, the Group can confine losses to a predictable range. Therefore, there is no significant market risk.

For non-trading futures or options contracts, gain or loss from the fluctuations of index tends to offset gain and loss of the hedged items. Hence, there is no significant market risk.

(iii) Liquidity risk, cash flow risk, and the amount, period and uncertainty of future cash demand:

The open positions of futures and options held by the Group can be settled on the market at reasonable prices, and as such there is no liquidity risk.

Futures trading are considered as margin transactions. Margins are collected in advance and valued daily on open futures positions established by the Group. For margin calls, the Group has sufficient operating funds to meet the liquidity requirement. As a result, there is no liquidity risk, cash flow risk, or significant cash demand.

For options trading, premiums are collected or paid in advance. If the counterparty of a short put position exercises the option, the Group has sufficient operating funds to meet the liquidity requirement. Therefore, there is no liquidity risk, no cash flow risk, and no significant cash demand.

(iv) Presentation of financial derivatives:

| | December 31, 2025 | December 31, 2024 | Account |
|---|---|------------------------------|--|
| Futures margin - security | \$ 701,795 | 394,650 | Financial assets at fair value through profit or loss - current |
| Futures margin - proprietary fund | 3,664,637 | 1,541,089 | Financial assets at fair value through profit or loss - current |
| Futures margin - excess margin | 4,105,334 | 3,442,899 | Cash and cash equivalent |
| Buy options | 139,373 | 280,311 | Financial assets at fair value through profit or loss - current |
| Sale options | 165,882 | 94,390 | Financial liabilities at fair value through profit or loss - current |
| | For the years ended December 31, | | |
| | 2025 | 2024 | Account |
| Gains (losses) on futures transactions | \$ 986,464 | (882,448) | Gains (losses) on derivatives - futures |
| Gains (losses) on futures transactions - security | (2,717) | (8,305) | Gains (losses) on securities for futures margin at fair value through profit or loss |

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Derivative instruments - OTC

(i) Interest rate financial derivatives

1) Notional principal (nominal amount) and credit risk:

| Financial Instruments | December 31, 2025 | | December 31, 2024 | |
|--------------------------|--|----------------|--|----------------|
| | Notional principal / Nominal amount | Credit Risk | Notional principal / Nominal amount | Credit Risk |
| For trading purpose: | | | | |
| NT dollar interest swaps | \$ 7,400,000 | - | 8,000,000 | - |

Counterparties to interest rate swaps are banks with good credit ratings. The Group pays fixed and collects floating interest payments. Since the trend of interest rate is stabilized, no default is expected and credit risk is accordingly remote.

2) Market risk:

Non-trading NT dollar interest rate swaps are primarily held for hedging. Gain or loss from the fluctuations of interest rate tends to offset gains and losses of the hedged items, and therefore market risk is insignificant.

In order to manage risk, stop loss points are established in accordance to the changes in the contract value of trading NT dollar interest rate. Loss is kept within prediction, and therefore there is no significant market risk.

3) Liquidity risk, cash flow risk, and the amount, period, and uncertainty of future cash demand:

The Group's non-trading NT dollar interest rate swaps are used to hedge against interest rate fluctuations of claims and obligations. On the settlement date, interest receivables or payables are derived from multiplying the notional principals by interest rate differences, and the amount is insignificant. Given that there is no physical transfer of principals on maturity, there is no liquidity risk, cash flow risk, or significant cash demand.

For trading NT dollar interest rate swaps, the interest receivables or payables are derived through multiplying of its notional principals by interest rate differences on the settlement dates; and the amount is insignificant. Given that there is no physical transfer of principals on maturity, there is no liquidity risk, cash flow risk, or significant cash demand associated.

4) Type, purpose, and strategy of financial derivatives held:

The Group entered into non-trading NT dollar interest rate swaps with banks to hedge against interest rate fluctuations of claims and obligations. The Group's strategy is to avoid most of the market risk. Financial derivatives exhibiting highly negative correlation with the fair value of hedged items are used as hedging instruments and evaluated periodically.

The Group engages in trading NT dollar interest rate swaps to gain from the differences in interest rates upon evaluation of the trending of interest rates.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Structured notes

1) Notional principal (nominal amount) and credit risk:

| Financial Instruments | December 31, 2025 | | December 31, 2024 | |
|---|--|----------------|--|----------------|
| | Notional principal / Nominal amount | Credit Risk | Notional principal / Nominal amount | Credit Risk |
| For trading purpose: | | | | |
| Equity-linked notes | \$ 437,000 | - | 330,000 | - |
| Principal guaranteed notes | 6,602,937 | - | 5,634,024 | - |
| Credit-linked notes | 2,265,200 | - | 1,046,400 | - |
| Principal guaranteed notes (in USD thousands) | USD 14,680 | - | USD 1,845 | - |

The Group collects premium from investors prior to conducting structured note transactions, and therefore, does not assume any credit risk.

2) Market risk

For structured notes, the respective products are exercised at their fair value and the hedged items all have fair values. Therefore, there is no significant market risk of structured notes.

3) Liquidity risk, cash flow risk, and the amount, period, and uncertainty of future cash demand:

The Group collects premium from investors prior to transacting in structured notes, therefore there is no significant liquidity risk.

(iii) Convertible bond asset swaps

1) Notional principal (nominal amount) and credit risk:

| Financial Instruments | December 31, 2025 | | December 31, 2024 | |
|-----------------------|--|----------------|--|----------------|
| | Notional principal / Nominal amount | Credit Risk | Notional principal / Nominal amount | Credit Risk |
| For trading purpose: | | | | |
| IRS asset swaps | \$ 9,666,500 | - | 6,127,100 | - |
| Asset swap options | 23,782,900 | - | 19,454,000 | - |

Counterparties to convertible bond asset swaps are institutions with good credit ratings. The Group swaps a predetermined interest rate with the interest payable and interest expense arising from the convertible bond with counterparties. Since the counterparties are governed by relevant regulatory authorities, and the Group maintains good credit risk control over counterparties, the credit risks is minimal.

For convertible bond options, the Group collects premium or margins from investor prior to issuing convertible bond options, and therefore, there is no credit risk.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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2) Market risk:

For convertible bond asset swaps, the Group swaps a predetermined interest rate with the interest payable and interest expense arising from the convertible bond with counterparties. Therefore, there is no market risk.

For convertible bond options, since the exercise price of the convertible bonds acquired through underwriting or proprietary trading is determined on the contract date, there is no market risk.

3) Liquidity risk, cash flow risk, and the amount, period, and uncertainty of future cash demand:

Convertible bonds acquired through underwriting or proprietary trading are the underlying assets of asset swaps. The underlying assets are sold to the counterparties for commission. Within the term of the contract, the Group swaps a predetermined interest rate with the interest payable and interest expense arising from the convertible bond with counterparties. The Group also receives the right to call the convertible bond prior to the expiration of the contract. Therefore, there is no significant liquidity risk or significant cash demand.

(iv) Options

1) Notional principal (nominal amount) and credit risk:

| Financial Instruments | December 31, 2025 | | December 31, 2024 | |
|------------------------------|---|------------------------|---|------------------------|
| | Notional principal/ Nominal amount | Credit Risk | Notional principal/ Nominal amount | Credit Risk |
| For trading purpose: | | | | |
| Equity options | \$ 477,804 | - | 524,813 | - |

The counterparties that the Group entered into derivative transactions with are all well-known financial institutions with good credit ratings. The Group does not expect the counter-party will default. Therefore, the credit risk is minimal.

2) Market risk:

Market risk of trading equity options results from the purchase and sale of options. Since the fair values of options are available, and stop-loss points are established in order to manage risk, the Group can confine losses to a predictable range. Therefore, there is no significant market risk.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 3) Liquidity risk, cash flow risk, and the amount of future cash demand:

For equity options, premiums are collected or paid in advance. If the counterparty of a short put position exercises the option, the Group has sufficient operating funds to meet the liquidity requirement. As a result, there is no liquidity risk, no cash flow risk, and no significant cash demand.

- (v) Leverage derivatives

- 1) Notional principal (nominal amount) and credit risk:

| Financial Instruments | December 31, 2025 | | December 31, 2024 | |
|-------------------------------------|---|------------------------|---|------------------------|
| | Notional principal/ Nominal amount | Credit Risk | Notional principal/ Nominal amount | Credit Risk |
| For trading purpose: | | | | |
| Leverage derivatives-long position | \$ 2,507,950 | - | 5,647,635 | - |
| Leverage derivatives-short position | 2,489,229 | - | 5,645,208 | - |

The Group does the KYC process before trading, and gives counterparties appropriate leverage multiples and risk ratings based on their financial status and past trading experience. Besides, the Group collects margins from counterparties and sets the Pre-Settlement Risk (PSR) to manage credit risk. The Group examines the limits regularly to insure their overall credit risk is acceptable, and therefore the risk is controllable.

- 2) Market risk:

The Group has established the product types, trading quotas, market risk limits, stop-loss and stop-right standards to manage market risk, and therefore losses are within predictable range.

