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

5.1 Analysis of Financial Status

5.1.1 2024 vs. 2023 financial analysis

Unit : NT$ thousands

Item \ Year	2024.12.31	2023.12.31	Difference	
			Amount	%
Current assets	480,211,528	361,461,400	118,750,128	32.85
Net property, plant and equipment	57,284,319	46,598,037	10,686,282	22.93
Intangible assets	3,407,837	2,459,680	948,157	38.55
Other assets	48,937,014	41,871,659	7,065,355	16.87
Total assets	589,840,698	452,390,776	137,449,922	30.38
Current liabilities	349,587,214	288,251,757	61,335,457	21.28
Non-current liabilities	53,468,174	35,375,847	18,092,327	51.14
Total liabilities	403,055,388	323,627,604	79,427,784	24.54
Common stock	28,963,651	28,997,661	(34,010)	(0.12)
Capital surplus	48,630,721	37,389,984	11,240,737	30.06
Retained earnings	50,581,390	40,680,803	9,900,587	24.34
Other equity	4,689,050	(1,934,548)	6,623,598	(342.38)
Treasury stock	(77,356)	(909,789)	832,433	(91.50)
Equity attributable to owners of the company	132,787,456	104,224,111	28,563,345	27.41
Non-controlling interests	53,997,854	24,539,061	29,458,793	120.05
Total equity	186,785,310	128,763,172	58,022,138	45.06

5.1.2 Analysis for asset, liability and stockholders' equity balance change more than 20%, and the changed amount are more than NT$10,000K

(1) The increase in current assets and total assets was mainly due to increase in note and trade receivables and inventories.

(2) The increase in net property, plant and equipment was mainly due to the increase in land and other equipment.

(3) The increase in intangible assets was mainly due to the increase in operating concession.

(4) The increase in current liabilities was mainly due to the increase in note and trade payables.

(5) The increase in non-current liabilities was mainly due to the increase in bonds payable.

(6) The increase in total liabilities was mainly due to the increase in note and trade payables and bonds payable.

(7) The increase in capital surplus was mainly due to the increase in surplus arising from equity-accounted investees.

(8) The increase in retained earnings was mainly due to the increase in net profit.

(9) The increase in other equity was mainly due to the increase in exchange differences on translation of financial statements.

(10) The increase in treasury stock was mainly due to the increase in treasury shares transferred to employees.

(11) The increase in equity attributable to owners of the company and total equity was mainly due to the increase in capital surplus , net profit and exchange differences on translation of financial statements.

(12) The increase in non-controlling interests was mainly due to the increase in exchange differences on translation of financial statements.

5.2 Analysis of Financial Performance

5.2.1 2024 vs. 2023 operating result analysis

Unit : NT$ thousands

Item \ Year	2024	2023	Increasing (decreasing) amount	Change percentage (%)
Net revenues	1,049,255,781	867,057,007	182,198,774	21.01
Cost of sales	965,164,938	798,074,134	167,090,804	20.94
Gross profit	84,090,843	68,982,873	15,107,970	21.90
Operating expenses	45,112,317	41,592,616	3,519,701	8.46
Operating income	38,978,526	27,390,257	11,588,269	42.31
Non-operating income and expenses	996,950	(3,069,563)	4,066,513	(132.48)
Profit before tax	39,975,476	24,320,694	15,654,782	64.37
Income tax expenses	9,339,245	6,055,409	3,283,836	54.23
Net profit	30,636,231	18,265,285	12,370,946	67.73
Other comprehensive income, net of tax	7,847,407	736,460	7,110,947	965.56
Total comprehensive income	38,483,638	19,001,745	19,481,893	102.53
Net profit attributable to owners of the Company	17,445,591	11,471,616	5,973,975	52.08
Total comprehensive income attributable to owners of the Company	23,971,464	12,138,989	11,832,475	97.47

5.2.2 Analysis for change item amount change more than 20%

(1) Increase in net revenues, cost of sales, gross profit and operating income: The increase was mainly due to the increase of the computer, communication and consumer electronics revenues.

(2) Increase in non-operating income and expenses: The increase was mainly due to the increase of foreign exchange gains.

(3) Increase in profit before tax, income tax expenses and net profit: The increase was mainly due to the increase of operating income and non-operating income.

(4) Increase in other comprehensive income, net of tax: The increase was mainly due to the increase of exchange differences on translation of financial statements.

