This section outlines the most significant laws and regulations affecting our business operations in China and Japan.

LAWS, REGULATIONS AND POLICIES IN CHINA

Industrial Policies

Domestic industrial development primarily follows relevant industrial structure guidelines issued by the National Development and Reform Commission ("**NDRC**") and the Ministry of Industry and Information Technology ("**MIIT**").

Micro-nano Manufacturing Industry Policies

Pursuant to the Industrial Structure Adjustment Guidance Catalog (2024 Edition) (issued by the NDRC on December 27, 2023, effective February 1, 2024), the following industries are classified as encouraged: integrated circuit design; the production of logic circuits and memory devices with a line width of 65 nanometers or less; the production of specialty process integrated circuits with a line width of 0.25 microns or less (including photomasks and the production of silicon wafers of 8 inches or larger); the production of compound integrated circuits with a line width of 0.5 microns or less; advanced packaging and testing integrating one or more technologies including, but not limited to, Ball Grid Array (BGA), Pin Grid Array (PGA), Chip Scale Packaging (CSP), Multi-Chip Module (MCM), Land Grid Array (LGA), System-in-Package (SIP), Flip Chip (FC), Wafer-Level Packaging (WLP), sensor packaging (MEMS), 2.5D, and 3D; and the manufacture of integrated circuit equipment and key components.

According to the Outline of the People's Republic of China's 14th Five-Year Plan for National Economic and Social Development and the Long-Range Objectives Through the Year 2035 (issued by the National People's Congress ("**NPC**") on March 12, 2021, effective the same day), it is pointed out that it is necessary to strengthen original and leading scientific and technological research, formulate and implement strategic scientific plans and scientific projects in basic core areas related to national security and overall development. Aiming at cutting-edge fields such as artificial intelligence, quantum information, integrated circuits, life and health, brain science, biological breeding, aerospace science and technology, deep earth and deep sea, we will implement a number of forward-looking and strategic major national science and technology projects.

According to the State Council Notice on Issuing the "14th Five-Year Plan" for Digital Economy Development (issued by the State Council on December 12, 2021, effective the same day), during the "14th Five-Year Plan" period, the competitiveness of core industries should be elevated. Focus will be placed on enhancing the supply capacity of fundamental software and hardware, core electronic components, critical raw materials, and production equipment, thereby bolstering the self-sufficiency of key products. Initiatives will be implemented to reinforce and fortify the industrial chain. Efforts will be directed towards fostering technological convergence and product innovation tailored to diverse application scenarios, strengthening the competitiveness of critical industrial chain segments, and refining the supply chain ecosystems for pivotal industries including 5G, integrated circuits, new energy vehicles, artificial intelligence, and the industrial internet.

Laws and Regulations Concerning Foreign Investment

The establishment, operation, and management of companies in China are governed by the Company Law of the People's Republic of China (the "**Company Law**"). The Company Law was amended by the Standing Committee of the National People's Congress ("**NPCSC**") in 2023 and became effective on July 1, 2024. The Company Law applies to all Chinese companies, including foreign-invested enterprises, unless otherwise stipulated by foreign investment-related laws. According to the Company Law, companies established in China are either limited liability companies or joint stock limited companies, regulated by the Company Law.

The Foreign Investment Law of the People's Republic of China (issued by the NPC on March 15, 2019, effective January 1, 2020) established that the State implements a pre-establishment national treatment plus negative list management system for foreign investment. Pre-establishment national treatment means affording foreign investors and their investments treatment no less favorable than that afforded to domestic investors and their investments during the investment access phase. A negative list refers to special administrative measures for market access implemented by the State for foreign investment in specific sectors. Foreign investments outside the negative list shall receive national treatment. Furthermore, the Regulations for the Implementation of the Foreign Investment Law of the People's Republic of China (issued by the State Council on December 26, 2019, effective January 1, 2020) stipulated that the State shall formulate an Encouraged Catalogue for Foreign Investment Industries based on the needs of national economic and social development, listing specific industries, fields, and regions where foreign investment is encouraged and guided.

According to the Special Administrative Measures for Foreign Investment Access (Negative List) (2024 Edition) (issued by the NDRC and the MOFCOM on September 6, 2024, effective November 1, 2024), which replaces the previous negative list, domestic enterprises engaged in businesses prohibited by the negative list that seek to issue shares overseas and have them listed for trading must obtain approval from the relevant competent national authorities. Overseas investors shall not participate in the enterprise's operation and management, and their shareholding ratio shall be implemented with reference to the relevant regulations governing overseas investors' domestic securities investments.

Laws and Regulations Concerning Outbound Investment

According to the Administrative Measures for Outbound Investment (issued by the MOFCOM on September 6, 2014, effective October 6, 2014), MOFCOM and provincial-level commerce authorities implement filing and approval management based on different circumstances of enterprise outbound investment. Outbound investments involving sensitive countries/regions or sensitive industries are subject to approval management. Other outbound investments are subject to filing management.

According to the Administrative Measures for Enterprise Outbound Investment (issued by the NDRC on December 26, 2017, effective March 1, 2018), domestic enterprises in China (the "**investment entities**") conducting outbound investment shall fulfill procedures such as project verification or filing for overseas investment projects (the "**projects**"), report relevant information, and cooperate with supervision and inspection. The scope of verification management covers sensitive projects directly undertaken by the investment entity or through overseas enterprises it controls. The scope of filing management covers non-sensitive projects directly undertaken by the investment entity, i.e., non-sensitive projects involving the direct investment of assets or equity by the investment entity, or the provision of financing or guarantees. The Sensitive Industries Catalogue for Outbound Investment (2018 Edition) (issued by the NDRC on January 31, 2018, effective March 1, 2018) details the sensitive industries for outbound investment.

