

V. Review of Financial Conditions, Financial Performance, and Risk Management

5.1 Financial Status

Analysis of Financial Status

Unit: NT\$ thousands

Item \ Year	2023	2024	Difference	
			Amount	%
Current assets	1,714,357	1,889,056	174,699	10.19
Investments	0	0	0	0
Property, plant and equipment	2,437,365	2,423,076	(14,289)	(0.59)
Other assets	35,615	26,239	(9,376)	(26.33)
Total assets	4,187,337	4,338,371	151,034	3.61
Current liabilities	513,615	544,187	30,572	5.95
Long-term liabilities	0	0	0	0
Other liabilities	84,676	29,759	(54,917)	(64.86)
Total liabilities	598,291	573,946	(24,345)	(4.07)
Capital stock	690,162	690,162	0	0
Capital surplus	573,532	573,532	0	0
Retained earnings	2,325,352	2,500,731	175,379	7.54
Other adjustments	0	0	0	0
Total stockholders' equity	3,589,046	3,764,425	175,379	4.89
Analysis of changes in financial ratios:				
1. Other assets: The decrease was mainly due to the decrease in deferred tax assets.				
2. Other liabilities: The decrease was mainly due to the decrease in current tax liabilities - noncurrent.				

- **Effect of Changes on the Company's Financial Condition:** The Company's business scope has not changed significantly.
- **Future Response Actions:** None.

5.2 Financial Performance

Analysis of Financial Performance

Unit: NT\$ thousands

Item \ Year	2023	2024	Difference	
			Amount	%
Net revenue	1,488,195	1,689,803	201,608	13.55
Cost of sales	909,757	924,136	14,379	1.58
Gross profit	578,438	765,667	187,229	32.37
Operating expenses	233,900	301,197	67,297	28.77
Operating income	344,538	464,470	119,932	34.81
Non-operating income and expenses	12,004	71,283	59,279	493.83
Net income before income tax	356,542	535,753	179,211	50.26
Income tax expense	74,103	107,151	33,048	44.60
Net income	282,439	428,602	146,163	51.75

Analysis of changes in financial ratios:

1. Gross profit, Operating expenses, Net income before income tax, Net income before income tax and Net income: The increase was mainly due to the increase in operating revenues.
2. Operating expenses: The increase was mainly due to the costs of factory relocation.
3. Non-operating income and expenses: The increase was mainly due to the increase in foreign exchange gain.

- **Effect of Change on the Company's Financial Condition:** The Company's business scope has not changed significantly.
- **Effect of Change on the Company's Future Business and Future Response Plans:**
The Company is not required to disclose its financial forecast but has set up its internal target based on industrial environment and market demand. The Company will also keep investing in new technologies and quality improvement and will cost-down to achieve the target of profitability.

5.3 Cash Flow

Cash Balance at the Beginning of Year	Net Cash Flow from Operating Activities	Net Cash Flow from Investment Activities	Net Cash Flow from Financing Activities	Cash Balance at the End of Year	Leverage of Cash Surplus	
					Investment Plans	Financing Plans
445,258	718,248	(748,442)	(253,980)	161,084	None	None

5.3.1 Cash Flow Analysis for the Current Year

- A. Operating Activities: Mainly from operating profit.
- B. Investment Activities: Mainly for acquisition of property, plant and equipment.
- C. Financing Activities: Mainly for cash dividends payment.

5.3.2 Remedy for Cash Deficit and Liquidity Analysis: As a result of positive operating cash flows and cash on-hand, remedial actions are not required.

5.3.3 Cash Flow Analysis for the Coming Year: N/A.

5.4 Major Capital Expenditure Items: None.

5.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year: None.

5.6 Risk Analysis and Management

5.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

A. Interest rate

The Company's exposure to interest rate risk arises from the bank deposit interest rates change. If the interest rate had increased (decreased) by 1%, the Company's net profit after tax would have increased (decreased) by NT\$11,568 thousand for the year ended December 31, 2024, all other variable factors that remain constant.

B. Foreign exchange rates

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, accounts payable, and other payable that are denominated in foreign currency. A strengthening (weakening) 1% of appreciation of NTD against USD and JPY for the years ended December 31, 2024 would have increased the net profit after tax by NT\$3,100 thousand.

Mitigation measures being or to be taken:

- (a) The Company reserves the foreign currency position arising from sales appropriately to remit the foreign currency expenditures to safeguard from foreign exchange risk.
- (b) The Company manages the currency risk and then determines the timing of exchanging the foreign currency through collecting the foreign currency information.
- (c) The Company uses foreign currency forward exchange contracts to hedge the remaining nature of currency risk arising from netting.

C. Inflation

The impact of inflation does not currently have a significant impact on the Company's profits and business operations.

5.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

The Company did not engage in any high-risk, high-leveraged investments, lending or endorsement guarantees, and derivatives transactions.

5.6.3 Future Research & Development Projects and Corresponding Budget

Please refer to the "4.1.3 Technology and R&D Status" on pages 38-40 of this annual report.

5.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The Company consistently pays close attention to any changes in local and foreign policies and makes appropriate amendments to our systems when necessary. During 2024 and as of the date of publication of this annual report, changes in related laws have not had a significant impact on our operations.

5.6.5 Effects of and Response to Changes in Technology (including cyber security risk) and in Industry Relating to Corporate Finance and Sales

The Company pays attention to the changes in technologies and in industry at all time so as to be fully aware of the market trend and evaluate any potential impact on the operations of the Company. During 2024 and as of the date of publication of this annual report, the material changes of technologies have not had brought any adverse impact to the operations of the Company.

5.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

Since its inception, the Company has consistently maintained an ethical business philosophy and fulfilled its social responsibilities. During 2024 and as of the date of publication of this Annual Report, there were no such risks for the Company.

5.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

The Company has no ongoing merger and acquisition activities.

5.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

The Company has no ongoing factory expansion activities.

5.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

Sales of the Company are not concentrated on certain customers. The Company maintains more than two qualified raw material suppliers to ensure supply flexibility.

5.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%

There was no sale or transfer of significant number of shares by the Directors, Supervisors and shareholders with over 10% of shareholding.

5.6.11 Effects of, Risks Relating to and Response to the Changes in Control over the Company

During 2024 and as of the date of publication of this Annual Report, such risks were not identified by the Company.

5.6.12 Litigation or Non-litigation Matters

A. Major ongoing lawsuits, non-lawsuits or administrative lawsuit: None.

B. Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings: None.

5.6.13 Other Major Risks:

A. Risk management framework

The Company established risk management policies and effectively identify, measure, monitor, and control risk management mechanisms. The Board of Directors has the responsibility for the establishment and oversight of risk management framework. Through routine risk management, regular management meetings, and internal audit control monitor risk management effectiveness.

5.7 Other Important Matters: None.