(5) Increase in total comprehensive income, net profit attributable to owners of the company, total comprehensive income attributable to owners of the company: The increase was mainly due to the increase of net profit and exchange differences on translation of financial statements.

5.3 Cash flow

Change in consolidated cash flow in 2024:

Unit:NT$ thousands

Cash beginning balance	Cash flow from operating activities	Cash flow (used in) investing &financing activities	Cash ending balance	Plan for cash ending balance shortage	
				Investment plan	Financing plan
76,040,911	5,749,828	(1,910,314)	79,880,425	-	-

5.3.1 Analysis of cash flow in 2024

(1)Operating Activities: Cash flow-in mainly due to continuous cash flow generated from operating profitability in 2024.

(2)Investing Activities: Cash flow-out mainly caused by the increase in fix asset acquisition and other assets-noncurrent.

(3)Financing Activities: Cash flow-in mainly due to the subsidiary cash capital increase which resulted in an increase of non-controlling interest.

5.3.2 Liquidity improvement plan

The Company showed no signs of liquidity deficit.

5.3.3 Analysis of cash liquidity in the coming year

To accommodate the financial market fluctuation and the funding needs for operation and investments, Company manage prudently the cash and other financial tools with the principle of maintaining the liquidity and safety.

5 Review of Financial Conditions, Financial Performance, and Risk Management

5.4 Major Capital Expenditures and Impact on Financial and Business

5.4.1 Major Capital Expenditure and Sources of Funding

Unit : NT$ thousands

Plan	Actual or planned source of capital	Total amount as of Dec 31, 2024	Status of Actual Use of Capital	
			2023	2024
Acquisition of property, plant and equipment	Cash flow generated from operation	29,553,921	12,961,260	16,592,661

5.4.2 Expected Future Benefits

The investment in capital expenditure was for business growth as well as to expand capacity and to enhance productivity.

5.5 Investment Policies

The investments the company made were for long-term strategic plans. In 2024, the investment income recognized under equity method was NT$ 433,218 thousands. The company will continue making long-term strategic investments through prudent assessment in order to reinforce its competitiveness.

5.6 Risk Management

5.6.1 How does interest rate, exchange rate, or inflation influence Company's profit and loss, and how to manage such risks?

Items	2023 (in thousand NT dollars)	2024 (in thousand NT dollars)
Interest Income	2,519,837	3,223,438
Interest Expense	8,757,247	8,017,505
Exchange loss/gain	1,098,797	3,115,927

By the end of 2024, the cash and short-term investment balance of the Company totaled about NT$84.8 billion with short term borrowings about NT$81.7 billion. We reinvested the surplus cash after considerable evaluation of risks involved, while watching closely the change of bank lending rates on a regular basis.

Around 97% of the Company's revenue is from exports and most is in U.S. dollars, and most of the Company's material purchases use U.S. dollars as well. Therefore, the majority of Company's foreign currency operating exposure can be mutually offset. In addition, the Company has used regular hedge activities to manage its foreign exchange risk, under proper risk management guidelines. Due to the fluctuation of the foreign exchange rate and hedging activities, the Company delivered a foreign exchange gain of approximately NT$ 3,116 million last year.

There was no major inflation around the world during the 2024 and the Company has not experienced much in this regard.

The action plan to cope with impacts from interest rates, exchange rates, and inflation is:

(1) Mutually offset foreign assets and liabilities to mitigate the exposure.

(2) Well plan and arrange the funding in advance based on the company's business projection and cash flow forecast.

(3) Apply suitable financial instruments, such as derivatives, to hedge the risks under proper guidelines.

5.6.2 What is the Company's policy to make high risk or leveraged investment, make a loan, make a guarantee or buy derivatives? And what are the reasons of gain or loss and what are the future plans?

The Company has not performed any high-risk or highly leveraged investments in the past year. And the Company has not loaned funds and endorsed or guaranteed for any parties other than the subsidiaries which were restricted by Company's internal policies, and no loss has incurred. The Company performed derivatives transactions under the related guidelines of the Company, and the transactions were within our business scope.

Looking ahead, the Company will adhere to its existing principles, and not make high-risk and highly leveraged investments. We will only loan to other parties, endorse and guarantee for other parties under the Company's applicable regulations. The derivatives transactions will be performed strictly in compliance with the Derivatives Transaction Procedures set forth by the Company.

