

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

5.1 Financial Status

Analysis of Financial Status

Unit: NT\$ thousands

Item	Year	2024	2025	Difference	
				Amount	%
Current assets		1,889,056	2,595,896	706,840	37.42
Investments		0	0	0	0
Property, plant and equipment		2,423,076	1,832,977	(590,099)	(24.35)
Other assets		26,239	40,094	13,855	52.80
Total assets		4,338,371	4,468,967	130,596	3.01
Current liabilities		544,187	421,702	(122,485)	(22.51)
Long-term liabilities		0	0	0	0
Other liabilities		29,759	15,741	(14,018)	(47.11)
Total liabilities		573,946	437,443	(136,503)	(23.78)
Capital stock		690,162	690,162	0	0
Capital surplus		573,532	573,532	0	0
Retained earnings		2,500,731	2,767,830	267,099	10.68
Other adjustments		0	0	0	0
Total stockholders' equity		3,764,425	4,031,524	267,099	7.10
<p>Analysis of changes in financial ratios:</p> <ol style="list-style-type: none"> 1. Current assets: The increase was due to the increase in other current financial assets. 2. Property, plant and equipment: The decrease was mainly due to the disposal of real estate.. 3. Other assets: The increase was mainly due to the increase in deferred tax assets. 4. Current liabilities: The decrease was mainly due to the decrease in tax liabilities - current. 5. Other liabilities: The decrease was mainly due to the decrease in tax liabilities - noncurrent. 6. Total liabilities: The decrease was mainly due to the decrease in tax liabilities –current and tax liabilities - noncurrent. 					

- **Future Response Actions:** None.

5.2 Financial Performance

Analysis of Financial Performance

Unit: NT\$ thousands

Item	Year	2024	2025	Difference	
				Amount	%
Net revenue		1,689,803	1,425,963	(263,840)	(15.61)
Cost of sales		924,136	813,219	(110,917)	(12.00)
Gross profit		765,667	612,744	(152,923)	(19.97)
Operating expenses		301,197	336,997	35,800	11.89
Operating income		464,470	275,747	(188,723)	(40.63)
Non-operating income and expenses		71,283	423,799	352,516	494.53
Net income before income tax		535,753	699,546	163,793	30.57
Income tax expense		107,151	49,246	(57,905)	(54.04)
Net income		428,602	650,300	221,698	51.73

Analysis of changes in financial ratios:

1. The decrease in operating income was primarily due to reduction in gross profit and an increase in operating expenses.
2. The increase in non-operating income and expense, income before tax, and net income was mainly attributable to the recognition of gains from the disposal of real estate.
3. The decrease in income tax expense primarily resulting from recognition of deferred tax assets.

• 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
161,084	523,518	(24,834)	(385,801)	273,967	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 of the end of the year, the Company's combined balanced of cash and bank deposits totaled NT\$2,228,277 thousand, indication no liquidity shortage.

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\$17,826 thousand for the year ended December 31, 2025, all other variable factors that remain constant.

B. Foreign exchange rates

The company's foreign exchange risk primarily stems from foreign currency-denominated cash and cash equivalents, accounts receivable, accounts payable, and payable for construction and equipment, which generate exchange gains or losses upon translation. Assuming all other factors remain constant, a 1% depreciation or appreciation of the NTD against USD and Yen would result in a NT\$ 1,917 thousand increase or decrease in net income after tax for the fiscal year 2025.

Risk mitigation measures:

- The Company has established a robust foreign exchange risk management mechanism. We employ dynamic natural hedging and forward exchange contracts to efficiently control risks associated with net foreign currency positions.

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 42-44 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 2025 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 2025 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 2025 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 2025 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.