- 3) Liquidity risk, cash flow risk, and the amount of future cash demand:

The Group monitors the concentration rate and trading volume, and selects registered brokers which have related licenses, experience and a certain amount of asset to cover the position to meet the liquidity need and control the liquidity risk.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vi) Presentation of derivative instruments in financial statement

As of December 31, 2025 and 2024, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps, exchange rate derivatives and interest rate swaps were presented on the balance sheets as follows:

| | <u>December 31, 2025</u> | <u>December 31, 2024</u> |
|--|------------------------------|------------------------------|
| Financial assets at fair value through profit or loss - current | | |
| IRS asset swaps | \$ 18,708 | 48,834 |
| Asset swap options - long position | 1,482,197 | 785,194 |
| Leverage derivatives - non-hedging | 117,508 | 153,147 |
| Structured notes | 1,128 | 2,623 |
| Exchange rate derivatives | 56,566 | 27,503 |
| Interest rate swaps | 143 | 243 |
| Equity derivatives | <u>8,731</u> | <u>4,096</u> |
| Total | <u>\$ 1,684,981</u> | <u>1,021,640</u> |
| Financial liabilities at fair value through profit or loss - current | | |
| IRS asset swaps | \$ 434,077 | 292,254 |
| Asset swap options - short position | 3,772,141 | 2,781,544 |
| Leverage derivatives - non-hedging | 18,191 | 12,900 |
| Structured notes | 39,585 | 42,760 |
| Exchange rate derivatives | 319 | 220 |
| Equity derivatives | <u>10,860</u> | <u>1,408</u> |
| Total | <u>\$ 4,275,173</u> | <u>3,131,086</u> |
| Financial liabilities at fair value through profit or loss - non-current | | |
| Structured notes | <u>\$ 184,863</u> | <u>112,762</u> |
| Other financial liabilities - current | | |
| Structured notes principal value | <u>\$ 8,571,912</u> | <u>6,420,134</u> |
| Other financial liabilities - non-current | | |
| Structured notes principal value | <u>\$ 996,775</u> | <u>516,042</u> |

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024, relevant transactions of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps, exchange rate derivatives and interest rate swaps are presented in the statements of income as follows:

| | For the year ended December 31, 2025 | | For the year ended December 31, 2024 | |
|---------------------------------------|--|------------------------------|--|------------------------------|
| | Gains (losses) on derivative instruments - OTC | Unrealized Gains (losses) | Gains (losses) on derivative instruments - OTC | Unrealized Gains (losses) |
| | Interest rate swaps | \$ 3 | 143 | 3 |
| Equity derivatives | 15,783 | 13,304 | 6,914 | (13,174) |
| Structured notes | (164,442) | (25,031) | (94,202) | (17,323) |
| IRS asset swaps | (11,284) | (11,862) | (2,132) | (1,809) |
| Asset swap options | (1,138,719) | 1,806,153 | (728,697) | 1,365,666 |
| Exchange rate derivatives | 80,831 | 56,246 | 280,699 | 27,324 |
| Leverage derivatives - non-hedging | 120,099 | 66,133 | 97,391 | 4,978 |
| Total | <u>\$ (1,097,729)</u> | <u>1,905,086</u> | <u>(440,024)</u> | <u>1,365,905</u> |

(z) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The capital base includes shares capital, capital surplus and retained earnings. The Board of Directors monitors the return on capital as well as the level of dividends to make sure the Group has sufficient financial resources to cope with the future need of operating fund, capital expenditure and other operating need.

The Group maintains no change of its capital management. The Group's capital adequacy ratio is as below:

| | December 31, 2025 | December 31, 2024 |
|------------------------|----------------------|----------------------|
| Capital adequacy ratio | 276 % | 278 % |

(aa) Financing activities not affecting current cash flow

The Group's financing activities which did not affect the current cash flow in the years ended December 31, 2025 and 2024, were as follows:

For Right-of-use assets, please refer to note 6(h).

| | January 1, 2025 | Cash flows | Non-cash changes | | | December 31, 2025 |
|-------------------|--------------------|------------------|------------------|---------------------------------|-----------------------|----------------------|
| | | | Other | Foreign exchange movement | Fair value changes | |
| Lease liabilities | <u>\$ 608,527</u> | <u>(228,295)</u> | <u>151,689</u> | <u>(303)</u> | <u>-</u> | <u>531,618</u> |
| | January 1, 2024 | Cash flows | Non-cash changes | | | December 31, 2024 |
| | | | Other | Foreign exchange movement | Fair value changes | |
| Lease liabilities | <u>\$ 724,417</u> | <u>(221,451)</u> | <u>104,464</u> | <u>1,097</u> | <u>-</u> | <u>608,527</u> |

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(7) Related-party transactions:

- (a) Parent company and ultimate controlling party

The Company is the parent company and the ultimate controlling party of the consolidated company.

- (b) Names of related parties and relationships

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

| <u>Names of related parties</u> | <u>Relationships</u> |
|--|------------------------------------|
| Capital Insurance Advisory Corp. | Subsidiary |
| Capital Investment Trust Corp. | Associate |
| Funds issued by Capital Investment Trust Corp. | Funds issued by associate (Note 1) |
| Chuan Yi Construction Corp. | Related party in substance |
| Bao Zuo Investment Corp. | Related party in substance |
| Sheng Hsiang Enterprise Corp. | Related party in substance |
| Fu Tai Construction Corp. | Related party in substance |
| Feng Yang Investment Corp. | Related party in substance |
| Chuan Yi Investment Corp. | Related party in substance |
| Bao Ching Investment Corp. | Related party in substance |
| Bao Sheng Investment Corp. | Related party in substance |
| Fu Ding Investment Corp. | Related party in substance |
| Run Xiang Industrial Corp. | Related party in substance |
| Yu Bao Industrial Corp. | Related party in substance |
| Tai-Chun Enterprise Co., Ltd. | Related party in substance |
| Kwang Hsing Industrial Corp. | Corporate directors (Note 2) |
| Other related parties | Key management personnel |

Note 1: According to the “Clarification on the Identification of Related Parties” IFRS Q&A issued by the Accounting Research and Development Foundation in June 2025, the funds issued by Capital Investment Trust Corp. are no longer considered related parties. Furthermore, based on the transitional Q&A issued by the Financial Supervisory Commission in July 2025, the new requirements shall apply starting from the 2025 annual financial statements. There is no need to restate comparative period information or retrospectively adjust the relationships and transactions of related parties that were previously identified and disclosed.

Note 2: The term of office of the corporate directors ended on May 27, 2025

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Notes to the Consolidated Financial Statements

(c) Key management personnel transactions

(i) Key management personnel compensation

| | For the years ended December 31, | |
|------------------------------|---|----------------|
| | 2025 | 2024 |
| Short-term employee benefits | \$ 377,769 | 344,291 |
| Post-employment benefits | 3,880 | 3,341 |
| Share-based Payment | 1,962 | - |
| Total | <u>\$ 383,611</u> | <u>347,632</u> |

(ii) Bonds sold under repurchase agreements

| | For the years ended December 31, | |
|---------------------------------|---|-------------|
| Total financial expenses | 2025 | 2024 |
| Other related parties | <u>\$ -</u> | <u>19</u> |

Transactions terms are the same as the general clients.

(iii) Structured notes transactions - remaining balance

| | December 31, | December 31, |
|-----------------------|---------------------|---------------------|
| | 2025 | 2024 |
| Other related parties | <u>\$ 72,000</u> | <u>67,700</u> |

(iv) Futures transactions

| | December 31, | December 31, |
|--------------------------------------|---------------------|---------------------|
| <u>Future Traders' equity</u> | 2025 | 2024 |
| Other related parties | <u>\$ 1,801</u> | <u>3,032</u> |

(v) Brokerage and sub-brokerage

| | For the years ended December 31, | |
|------------------------------|---|---------------|
| Brokerage commissions | 2025 | 2024 |
| Other related parties | <u>\$ 6,049</u> | <u>66,744</u> |

| | For the years ended December 31, | |
|--|---|--------------|
| Re-consigned handling commissions | 2025 | 2024 |
| Other related parties | <u>\$ 675</u> | <u>2,212</u> |

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vi) Other expense

| | For the years ended December 31, | |
|-----------------------|---|-------------|
| Other expense | 2025 | 2024 |
| Other related parties | \$ 585 | 496 |

(d) Significant transactions with related parties

(i) Bonds sold under repurchase agreements

| | December 31, 2025 | | December 31, 2024 | |
|---------------------------|--------------------------|-----------------------|--------------------------|-----------------------|
| | Par value | Purchase price | Par value | Purchase price |
| Subsidiaries | \$ 12,000 | 12,000 | - | - |
| Funds issued by associate | 751,000 | 751,000 | 712,000 | 712,000 |
| Total | \$ 763,000 | 763,000 | 712,000 | 712,000 |

| | For the years ended December 31, | |
|---------------------------------|---|---------------|
| Total financial expenses | 2025 | 2024 |
| Subsidiaries | \$ 214 | 45 |
| Funds issued by associate | 17,678 | 13,051 |
| Total | \$ 17,892 | 13,096 |

Transaction terms are the same as the general clients.

(ii) Financial assets transactions

The Company held securities publicly raised by related parties, and their ending amount and related gains and losses were as followed :

| | | December 31, 2025 | | December 31, 2024 | |
|---------------------------|---|-----------------------------|----------------------|-----------------------------|----------------------|
| | | Ending shares (Note) | Ending amount | Ending shares (Note) | Ending amount |
| Funds issued by associate | Financial assets at fair value through profit or loss - current | <u>168,728</u> | <u>\$ 2,839,593</u> | <u>117,763</u> | <u>2,376,959</u> |

Notes: Amounts in thousand shares.

| | For the years ended December 31, | | | |
|---------------------------|---|-----------------|---------------------------------|-----------------|
| | 2025 | | 2024 | |
| | Gain or loss on disposal | Dividend | Gain or loss on disposal | Dividend |
| Funds issued by associate | \$ 258,290 | 177,992 | 399,873 | 204,716 |

| | December 31, 2025 | December 31, 2024 |
|--------------------|--------------------------|--------------------------|
| Prepayments | | |
| Associates | \$ 9,641 | 12,574 |

Transaction terms are the same as the general clients.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Futures transactions

| Futures traders' equity | December 31, 2025 | December 31, 2024 |
|---------------------------------|--|------------------------------|
| Funds issued by associate | \$ 689,052 | 384,333 |
| Total financial expenses | | |
| Total financial expenses | For the years ended December 31, 2025 | 2024 |
| Funds issued by associate | \$ 8,253 | 1,101 |

Transaction terms are the same as the general clients.