According to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Administration Policies for Direct Investment (issued by the SAFE on February 13, 2015, effective June 1, 2015), the approval for foreign exchange registration for direct investment was abolished. Banks directly handle foreign exchange registration for inbound and outbound direct investment items, while SAFE and its local branches exercise indirect supervision over banks.

Laws and Regulations Concerning Import and Export of Goods

According to the Foreign Trade Law of the People's Republic of China (most recently amended by the NPCSC on December 30, 2022, effective the same day), the competent department of foreign trade under the State Council is responsible for national foreign trade work. The competent department of foreign trade under the State Council, in conjunction with other relevant departments under the State Council, formulates, adjusts, and publishes the catalogue of goods and technologies subject to import or export restrictions or prohibitions. The competent department of foreign trade under the State Council or in conjunction with other relevant departments under the State Council may, upon approval by the State Council, temporarily decide to restrict or prohibit the import or export of specific goods or technologies not listed in the aforementioned catalogue, within the scope permitted by law.

According to the Notice on Matters Concerning the Filing of Consignees and Consignors of Import and Export Goods (issued by the GACC on January 3, 2023, effective the same day) and the Administrative Provisions of the Customs of the People's Republic of China on Filing of Customs Declaration Entities (issued on November 19, 2021, effective January 1, 2022), effective January 3, 2023, consignees/consignors of import/export goods and customs declaration enterprises applying for filing shall obtain market entity qualification, and are no longer required to obtain foreign trade operator filing.

Laws and Regulations Concerning Product Quality

According to the Civil Code of the People's Republic of China (the "**Civil Code**") (issued by the NPC on May 28, 2020, effective January 1, 2021), if personal injury is caused by a defective product, the producer shall bear tort liability. If a defect is discovered after the product has been put into circulation, the producer and seller shall promptly take remedial measures such as ceasing sales, issuing warnings, or initiating recalls. If remedial measures are not taken promptly or are ineffective, causing the expansion of damages, the producer and seller shall also bear tort liability.

According to the Product Quality Law of the People's Republic of China (most recently amended by the NPCSC on December 29, 2018, effective the same day), products sold must comply with relevant safety standards. Sellers shall take measures to maintain the quality of the products they sell. The state implements a supervision and inspection system for product quality, primarily based on random sampling. Sellers shall not adulterate products, pass off fake products as genuine ones, pass off defective products as non-defective ones, or pass off substandard products as qualified ones. For sellers, any violation of national or industry health and safety standards or other requirements may lead to civil liability and administrative penalties, such as compensation for losses, fines, confiscation of illegally produced or sold products, confiscation of illegal income from such production or sales, and revocation of business licenses. Furthermore, in serious cases, individuals or enterprises may face criminal liability. If personal injury or damage to other people's property is caused by a defective product, the consumer or victim may claim compensation from the producer of the product, or from the seller of the product. If the seller compensates for the producer's liability, the seller has the right to recover the compensation from the producer. If the producer compensates for the seller's liability, the producer has the right to recover the compensation from the seller.

Laws and Regulations Concerning Production Safety

According to the Law of the People's Republic of China on Work Safety (most recently amended by the NPCSC on June 10, 2021, effective September 1, 2021), the state implements a system of accountability for production safety accidents. Production and business operation entities must strengthen work safety management, improve work safety conditions, enhance work safety standardization, and raise the level of work safety. Production and business operation entities shall possess the work safety conditions stipulated by this Law and other relevant laws, administrative regulations, and national or industry standards; those that do not possess the work safety conditions shall not engage in production or other business activities. Moreover, the design, manufacture, installation, use, inspection, maintenance, renovation, and scrapping of safety equipment shall comply with national or industry standards. To ensure compliance with work safety regulations during production, production and business operation entities should establish and improve work safety responsibility systems and work safety policies, clearly defining the responsible personnel, scope of responsibility, and assessment standards for each position. Production and business operation entities shall provide employees with labor protection equipment and conduct work safety training. If the principal person in charge of a production and business operation entity fails to fulfill the work safety management duties prescribed by this Law, they shall bear corresponding legal responsibilities depending on the severity of the work safety accident.

Laws and Regulations Concerning Real Estate

According to the Land Administration Law of the People's Republic of China (most recently amended by the NPCSC on August 26, 2019, effective January 1, 2020), state-owned land can be legally transferred or allocated to construction units or individuals.

According to the Civil Code, the establishment, alteration, transfer and extinction of real property rights, where registration is required by law, shall take effect upon being recorded in the real estate register. The certificate of real property rights is the proof that the right holder enjoys the real property rights.

According to the Interim Regulations on Real Estate Registration (most recently amended by the State Council on March 10, 2024, effective May 1, 2024) and the Detailed Rules for the Implementation of the Interim Regulations on Real Estate Registration (most recently amended by the Ministry of Natural Resources on May 9, 2024, effective the same day), the state implements a unified real estate registration system. Real estate registration adheres to the principles of strict management, stability and continuity, and convenience for the people. Real estate registration is handled by the real estate registration authority of the county-level or higher people's government where the real estate is located.

