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

5.1 Analysis of Financial Status

5.1.1 2025 vs. 2024 financial analysis

Unit : NT$ thousands

Item \ Year	2025.12.31	2024.12.31	Difference	
			Amount	%
Current assets	944,131,671	480,211,528	463,920,143	96.61
Net property, plant and equipment	87,914,228	57,284,319	30,629,909	53.47
Intangible assets	4,317,510	3,407,837	909,673	26.69
Other assets	61,362,768	48,937,014	12,425,754	25.39
Total assets	1,097,726,177	589,840,698	507,885,479	86.11
Current liabilities	732,221,109	349,587,214	382,633,895	109.45
Non-current liabilities	112,216,664	53,468,174	58,748,490	109.88
Total liabilities	844,437,773	403,055,388	441,382,385	109.51
Common stock	31,804,123	28,963,651	2,840,472	9.81
Capital surplus	80,842,592	48,630,721	32,211,871	66.24
Retained earnings	66,870,597	50,581,390	16,289,207	32.20
Other equity	(1,937,996)	4,689,050	(6,627,046)	(141.33)
Treasury stock	0	(77,356)	77,356	(100.00)
Equity attributable to owners of the company	177,579,316	132,787,456	44,791,860	33.73
Non-controlling interests	75,709,088	53,997,854	21,711,234	40.21
Total equity	253,288,404	186,785,310	66,503,094	35.60

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 Building and improvements, construction in progress and machinery and equipment.
(3) The increase in intangible assets was mainly due to the increase in operating concession and software.
(4) The increase in other assets was mainly due to the increase in deferred tax assets and advance payments for equipment.
(5) The increase in current liabilities was mainly due to the increase in short-term loans and note and trade payables.
(6) The increase in non-current liabilities was mainly due to the increase in bonds payable and long-term loans.
(7) The increase in total liabilities was mainly due to the increase in short-term loans, note and trade payables, bonds payable and long-term loans.

(8) The increase in capital surplus was mainly due to the increase in surplus arising from equity-accounted investees.
(9) The increase in retained earnings was mainly due to the increase in net profit.
(10) The decrease in other equity was mainly due to the decrease in recognition of equity component of convertible bonds issued.
(11) The decrease in treasury stock was mainly due to the increase in treasury shares transferred to employees.
(12) The increase in equity attributable to owners of the company and total equity was mainly due to the increase in capital surplus and net profit.
(13) The increase in non-controlling interests was mainly due to the increase in net profit.

5.2 Analysis of Financial Performance

5.2.1 2025 vs. 2024 operating result analysis

Unit : NT$ thousands

Item \ Year	2025	2024	Increasing (decreasing) amount	Change percentage (%)
Net revenues	2,186,522,636	1,049,255,781	1,137,266,855	108.39
Cost of sales	2,052,539,263	965,164,938	1,087,374,325	112.66
Gross profit	133,983,373	84,090,843	49,892,530	59.33
Operating expenses	55,429,876	45,112,317	10,317,559	22.87
Operating income	78,553,497	38,978,526	39,574,971	101.53
Non-operating income and expenses	(2,296,233)	996,950	(3,293,183)	(330.33)
Profit before tax	76,257,264	39,975,476	36,281,788	90.76
Income tax expenses	18,484,761	9,339,245	9,145,516	97.93
Net profit	57,772,503	30,636,231	27,136,272	88.58
Other comprehensive income, net of tax	(4,373,818)	7,847,407	(12,221,225)	(155.74)
Total comprehensive income	53,398,685	38,483,638	14,915,047	38.76
Net profit attributable to owners of the Company	27,408,097	17,445,591	9,962,506	57.11
Total comprehensive income attributable to owners of the Company	23,592,457	23,971,464	(379,007)	(1.58)

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 sales growth and the expansion of operational scale.
(2) Increase in operating expenses: The increase was mainly due to the increase of research and development expenses.
(3) Decrease in non-operating income and expenses: The decrease was mainly due to the increase of interest expenses.
(4) Increase in profit before tax, income tax expenses and net profit: The increase was mainly due to the increase of operating income.
(5) Decrease in other comprehensive income, net of tax: The decrease was mainly due to the decrease of exchange differences on translation of financial statements.
(6) Increase in total comprehensive income and net profit attributable to owners of the company: The increase was mainly due to the increase of net profit.