(iv) Lease agreements

Lessor

| Lease revenue | For the years ended December 31, | |
|------------------------------------|---|------------------------------|
| | 2025 | 2024 |
| Associates | \$ 17,794 | 17,658 |
| Guarantee deposits received | | |
| Guarantee deposits received | December 31, 2025 | December 31, 2024 |
| Associates | \$ 4,429 | 4,429 |

Lease period and rent collection method is based on lease agreements. Transaction terms are the same as the general clients.

Lessee

- 1) The Group leases office places from related party in substance for operation, and lease period is seven to nine years. The aggregate contractual value of the lease is \$936,085 and rent is paid monthly. As of December 31, 2025 and 2024, the refundable deposits were \$29,317 and \$29,278.
- 2) Acquisition of right-of-use assets

There was no new acquisition of right-of-use assets of the Company in the periods for the year ended December 31, 2025.
- 3) Lease liabilities

| | December 31, 2025 | December 31, 2024 |
|----------------------------|------------------------------|------------------------------|
| Related party in substance | \$ 301,098 | 410,041 |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Financial expenses

| | For the years ended December 31, | |
|----------------------------|---|--------------|
| | 2025 | 2024 |
| Related party in substance | \$ 4,949 | 6,054 |

(v) Custody account business

| | For the years ended December 31, | |
|---|---|---------------------|
| | 2025 | 2024 |
| Custody account business revenue(Account to rental income) | | |
| Related party in substance | \$ 123,859 | 123,859 |
| | December 31, | December 31, |
| Other accounts receivable | 2025 | 2024 |
| Related party in substance | \$ 8,379 | 8,379 |

(vi) Insurance commission revenues

The Group assists subsidiaries in recruiting insurance contracts and charging commission revenues. The details were as follows:

| | For the years ended December 31, | |
|----------------------------|---|--------------|
| | 2025 | 2024 |
| Commission revenues | | |
| Subsidiaries | \$ 7,124 | 6,592 |

(vii) Brokerage and sub-brokerage

Due to the involvement of related parties in securities and futures transactions, for the years ended December 31, 2025 and 2024, commission revenues charged by the Group were as follows:

| | For the years ended December 31, | |
|------------------------------|---|--------------------|
| | 2025 | 2024 |
| Brokerage commissions | | |
| Funds issued by associate | \$ 20,967 | 24,390 |
| Related party in substance | 853 | 458 |
| Corporate directors | - | 66 |
| Total | \$ 21,820 | 24,914 |
| | Re-consigned handling | commissions |
| | 2025 | 2024 |
| Funds issued by associate | \$ 767 | 241 |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(viii) Fund services business

| Fund services revenue | For the years ended December 31, | |
|---------------------------------|---|---------------------|
| Associates | 2025 | 2024 |
| | \$ <u>80</u> | <u>183</u> |
| | | |
| Channel services revenue | For the years ended December 31, | |
| Associates | 2025 | 2024 |
| | \$ <u>80</u> | <u>183</u> |
| | | |
| Account receivable | December 31, | December 31, |
| Associates | 2025 | 2024 |
| | \$ <u>10</u> | <u>16</u> |

(ix) Wealth management business

| Trust account commissions revenue | For the years ended December 31, | |
|---|---|---------------|
| Associates | 2025 | 2024 |
| | \$ <u>5,197</u> | <u>15,696</u> |
| | | |
| Trust account management fee revenue | For the years ended December 31, | |
| Associates | 2025 | 2024 |
| | \$ <u>1,556</u> | <u>1,623</u> |

(x) Underwriting business

| Stock service income | For the years ended December 31, | |
|-----------------------------|---|---------------------|
| Associates | 2025 | 2024 |
| | \$ <u>122</u> | <u>122</u> |
| | | |
| Accounts receivable | December 31, | December 31, |
| Associates | 2025 | 2024 |
| | \$ <u>10</u> | <u>10</u> |

(xi) Other revenue and expense

| Other revenue | For the years ended December 31, | |
|----------------------------|---|--------------|
| Associates | 2025 | 2024 |
| | \$ <u>3</u> | <u>3</u> |
| | | |
| Other expense | For the years ended December 31, | |
| Related party in substance | 2025 | 2024 |
| | \$ <u>1,363</u> | <u>1,724</u> |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(xii) Accrued receivable

| <u>Accounts receivable/ Other receivables</u> | <u>December 31, 2025</u> | <u>December 31, 2024</u> |
|---|------------------------------|------------------------------|
| Subsidiaries | \$ <u>196</u> | <u>94</u> |

(xiii) Custody account business

| <u>Custody account business revenue</u> | <u>For the years ended December 31,</u> | |
|---|---|--------------|
| | <u>2025</u> | <u>2024</u> |
| Second-level subsidiaries (note) | \$ <u>5,408</u> | <u>7,352</u> |

| <u>Accounts receivable</u> | <u>December 31, 2025</u> | <u>December 31, 2024</u> |
|----------------------------------|------------------------------|------------------------------|
| Second-level subsidiaries (note) | \$ <u>389</u> | <u>677</u> |

Note: The Company provides custody account business for customers of the second-level subsidiary CSC Securities (HK) Ltd. The custody account is for the customers of the second-level subsidiary to trade and custody the relevant funds and securities as FINI. The second-level subsidiary recorded custody account business on a net basis, recognizing net income and net accrued receivable. Therefore, there are no custodian costs and payables to the Company on the book of the second-level subsidiary that need to be eliminated in the consolidated financial statements.

(xiv) The Company provided the Letter of Comfort to the banks which loaned to subsidiaries CSC International Holdings Ltd. and CSC Securities (HK) Ltd.

(8) Pledged assets:

The following assets were pledged as collateral or restricted in use:

| | <u>December 31, 2025</u> | <u>December 31, 2024</u> | <u>The collateral use</u> |
|---|------------------------------|------------------------------|--|
| Restricted assets - current | \$ 477,106 | 2,368,179 | Bank borrowings, accounts settled, repurchase agreement. |
| Restricted assets - non-current | 49,875 | 49,875 | Guarantee deposit for provisional seizure |
| Trading securities | 21,396,887 | 32,263,584 | Repurchase agreement |
| Financial assets at fair value through other comprehensive income - Bonds | 18,331,724 | 17,468,365 | Repurchase agreement |
| Property (net amount) | 1,838,931 | 1,854,741 | Bank borrowings |
| Financial assets at fair value through profit or loss - non-current | 179,227 | 177,730 | Guaranty deposited for bills, interest rate swaps business, structured notes business, settlement fund and compensation reserve for trust business |
| Financial assets at amortized cost - non-current(par value) | 5,558,564 | 6,635,873 | Repurchase agreement |
| Investment property (net amount) | <u>3,267,730</u> | <u>3,285,085</u> | Bank borrowings |
| Total | <u>\$ 51,100,044</u> | <u>64,103,432</u> | |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(9) Significant contingent liability and unrecognized contract commitment:

- (a) Information of handling margin purchase and short sale lending operations in securities trading are as follows:

| | December 31, 2025 | | December 31, 2024 | |
|---|-----------------------|--------------|-----------------------|-----------|
| | Shares (in thousands) | Par value | Shares (in thousands) | Par value |
| Securities procured through margin purchase | 554,978 | \$ 5,549,780 | 565,843 | 5,658,430 |
| Collateral for margin purchase | 8,840 | 88,405 | 7,056 | 70,564 |
| Lending securities to customers through short sales | 29,415 | 294,150 | 35,765 | 357,650 |
| Collateral for short sales | 5,811 | 58,110 | 6,681 | 66,810 |

- (b) Information of the collateral provided or the securities borrowed of refinancing margin from securities finance companies are as follows:

| | December 31, 2025 | | December 31, 2024 | |
|---|-----------------------|-----------|-----------------------|-----------|
| | Shares (in thousands) | Par value | Shares (in thousands) | Par value |
| Securities borrowed from securities finance companies | 890 | \$ 8,900 | 434 | 4,340 |

- (c) Information of issuing promissory notes in connection with bank loans and issuance of commercial paper are as follows:

| | December 31, 2025 | December 31, 2024 |
|-------------------------------------|----------------------|-------------------|
| Promissory notes | <u>\$ 34,890,000</u> | <u>37,520,000</u> |
| Promissory notes (in USD thousands) | <u>USD 85,000</u> | <u>USD 85,000</u> |

- (d) As of December 31, 2025 and 2024, the market values of collaterals which received from customers on conducting borrowing and lending business with unrestricted purposes were \$77,662,203 and \$69,834,694, respectively.
- (e) A resigned employee of Wan-Hua branch was accused of privately soliciting investment to scam. The clients filed a lawsuit against the Company alleged for taking joint responsibility of compensation of \$2,798. The case is under the trial of Taiwan Taipei District Court. The Company assesses that it is not liable for compensation, thus the Company unrecognized this amount.
- (f) A resigned employee of Xi-Song branch scammed the clients. The clients filed a lawsuit against the Company alleged for taking joint responsibility of compensation of \$16,375. The first instance ruled that the company should jointly and severally compensate the plaintiff \$41 and interest. The plaintiff refused to accept and filed an appeal, and the Company also filed a side appeal. The second instance claimed the case in favor of the Company, and it is not liable for compensation, thus the Company unrecognized this amount.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (g) A resigned employee of Nei-Hu branch was accused of inducing clients to use unrestricted-purpose loans to obtain funds, thereby infringing the plaintiff's rights to stocks registered under borrowed names. The client filed a lawsuit against the Company alleged for taking joint responsibility of compensation of \$11,397. The case is under the trial of Taiwan Shilin District Court. The Company assesses that it is not liable for compensation, thus the Company unrecognized this amount.
- (h) The Company provided the Letter of Comfort to the banks which loaned to its subsidiary CSC International Holdings Ltd. and CSC Securities (HK) Ltd.
- (i) According to the Article 17 of Enforcement Rules of the Trust Enterprise Act, the balance sheet, income statement and property list of trust accounts were declared as follows:
- (i) Balance sheet of trust accounts