Laws and Regulations Concerning Property Leasing

According to the Measures for Administration of Commercial Housing Leasing (issued by the Ministry of Housing and Urban-Rural Development on December 1, 2010, effective February 1, 2011), within thirty days after the conclusion of a housing lease contract, the lessor and lessee shall go to the construction (real estate) competent department of the people's government at the level of municipality directly under the Central Government, city or county where the leased house is located to register the lease for the record. Failure to complete the relevant lease registration procedures and failure to rectify within the specified period may result in a fine ranging from RMB1,000 to RMB10,000 imposed on the parties to the lease agreement.

Laws and Regulations Concerning Environmental Protection

Key Chinese laws and regulations related to environmental protection include: the Environmental Protection Law of the People's Republic of China (the "**Environmental Protection Law**") (amended April 24, 2014, effective January 1, 2015), the Water Pollution Prevention and Control Law of the People's Republic of China (amended June 27, 2017, effective January 1, 2018), the Air Pollution Prevention and Control Law of the People's Republic of China (amended October 26, 2018, effective the same day), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (amended April 29, 2020, effective September 1, 2020), the Administrative Measures for Pollutant Discharge Permits (issued April 1, 2024, effective July 1, 2024), and the Law of the People's Republic of China on the Prevention and Control of Noise Pollution (issued December 24, 2021, effective June 5, 2022).

According to the aforementioned laws and regulations, enterprises that discharge and dispose of toxic and hazardous substances such as wastewater, waste gas, and solid waste must comply with national and local discharge standards, declare and register with the relevant environmental protection administrative departments, and pay environmental protection taxes and fees according to applicable laws.

According to the Environmental Impact Assessment Law of the People's Republic of China (amended December 29, 2018, effective the same day), construction entities shall prepare an environmental impact statement, an environmental impact form, or fill out an environmental impact registration form based on the degree of environmental impact caused by the construction project: (i) If it is likely to cause significant environmental impacts, an environmental impact statement shall be prepared for a comprehensive assessment of the potential environmental impacts; (ii) If it is likely to cause minor environmental impacts, an environmental impact form shall be prepared for an analysis or specialized assessment of the potential environmental impacts; and (iii) If the environmental impact is minimal and no environmental impact assessment is required, an environmental impact registration form shall be filled out.

According to the Interim Measures for Completion Acceptance of Environmental Protection for Construction Projects (issued November 20, 2017, effective the same day) and the Regulations on the Administration of Environmental Protection for Construction Projects (amended July 16, 2017, effective October 1, 2017), after the completion of a construction project that requires an environmental impact statement or form, the construction entity shall, according to the standards and procedures stipulated by the competent environmental protection administrative department, carry out the completion acceptance inspection for environmental protection and prepare an acceptance report. Construction projects requiring an environmental impact statement or form may only be put into production or use after passing the environmental protection completion acceptance inspection.

According to the Fixed Pollution Source Pollutant Discharge Permit Classification Management Catalogue (2019 Edition) (issued by the Ministry of Ecology and Environment on December 20, 2019, effective the same day), based on factors such as the amount of pollutants generated and discharged by pollutant discharging entities and their impact on the environment, the State implements key management, simplified management, and registration management for pollutant discharge permits. Entities subject to registration management do not need to apply for a pollutant discharge permit.

Laws and Regulations Concerning the Production and Operation of Hazardous Chemicals

According to the Regulations on the Administration of Precursor Chemicals (amended by the State Council on September 18, 2018, effective the same day), entities purchasing Category II or Category III precursor chemicals shall, prior to purchase, register the variety and quantity to be purchased with the public security authority of the county-level people's government at their location.

Laws and Regulations Concerning Fire Protection

According to the Fire Protection Law of the People's Republic of China (amended by the NPCSC on April 29, 2021, effective the same day), upon completion of construction projects designated by the competent department of housing and urban-rural development under the State Council as requiring fire protection acceptance, the construction entity shall apply for fire protection acceptance from the competent department of housing and urban-rural development. For other construction projects, the construction entity shall report to the competent department of housing and urban-rural development for the record after completion, and the competent department of housing and urban-rural development shall conduct random inspections. Construction projects that are required by law to undergo fire protection acceptance shall not be put into use if they have not undergone acceptance or have failed acceptance. Other construction projects that fail random inspections in accordance with the law shall cease to be used.

Laws and Regulations Concerning Intellectual Property Rights

Patents

Patents in China are primarily protected by the Patent Law of the People's Republic of China (amended October 17, 2020, effective June 1, 2021), and the Implementing Regulations of the Patent Law of the People's Republic of China (issued by the State Council on June 15, 2001; amended December 11, 2023, effective January 20, 2024). According to the Patent Law of the People's Republic of China and its Implementing Regulations, the duration of patent rights for inventions is 20 years, for utility models is 10 years, and for designs is 15 years, all calculated from the date of filing, except where annual patent fees are not paid as prescribed or the patentee declares in writing to abandon the patent right.

Trademarks

According to the Trademark Law of the People's Republic of China (amended by the NPCSC on April 23, 2019, effective November 1, 2019) and the Implementing Regulations of the Trademark Law of the People's Republic of China (amended by the State Council on April 29, 2014, effective May 1, 2014), registered trademarks are those approved for registration by the Trademark Office of the National Intellectual Property Administration, including goods trademarks, service trademarks, collective trademarks, and certification trademarks; trademark registrants enjoy the exclusive right to use registered trademarks, protected by law. The Trademark Law and its Implementing Regulations stipulate that trademark registration applications shall be filed according to the published Classification of Goods and Services. The description of goods or services shall be filled out according to the class numbers and descriptions in the Classification of Goods and Services. If the goods or services are not listed in the Classification, a description of the goods or services shall be appended. The term of validity of a registered trademark is ten years, calculated from the date of approval of registration, except where the Trademark Office revokes the registered trademark. If the registered trademark needs to be continued after the expiration of the validity period, the trademark registrant shall go through renewal procedures as prescribed. The term of validity for each renewal of registration is ten years, calculated from the day following the expiration date of the previous term. If renewal procedures are not completed upon expiration, the registered trademark shall be cancelled.

