

Analysis of Risk Management

Risk management organization and execution

Item	Key risks	Responsible risk manager (1st line)	Risk review and control mechanism (2nd line)	Risk decision and supervision (3rd line)
1	The overall strategy map and assessment and control of goals	Grade 1 manager	Operational review meeting	<p>* Highest response and decision-making authority: Board of directors</p> <p>* Risk monitoring and tracking unit: Audit Office</p>
2	Market risk (1) New customer development and competitive actions (2) Risk management in order-taking and the accounts receivable cycle (3) Customer credit risk assessment and management	Sales Department	Operational review meeting	
3	Production capacity risk Risk of production delay (for reasons such as equipment malfunction, labor shortage, natural disaster, water/power/resource disruption, supplier delay, etc.) disrupting customer production lines	Manufacturing Department Assisting departments: Technology Research Department Sales Department Administration Department	Operational review meeting	
4	New product development risk (1) Risk of delay in new product development (2) Safety risk, testing, and control for safety-related new products	Technology Research Department Quality Assurance Department	Development meeting Operational review meeting	
5	Information risk Assessment and control of risks associated with IT system errors	President's Office	Operational review meeting	
6	Handling of litigation and non-contentious cases Compliance with government policies and regulations	Administration Department	Operational review meeting Board of directors	
7	Assessment and control of risks and benefits associated with investments, mergers, and acquisitions	President's Office Administration Department	Operational review meeting Board of directors	
8	Assessment and control of financial risk, liquidity risk, risk associated with external party lending/endorsement/guarantee and trading of financial instruments, and budget attainment	Budget Committee Administration Department	Operational review meeting Board of directors	
9	Assessment and control of environmental, safety and health, and climate change risks	Safety Management Office Environmental Safety System Committee TCFD Implementation Committee	Operational review meeting Safety and Health Committee Audit Committee Board of directors	
10	Management of employee behavior	Managers of all levels and the Administration Department	Personnel Evaluation Committee	
11	Management of affairs relating to board of directors meeting and shareholder meeting	Administration Department	Board of directors	

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

1. Impact on the Company's earnings

Item	2023 (NT\$ thousands)	As a percentage of revenue(%)	As a percentage of pre-tax profit(%)
Net interest income (expense)	25,829	0.90%	6.93%
Net gain (loss) on exchange	-1,499	-0.05%	-0.40%

(1) Interest rate

The interest rate risk of the Company mainly comes from the borrowings with floating interest rate for supporting the short-term liabilities and long-term liabilities generated from operating activities and long-term capital expenditure. However, most of the short-term borrowings in 2023 and 2022 were of fixed interest rate, and the financing amount in recent years could only be used to issue immediate letters of credit, so there was no significant change in interest rates. the cash flow risk.

Future countermeasures: In order to reduce the interest rate risk, the Company mainly repays short-term borrowings from working capital income immediately. When short-term funds are available, the Company invests in highly liquid short-term bills and time deposits to protect the safety of principal and maintain liquidity. In addition, domestic and foreign interest rates are still maintained at low levels, it is expected that the interest rate fluctuations in the next year as shown in the table above will have little impact on the Company.

(2) Foreign exchange rates

The Company's exchange rate risk is mainly related to business activities (revenue or expense denominated in the currency different from the consolidated company's functional currency) and net investment in foreign operations. In Taiwan, more than 10% of the company's revenue is derived from foreign currencies such as USD and EUR; about 25% of the cost of raw materials (steel) is paid in USD, and the cost of large equipment is paid in USD, JPY, and EUR. The subsidiary in Mainland China will receive payment in NT\$; the subsidiary in Vietnam will receive payment in VND, and some imported raw materials and equipment will be paid in US dollars. Therefore, the foreign currency receivables and foreign currency payables have some identical positions, which would

generate natural hedging, while the net investment in foreign institutions was not hedged.

Future countermeasures: The impact on the amount of exchange gains and losses of the Company's subsidiaries in mainland China and Vietnam is minor, and the exchange rate between NT\$ and VND is constantly monitored to reduce the cost of purchase in US dollars. Apart from paying attention to exchange rate fluctuations, Taiwan Branch increases or decreases the amount of short-term borrowings in foreign currencies for imported steel products to use as a foreign currency hedging tool tools into the assessment process.

(3) Inflation

Our company's sales market in Taiwan is diversified across Asia, North America, Europe, and the domestic market. Approximately 25% of our procurement costs are from overseas, while domestic costs, including raw materials and labor, account for about 75%. According to data from the Directorate-General of Budget, Accounting and Statistics (DGBAS) of the Executive Yuan, Taiwan's economic growth rate in 2023 was 1.40%. It is estimated that the economic growth rate in 2024 will be approximately 3.43%, with the DGBAS estimating Taiwan's inflation rate for 2024 to be around 1.85%. Our subsidiary in mainland China mainly sells automotive components locally. According to statistics from the National Bureau of Statistics of China, the economic growth rate in China was 5.2% in 2023, with the Chinese Academy of Social Sciences estimating the economic growth rate for 2024 to be around 4.8% to 5%. The Chinese Academy of Social Sciences estimates the average inflation rate for 2024 to be between 1.0% and 1.5%. In the region of our subsidiary in Vietnam, we primarily sell automotive components. According to estimates from the General Statistics Office of Vietnam, the economic growth rate in Vietnam was 5.05% in 2023. The Vietnamese government has set a target economic growth rate of 6.13% for 2024, with an annual inflation rate target of 3.94%. The World Bank's "Global Economic Prospects" report projects a global economic growth rate of 2.4% for 2024, with an increase to 3.2% projected for 2025.