5.3 Cash flow

Change in consolidated cash flow in 2025:

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
79,880,425	(105,809,663)	170,403,085	144,473,847	-	-

5.3.1 Analysis of cash flow in 2025

(1) Operating Activities: Cash flow-out mainly due to increase in demand for inventory and trade receivable

(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 increase in short-term loans and long-term loans.

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.

5.4 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, 2025	Status of Actual Use of Capital	
			2024	2025
Acquisition of property, plant and equipment	Cash flow generated from operation	56,207,972	16,592,661	39,615,311

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 2025, the investment income recognized under equity method was NT$ 624,826 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	2024 (in thousand NT dollars)	2025 (in thousand NT dollars)
Interest Income	3,223,438	3,020,562
Interest Expense	8,017,505	15,819,749
Exchange loss/gain	3,115,927	10,543,359

By the end of 2025, the cash and short-term investment balance of the Company totaled about NT$150 billion with short term borrowings about NT$235 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.

The majority 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$ 10,543 million last year.

There was no major inflation around the world during the 2025 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 2025, all R&D projects, except for those that have already entered mass production, progressed in accordance with schedule and were either undergoing internal testing or had been submitted for customer validation. Looking ahead to 2026, in response to business growth and market development needs, the Company will continue to invest in new R&D projects. Total R&D expenditures for the year are expected to account for approximately 1.7% of operating 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 2025, 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 further strengthen its global manufacturing footprint and meet the production needs of different customers and products, the Group has continued to expand its manufacturing presence in Taiwan, Vietnam, Malaysia, Mexico, and the Czech Republic, in addition to mainland China, with a view to enhancing overall supply capability and production flexibility.

However, as new overseas plants are established, related capital expenditures and operating costs are expected to increase accordingly, including the addition of the machinery and equipment, workforce expansion, and employee training. If future market demand, order growth, or capacity utilization fall short of expectations, the Group's operating performance and financial results may be adversely affected.

To mitigate the aforementioned risks, the Group will continue to prudently evaluate regional capacity allocation and investment effectiveness, while enhancing overall operational efficiency through the optimization of manufacturing processes, improvement of product quality, reduction of resource consumption, and strengthened production management. In addition, the Group will further deepen relationships with major international customers and actively pursue additional business opportunities to improve capacity utilization across its production sites, thereby reducing the operating risks associated with capacity expansion and increased cost inputs.

5.6.9 Supply and Distribution Concentration

Except for investments accounted for under the equity method, the Company does not have any significant concentration risk with respect to its suppliers or customers compared with its industry peers.

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: 24.57% stock shares are held by foreign investors, 24.97% by domestic institutional investors. They possess around 49.54% in the aggregate. In addition, the healthy shareholding structure of the Company reduces the risk of key management changes. We will make our best effort to improve corporate management to reward our shareholders with stronger performance. This is the key to the company's long-term sustainable 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:

A. Wistron Corporation

1. In January 2026, Vicor filed a patent infringement complaint against the Company in the United States District Court for the Western District of Texas and instituted a Section 337 investigation with the United States International Trade Commission (ITC). The accused products include servers and power converters. The Company has appointed an attorney to deal with the matter, and the case is still pending for the court and ITC investigation.
2. Wistron has filed a damages claim lawsuit against Ingenious Engineering Corp. (hereinafter "IEC") regarding the fire incident on the evening of March 25, 2024, which occurred due to improper system installation in the expansion project commissioned to IEC. The case is currently pending before the Taiwan Taipei District Court.

B. WNC Corporation-Wistron's director

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 successfully won this lawsuit. Genesis filed for bankruptcy in February, 2024. During the bankruptcy proceedings, WNC filed a claim for US$13,337,032.47 (including loans and delayed interest). In January, 2024, WNC received partial compensation amounting to US$2,700,000, and the company expects to receive partial compensation for legal fees amounting to US$197,133.15 in January, 2025.