Domain Names

According to the Administrative Measures for Internet Domain Names (issued by the MIIT on August 24, 2017, effective November 1, 2017), domain name registration services shall, in principle, operate on a "first-come, first-served" basis. Domain name registration applicants shall provide the domain name registration agency with true, accurate, and complete identity information of the domain name holder and other domain name registration information, and sign a registration agreement with the domain name registration service provider. Upon completion of the registration process, the applicant becomes the holder of the relevant domain name.

Laws and Regulations Concerning Employment, Social Insurance, and Housing Provident Fund

According to the Labor Law of the People's Republic of China (the "**Labor Law**") (amended by the NPCSC on December 29, 2018, effective the same day), the Labor Contract Law of the People's Republic of China (the "**Labor Contract Law**") (amended December 28, 2012, effective July 1, 2013), and the Implementing Regulations of the Labor Contract Law of the People's Republic of China (issued by the State Council on September 18, 2008, effective the same day), employers must conclude written labor contracts with full-time employees. All employers must comply with local minimum wage standards. Employers must establish labor safety and health systems, strictly implement national standards, and provide relevant education to employees. Violations of the Labor Contract Law and the Labor Law may lead to fines, and in serious cases, other administrative and criminal liabilities.

According to the Social Insurance Law of the People's Republic of China (amended by the NPCSC on December 29, 2018, effective the same day) and the Interim Regulations on the Collection of Social Insurance Premiums (amended by the State Council on March 24, 2019, effective the same day), employers must contribute to social insurance programs for their employees, including basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance, and work-related injury insurance. If an employer fails to pay social insurance premiums on time and in full, the social insurance premium collection agency shall order it to pay or make up the deficiency within a specified time limit, and impose a late payment fee of 0.05% per day calculated from the date of default; if the employer still fails to pay after the time limit, the relevant administrative department shall impose a fine of not less than one time nor more than three times the amount in default.

According to the Interpretation of the Supreme People's Court on the Application of Law in the Trial of Labor Dispute Cases (II) issued by the Supreme People's Court on July 31, 2025 and implemented on September 1, 2025 the ("**The New Judicial Interpretation**"), if the employer and the employee agree or the employee promises to the employer that they do not need to pay social insurance premiums, the people's court shall determine that the agreement or promise is invalid. If the employer fails to pay social insurance premiums in accordance with the law, and the employee requests to terminate the labor contract and have the employer pay economic compensation in accordance with Article 38 (3) of the Labor Contract Law of the People's Republic of China, the people's court shall support it in accordance with the law. If the employer, in accordance with the provisions of the preceding paragraph, requests the employee to return the social insurance compensation already paid after paying the social insurance premiums in accordance with the law, the people's court shall support it in accordance with the law.

As advised by our PRC Legal Adviser, the New Judicial Interpretation does not repeal or change the existing social insurance laws and regulations and therefore does not by itself increase our social insurance exposure. Its impact on the Group's business, financial performance and position, as well as its operations and compliance with the relevant laws and regulations, is not significant.

However, due to the possibility of issuing new PRC labor laws and regulatory guidance, we cannot assure how future developments may affect our operations. If we are deemed to have violated the relevant labor laws and regulations, we could be subject to related penalties, fines or legal costs, and our business, financial condition and results of operations could be materially and adversely affected. Based on the above, our Directors are of the view that the Interpretation II has no material adverse impact on our business operation or financial condition.

According to the Regulations on the Administration of Housing Provident Funds (amended by the State Council on March 24, 2019, effective the same day), employers must contribute housing provident funds for their employees. If an employer defaults on contributions or makes insufficient contributions, the housing provident fund management center shall order it to make up the contributions within a specified time limit; if it still fails to contribute after the time limit, the center may apply to the people's court for enforcement. Each employee may only have one housing provident fund account. The contribution ratios for both employees and employers shall not be less than 5% of the employee's average monthly wage of the previous year; cities that are in a position to do so may appropriately increase the contribution ratio.

Laws and Regulations Concerning Taxation

EIT

According to the Enterprise Income Tax Law of the People's Republic of China (the "**EIT Law**") (amended by the NPCSC on December 29, 2018, effective the same day) and the Implementing Regulations of the Enterprise Income Tax Law of the People's Republic of China (amended by the State

Council on December 6, 2024, effective January 20, 2025), enterprises are categorized as resident enterprises and non-resident enterprises. An enterprise established in China under Chinese law, or an enterprise established under the law of a foreign country (region) but whose "effective management institution" is located within China is deemed a "resident enterprise" and shall pay EIT at a rate of 25% on its worldwide income. A non-resident enterprise (i) that has an establishment or place of business in China shall pay EIT on the income derived by such establishment or place of business from sources within China, and on the income derived from sources outside China which is effectively connected with such establishment or place of business; and (ii) that has income derived is not effectively connected with such establishment or place of business, shall pay EIT on the income derived from sources within China. A non-resident enterprise that has no establishment or place of business in China, shall pay EIT on the income derived from sources within China. High and new technology enterprises that are in need of key State support shall be subject to a reduced EIT rate of 15%.