Balance Sheet of Trust Accounts

December 31, 2025 and 2024

| Trust Assets | December 31, 2025 | December 31, 2024 | Trust Liabilities | December 31, 2025 | December 31, 2024 |
|-----------------------|------------------------------|------------------------------|---------------------------------|------------------------------|------------------------------|
| Bank deposits | \$ 936,243 | 970,063 | Accounts payable | \$ 54 | 2,783 |
| Short-term investment | | | Trust capital | 15,952,509 | 15,029,805 |
| Funds | 9,403,383 | 8,885,379 | Net income | 995,612 | 660,679 |
| Stocks | 654,556 | 1,420,008 | Accumulated earnings or deficit | 509,816 | 160,390 |
| Bonds | 1,693,865 | 1,566,961 | | | |
| Structured notes | 4,719,333 | 2,969,620 | | | |
| Accounts receivable | <u>50,611</u> | <u>41,626</u> | | | |
| Total Assets | <u>\$17,457,991</u> | <u>15,853,657</u> | Total Liabilities | <u>\$17,457,991</u> | <u>15,853,657</u> |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Income statement of trust accounts

Income Statement of Trust Accounts**For the years ended December 31, 2025 and 2024**

| | For the years ended December 31, | |
|--------------------------------|---|----------------|
| | 2025 | 2024 |
| Trust revenue | | |
| Interest revenue | \$ 270,462 | 141,460 |
| Cash dividends revenue | 284,591 | 279,317 |
| Rental revenue | 16,257 | 41,252 |
| Investment gains - realized | 46,822 | 207,102 |
| Investment gains - unrealized | 670,059 | 594,442 |
| Other revenue | 1,230 | - |
| Subtotal | 1,289,421 | 1,263,573 |
| Trust expense | | |
| Management fee | 1,029 | 2,162 |
| Service fee | 26,418 | 29,727 |
| Investment losses - unrealized | 265,468 | 569,831 |
| Other fees | 36 | 126 |
| Subtotal | 292,951 | 601,846 |
| Gain (loss) before income tax | 996,470 | 661,727 |
| Less: Income tax expense | 858 | 1,048 |
| Net gain (loss) | \$ 995,612 | 660,679 |

(iii) Property list of trust accounts

Property list of trust accounts**December 31, 2025 and 2024**

| Investment items | December 31, 2025 | December 31, 2024 |
|-------------------------|------------------------------|------------------------------|
| Bank deposits | \$ 936,243 | 970,063 |
| Short-term investment | | |
| Funds | 9,403,383 | 8,885,379 |
| Stocks | 654,556 | 1,420,008 |
| Bonds | 1,693,865 | 1,566,961 |
| Structured Notes | 4,719,333 | 2,969,620 |
| Other assets | 50,611 | 41,626 |
| Total | \$ 17,457,991 | 15,853,657 |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(10) Significant Catastrophic Loss: None

(11) Significant Subsequent Events: None

(12) Other:

(a) As of December 31, 2025 and 2024, the open positions of futures and option contracts were as follows:

(i) December 31, 2025

| Item | Trading category | Open positions | | Contract size or paid for (received from) premium | Fair value | Note |
|--------------------|-----------------------------------|----------------|---------------------|---|--------------|------|
| | | Long/Short | Number of contracts | | | |
| Futures contract : | | | | | | |
| | Single Stock Futures | Long | 12,941 | \$ 2,291,743 | 2,343,742 | |
| | Single Stock Futures | Short | 34,693 | (16,080,738) | (17,124,342) | |
| | TAIEX Futures | Long | 266 | 1,519,344 | 1,546,005 | |
| | TAIEX Futures | Short | 268 | (1,538,825) | (1,555,438) | |
| | Mini TAIEX Futures | Long | 729 | 1,048,564 | 1,058,479 | |
| | Mini TAIEX Futures | Short | 21 | (30,460) | (30,465) | |
| | Micro TAIEX Futures | Short | 1,121 | (313,596) | (325,261) | |
| | Finance Sector Index Futures | Long | 24 | 58,386 | 57,653 | |
| | Electronic Sector Index Futures | Short | 40 | (262,857) | (278,400) | |
| | Mini Electronic Futures | Short | 16 | (13,423) | (13,920) | |
| | 10 Year U.S. T Note Futures | Long | 5 | 17,716 | 17,670 | |
| | 10 Year U.S. T Note Futures | Short | 61 | (216,713) | (215,569) | |
| | 10 Year U.S. T Bond Futures | Short | 2 | (7,221) | (7,230) | |
| | Ultra U.S. Treasury Bond | Long | 629 | 2,371,090 | 2,332,797 | |
| | 10 Year Euro Bond | Long | 30 | 141,307 | 141,220 | |
| | Brent Crude Oil Futures | Short | 287 | (555,911) | (548,892) | |
| | Crude Oil Futures | Long | 62 | 113,265 | 111,892 | |
| | FTSE China A50 Index Futures | Long | 4,336 | 2,097,939 | 2,082,366 | |
| | E-mini S&P 500 Futures | Long | 7 | 75,938 | 75,821 | |
| | E-mini S&P 500 Futures | Short | 12 | (130,892) | (129,979) | |
| | Gold Futures | Short | 56 | (762,705) | (764,068) | |
| | HHI Futures | Long | 20 | 36,242 | 35,950 | |
| | HHI Futures | Short | 68 | (122,424) | (122,231) | |
| | Mini TOPIX Futures | Short | 6 | (4,117) | (4,113) | |
| | TOPIX Futures | Short | 3 | (20,602) | (20,563) | |
| | JPY Futures | Long | 49 | 124,461 | 123,562 | |
| | JPY Futures | Short | 54 | (137,210) | (136,170) | |
| | Micro Gold Futures | Long | 38 | 52,697 | 51,847 | |
| | Refined Copper Futures | Short | 23 | (97,131) | (102,687) | |
| | Mini-HSI Futures | Short | 103 | (107,754) | (106,674) | |
| | Micro E-mini Nasdaq Futures | Long | 70 | 112,265 | 112,015 | |
| | E-mini Nasdaq Futures | Long | 55 | 891,498 | 880,116 | |
| | Micro E-mini Dow Futures | Long | 62 | 47,583 | 47,095 | |
| | E-mini Russell 2000 Index Futures | Short | 2 | (7,963) | (7,851) | |
| | SGX Nikkei 225 Index Futures | Long | 2 | 9,956 | 10,129 | |
| | SGX Nikkei 225 Index Futures | Short | 15 | (76,236) | (75,970) | |
| | E-mini Dow Futures | Short | 24 | (183,032) | (182,304) | |
| | US Dollar Index Futures | Short | 78 | (240,799) | (240,366) | |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| Item | Trading category | Open positions | | Contract size or paid for (received from) premium | Fair value | Note |
|--------------------|--|----------------|---------------------|---|------------|------|
| | | Long/Short | Number of contracts | | | |
| Futures contract : | | | | | | |
| | Micro E-mini S&P 500 Futures | Short | 20 | \$ (21,518) | (21,663) | |
| | Silver Futures | Long | 5 | 54,571 | 55,476 | |
| | Silver Futures | Short | 14 | (157,137) | (155,334) | |
| | Micro Silver Futures | Long | 2 | 4,629 | 4,438 | |
| | 2 Year U.S. T Note Futures | Long | 5 | 32,799 | 32,811 | |
| | 2 Year U.S. T Note Futures | Short | 25 | (164,032) | (164,056) | |
| | 30 Year U.S. Treasury Bonds | Long | 42 | 152,822 | 152,591 | |
| | 30 Year U.S. Treasury Bonds | Short | 8 | (29,129) | (29,065) | |
| | Soybean Futures | Short | 40 | (69,513) | (65,846) | |
| | China Index Futures | Long | 67 | 71,106 | 71,229 | |
| | FTSE Taiwan Index Futures | Short | 158 | (469,106) | (470,970) | |
| | Vietnam Index Futures | Long | 2 | 485 | 485 | |
| | Mini Finance Sector Index Futures | Short | 22 | (13,223) | (13,212) | |
| | CME BTC | Short | 6 | (82,124) | (82,229) | |
| | GIN Futures | Short | 54 | (88,743) | (89,191) | |
| | 10 Year Japanese Treasury Bond | Long | 10 | 266,763 | 265,879 | |
| | UK Long-term Bonds | Long | 1 | 3,871 | 3,868 | |
| | KOSPI 200 Futures | Short | 3 | (9,955) | (10,037) | |
| | SGX TWN | Long | 10 | 29,469 | 29,577 | |
| | Subtotal | | | (10,388,580) | | |
| Options contract : | | | | | | |
| | TAIEX Options (Call) | Long | 3,046 | \$ 58,942 | 101,081 | |
| | TAIEX Options (Put) | Long | 4,707 | 56,946 | 25,248 | |
| | TAIEX Options (Call) | Short | 2,722 | (95,748) | (139,595) | |
| | TAIEX Options (Put) | Short | 2,879 | (23,551) | (14,565) | |
| | TAIEX Options W1 (Call) | Long | 108 | 581 | 627 | |
| | TAIEX Options W1 (Put) | Long | 178 | 816 | 704 | |
| | TAIEX Options W1 (Call) | Short | 58 | (86) | (116) | |
| | TAIEX Options W1 (Put) | Short | 45 | (220) | (126) | |
| | Stock Options (Call) | Long | 394 | 3,347 | 5,202 | |
| | Stock Options (Put) | Long | 360 | 1,893 | 555 | |
| | Stock Options (Call) | Short | 271 | (2,054) | (2,687) | |
| | Stock Options (Put) | Short | 199 | (766) | (815) | |
| | Electronic Sector Index Options (Call) | Long | 20 | 145 | 159 | |
| | Electronic Sector Index Options (Put) | Long | 20 | 199 | 55 | |
| | Electronic Sector Index Options (Put) | Short | 3 | (35) | (5) | |
| | Finance Insurance Index Options (Call) | Long | 100 | 1,318 | 2,243 | |
| | Finance Insurance Index Options (Put) | Long | 82 | 841 | 828 | |
| | Finance Insurance Index Options (Call) | Short | 144 | (364) | (726) | |
| | Finance Insurance Index Options (Put) | Short | 29 | (110) | (52) | |
| | TAIEX Options F2 (Call) | Long | 2 | 32 | 41 | |
| | TAIEX Options F2 (Put) | Long | 16 | 99 | 76 | |
| | TAIEX Options F2 (Call) | Short | 78 | (607) | (716) | |
| | TAIEX Options F2 (Put) | Short | 58 | (370) | (310) | |
| | TAIEX Options F1 (Call) | Long | 277 | 1,010 | 1,632 | |
| | TAIEX Options F1 (Put) | Long | 421 | 2,114 | 922 | |
| | TAIEX Options F1 (Call) | Short | 359 | (2,939) | (5,571) | |
| | TAIEX Options F1 (Put) | Short | 418 | (1,303) | (598) | |
| | Subtotal | | | 130 | | |
| Total | | | | \$ (10,388,450) | | |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) December 31, 2024