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 Review of Financial Conditions, Financial Performance, and Risk Management

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 2025, no major cybersecurity incidents occurred, and there were no cases where confidential information leaks affected customers' personal data, nor were there any fines or property losses incurred.

5.6.14 Emerging Risks

A. Risk associated with Tariff and Trade policies

Following Donald Trump's return to the U.S. presidency, the administration swiftly reinstated its "America First" trade agenda and repeatedly introduced new tariff measures, triggering significant volatility in global trade. These policies are intended to reduce the United States' trade deficits with other countries and to pressure trading partners into renegotiating trade agreements with the U.S. At the same time, with the continued push for "Made in America," companies seeking to expand in the U.S. market may be required to invest locally in the United States.

These developments expose enterprises to potential tariff costs and the challenges of local manufacturing in the U.S., resulting in a sharp increase in operating expenses.

As costs rise, companies will inevitably pass on part of these expenses to consumers, raising renewed concerns over inflation. Under such circumstances, the cycle of interest rate cuts may be delayed again or even suspended, further increasing household living costs, reducing discretionary spending, and weakening overall market purchasing power. Meanwhile, higher living costs may also drive up raw material and labor expenses for businesses, thereby increasing production costs and putting pressure on corporate profitability. These unfavorable factors could ultimately slow economic activity and may even lead to a recession.

In response to changes in the geopolitical environment, we have adopted a more proactive globalization strategy and actively expanded our global footprint with the objective of risk diversification. At present, in addition to Taiwan and mainland China, our major overseas manufacturing bases include the United States and Mexico in North America; Vietnam and Malaysia in Southeast Asia; India in South Asia; and the Czech Republic in Eastern Europe. We will continue to assess the impact of internal and external environmental factors, make the most appropriate capacity allocation and adjustments based on customer demand, and further strengthen automation development.

B. Risk of armed conflict

Geopolitical tensions in the Middle East have recently escalated, with ongoing military and political tensions among the United States, Israel, and Iran creating a high degree of uncertainty in the global political and economic environment. These conflicts and their subsequent developments have already affected international energy and financial markets. Should the conflict expand further or persist for a prolonged period, it may have broader implications for global economic activity, energy supply, and market confidence.

In the energy market, the Middle East is one of the world’s most important sources of oil supply. The recent escalation of regional conflict has led to significant fluctuations and an upward trend in international oil prices.

Rising energy prices may further intensify global inflationary pressures. As energy and overall price levels increase, corporate operating costs may also rise accordingly, affecting business planning for future investment and capital expenditures. Against a backdrop of heightened macroeconomic uncertainty, enterprises may reassess or adjust large-scale technology investment plans, thereby creating a certain degree of uncertainty for demand in the information and communications technology industry. In addition, rising inflation increases household living costs, which in turn reduces discretionary spending and weakens market purchasing power. At the same time, higher living costs also increase the burden of raw material and labor costs for enterprises, thereby raising production costs and adversely affecting profitability.

Wistron has taken proactive measures to address the risks posed by the unstable global economy.

Firstly, the company is diversifying into the non-consumer electronics product sector to mitigate the impact of reduced market purchasing power. Additionally, Wistron is implementing stricter cost control measures and optimizing capital utilization plans. Through effective risk control and hedging strategies, Wistron aims to minimize risk exposure and protect profitability within a reasonable risk management framework.

C. Risk of potential overinvestment in AI infrastructure

In recent years, the rapid development of generative artificial intelligence (AI) has significantly increased global demand for high-performance computing. Major cloud service providers (CSPs) and technology giants, in an effort to secure leadership in AI, have substantially increased capital expenditures and actively invested in data center construction and AI server procurement, resulting in rapid expansion of AI-related infrastructure investment. However, amid intense market competition and continuously rising industry expectations, there is also a possibility of phased overheating in investment.

At present, many large technology companies continue to announce large-scale AI investment plans, and a trend of competing to expand computing infrastructure has emerged. However, the actual commercialization progress of AI applications, the pace of enterprise adoption, and the profitability models of related use cases are still in the stage of exploration and development. If the growth in demand for AI applications fails to keep pace with the substantial upfront investment in computing infrastructure, data center utilization rates may fall short of expectations, prompting some technology companies to adjust or postpone their capital expenditure plans.