VAT

According to the Provisional Regulations of the People's Republic of China on Value-Added Tax (amended by the State Council on November 19, 2017, effective the same day) and the Detailed Rules for the Implementation of the Provisional Regulations of the People's Republic of China on Value-Added Tax (amended by the Ministry of Finance on October 28, 2011, effective November 1, 2011), entities and individuals that sell goods or engage in processing, repair and replacement services, sell services, intangible assets, immovable property, or import goods within the territory of the People's Republic of China are VAT taxpayers. Unless otherwise stipulated, the tax rate for taxpayers selling goods, labor services, leasing services for tangible movable property, or importing goods is 17%.

According to the Value-Added Tax Law of the People's Republic of China (issued by the NPCSC on November 25, 2024, effective January 1, 2026) (after which the Provisional Regulations of the People's Republic of China on Value-Added Tax will be abolished), entities and individuals (including individual businesses) that sell goods, services, intangible assets, immovable property, or import goods within the territory of the People's Republic of China are VAT taxpayers and shall pay VAT in accordance with this Law.

According to the Circular on Adjusting the Value-Added Tax Rates (issued by the Ministry of Finance and the State Taxation Administration on April 4, 2018, effective May 1, 2018), for VAT taxable sales activities by taxpayers originally subject to the 17% rate, the rate was adjusted to 16%. According to the Announcement on Policies Related to Deepening VAT Reform (issued by the Ministry of Finance, the State Taxation Administration, and the GACC on March 20, 2019, effective April 1, 2019), for general VAT taxpayers engaging in VAT taxable sales activities or importing goods originally subject to the 16% rate, the rate was adjusted to 13%.

Laws and Regulations Concerning Dividend Distribution

According to the Company Law, when distributing the after-tax profit of the current year, a company shall allocate 10% of the profit to the company's statutory reserve fund. The company may cease allocation when the cumulative amount of the company's statutory reserve fund reaches 50% or more of the company's registered capital. If the company's statutory reserve fund is insufficient to make up the losses of the previous year, the company shall use the current year's profit to make up the losses before allocating to the statutory reserve fund as stipulated in the preceding paragraph. After the company makes up the losses and allocates to the reserve fund, the remaining after-tax profit shall be distributed by a joint stock limited company proportionally to the shares held by the shareholders, unless otherwise stipulated in the company's articles of association.

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and related protocols (signed August 21, 2006, effective December 8, 2006), if a Hong Kong enterprise directly holds not less than 25% of the equity of a Chinese company, the dividends distributed shall be taxed at a rate of 5%; otherwise, the dividend shall be subject to 10% income tax.

According to the Administrative Measures for Non-Resident Taxpayers Enjoying Treaty Benefits (issued by the State Taxation Administration on October 14, 2019, effective January 1, 2020), non-resident taxpayers enjoying treaty benefits shall adopt the method of "self-assessment, declaration for enjoyment, and retention of relevant materials for future inspection". Non-resident taxpayers who determine on their own that they meet the conditions for enjoying treaty benefits may enjoy the treaty benefits during tax filing, or through the withholding agent during withholding filing, while collecting and retaining relevant materials for future inspection in accordance with these Measures and accepting subsequent administration by the tax authorities.

Laws and Regulations Concerning Foreign Exchange

According to the Regulations of the People's Republic of China on Foreign Exchange Administration (revised by the State Council on August 5, 2008, effective the same day), the foreign exchange receipts and payments or foreign exchange business activities of domestic institutions and domestic individuals, as well as the foreign exchange receipts and payments or foreign exchange business activities of overseas institutions and overseas individuals within the territory of China, are subject to these regulations.

According to the Notice on Reforming and Regulating the Policies on the Settlement of Capital Account Foreign Exchange Income (issued by the SAFE on June 9, 2016, effective the same day), it has been clearly stipulated that the capital account foreign exchange income subject to the voluntary settlement policy (including foreign capital, foreign debt funds and repatriated funds from overseas listings, etc.) can be settled at banks based on the actual business needs of domestic institutions. Where the current regulations impose restrictions on the settlement of capital account foreign exchange income of domestic institutions, such regulations shall prevail. The voluntary settlement ratio of capital account foreign exchange income of domestic institutions is temporarily set at 100%. The SAFE may adjust the above ratio in a timely manner in light of the international payments situation.

According to the Notice on Further Promoting the Facilitation of Cross-border Trade and Investment (issued by the SAFE on October 23, 2019, effective the same day), and the Notice on Further Deepening Reform to Promote the Facilitation of Cross-border Trade and Investment (issued on December 4, 2023, effective the same day), non-investment-oriented foreign-invested enterprises are allowed to settle foreign exchange funds in RMB and use RMB capital for domestic equity investment, provided that they do not violate the current Special Administrative Measures for Foreign Investment Access (Negative List) (2024 Edition) and the domestic investment projects are genuine and compliant.

According to the Notice on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Businesses (issued by the SAFE on April 10, 2020, effective the same day), under the premise of ensuring the authenticity and compliance of fund usage and in line with the current regulations on the use of capital project income, qualified enterprises are allowed to use capital funds, foreign debts, and income from overseas listings and other capital project income for domestic payments without having to provide authenticity proof materials to the bank on a case-by-case basis in advance. Relevant banks must conduct post-event spot checks in accordance with relevant regulations.