5.6.3 Future R&D Development Plan and Investment

In the 2024 R&D plan, aside from projects that have already entered mass production, all others are proceeding with internal testing according to schedule or have been submitted for customer validation. To support business growth in 2025, the company will continue investing in new projects, with R&D expenses expected to account for approximately 2.3% of revenue.

5.6.4 Effects of and Responsive actions to Changes in Policies and Regulations Relating to Finance and Operation

The Company paid close attention on any change in policies and regulations domestically or overseas that may affect operation and finance. Till the end of 2024, there was no such significant changes in policies and regulations which would bring negative influence.

5.6.5 Effects of and Responsive actions to Changes in Technology and the Industry Relating to Finance and Operation

There was no significant impact on finance and operation in the Company relating to recent technological and industrial changes. However, in response to the importance of information security and the increasing information security risk, the Company had taken out insurance for information security in order to cover the possible losses associated with information security incidents.

5.6.6 Effects of and Responsive actions to Changes in Corporate Image Change on Our Risk Management

The most important factor of the Company's image is its integrity. Integrity is the fundamental principal in both our core values and regulations, and has obtained recognition from the general public. Adhering to the integrity principle is beneficial to our risk management.

5.6.7 Expected benefits, risks and responsive measures of planned mergers or acquisitions

The Company selected appropriate target companies for merger and acquisition which highly aligned with future business development. By doing so the Company obtained effective risk control against business integration, investment results, financial performance and so on.

5.6.8 Expected Benefits and Risks Related to Plant Facility Expansions

To enhance the global presence and support the production of different customers and products at the most suitable locations, Wistron is continuously expanding its manufacturing sites beyond China, including in Taiwan, Vietnam, Malaysia, Mexico, and the Czech Republic. By leveraging the unique advantages of each country or location, the company provides customized, comprehensive manufacturing solutions for its customers.

However, facility expansion will increase operating costs, such as expenses for equipment purchases, workforce expansion, and training. If revenue growth does not keep pace, this may negatively impact the company's financial performance.

To mitigate this risk, Wistron will continue to optimize manufacturing processes, improve product quality, reduce resource consumption, and provide superior services. Additionally, the company will actively strengthen partnerships with global leading customers to secure more orders and enhance capacity utilization.

5.6.9 Supply and Distribution Concentration

Comparing to the peers, there are no concentration risk on the suppliers and customers except 100% owned subsidiaries.

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%

The shareholdings of the Company's directors have been stable during the last few years, and there have been no major transfers or swaps of shares.

5.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights

The company has a very healthy shareholder's structure: 24.86% stock shares are held by foreign investors, 27.28% by domestic institutional investors, 0.02% by treasury shares. They possess around 52.16% in the aggregate. In addition, the healthy shareholding structure of the Company lowers the risk of key management changes. We will do our best effort to improve corporate management to reward our shareholders with better perform ance. This is the key to our company's sustained development.

5.6.12 Does the Company or its directors, supervisors, general manager, key managers, shareholders with more than 10% shareholding or subsidiaries have any pending lawsuits or disputes which might significantly affect the shareholders' equity or share prices? If yes, what are the facts, claims, filing date, major parties and status upon publishing of this Report:

1. In March, 2022, WNC filed a civil lawsuit with the United States District Court for the Southern District of New York against Genesis Networks Telecom Services, LLC (hereinafter referred to as "Genesis") and its affiliated company GNET, asking for repayment of accounts payable and interest as well as any legal expenses pertaining to the lawsuit. In July, 2023, the aforementioned court passed a summary judgement that the defendant is liable for paying the entirety of the accounts payable owed to WNC, and thus WNC won this lawsuit. Genesis filed for bankruptcy in February, 2024. During the bankruptcy proceedings, WNC filed a claim for an undisclosed monetary amount.
2. On July 11, 2024, WNC filed a civil lawsuit with the United States District Court for the Northern District of California against LINKSYS USA, INC., seeking payment for loans used to purchase materials. The aforementioned parties reached a settlement in September, 2024.
3. On November 25, 2021, WNC purchased equipment from YU-CHEN SYSTEM TECHNOLOGY CORP. (hereinafter referred to as "YCS"). Due to the fact that the purchased equipment was unable to pass acceptance inspections, after several rounds of negotiations, WNC sent a legal attest letter to YCS on February 23, 2023, requesting contract rescission and restoration to status quo ante. WNC filed a lawsuit with the Taiwan Hsinchu District Court in May, 2023. The court of first instance has reached a ruling regarding this case, and YCS had paid all moneys owing by July, 2024.