| Item | Trading category | Open positions | | Contract size or paid for (received from) premium | Fair value | Note |
|--------------------|-----------------------------------|----------------|---------------------|---|-------------|------|
| | | Long/Short | Number of contracts | | | |
| Futures contract : | | | | | | |
| | Single Stock Futures | Long | 11,348 | \$ 3,059,688 | 3,055,657 | |
| | Single Stock Futures | Short | 11,481 | (3,767,507) | (3,790,911) | |
| | TAIEX Futures | Long | 304 | 1,402,606 | 1,402,383 | |
| | TAIEX Futures | Short | 310 | (1,437,853) | (1,428,793) | |
| | Mini TAIEX Futures | Long | 128 | 148,551 | 147,691 | |
| | Mini TAIEX Futures | Short | 156 | (180,251) | (180,538) | |
| | Micro TAIEX Futures | Short | 1,165 | (269,477) | (268,582) | |
| | Finance Sector Index Futures | Long | 46 | 97,438 | 96,839 | |
| | Finance Sector Index Futures | Short | 8 | (16,863) | (16,882) | |
| | Electronic Sector Index Futures | Short | 34 | (174,621) | (174,325) | |
| | Mini Electronic Futures | Long | 66 | 42,617 | 42,299 | |
| | Mini Electronic Futures | Short | 71 | (45,734) | (45,504) | |
| | 10 Year U.S. T Note Futures | Long | 8 | 28,552 | 28,523 | |
| | 10 Year U.S. T Note Futures | Short | 85 | (303,674) | (303,056) | |
| | 10 Year U.S. T Bond Futures | Long | 22 | 82,346 | 80,286 | |
| | Ultra U.S. Treasury Bond | Long | 615 | 2,486,734 | 2,397,480 | |
| | Brent Crude Oil Futures | Short | 371 | (896,135) | (907,864) | |
| | Crude Oil Futures | Short | 55 | (128,221) | (129,324) | |
| | FTSE China A50 Index Futures | Long | 5,162 | 2,298,765 | 2,278,766 | |
| | FTSE China A50 Index Futures | Short | 1,261 | (561,530) | (556,668) | |
| | E-Mini S&P 500 Futures | Long | 3 | 29,388 | 29,191 | |
| | Gold Futures | Long | 1 | 8,900 | 8,659 | |
| | Gold Futures | Short | 11 | (88,009) | (87,629) | |
| | HHI Futures | Short | 289 | (445,933) | (444,015) | |
| | HSI Futures | Long | 6 | 25,503 | 25,442 | |
| | HSI Futures | Short | 10 | (42,501) | (42,404) | |
| | TOPIX Futures | Short | 19 | (109,481) | (111,128) | |
| | JPY Futures | Long | 21 | 56,418 | 55,165 | |
| | JPY Futures | Short | 13 | (34,015) | (34,150) | |
| | Copper Futures | Short | 13 | (44,286) | (42,903) | |
| | Mini-HSI Futures | Long | 10 | 8,513 | 8,481 | |
| | Mini-HSI Futures | Short | 1 | (845) | (848) | |
| | Micro E-mini Nasdaq Futures | Long | 3 | 4,264 | 4,175 | |
| | Micro E-mini Nasdaq Futures | Short | 43 | (59,894) | (59,848) | |
| | E-mini Nasdaq Futures | Long | 20 | 286,219 | 278,364 | |
| | E-mini Nasdaq Futures | Short | 13 | (186,467) | (180,937) | |
| | E-mini Russell 2000 Index Futures | Short | 1 | (3,665) | (3,688) | |
| | SGX Nikkei 225 Index Futures | Short | 17 | (70,275) | (70,090) | |
| | E-mini Dow Futures | Short | 16 | (113,178) | (112,447) | |
| | U.S. dollar Index Futures | Short | 106 | (369,383) | (376,351) | |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| Item | Trading category | Open positions | | Contract size or paid for (received from) premium | Fair value | Note |
|--------------------|--|----------------|---------------------|---|------------|------|
| | | Long/Short | Number of contracts | | | |
| Futures contract : | | | | | | |
| | Micro E-mini S&P 500 Futures | Long | 4 | \$ 4,033 | 3,892 | |
| | Micro E-mini S&P 500 Futures | Short | 12 | (11,885) | (11,676) | |
| | Silver Futures | Short | 2 | (9,642) | (9,587) | |
| | 2 Year U.S. T-Note Futures | Long | 97 | 654,045 | 653,868 | |
| | 2 Year U.S. T-Note Futures | Short | 15 | (100,979) | (101,114) | |
| | 30 Year U.S. Treasury Bond | Short | 77 | (287,976) | (287,392) | |
| | Long-Term Euro - BTP Futures | Long | 20 | 81,827 | 81,922 | |
| | Soybean Futures | Long | 4 | 6,510 | 6,626 | |
| | China Index Futures | Long | 5 | 4,210 | 4,183 | |
| | Mini Finance Sector Index Futures | Short | 120 | (63,689) | (63,156) | |
| | One Week E-Mini Stock Index Futures | Long | 26 | 29,804 | 29,946 | |
| | One Week E-Mini Stock Index Futures | Short | 108 | (124,862) | (124,378) | |
| | CME BTC | Short | 6 | (95,393) | (91,945) | |
| | GIN Futures | Short | 20 | (31,392) | (31,171) | |
| | Corn Futures | Long | 10 | 7,447 | 7,516 | |
| | Gas Futures | Long | 7 | 7,922 | 8,338 | |
| | Subtotal | | | <u>786,684</u> | | |
| Options contract : | | | | | | |
| | TAIEX Options (Call) | Long | 6,291 | \$ 153,730 | 145,689 | |
| | TAIEX Options (Put) | Long | 6,853 | 123,218 | 112,440 | |
| | TAIEX Options (Call) | Short | 4,832 | (85,687) | (54,451) | |
| | TAIEX Options (Put) | Short | 2,386 | (27,694) | (24,889) | |
| | TAIEX Options W1 (Call) | Long | 1,624 | 5,283 | 2,892 | |
| | TAIEX Options W1 (Put) | Long | 2,095 | 8,784 | 9,153 | |
| | TAIEX Options W1 (Call) | Short | 1,172 | (5,291) | (3,815) | |
| | TAIEX Options W1 (Put) | Short | 1,606 | (8,701) | (10,140) | |
| | TAIEX Options W2 (Call) | Short | 35 | (320) | (275) | |
| | Stock Options (Call) | Long | 138 | 1,100 | 822 | |
| | Stock Options (Put) | Long | 221 | 1,098 | 989 | |
| | Stock Options (Call) | Short | 123 | (663) | (356) | |
| | Stock Options (Put) | Short | 52 | (216) | (187) | |
| | Electronic Sector Index Options (Put) | Long | 2 | 49 | 37 | |
| | Finance Insurance Index Options (Call) | Long | 307 | 4,523 | 3,315 | |
| | Finance Insurance Index Options (Put) | Long | 320 | 3,538 | 3,906 | |
| | Finance Insurance Index Options (Call) | Short | 190 | (375) | (198) | |
| | Finance Insurance Index Options (Put) | Short | 110 | (179) | (72) | |
| | Gold Options (Call) | Long | 69 | 791 | 511 | |
| | Gold Options (Put) | Long | 85 | 935 | 557 | |
| | Gold Options (Call) | Short | 10 | (53) | (7) | |
| | Subtotal | | | <u>173,870</u> | | |
| Total | | | | <u>\$ 960,554</u> | | |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Restrictions and enforcement of the Group's various financial ratios under futures trading law

- (i) The Company's proprietary futures trading department commenced operations in March 2025. The financial ratio in the table below is prepared according to "Regulations Governing Futures Commission Merchants" :

| Art. | Calculation formula | Current Period | | Standard | Enforcement |
|------|---|----------------|----------|----------|-----------------------------|
| | | Calculation | Ratio | | |
| 17 | Stockholders' equity | 1,405,867 | 1.06 | ≥ 1 | Satisfactory to requirement |
| | (Total liabilities - futures traders' equity) | 1,332,119 | | | |
| 17 | Current Assets | 2,726,626 | 1,076.44 | ≥ 1 | " |
| | Current Liabilities | 2,533 | | | |
| 22 | Stockholders' equity | 1,405,867 | 351.47 % | ≥ 60% | " |
| | Minimum paid-in capital | 400,000 | | ≥ 40% | |
| 22 | Adjusted net capital | 944,980 | 104.87 % | ≥ 20% | " |
| | Total amount of customers' margin required for open positions of futures trader | 901,073 | | ≥ 15% | |