The Notice of the State Administration of Foreign Exchange on Further Improving and Adjusting the Foreign Exchange Administration Policies for Direct Investment (issued by the SAFE on November 19, 2012, effective December 17, 2012) has greatly simplified the previous foreign exchange approval procedures, and cancelled the approval for opening and crediting foreign exchange accounts under direct investment. Banks will handle the account opening procedures for the account opening entities based on the registration information in the relevant business systems of the foreign exchange administration.

The Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Administration Policies for Direct Investment (revised by the SAFE on February 13, 2015, effective June 1, 2015) has abolished the administrative approval item of foreign exchange registration for overseas direct investment. Instead, banks directly review and handle the foreign exchange registration for overseas direct investment. The SAFE and its branches implement indirect supervision over the foreign exchange registration for direct investment through banks.

Laws and Regulations Concerning Overseas Listings

According to the Securities Law of the People's Republic of China (the "**PRC Securities Law**") (revised by the NPCSC on December 28, 2019, effective March 1, 2020), it comprehensively regulates activities in the securities market within the territory of China, including the issuance and trading of securities, the acquisition of listed companies, information disclosure, investor protection, securities trading venues, securities companies, securities registration and settlement institutions, securities service institutions, the securities industry association and securities regulatory authorities, etc. The PRC Securities Law further stipulates that domestic enterprises directly or indirectly issue securities abroad or list and trade their securities abroad shall comply with the relevant regulations of the State Council. For domestic companies whose stocks are subscribed and traded in foreign currencies, specific measures shall be separately prescribed by the State Council.

According to the Trial Measures for the Administration of the Issuance and Listing of Securities by Domestic Enterprises Abroad (the "**Trial Measures for Overseas Listing**") (issued by the China Securities Regulatory Commission ("**CSRC**") on February 17, 2023, effective March 31, 2023), domestic enterprises in China that directly or indirectly issue stocks or list abroad shall file with the CSRC within three working days after submitting the application documents for issuance and listing abroad. In addition, the following circumstances shall not be allowed to issue and list abroad: (i) where the issuance and listing abroad are prohibited by Chinese laws; (ii) where the issuance and listing abroad may endanger national security as determined by the relevant competent departments of the State Council of China in accordance with the law; (iii) where the domestic enterprise or its controlling shareholder or actual controller has been convicted of a crime in the past three years; (iv) where the domestic enterprise is under investigation for suspected crimes or major violations of laws and regulations and no clear conclusion has been reached; or (v) where there are major disputes over the ownership of the shares held by the controlling shareholder or the shareholder controlled by the controlling shareholder or actual controller.

According to the Regulations on Strengthening the Confidentiality and Archival Management of Overseas Securities Issuance and Listing by Domestic Enterprises (the "**Archival Regulations**") (issued by the CSRC, the Ministry of Finance, the State Secrecy Bureau and the National Archives Administration on February 24, 2023, effective March 31, 2023), domestic enterprises and the securities companies and securities service institutions providing corresponding services in the activities of direct or indirect overseas securities issuance or listing by domestic enterprises shall strictly abide by the relevant requirements for confidentiality and archival management, establish and improve confidentiality and archival management systems, take necessary measures to fulfill the responsibilities for confidentiality and archival management, and shall not disclose state secrets or work secrets of state organs, nor shall they harm the interests of the state and the public.

Domestic enterprises that provide or publicly disclose documents and materials involving state secrets or work secrets of state organs to relevant securities companies, securities service institutions, overseas regulatory authorities, or individuals, or provide or publicly disclose such documents and materials through their overseas listed entities, etc., shall report to the competent authorities with approval authority for approval in accordance with the law and file with the administrative department for confidentiality at the same level. Domestic enterprises that provide or publicly disclose other documents and materials that would cause adverse effects on national security or public interests if leaked to relevant securities companies, securities service institutions, overseas regulatory authorities, or individuals, or provide or publicly disclose such documents and materials through their overseas listed entities, etc., shall strictly follow the corresponding procedures in accordance with relevant state regulations.

LAWS, REGULATIONS AND POLICIES IN JAPAN

Laws Related to Labor and Social Insurance

Labor

Labor relations in Japan are primarily governed by the Labor Standards Act ("《労動基準法》") . This Act establishes minimum standards for working conditions, including wages, working hours, and compensation for work-related accidents. It also obliges employers and employees to enter into written labor contracts specifying key working conditions such as wages, working hours, and terms of contract termination. Under the Labor Standards Act, employees' working hours, in principle, must not exceed the statutory working hours (40 hours per week or 8 hours per day, excluding break times). However, this restriction does not apply if the employer concludes a written labor agreement regarding overtime and holiday work (commonly called a "**Article 36 Agreement**", "36協定") with a labor union representing the majority of employees or, if no labor union exists, with a representative of the majority of employees and submits it to the relevant Labor Standards Inspection Office. Working hours that exceed the statutory limit are considered overtime. Even with an Article 36 Agreement, employees' overtime is generally limited to 45 hours per month and 360 hours per year. Nevertheless, by including special provisions in the Article 36 Agreement, overtime exceeding these limits may be permitted only under exceptional circumstances.

Additionally, the Labor Contract Act ("《勞動合同法》") complements the Labor Standards Act by stipulating the basic principles of labor contracts, as well as fundamental matters concerning the formation, modification, performance, and termination of labor contracts. The Act aims to protect employees and stabilize individual labor relations by ensuring that reasonable working conditions are determined or modified through voluntary negotiations between employers and employees. The Act also provides protective measures to prevent unfair dismissal, stipulating that termination of employment requires objectively reasonable grounds and social appropriateness.