As WNC has either won or reached a settlement in the aforementioned lawsuits, and the monetary amounts involved in said lawsuits are within a manageable range and are not considered significant for WNC, the lawsuits did not have any major impact on WNC's finances or operations.

5.6.13 Information Security

A. Information Security Policy

In implementing ISO 27001 information security management, Wistron focuses on regulation compliance, standardize processes, employees training and deploy security technology.

It strengthens the security on data, information systems, and network. Moreover, it can protect critical business processes and systems from human-induced risks such as theft, improper use, leakage, alteration or destruction which caused by negligence, deliberate or natural disasters.

With this, we can ensure the commitment to shareholders/customers and company's business continuity.

B. Effective Functioning and Continuous Improvement Information Security Management

In order to prove security management effectiveness, we certified ISO 27001 ISMS (Information Security Management System) and apply continuous improvement plan. The management mechanism includes:

(1) Develop related standards and SOP to enable the operations of the security management;

(2) Apply security technologies to identify, protect, detect, respond and recover timely and effectively;

(3) Establish a contingency and recovery operation process for the security incidents, so as to quickly isolate and eliminate threats and minimize the impact;

(4) Rehearse critical application system disaster recovery plan to verify the effectiveness;

(5) Enhance information security awareness and comprehensive of employee continuously by social engineering simulation and on-line training;

(6) Perform internal and external audits periodically.

C. The Information Security and Network Risk Assessment

We refer to internal and external security issues, security incidents and audit results to perform risk assessment regularly, and come out improvement or countermeasure plan to eliminate or reduce risks.

D. The Impact and Response for Major Information Security Incidents

In 2024, there were two major information security incidents, namely the power outage in the data center caused by the fire at the Hsinchu factory in Taiwan on March 25 and the network DDoS (distributed denial-of-service) attack on the official website of the head office on October 4. In the event of a cyber attack, the relevant defense mechanism has been activated immediately, and there is no significant impact on the company's operations, and there is no risk of leakage of personal information or internal documents. Because of the ever-changing threats and attack techniques, we will pay attention on security information technology and apply proper, timely defense or solution, to ensure management with a consistently effective approach to dealing with information security weaknesses and events, ensure the resilience of information services, and eliminate the business impact.

5.6.14 Emerging Risks

A. Geopolitical Risk

In 2025, after Trump reassumed the presidency of the United States, he promptly reinstated the "America First" trade policy, implementing new tariff regulations that resulted in significant fluctuations in global trade. These policies were designed to reduce the U.S. trade deficit with various countries and encourage other nations to renegotiate trade agreements with the U.S. through tariff measures. At the same time, the "Made in America" initiative required companies seeking to enter the U.S. market to invest domestically. These measures resulted in potential tariff costs and manufacturing challenges within the U.S., causing a sharp rise in operational expenses for businesses.

As manufacturing costs soared, businesses inevitably passed these expenses onto consumers, reigniting inflation concerns. This situation might force central banks to postpone or even cancel planned interest rate cuts, further increasing the burden of household living costs, reducing non-essential spending, and ultimately weakening market purchasing power. Meanwhile, the rising cost of living increased the risks of higher raw material and labor costs for businesses, thereby elevating production costs and impacting corporate profitability. These adverse factors could potentially slow down economic activity or even trigger a recession.

In response to the rapidly evolving geopolitical landscape, Wistron has adopted a proactive globalization strategy to mitigate risks by establishing a comprehensive global footprint. In addition to Taiwan and mainland China, Wistron has other production sites in the USA and Mexico in North America, Vietnam and Malaysia in Southeast Asia, India in South Asia and the Czech Republic in Eastern Europe. Wistron will continue to monitor the impact of U.S.A policies and make necessary capacity adjustments based on customer demand, while also enhancing its automation capabilities.

B. Risks of Generative AI

With the rapid adoption of AI applications like ChatGPT, Deepseek, and Grok, human-computer interaction is constantly evolving. AI is no longer merely an auxiliary tool for business operations but is becoming deeply integrated into various aspects of our daily lives. These generative AI applications leverage technologies such as natural language processing, deep learning, and image generation to make human-computer interaction more concrete, seamless, and convenient.