- (ii) Subsidiary - Capital Futures Corp.'s financial ratio in the table below is prepared according to "Regulations Governing Futures Commission Merchants" :

| Art. | Calculation formula | Current Period | | Last Period | | Standard | Enforcement |
|------|---|----------------|----------|-------------|----------|----------|-----------------------------|
| | | Calculation | Ratio | Calculation | Ratio | | |
| 17 | Stockholders' equity | 10,426,656 | 6.81 | 7,740,641 | 3.82 | ≥ 1 | Satisfactory to requirement |
| | (Total liabilities - futures traders' equity) | 1,532,167 | | 2,028,778 | | | |
| 17 | Current Assets | 69,326,563 | 1.14 | 57,276,491 | 1.12 | ≥ 1 | " |
| | Current Liabilities | 60,698,596 | | 51,323,632 | | | |
| 22 | Stockholders' equity | 10,426,656 | 935.13 % | 7,740,641 | 694.23 % | ≥ 60% | " |
| | Minimum paid-in capital | 1,115,000 | | 1,115,000 | | ≥ 40% | |
| 22 | Adjusted net capital | 8,287,477 | 51.94 % | 5,002,861 | 36.93 % | ≥ 20% | " |
| | Total amount of customers' margin required for open positions of futures trader | 15,956,124 | | 13,545,637 | | ≥ 15% | |

(c) Unique risk for futures trading

Transactions in futures and options carry a high degree of risk because of the amount of initial margin is small relative to the value of the futures contract, meaning that transactions are heavily leveraged, the fluctuation of underlying markets is unpredictable, and the variance risk of the exchange rate is high. Futures industry thus bears higher operation risk than other industries. If the customers can't exercise the contract or maintain the proper margin, in order to dealing with such abrupt condition, the futures business needs sufficient liquidity to cover the transactions and suffer the loss may occur.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions for the years ended December 31, 2025 and 2024, required by the “Regulations Governing the Preparation of Financial Reports by Securities firms” for the Group:

(i) Loans to others:

(In Thousands Dollars)

| Number | Name of the company providing Loans to Others | Party to Transactions | Account Classification | Related party | Maximum Balance of the Period | Ending balance | Capital Employed | Range of interest rate | Type of Loans (Note) | Amount of Transactions | Purposes of the Borrowers | Allowance of Doubtful Accounts | Collateral | | Limit on Loans to a Single Business | Limit on the Amount of Loans |
|--------|---|-------------------------|-------------------------------------|---------------|-------------------------------|----------------|------------------|------------------------|----------------------|------------------------|---------------------------|--------------------------------|------------|-------|-------------------------------------|------------------------------|
| | | | | | | | | | | | | | Name | Value | | |
| 1 | CSC International Holdings Ltd. | CSC Securities (HK) Ltd | Account receivables - Related party | Yes | \$ 857,357 | 825,977 | 825,977 | - | 2 | - | Working capital | - | | - | 1,603,189 | 1,603,189 |
| 2 | CSC Futures (HK) Ltd. | F190402 | Account receivables - Customer | No | 62,372 | - | - | 8.53 % | 1 | - | | - | | - | 208,774 | 1,043,872 |
| 3 | CSC Futures (HK) Ltd. | F611702 | Account receivables - Customer | No | 436,607 | 436,607 | 218,304 | 4.78%-6.03% | 1 | 309,305 | | - | | - | 436,607 | 1,043,872 |
| 4 | CSC Futures (HK) Ltd. | F613059 | Account receivables - Customer | No | 93,559 | 93,559 | - | 7.53 % | 1 | 9,877 | | - | | - | 208,774 | 1,043,872 |
| 5 | CSC Futures (HK) Ltd. | F612688 | Account receivables - Customer | No | 11,851 | 11,851 | - | 6.53 % | 1 | 375 | | - | | - | 208,774 | 1,043,872 |
| 6 | CSC Futures (HK) Ltd. | F613091 | Account receivables - Customer | No | 312 | 312 | - | 6.53 % | 1 | 2,032 | | - | | - | 208,774 | 1,043,872 |
| 7 | CSC Futures (HK) Ltd. | F190416 | Account receivables - Customer | No | 218,304 | 218,304 | - | 5.03 % | 1 | 7,556 | | - | | - | 218,304 | 1,043,872 |
| 8 | CSC Futures (HK) Ltd. | F613511 | Account receivables - Customer | No | 15,593 | 15,593 | - | 8.00 % | 1 | 1,080 | | - | | - | 208,774 | 1,043,872 |
| 9 | CSC Futures (HK) Ltd. | F613390 | Account receivables - Customer | No | 124,745 | 124,745 | - | 5.50 % | 1 | 905 | | - | | - | 208,774 | 1,043,872 |

Note: Type of Loans

1. Business transactions
2. Necessaries of short-term financing

- (ii) Providing endorsements and guarantees for other parties: None
- (iii) Acquisition of real estate exceeding NT\$300 million or 20% of paid-in capital: None
- (iv) Disposal of real estate exceeding NT\$300 million or 20% of paid-in capital: None
- (v) Handling fee discounts on transactions with related parties exceeding NT\$5 million: None
- (vi) Accounts receivable from related parties exceeding NT\$100 million or 20% of paid-in capital: None

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vii) Significant transactions between parent company and subsidiaries for the year ended December 31, 2025:

(In Thousands Dollars)

| Ref No. (Note 1) | Name of counterparty | Name of transaction parties | Relationship (Note 2) | Intercompany transaction details | | | Percentage of total consolidated revenue or total assets |
|---------------------|--------------------------|--|--------------------------|---|---------|---------------------|--|
| | | | | General ledger account | Amount | Trading terms | |
| 0 | Capital Securities Corp. | Capital Futures Corp. | 1 | Accounts payable | 5,438 | | - % |
| 0 | Capital Securities Corp. | Capital Futures Corp. | 1 | Accounts receivable | 12,315 | | - % |
| 0 | Capital Securities Corp. | Capital Futures Corp. | 1 | Other receivables | 344 | | - % |
| 0 | Capital Securities Corp. | Capital Futures Corp. | 1 | Bonds sold under repurchase agreements | 20,106 | | 0.01 % |
| 0 | Capital Securities Corp. | Capital Futures Corp. | 1 | Other payable | 3,303 | | - % |
| 0 | Capital Securities Corp. | Capital Futures Corp. | 1 | Guarantee deposits received | 4,620 | | - % |
| 0 | Capital Securities Corp. | Capital Futures Corp. | 1 | Futures commission revenue | 139,961 | General transaction | 0.73 % |
| 0 | Capital Securities Corp. | Capital Futures Corp. | 1 | Lease revenue | 18,612 | General transaction | 0.10 % |
| 0 | Capital Securities Corp. | Capital Futures Corp. | 1 | Revenue from securities management, distribution, and management fees | 711 | General transaction | - % |
| 0 | Capital Securities Corp. | Capital Futures Corp. | 1 | Financial costs | 1,143 | General transaction | 0.01 % |
| 0 | Capital Securities Corp. | Capital Futures Corp. | 1 | Other operating revenue | 1,900 | General transaction | 0.01 % |
| 0 | Capital Securities Corp. | Capital Futures Corp. | 1 | Securities commission expense | 38,199 | General transaction | 0.20 % |
| 0 | Capital Securities Corp. | Capital Futures Corp. | 1 | Interest revenue | 146 | General transaction | - % |
| 0 | Capital Securities Corp. | Capital Futures Corp. | 1 | Miscellaneous expense | 77,224 | General transaction | 0.40 % |
| 0 | Capital Securities Corp. | Capital Futures Corp. | 1 | Non-operating revenue | 60,539 | General transaction | 0.31 % |
| 0 | Capital Securities Corp. | Capital Futures Corp. | 1 | Brokerage commissions revenue | 1,081 | General transaction | 0.01 % |
| 0 | Capital Securities Corp. | Capital Investment Management Corp. | 1 | Other receivables | 189 | | - % |
| 0 | Capital Securities Corp. | Capital Investment Management Corp. | 1 | Professional Service Fees | 95,166 | General transaction | 0.49 % |
| 0 | Capital Securities Corp. | Capital Investment Management Corp. | 1 | Entertainment expenses | 120 | General transaction | - % |
| 0 | Capital Securities Corp. | CSC Private Equity Co. | 1 | Other receivables | 7 | | - % |
| 0 | Capital Securities Corp. | CSC Private Equity Co. | 1 | Revenue from securities management, distribution, and management fees | 20 | General transaction | - % |
| 0 | Capital Securities Corp. | CSC Private Equity Co. | 1 | Brokerage commissions revenue | 153 | General transaction | - % |
| 0 | Capital Securities Corp. | CSC Securities (HK) Ltd. | 1 | Other receivables | 90 | | - % |
| 0 | Capital Securities Corp. | CSC Securities (HK) Ltd. | 1 | Other payable | 16,352 | | - % |
| 0 | Capital Securities Corp. | CSC Venture Capital Corp. | 1 | Other receivables | 82 | | - % |
| 0 | Capital Securities Corp. | CSC Venture Capital Corp. | 1 | Brokerage commissions revenue | 93 | General transaction | - % |
| 0 | Capital Securities Corp. | Capital International Technology Corp. | 1 | Guarantee deposits received | 13 | | - % |
| 0 | Capital Securities Corp. | Capital International Technology Corp. | 1 | Lease revenue | 50 | General transaction | - % |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| Ref No. (Note 1) | Name of counterparty | Name of transaction parties | Relationship (Note 2) | Intercompany transaction details | | | Percentage of total consolidated revenue or total assets |
|---------------------|---------------------------------|---|--------------------------|---|-----------|---------------------|--|
| | | | | General ledger account | Amount | Trading terms | |
| 0 | Capital Securities Corp. | Capital Private Equity Fund I Co. | 1 | Revenue from securities management, distribution, and management fees | 20 | General transaction | - % |
| 0 | Capital Securities Corp. | Capital Private Equity Fund I Co. | 1 | Brokerage commissions revenue | 111 | General transaction | - % |
| 1 | Capital Futures Corp. | Capital Securities Corp. | 2 | Customers' margin account | 4,839,239 | | 1.35 % |
| 1 | Capital Futures Corp. | Capital Securities Corp. | 2 | Futures traders' equity | 4,839,239 | | 1.35 % |
| 1 | Capital Futures Corp. | CSC Futures (HK) Ltd. | 3 | Customers' margin account | 683,528 | | 0.19 % |
| 1 | Capital Futures Corp. | CSC Futures (HK) Ltd. | 3 | Futures traders' equity | 6,262,309 | | 1.75 % |
| 1 | Capital Futures Corp. | CSC Futures (HK) Ltd. | 3 | Other payable | 7,395 | | - % |
| 1 | Capital Futures Corp. | CSC Futures (HK) Ltd. | 3 | Futures commission expense | 19,800 | General transaction | 0.10 % |
| 1 | Capital Futures Corp. | CSC Futures (HK) Ltd. | 3 | Brokerage commissions revenue | 109,689 | General transaction | 0.57 % |
| 1 | Capital Futures Corp. | CSC Futures (HK) Ltd. | 3 | Financial costs | 16,506 | General transaction | 0.09 % |
| 2 | CSC Futures (HK) Ltd. | Capital Futures Corp. | 3 | Customers' margin account | 6,118,281 | | 1.71 % |
| 2 | CSC Futures (HK) Ltd. | Capital Futures Corp. | 3 | Futures traders' equity | 539,500 | | 0.15 % |
| 2 | CSC Futures (HK) Ltd. | Capital True Partner Technology Co.,Ltd. | 3 | Other payable | 8,048 | | - % |
| 2 | CSC Futures (HK) Ltd. | Capital True Partner Technology Co.,Ltd. | 3 | Information technology expense | 60,844 | General transaction | 0.32 % |
| 2 | CSC Futures (HK) Ltd. | QIT Technology Co., Ltd. (formerly Capital Futures Technology (Shanghai) Co., Ltd.) | 3 | Professional Service Fees | 6,131 | General transaction | 0.03 % |
| 3 | CSC Securities (HK) Ltd. | CSC Futures (HK) Ltd. | 3 | Other receivables | 1,339 | | - % |
| 3 | CSC Securities (HK) Ltd. | CSC Futures (HK) Ltd. | 3 | Other operating revenue | 6,218 | General transaction | 0.03 % |
| 3 | CSC Securities (HK) Ltd. | CSC Futures (HK) Ltd. | 3 | Brokerage commissions expense | 209 | General transaction | - % |
| 4 | CSC International Holdings Ltd. | QIT Technology Co., Ltd. (formerly Capital Futures Technology (Shanghai) Co., Ltd.) | 3 | Guarantee deposits received | 142 | | - % |
| 4 | CSC International Holdings Ltd. | QIT Technology Co., Ltd. (formerly Capital Futures Technology (Shanghai) Co., Ltd.) | 3 | Advanced Receipt | 237 | | - % |
| 4 | CSC International Holdings Ltd. | QIT Technology Co., Ltd. (formerly Capital Futures Technology (Shanghai) Co., Ltd.) | 3 | Lease revenue | 571 | General transaction | - % |
| 4 | CSC International Holdings Ltd. | CSC Securities (HK) Ltd. | 3 | Other receivable | 811,329 | | 0.23 % |
| 5 | CSC Private Equity Co. | Capital Private Equity Fund I Co. | 3 | Management fee revenue | 3,813 | General transaction | 0.02 % |