Social Security

Japan has a comprehensive social insurance system, consisting of several mandatory insurance programs.

The Health Insurance Act ("《健康保險法》") provides insurance benefits for employees or their dependents in the event of sickness, injury, death, or childbirth not related to work. Under this Act, employers operating applicable business establishments (including all legal entities) are required to register their employees for health insurance.

The Employees' Pension Insurance Act ("《厚生年金保險法》") provides insurance benefits for employees in cases of old age, disability, or death. Under this Act, employers operating applicable business establishments (including all legal entities) are required to bear half of their employees' pension insurance premiums.

The Workers' Accident Compensation Insurance Act ("《勞動者災害補償保險法》") requires all employers to enroll in workers' accident compensation insurance in order to provide benefits to employees or their survivors in the event that the employee suffers an accident or occupational disease during work or commuting. Employers are obligated to bear the full cost of the insurance premiums under this Act. The Act also aims to promote the social rehabilitation of employees who are injured or fall ill due to work-related or commuting causes, support the affected employees or their survivors, and ensure their safety and health.

The Employment Insurance Act ("《僱用保險法》") aims to provide necessary benefits to employees in cases of unemployment, difficulty continuing employment, or participation in vocational training, and to promote their re-employment. Under this Act, employers are required to bear a portion of the insurance premiums.

Laws Related to Taxation

Corporation Tax

The Corporation Tax Act ("《法人稅法》") stipulates taxes on the income of corporations. The Act provides rules on the calculation and payment procedures for corporation tax, with the aim of ensuring the proper fulfillment of corporations' tax obligations.

Japanese corporations are required to pay taxes on income derived from their business activities. The corporation tax rate varies depending on the size of the company. The standard rate for ordinary corporations is 23.2%, while small and medium-sized enterprises benefit from a reduced tax rate (15% or 19%, depending on sales over the past several years) for the portion of annual taxable income not exceeding JPY 8 million. Taxable income is determined based on profits earned during the fiscal year.

Foreign corporations are liable to pay tax only on income sourced within Japan (domestic-source income). Foreign corporations with a permanent establishment in Japan are generally required to pay corporation income tax on income attributable to that permanent establishment.

All companies must file a tax return within two months from the day following the end of the fiscal year. The tax return must be accompanied by supporting documents detailing the company's financial activities, such as balance sheets and income statements. Failure to fulfill filing or payment obligations may result in sanctions and penalties, including additional taxes and delinquency charges. Furthermore, any non compliance with the Corporation Tax Act may trigger tax audits and sanctions.

Enterprise Tax

In Japan, the enterprise tax is a tax imposed by prefectures on enterprise business income, and the method of calculation varies depending on the size of the enterprise. For small and medium-sized enterprises, the business tax is primarily levied based on the company's income. However, for large corporations, additional factors are considered in the calculation, such as the company's capital and the "value-added amount," which is the sum of single-year profits and revenue distribution. As a result, even large corporations operating at a loss may still be required to pay enterprise tax.

The Special Corporate Tax is a tax levied by the national government to rectify the uneven distribution of tax sources of local corporate taxes, which is also collected through enterprise tax filing.

Corporate Inhabitant Tax

The corporate inhabitant tax is a local tax paid by corporations to the regions (prefectures and municipalities) where they conduct business. The tax amount is calculated based on the corporate tax amount paid to the national government.

Fixed Asset Tax

The fixed asset tax is a tax imposed by municipalities on fixed assets, including land, buildings, and depreciable assets. The tax amount is calculated by applying the standard tax rate (1.4%) to the assessed value of the fixed assets, which is determined based on the valuation standards for fixed assets announced by the Minister of Internal Affairs and Communications.

Consumption Tax

Consumption tax is a Japan-style value-added tax, broadly imposed on consumption, and is governed by the Consumption Tax Act ("《消費税法》"). For business operators, the tax is calculated by applying a 10% rate to sales, including the local consumption tax, while the tax amount paid on purchases is deductible.

Withholding Tax on Dividends

In Japan, the payment of corporate dividends is governed by the Companies Act ("《公司法》"). In addition, Japanese income tax on dividends is collected through withholding in accordance with the Income Tax Act ("《所得税法》").

For a Japanese private company paying dividends to non-resident shareholders, the standard withholding tax rate is 20.42%. However, this rate may be reduced or exempted under the provisions of applicable tax treaties between Japan and the shareholder's country or region of residence. For example, under the tax treaty between Japan and Hong Kong, the withholding tax rate for shareholders who qualify as tax residents of Hong Kong may be reduced to 5%. Non-resident shareholders wishing to apply for a reduced withholding tax rate must submit a notification concerning the relevant tax treaty to the Japanese tax authorities. The withholding tax is generally collected by the Japanese subsidiary paying the dividend.

Withholding Tax on Salaries

Japanese income tax on payments of salaries to workers is collected through withholding in accordance with the Income Tax Act. When an employer, as a withholding agent, pays salaries to employees, it is required to deduct income tax in advance and remit it on behalf of the employees.

The due date for remitting the withheld income tax is the 10th day of the month following the month in which the income was paid. However, if the number of employees regularly receiving salaries is fewer than 10, a special provision allows the tax to be remitted twice a year.

The amount of withholding tax is determined based on factors such as the salary amount, social insurance and employment insurance premiums deducted from the salary, whether the employee has submitted a declaration for dependent deductions, and the number of dependents.