The Company is mainly affected by the import and procurement of main materials, which is more affected by the labor cost and the local procurement of raw materials. The aforementioned situation has not yet occurred to the major events that affect the Company's operations and development.

Future countermeasures: In the future, the Company will pay attention to changes in inflation at any time, adjust the purchase

and inventory of local raw materials, and cooperate with the implementation of improvement proposals to reduce costs and increase efficiency and effectiveness.

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:

1. The Company did not engage in any high-risk or highly leveraged investments or derivatives trading, and will carefully devise its policies and ensure adherence should it decide to do so in the future.
2. The Company offers external party endorsement, guarantee, and lending only to subsidiaries in which it holds 50% direct or indirect ownership interest or more. "External Party Lending, Endorsement, and Guarantee Procedures" have been established to serve as guidance and to ensure that risks are managed in the Company's best interest. A more detailed explanation is provided below:
 - (1) Loans to external parties:

The Company did not lend capital to any external parties in the last year and up until the publication date of annual report.
 - (2) Endorsements and guarantees:

The Company did not offer endorsement or guarantee to any external parties in the last year and up until the publication date of annual report.
3. .Main causes of profit or loss incurred and future response measures: Not applicable.

3 Future Research & Development Projects and Corresponding Budget

1. Please refer to pages 123 for details on "Products planned to be developed" under Operational Overview.
2. Expected R&D expenses: The Company expects to invest \$27,357 thousand in product R&D in 2024, or 0.89% of revenue.

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

The Company encountered no changes in local or foreign policies/regulations that affected its financial or business performance in the last year and up until the publication date of the annual report. The Company pays constant attention to key policies and laws at home and abroad for changes that may affect its financial or business performance. The Company encountered no changes in policies or laws in the last year and up until the publication date of the annual report that significantly affected its financial or business performance.

5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

The Company constantly gathers and analyzes information on automobile parts as well as technological changes that are relevant to its products, so that actions can be taken to mitigate the impact of technological change. Meanwhile, the Company invests proactively in new product development and adopts solutions such as TPS, TPM, production automation, etc. to secure revenue and profitability. There have been no changes in technology or industry practice in the last year and up until the publication date of the annual report that significantly affected the Company's financial position or business performance. The Company has implemented a robust cybersecurity management system to enforce cybersecurity in all business and service activities, to avoid potential impacts. For information on IT security risk management, please refer to Page 159~163, IT Security Management. The Company encountered no significant cybersecurity incidents in the last year and up until the publication date of the annual report.

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

The Company has always upheld professionalism and integrity as the ultimate guiding principles, and places great emphasis on corporate image and risk management. There has been no media coverage that adversely affected the Company's image to date.

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

The Company has been able to deliver strong business performance and profitability, and does not plan to engage in any business acquisitions or mergers.

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

Our subsidiary in Vietnam initiated the construction of an additional factory building in Hanoi in March 2022 to meet the demand for new orders of automotive seats. The expansion project also involved the acquisition of new equipment. Completion of the project in 2023 has increased production capacity, which is expected to meet customer order requirements and enhance customer satisfaction.

In Taiwan, operations have been augmented, and our subsidiary in mainland China has continued to acquire automated equipment and upgrade outdated machinery throughout 2022. These efforts are anticipated to improve production efficiency.

The capital expenditures for expanding factory facilities and acquiring equipment can be supported by our own operational funds, thus having no significant impact on the company.

The Company will continue monitoring customers' needs, and explore the possibility of expanding production capacity and increasing the level of automation for cost reduction.

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

1. Purchases:

The Company's main raw materials are purchased indirectly from China Steel through a number of domestic manufacturers. For overseas purchases, two Japanese companies purchase materials. In addition, the subsidiaries in mainland China and Vietnam purchase some steel from local steel mills or agents. The Company maintains long-term and good cooperative relations with suppliers of major raw materials, and appropriately diversifies the sources of purchases to reduce the risk of shortage of major raw materials. The Company's purchase situation is stable, with only one supplier exceeding 10% in 2023. Since the top three suppliers accounted for about 43.40% of the total purchase amount, there should be no risk of excessive purchase concentration.

2. Sales:

In terms of sales concentration, three customers accounted for 36.55%, 13.23%, and 12.12% of the sales in 2023, respectively, and a total of 61.90%. The top three customers are mid-term and long-term advanced product development in the automobile and motorcycle supply chain. The Company maintains a good cooperation model and actively develops various new products. In the future, the Company will continue to explore other customers and there should be no risk of excessive concentration of sales.

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 have been no significant transfers of shareholding by directors or major shareholders with more than 10% ownership up until the publication date of annual report, therefore the issue has yet to pose any impact or risk to the Company.

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

There have been no changes of management up until the publication date of annual report, therefore the issue has yet to pose any impact or risk to the Company.

12 Litigation or Non-litigation Matters

List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, supervisor, the president, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report:

None of the Company's directors, the President, person-in-charge, major shareholders with more than 10% ownership interest, or subsidiaries were involved in any major litigation, non-contentious dispute, or administrative litigation that would affect shareholders' equity or security price as of the publication date of annual report.

13 Other Major Risks : None °