Note 1: The numbers in the Ref No. column represent as follows:

- (1) 0 stands for the parent company.
- (2) Subsidiaries are coded from No. 1 per respective companies.

Note 2: Transaction relationship with the counterparties are as follows:

- (1) Parent company to subsidiaries.
- (2) Subsidiaries to parent company.
- (3) Subsidiaries to subsidiaries.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Related information of investee companies:

(In Thousands of New Taiwan Dollars)

| Ref. No. | Name of investee company (Notes 1 and 2) | Area | Date of establishment | Approval date and number of FSC | Primary business operation | Original investment amount | | Highest Percentage of ownership | Equity Ownership by company (note 3) | | | Operating income or loss of investee company during the period | Net income or loss of investee company during the period | Investment gain or loss recognized during the period | Cash dividend | Note |
|----------|--|------------------------|-----------------------|--|---|------------------------------|------------------------------|---------------------------------|--------------------------------------|----------|------------|--|--|--|---------------|--|
| | | | | | | Balance on December 31, 2025 | Balance on December 31, 2024 | | Shares | Ratio | Book value | | | | | |
| 0 | Capital- Investment Management Corp. | Taipei ,Taiwan, R.O.C. | February 16, 1990 | Note 4 | Engaged in providing research, analysis and recommendations, organize seminars and publish materials on securities investments | 72,515 | 72,515 | 100.00 % | 7,000,000 | 100.00 % | 78,753 | 104,047 | 1,869 | 1,869 | - | The transaction has been eliminated in the consolidated financial statements |
| 0 | Capital Futures Corp. | Taipei ,Taiwan, R.O.C. | February 26, 1997 | No. FSC-105004467 dated November 15, 2016 | Engaged in domestic and foreign futures business | 2,928,955 | 1,896,520 | 56.58 % | 138,619,711 | 55.46 % | 5,782,876 | 2,441,514 | 1,330,911 | 740,197 | 392,294 | " |
| 0 | CSC International Holdings Ltd. | British Virgin Island | March 4, 1996 | No. FSC-65350 dated January 12, 1996 | Long-term equity investment business | 1,339,555 | 1,339,555 | 100.00 % | 45,000,000 | 100.00 % | 1,603,189 | (9,015) | (25,892) | (25,892) | - | " |
| 0 | Capital Insurance Advisory Corp. | Taipei ,Taiwan, R.O.C. | November 9, 2000 | Note 4 | Engaged in personal insurance brokerage and property insurance brokerage and manages personal insurance agent business | 3,890 | 3,890 | 100.00 % | 500,000 | 100.00 % | 76,539 | 245,179 | 50,661 | 50,661 | 38,560 | Subsidiary |
| 0 | CSC Venture Capital Corp. | Taipei ,Taiwan, R.O.C. | January 12, 2016 | No. FSC-1040034071 dated September 8, 2015 | Venture capital and consulting business | 1,000,000 | 1,000,000 | 100.00 % | 100,000,000 | 100.00 % | 902,996 | 11,126 | (11,164) | (11,914) | - | The transaction has been eliminated in the consolidated financial statements |
| 0 | CSC Private Equity Co. (Note 5) | Taipei ,Taiwan, R.O.C. | December 3, 2020 | No. FSC-1090349163 dated September 7, 2020 | Investment and management consulting, venture capital and general investing | 330,000 | 330,000 | 100.00 % | 33,000,000 | 100.00 % | 318,176 | 36,951 | 29,360 | 29,120 | 1,320 | " |
| 0 | Capital Investment Trust Corp. | Taipei ,Taiwan, R.O.C. | October 16, 1995 | Note 4 | Engaged in security investment and discretionary investment services | 1,272,505 | 1,272,505 | 20.00 % | 33,067,507 | 20.00 % | 1,751,432 | 5,615,590 | 2,543,772 | 454,873 | 314,141 | Associates |
| 1 | CSC Securities(HK) Ltd. | Hong Kong | May 3, 1994 | No. FSC-90931 dated January 5,1998 | Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses permitted by local law of Hong Kong | 530,000 | 530,000 | 100.00 % | 128,000,000 | 100.00 % | 703,980 | 51,930 | (9,015) | - | - | The transaction has been eliminated in the consolidated financial statements |
| 2 | CSC Futures(HK) Ltd. | Hong Kong | December 9, 1998 | No. FSC-1010027412 dated August 24, 2012 | Future brokerage and other businesses permitted by local law of Hong Kong | 886,284 | 886,284 | 100.00 % | 220,000,000 | 100.00 % | 1,043,872 | 591,031 | (14,149) | - | - | " |
| 2 | Capital International Technology Co.,Ltd. | Taipei ,Taiwan, R.O.C. | December 29, 2014 | No. FSC-1030038387 dated November 18, 2014 | Management and consulting business Information technology software | 50,000 | 50,000 | 100.00 % | 5,000,000 | 100.00 % | 11,996 | - | (503) | - | - | " |
| 3 | Capital Securities Nominee Ltd. | Hong Kong | April 7, 1995 | No. FSC- 90931 dated January 5, 1998 | Agency services | - | - | 100.00 % | 2 | 100.00 % | - | - | - | - | - | " |
| 4 | Capital Private Equity Fund I Co. (Note 5) | Taipei ,Taiwan, R.O.C. | April 20, 2021 | No. FSC-1090380058 dated January 26, 2021 | Merged and dissolved | - | 300,000 | 100.00 % | - | - % | - | (3,137) | (7,687) | - | - | " |
| 5 | Enno Cap Venture Inc. | Taipei ,Taiwan, R.O.C. | July 30, 2021 | No. FSC- 1040034071 dated September 8,2015 | Liquidation completed | - | 400 | 40.00 % | - | - % | - | - | - | - | - | Associates |

Note 1: (0) Capital Securities Corp. (1) CSC International Holdings Ltd. (2) Capital Futures Corp. (3) CSC Securities (HK) Ltd. (4) CSC Private Equity Co. (5) CSC Venture Capital Corp.

Note 2: Includes the Company's investment in overseas business and its reinvestments in other businesses, etc.

Note 3: Book value is the investment balance according to equity method, including investment income (loss), cash dividends, and cumulative translation adjustment, etc.