Laws Related to Leasing

Commercial leases in Japan are primarily governed by the Civil Code ("《民法》") and the Act on Land and Building Leases ("《借地借家法》").

The Civil Code sets out the basic requirements for the formation of lease contracts, the rights and obligations of both parties (such as payment of rent and maintenance of leased property), conditions for contract termination, and liability for non-performance.

The Act on Land and Building Leases, as a special law supplementing the Civil Code, mainly aims to protect tenants and establishes minimum standards for leases of land for building ownership and building leases, including lease duration, rent revision, and the exercise of termination rights. Under the Act, long-term commercial property leases are ensured to a degree of stability.

U.S. EXPORT CONTROL AND ECONOMIC SANCTIONS

The United States administers a comprehensive export-control and economic-sanctions framework aimed at protecting national-security and foreign-policy interests. This system — implemented principally through the EAR by the Department of Commerce and sanctions authorities administered by the Department of the Treasury and the Department of Defense — imposes licensing requirements, end-use and end-user restrictions, foreign direct product controls, and list-based prohibitions on dealings with designated parties. The following content outlines the key rules and restricted-party lists specifically relevant to the Company's assessment.

- **BIS Entity List Restrictions**

According to the EAR § 744.16, in addition to the license requirements for items specified on the CCL, any entity may not, without a license from BIS, export, reexport, or transfer (in-country) any items included in the License Requirement column of an entry on the Entity List (supplement no. 4 to the EAR § 744.16) when an entity associated with that entry or when any person using an address identified in the Entity List entry as a high-risk diversion address is a party to a transaction as described in § 748.5(c) through (f) of the EAR.

- **FN1 FDP Rule**

A foreign-produced item is subject to the EAR if it meets the product scope and end-user scope in Entity List FDP Rule footnote 1, footnote 4 or footnote 5 provisions. The Entity List footnote 1 FDP Rule (FN1 FDP) applies if foreign-produced item meets both product and end-user conditions.

Product Scope: the foreign-produced item is the direct product of technology or software that is subject to the EAR and specified in ECCNs such as 3D001, 4D001, 5D001, 5D991, 5E991, etc.; or foreign-produced items produced by a plant or major component that is itself the direct product of such U.S.-origin technology or software.

End-user Scope: there is knowledge that the item will be used in activities involving a FN1 designated entity, or when the FN1 designated entity is a party to the transaction.

- **FN4 FDP Rule**

The Entity List footnote 4 FDP Rule (FN4 FDP) applies if foreign-produced item meets both product and end-user conditions.

Product Scope: the foreign-produced item is the direct product of U.S.-origin technology or software listed in ECCNs such as 3D001, 4D001, 5D001, 5D991, 5E991, etc.; or items produced by a plant or major component that is itself the direct product of such technology or software; and

End-user Scope: there is knowledge that the item will be used in activities involving a FN4 designated entity, or when the FN4 designated entity is a party to the transaction.

- **Department of Defense NDAA §1260H List**

Amended in 2025, 1260H List mostly prohibits the Department of War from entering into, renewing, or extending contracts for goods, services, or technology with entities on the Chinese Military Company List or their affiliates. Contracts with companies controlled by these listed entities are also prohibited.

- **U.S. Treasury's Non-SDN CMIC List**

Non-SDN Chinese Military-Industrial Complex Companies List, published by the Department of the Treasury's Office of Foreign Assets Control ("**OFAC**") is designed as a reference tool that identifies persons subject to certain sanctions that have been imposed under statutory or other authorities.

A United States person is prohibited from certain purchase or sale of publicly traded securities of CMIC List entities, and any transaction that evades or avoids, is intended to evade or avoid, causes a violation of, or attempts to violate any of the prohibitions set forth is prohibited. OFAC published several new Frequently Asked Questions ("**FAQs**") on application of Non-SDN CMIC List, and FAQ 905 clarifies that U.S. Persons are not prohibited from engaging in all activities with CMICs.

U.S. OUTBOUND INVESTMENT PROGRAM

On August 9, 2023, the U.S. government issued Executive Order 14105, launching efforts to regulate certain outbound investments involving China. The U.S. Department of the Treasury followed with rulemaking, culminating in a final rule (the "**OIR**") on October 28, 2024 (effective January 2, 2025) that established the "Outbound Investment Security Program." This program focuses on investments by U.S. persons in advanced technology sectors in "countries of concern" (currently China, including Hong Kong and Macau).

Under the OIR, U.S. persons, including U.S. citizens and permanent residents, entities organized under U.S. law (including their foreign branches), and any person in the U.S., are subject to investment prohibitions and notification requirements for certain transactions in three sensitive technology categories (semiconductors and microelectronics, quantum information technologies, and artificial intelligence systems). These restrictions apply when a transaction involves a "covered foreign person" generally an entity in a country of concern engaged in a "covered activity." With respect to the semiconductors and microelectronics sector, the OIR defines the following as "covered activities": (i) Design, fabrication, or packaging of (advanced) any integrated circuit; (ii) Development or production of certain electronic design automation software; (iii) Development or production of certain semiconductor fabrication equipment, or certain packaging equipment; and (iv) Development or production of items, materials, software, or technology designed exclusively for use in or with extreme ultraviolet lithography fabrication equipment. "Covered transactions" include activities such as acquiring equity interests (including contingent equity interests), providing debt financing, forming joint ventures, or investing as a limited partner in a fund, when such activities involve a covered foreign person.