



I Letter to Shareholders

Dear Shareholders,

In recent years, the global economic environment has faced numerous challenges, including geopolitical instability, supply chain restructuring, rapid advancements in artificial intelligence, and the transition to renewable energy sources. These factors have significantly impacted and posed challenges to corporate operations. Walsin Lihwa, adhering to a philosophy of sustainable management, has implemented strategies for technological applications, product and market structure adjustments, and risk governance, and therefore gradually transitioned to high-value products, entered high-end markets, and made investments in the new energy sector, driving the Company's repositioning in the market.

In 2023, Walsin Lihwa established a joint venture with NKT Group (based in Denmark), initiated the construction of a submarine cable plant in Kaohsiung Port, and expanded into the wind energy supply chain, thereby contributing to Taiwan's new energy policies. Cogne steel mill (based in Italy) (in which we invested in 2022) also successfully acquire 100% of the shares of Special Melted Products (SMP) (based in the UK) by leveraging its key position in the European stainless steel supply chain, leading the Company to officially enter the aerospace industry chain. This has established our unique position in the manufacturing of stainless steel and nickel-based alloys in Europe.

Accomplishments in 2023

Walsin Lihwa continues to optimize its high-value production capabilities and expand into new industrial domains, actively manage its inventory, and integrate its operations, in order to mitigate impacts from market risk. Upon reviewing the Company's operational results for 2023, its consolidated revenue has grown for four consecutive years, primarily due to the expansions and mergers and acquisitions initiated by the Stainless Steel BG and the Commodity BG. Compared to 2022, where a one-time profit was generated from the disposal of the solar development division of a subsidiary in the United States, the profits from upstream raw materials and end products in the stainless steel sector were also affected by the global economic recession, leading to a decline in gross profit and net income after taxes. The Company's consolidated revenue and consolidated gross profit for the year 2023 was NT\$189.8 billion and NT\$14.4 billion respectively, and its net income after taxes was NT\$5.1 billion, with earnings per share of NT\$1.32.

Wire and Cable Business:

The overall profitability of the Wire & Cable Business has grown compared to the previous year, primarily due to capturing the demand for enterprise factory construction, resilient power grid construction, and the development of industrial cables, thereby maintaining stable gross profit and profitability.

Stainless Steel Business:

The overall profitability of the Stainless Steel Business has declined compared to the previous year, as the main demand market has not yet recovered, and although the supply chain inventory adjustment period has ended, the prices of end products remain weak, thereby affecting profitability.

Commodity Business:

The overall profitability of the Commodity Business has declined compared to the previous year, due to weak demand in the stainless steel market and a slowdown in the growth of demand for nickel batteries for electric vehicles, leading to an imbalance in nickel metal supply and demand. However, PT. Sunny Metal Industry has been fully operational since the first quarter of 2023, and its overall nominal annual capacity (along with that of PT. Walsin Nickel Industrial Indonesia) has increased to 95,000 metric tons of nickel.

Real Estate Business:



The overall operating cash flow of the Real Estate Business has increased compared to the previous year, mainly because the No. 1 office building in the AB plot in Nanjing, China, was completed and delivered in 2022, resulting in an increased occupancy rate.

Summary of 2024 Business Plan

Wire and Cable Business:

We will continue seizing domestic resilient power grid opportunities, actively entering the domestic and international high-voltage power transmission markets, and developing innovative service models to enhance the commercial values for our customers. Additionally, we will focus on the core technological capabilities of industrial cable development to expand into offshore wind power business; the construction of the submarine cable plant in Kaohsiung Port in cooperation with Denmark NKT is expected to meet the demand for domestication of submarine cables as scheduled.

Stainless Steel Business:

We will continue being committed to product and market structure adjustments, expanding the proportion of high-value products, increasing turnover and gross profit margin; acquiring Inox and MST (both based in Europe) to obtain upstream clean materials and extend to downstream high-end product applications; and through industry chain integration, leveraging product, equipment, certification, and distribution channel synergies, with a view to becoming a global stainless steel long products manufacturer.

Commodity Business:

Despite facing challenges such as continuous expansion of nickel product lines and intense competition for nickel resources in Indonesia, leading to increased production costs and market price fluctuations, the Commodity BG will focus on maximizing production efficiency and optimizing operational costs. With the completion of the high nickel matte production line this year, through capturing industry demand, enhancing product supply flexibility, strengthening price risk management, and raw material procurement adjustment capabilities, we expect to gradually deepen the nickel battery supply chain, expanding sales channels, and maintaining industry competitiveness.

Real Estate Business:

Our commercial office buildings in Nanjing, China, meet Grade A International Office Building Standard and, as a first-tier, leading brand, attracts numerous corporate headquarters. We will dynamically adjust the business portfolio of One Mall, with a view to creating stable cash flow and promoting the steady development of the commercial cluster in Nanjing Walsin Centro.

Future corporate development strategy under the influence of external competition, regulations and overall business operation

Looking forward to 2024, the Company will continue to strengthen its product and market structure, increase the proportion of high-end applications and high value-added products, deepen the synergy of new fields and new markets, utilize innovative technology to achieve excellent management, while aligning with world-class ESG standards, practicing sustainable development goals for the environment, society, and governance, ensuring stable growth in the face of challenges. Here, we would like to express our gratitude to all our shareholders for their continued support along the way. We look forward to joining hands with all our partners in moving forward together into a new chapter!

Chairman Yu-Lon Chiao