Note 4: According to the regulations of reinvesting domestic business issued by Financial Supervisory Commission, securities firms may invest securities finance enterprises and should file for recordation within 15 days after the investment. Therefore, this case only needs to be filed for recordation afterwards.

Note 5: On June 3, 2025, the Financial Supervisory Commission approved the merger of CSC Capital Management Co. Ltd. with its subsidiary, Capital Private Equity Fund Co., Ltd., in accordance with Ruling No.1140346161. The surviving entity was CSC Capital Management Co. Ltd., and the dissolved entity was Capital Private Equity Fund I Co., Ltd. Following the merger, the company name was changed to CSC Private Equity Co., Ltd. On September 24, 2025, CSC Private Equity Co., Ltd. received approval for the merger and name change in accordance with Ruling No. 11453275410 issued by the Industrial Development Bureau. On the same date, Capital Private Equity Fund I Co., Ltd. was approved for dissolution registration following the merger, in accordance with Ruling No. 11453275510 issued by the Industrial Development Bureau.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Information on overseas branches and representative offices:

(In Thousands of New Taiwan Dollars)

| Name | Region | Date of establishment | Approval date and number of FSC | Primary business operation | Operating Revenues | Net Income | Assignment of working capital | | | | Transactions with parent company | Note |
|--|----------|-----------------------|---|---|--------------------|------------|-------------------------------|-----|------|---------------|----------------------------------|------|
| | | | | | | | Beginning amount | Add | Less | Ending amount | | |
| CSC International Holdings Ltd. Shanghai Representative Office | Shanghai | November 27, 1997 | Ruling No. 16322 by FSC on Feb.22, 1997 | Investigation of business, research of industrial technology and related information collection | - | - | - | - | - | - | - | |

(d) Information on investments in the Mainland China:

(i) Investment in the Mainland China and related information:

(In Thousands of New Taiwan Dollars)

| Name of investee in Mainland China | Major Operations | Issued capital | Method of investment | Accumulated remittance as of January 1, 2025 | Remittance of recoverable investment this period | | Accumulated remittance as of December 31, 2025 | Net gains (losses) of the investee | Direct or indirect Share holdings (%) by the company | Highest Percentage of ownership | Investment gains (losses) recognized during this period | Ending Balance of Investment | Investment income remitted back as of December 31, 2025 |
|---|--|----------------|----------------------|--|--|--------------------|--|------------------------------------|--|---------------------------------|---|------------------------------|---|
| | | | | | Remittance amount | Recoverable amount | | | | | | | |
| Capital True Partner Technology Co., Ltd. | Management, consulting and information service business | 5,013 | Note 1 (C) | 24,372 | - | - | 24,372 | (796) | 28.28% | 28.86 % | (225) | 2,236 | - |
| QIT Technology Co., Ltd. (formerly Capital Futures Technology (Shanghai) Co., Ltd.) | Management, consulting and information service business. | 18,863 | Note 1 (C) | 18,863 | - | - | 18,863 | (47) | 55.46% | 56.58 % | (26) | 1,017 | - |

Note 1: Investment methods are classified into the following three categories:

- A. Directly invest in a company in Mainland China.
- B. Through investing in an existing company in the third area, which then invested in the investee in Mainland China (Please indicate the investee name of the third area).
- C. Through a subsidiary to invest in a company in Mainland China.

Note 2: Investment gains and losses recognized during the period

- A. It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- B. Indicate the basis for investment gains and losses recognition in the number of one of the following three categories:
 - (1) The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - (2) The financial statements that are audited and attested by R.O.C. parent company's CPA.
 - (3) The financial statements that are provided by the investee without audited by CPA.

Note 3: Above information is expressed in New Taiwan Dollars.

(ii) Limitation on investment in the Mainland China:

(In Thousands of New Taiwan Dollars)

| Company Name | Accumulated remittance from Taiwan to Mainland China | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment in Mainland China regulated by MOEA |
|--|--|--|---|
| Capital International Technology Corp. | 43,235 | 43,235 | 80,000 |

Note: The Company invests through subsidiaries Capital International Technology Corp. to invest in Mainland China. According to the relevant rules to small and medium enterprises, the upper limit for investment in China is \$80,000.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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- (e) Disclosures required for securities firm investing in countries or regions without securities authority :

According to article 1, paragraph 3, no. 5 of the letter no. 11303479011 issued by Financial Supervisory Commission on September 26, 2024, the required supplementary disclosures of the Company's information on reinvestment in overseas businesses for the year ended December 31, 2025 are as follows:

- (i) Balance sheet and income statement:

- 1) Balance sheet

Unit: US \$ thousands

| Nature | Company | CSC International Holdings Ltd. December 31, 2025 |
|--|----------------|--|
| Current assets | | 7,743 |
| Long-term investments | | 22,566 |
| Property and premises | | 1,559 |
| Other assets | | 19,352 |
| Total assets | | 51,220 |
| Current liabilities | | 82 |
| Other liabilities | | 48 |
| Total liabilities | | 130 |
| Common stock | | 45,000 |
| Retained earnings (Accumulated deficit) | | 6,199 |
| Cumulative translation adjustments | | (109) |
| Total stockholders' equity | | 51,090 |
| Total liabilities and stockholders' equity | | 51,220 |

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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2) Income statement

Unit: US \$ thousands

| Company | CSC International Holdings Ltd. For the years ended December 31, 2025 |
|--------------------------|--|
| Nature | |
| Operating revenue | (281) |
| Operating expense | (694) |
| Non-operating revenue | 169 |
| Non-operating expense | - |
| Income (loss) before tax | (806) |
| Net income (loss) | (806) |

(ii) Securities held as of December 31, 2025

Unit: shares / US\$ thousands

| Name of holding company | Securities types and name | Account classification | December 31, 2025 | |
|---------------------------------|---------------------------|------------------------|-------------------|-------------------------|
| | | | Shares | Book value |
| CSC International Holdings Ltd. | CSC Securities (HK) Ltd. | Long-term investments | 128,000,000 | \$ <u><u>22,566</u></u> |

(iii) Derivatives financial instrument transactions and the source of capital: None.

(iv) Revenue from engagement in consultation on assets management business, service contents and litigation: None.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information:

(a) General information

The operating segments are consistent with the internal reports provided to the chief operating decision-maker. The Group's operating segments are classified into brokerage, corporate financing, dealing, derivative instrument and reinvestment according to the sources of revenue. The remaining operating results which have not reached the threshold requirements are consolidated in other operating segments.

Sources of income from products and services rendered by each segment are as follows:

- (i) Brokerage segment: Engaged in brokerage trading, margin trading, and securities lending business.
- (ii) Corporate financing segment: Engaged in providing advisory on initial public offering or to register on the emerging or listed market, securities underwriting and sales, corporate finance, mergers and acquisitions.
- (iii) Dealing segment: Engaged in trading securities and related listed stock instruments on a proprietary basis and engaged in proprietary futures trading.
- (iv) Derivative instrument segment: Engaged in the investment, consultancy and issuance of derivative instruments.
- (v) Subsidiary Futures: Engaged in the business of domestic futures brokerage services, trading on a proprietary basis, futures consultancy and managed futures enterprises.

(b) Measurement of segmental information

All accounting policies of the Group's operating segments' accounting policies are no material difference from the ones described in Note 4 "significant accounting policies". The Group evaluates segment performance based on the net profit before tax of various operating segments. Income and expense attributable to each operating segment are directly attributed to the profits and losses of the corresponding operating segment. Indirect expenses and expenses from logistic support segment that cannot be directly attributed are listed under "other segments".

(c) Profits or losses, assets and liabilities of segments information

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| For the year ended December 31, 2025 | | | | | | | | |
|--------------------------------------|-----------------------|------------------------------------|---------------------|--------------------------------------|--------------------|------------------|----------------------------------|-------------------|
| | Brokerage business | Corporate financing business | Dealing business | Derivative instrument business | Others | Futures | Adjustment and elimination | Total |
| Segment Revenue | \$ <u>8,802,442</u> | <u>454,408</u> | <u>5,472,217</u> | <u>1,830,720</u> | <u>134,282</u> | <u>2,903,056</u> | <u>(366,134)</u> | <u>19,230,991</u> |
| Segment profit or loss | \$ <u>4,883,318</u> | <u>257,054</u> | <u>1,619,369</u> | <u>1,091,151</u> | <u>(1,337,133)</u> | <u>1,630,425</u> | <u>(726,817)</u> | <u>7,417,367</u> |

| For the year ended December 31, 2024 | | | | | | | | |
|--------------------------------------|-----------------------|------------------------------------|---------------------|--------------------------------------|------------------|------------------|----------------------------------|-------------------|
| | Brokerage business | Corporate financing business | Dealing business | Derivative instrument business | Others | Futures | Adjustment and elimination | Total |
| Segment Revenue | \$ <u>8,301,730</u> | <u>373,781</u> | <u>4,253,549</u> | <u>1,631,073</u> | <u>291,215</u> | <u>2,639,658</u> | <u>(341,916)</u> | <u>17,149,090</u> |
| Segment profit or loss | \$ <u>4,596,525</u> | <u>203,275</u> | <u>594,554</u> | <u>1,141,453</u> | <u>(724,437)</u> | <u>1,463,185</u> | <u>(702,184)</u> | <u>6,572,371</u> |

Note 1: Internal segment revenues are eliminated on consolidation.

Note 2: The Group's segment assets and liabilities are not provided to the chief operating decision maker, so such items are not required to be disclosed.

(d) Information about products and services

The Group identified the reportable segments based on the type of products and service provided and the general information is already to be disclosed. Thus, no additional disclosure is required.

(e) Information about regions

Since the revenue from individual foreign customers were not significant and there was no disclosure.

(f) Information about major customers

There was no disclosure because no individual customer accounted for 10% or more of the Group's revenues for the current periods.