As market demand for AI servers and related hardware gradually shifts from rapid expansion to a more rational pace of development, overall industry demand may also experience periodic adjustments. This may, in turn, cause the relevant supply chain to face slower order growth or short-term demand corrections. For the Company, such developments may affect customers’ procurement schedules, leading to lower capacity utilization, reduced order visibility, increased inventory management pressure, and intensified market price competition, all of which may have a certain degree of impact on operating performance.

To address potential fluctuations in AI industry investment, the Company will continue to adopt prudent and disciplined operating and financial management strategies to reduce potential risks. As a partner providing system integration and manufacturing services, the Company will proceed with production and delivery based on confirmed orders, while continuously strengthening cost structure management, improving production efficiency, and optimizing asset utilization to ensure that a reasonable profit level can be maintained even amid fluctuations in market demand, while also enhancing overall return on invested capital.

With regard to capital expenditure planning, the Company will follow prudent capital allocation principles and evaluate relevant investments based on customer demand visibility, investment payback period, and return on investment, so as to avoid excessive or overly forward-looking capacity expansion. Capacity allocation will be adjusted gradually based on actual orders and project requirements in order to maintain healthy cash flow and capital efficiency.

In terms of operational management, the Company will continue to strengthen working capital control by aligning production scheduling closely with customer orders, maintaining appropriate inventory levels, and improving inventory turnover. At the same time, through commercial arrangements with customers, the Company will seek to reduce the operational impact that may arise from fluctuations in market demand.

Through the above strategies, the Company aims to enhance operational resilience and maintain sound operations amid the long-term development trend of the AI industry, thereby reducing the potential impact of short-term market fluctuations.

D. AI Infrastructure Bottlenecks

As AI applications become increasingly widespread, global data center construction and demand for high-performance computing (HPC) continue to rise, driving market demand for related AI infrastructure equipment. However, given that supply chain capacity and supporting infrastructure have not yet expanded in full parallel, AI infrastructure may also encounter phased bottlenecks, posing potential risks to industry operations.

On the supply side, critical raw materials and core components for AI-related equipment — such as advanced semiconductor components, advanced packaging capacity, memory, high-speed interconnect modules, and certain key electronic materials — are concentrated in the hands of a limited number of international suppliers. If supply becomes tight due to capacity allocation, geopolitical factors, rapidly rising industry demand, or unexpected events, longer lead times or unstable supply may occur. For the Company, if the procurement of key components falls short of expectations, production schedules and manufacturing efficiency may be affected. In some cases, where shipments depend on the availability of multiple critical components, there is even a risk that complete systems or full rack solutions cannot be delivered on schedule, which may lead to greater inventory pressure and increased working capital occupation.

On the demand side, the construction of AI data centers relies heavily on infrastructure such as power supply, cooling systems, and water resources. In recent years, some regions have experienced bottlenecks in power and cooling infrastructure due to power capacity constraints, changes in energy policy, or rapid data center expansion. As a result, certain cloud service providers or data center operators have delayed equipment deployment and expansion plans. Such developments may affect the pace of customers' capital expenditures and, in turn, create a certain degree of uncertainty regarding the Company's product shipment schedules and order visibility.

To address the above risks, the Company will continue to strengthen supply chain management and risk diversification strategies, including establishing diversified sources of supply, reinforcing long-term partnerships with key suppliers, increasing safety stock levels for critical components, and adopting component substitution mechanisms in product design to reduce the impact of constraints from any single source of supply. At the same time, the Company will maintain close communication with major customers to stay informed of their data center construction and deployment progress, while flexibly adjusting capacity allocation through adaptive production and order management mechanisms to enhance overall operational resilience. Through these measures, the Company aims to continuously strengthen supply chain stability and operational management capabilities amid the rapid development of the AI industry, thereby reducing the potential impact of AI infrastructure bottlenecks.

<u>5.6.15 Other Risks:</u> None.

<u>5.7 Other important matters:</u> None.