However, the use of such generative AI models also brings new risks. Information security has become a huge challenge for businesses. When employees utilize generative AI, the data they input may be used to train the model or respond to inquiries from others, significantly increasing the risk of sensitive company information leaks. If competitors leverage AI to analyze publicly available conversational data from a company's employees and steal trade secrets, the company could suffer immeasurable losses. Secondly, malicious individuals exploit generative AI, combining it with deepfake technology to spread false audio-visual information, affecting financial markets and causing social unrest. In addition to the potential for external misinformation, internally trained AI models may also produce erroneous responses, misleading management to make wrong decisions.

To eliminate the risk of sensitive information leakage, the company has implemented strict browsing permissions on browsers, prohibiting employees from using public generative AI websites during work. Instead, they are provided with access to a proprietary model developed by the company as needed. We are also actively evaluating and implementing AI governance action plans, establishing corresponding compliance mechanisms based on the scope and sensitivity of data. In response to the potential spread of misinformation, Wistron has increased cross-company communication to ensure prompt responses to any unfavorable news concerning the company, mitigating potential impacts. Additionally, apart from regularly monitoring the accuracy of internally developed AI models, relevant review mechanisms have been established to ensure the correctness and effectiveness of the generated information.

C. Aging population and recruitment challenges.

By 2025, Taiwan will officially become a super-aged society, with over 20% of its population aged 65 and above. The National Development Council projects that following a peak of 23.6 million in 2019, Taiwan's total population will shrink to 16.22 million by 2070. This indicates that in the coming decades, Taiwan will face severe challenges related to population decline and aging, requiring adjustments in corporate talent strategies. With the retirement of experienced employees, companies are facing an escalating crisis of talent loss and skill shortages, particularly in specialized fields that demand high levels of expertise. In these areas, the younger workforce often lacks the necessary skills and experience to effectively fill the gap. Additionally, Generation Z and Millennials, compared to previous generations, place a higher value on work-life balance, flexibility, and autonomy. To navigate these evolving workforce dynamics and demographic changes, businesses will need to adopt innovative recruitment and talent management strategies to stay competitive.

In response to the demographic shifts, our company plans to reassess our strategies for talent acquisition and retention to attract and retain seasoned professionals from the "Strong Generation" (those aged 45 and above). This group brings extensive experience, a strong work ethic, and well-established professional networks, all of which can significantly contribute to creating value for our company. Additionally, we will accelerate our digital transformation by integrating technologies such as automation, artificial intelligence, and data analytics to improve work efficiency and decrease reliance on manual labor. To attract younger talent, we will introduce flexible work models, including options like remote work, flexible hours, and adaptable vacation policies. These measures aim to help employees achieve a better work-life balance, thereby improving their well-being and enhancing our company's attractiveness. This will grant us a competitive advantage in securing talent in these evolving times.

D. New technology risk

Amid rapid technological advancements and an ever-changing industry environment, the world is experiencing the profound impact of the swift evolution of AI technology. This wave of transformation encompasses various sectors such as semiconductor, chip design, servers, software development, PCs, smartphones, and all areas involving AI applications. Thanks to years of prior preparation, Wistron has been able to steadily progress amidst this industry changes. However, the ongoing rapid evolution of technology implies that failing to anticipate the development of next-generation products could result in order shifts and customer loss, thereby impacting the company's business operations.

To stay ahead in the development of next-generation technology, the company has established an Advanced Technology Lab department. This department actively seeks investments and development in cutting-edge technologies, particularly focusing on next-generation innovative technologies. Wistron's vision of "innovation through sustainability" is supported by four core development pillars: developing advanced technologies, deepening industry-academia collaboration and linking with domain authorities, cultivating sustainable talents, and promoting sustainable innovation. Currently, Wistron is prioritizing technology related to innovative energy, communications, quantum, and space fields. We have established partnerships with top-tier technology firms, research institutions, and academic entities to collectively drive innovation and conduct research and development in emerging technologies. These collaborations include comprehensive technical evaluations, surveys, R&D efforts, and the integration of patent applications, enabling us to adeptly respond to industry shifts and evolving market trends.

5.6.15 Other Risks: None.

5.7 Other important matters: None.