EXCELLENCE OPTO. INC.
EOI Group

Ticker Symbol on the Taiwan Stock Exchange (TWSE): 3717

# Excellence Optoelectronics Holding Co. Ltd.

# Q4 2025
# Risk Management Implementation Progress Report

Meeting Date: 2025/12/1
Report Date: 2025/12/30

**Presenter: President, Fanny Huang**
**Alternate Presenter: Special Assistant to the President, James Hsiao**

# Excellence Optoelectronics Holding Co. Ltd.
# Q4 2025 - Risk Management Implementation Progress Report

聯嘉光電

| Four Key Dimensions Eight Major Risks | | Existing or Anticipated Risks | Responses to Avoid Risks |
|---|---|---|---|
| I、Environment | 1. Environmental Risks | (1) Sources of raw materials and ecological damage: illegal exploitation of resources and excessive water use.<br>(2) Pollution emissions: Pollution, waste treatment, and greenhouse gas emissions caused by suppliers during production do not comply with carbon reduction targets.<br>(3) Environmental compliance risks: Suppliers do not comply with environmental laws and regulations (such as REACH, RoHS, etc.).<br>(4) Impact of climate change: Suppliers are located in areas prone to typhoons, floods, hurricanes, and snowstorms, leading to supply chain disruptions. | (1)–(2) Establish a supplier screening mechanism:<br>A. Suppliers that generate hazardous industrial waste during their production processes are required to submit a Supplier Environmental, Health, and Safety (EHS) Risk Assessment Form.<br>B. All electronic components and PCB materials used are environmentally non-hazardous and fully comply with international regulations (RoHS).<br>C. All chemical substances used are environmentally non-hazardous and fully comply with international regulations (REACH).<br>(3) Promote supplier education to develop green supply chain management:<br>A. Organize ESG Supplier Conferences to promote carbon reduction initiatives and provide training programs on environmental sustainability.<br>B. Encourage suppliers to implement energy-saving and carbon-reduction measures, and to establish carbon reduction targets and implementation timelines.<br>(4) Supplier Risk Early Warning and Contingency Plan: In response to risks such as material supply disruptions caused by extreme climate events, supplier environmental risk assessments are conducted, and emergency response procedures are established. |

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| | 2. Operational Hazard Risks | (1) Hazards may arise from negligence or improper operation during work at height (e.g., self-propelled platforms or aerial work vehicles).<br>(2) As new products continue to be introduced, operators are gradually becoming familiar with new operating procedures and methods. Through appropriate guidance and training, standardized practices and safe operation performance can be continuously improved. | (1) Comply with the Guidelines for the Prevention of High-Altitude Construction Work Accidents issued by the Public Construction Commission of the Executive Yuan. This includes mandatory use of personal protective equipment (PPE); equipment inspections ensuring that scaffolding and aerial work platforms have valid periodic inspection certificates; certification requirements for aerial work platform operators; and the installation of compliant horizontal lifelines on steel structures or catwalks for safety harness anchorage.<br>(2) As operators are still in the process of becoming familiar with new product workflows and operating methods, comprehensive training programs, clear standardized operating guidelines, and on-site support mechanisms will be provided to help personnel quickly establish correct operational practices and safe work habits, thereby ensuring continuous improvement in operational quality and safety during the new product introduction phase. |

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| | 2. Operational Hazard Risks | (3) There is room to further enhance safety during equipment operation. By continuously improving operating procedures and safety measures, operational stability can be strengthened and personnel safety ensured.<br>(4) If uncertainties related to personnel, machinery, materials, methods, and environment are not effectively controlled during production operations, product abnormalities or customer complaints may occur, potentially resulting in company losses or reduced customer satisfaction. | (3) We will continue to strengthen safety protection measures, optimize operating procedures, and enhance employee education and training to ensure a more stable and safer operating environment while reducing potential risks.<br>(4) In line with the Company's operations, we will accelerate the implementation of production line automation and increase investments in both software and hardware to prevent potential quality risks and further enhance customer satisfaction. |

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| II、Social | 3. Human Resources Risks | (1) Rapidly evolving smart application demands and fast-paced technological iterations may exceed the current team's capability to respond to new requirements in a timely manner.<br>(2) Professional talent development in the automotive industry requires longer training periods, and talent recruitment demands greater time and effort. | (1) For new projects, technical requirements will be clearly defined, existing capabilities will be assessed to identify gaps, and targeted plans will be developed to address these gaps through training, recruitment, or project-based skill development. By offering challenging assignments and strengthening knowledge management, the Company aims to prevent talent attrition and foster a team environment that attracts talent and unlocks individual potential.<br>(2) Production automation will be introduced to reduce reliance on manpower and enhance operational efficiency. The Company will promote the multilingualization of eSOPs and automated systems to ease the learning burden for new employees and accelerate onboarding. Employee care initiatives will be strengthened by providing effective communication and grievance channels to reduce turnover. The Company is committed to creating a positive and supportive workplace environment, enhancing employees' sense of identification with and belonging to the organization. |

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| III、Economic (Including Governance) | 4. Market Risks | (1) Automotive electronic materials may experience supply shortages due to global political or economic factors, resulting in increased costs. Customers may request the Company to absorb part of the cost, or the Company may face risks related to order volume fluctuations or delivery schedule uncertainties.<br>(2) The Group executes USD/TWD hedging positions of approximately USD 8–10 million per month, covering about 10–15% of the net USD exposure. Although monthly foreign exchange gains or losses related to valuation positions are unrealized and recognized at month-end, as the U.S. Federal Reserve enters an interest rate cut cycle, the U.S. dollar is highly likely to continue depreciating. Consequently, the New Taiwan Dollar is expected to appreciate against the U.S. dollar, which may lead to an increase in unrealized losses on the Group's net U.S. dollar-denominated assets. | (1) Assist customers in accelerating the qualification and adoption of alternative materials to avoid over-reliance on a single supplier, reduce the impact of recurring material shortages, and enhance supply chain flexibility and resilience.<br>(2) The Company continuously monitors foreign exchange market movements and has entered into appropriate hedging transactions to mitigate foreign exchange risks and reduce potential exchange losses. |

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| III、Economic (Including Governance) | 4. Market Risks | (3) Tariffs: U.S. tariffs have been imposed since April. Although the Company is able to pass on the tariffs to customers, it has already reached agreements with various automotive lighting customers to either include the tariffs in customer invoices or request customers to reimburse the tariffs paid on their behalf during customs clearance. However, the Company is required to advance the tariff payments upfront. | (3) Foreign exchange risk: The Company closely monitors market information and foreign exchange trends, assesses the risks associated with foreign currency exposures, and implements appropriate hedging measures in a timely manner to mitigate the adverse impact of exchange rate fluctuations on operations. At the same time, the Company regularly reviews customer payment status and evaluates whether adjustments to sales pricing are necessary. |

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<table>
<tr><th colspan="2">Four Key Dimensions<br>Eight Major Risks</th><th>Existing or Anticipated Risks</th><th>Responses to Avoid Risks</th></tr>
<tr><td rowspan="2">III、Economic (Including Governance)</td><td>5. Investment Risks</td><td>(1) Approximately 80%–90% of the Group’s consolidated revenue is denominated in U.S. dollars, resulting in significant exposure to U.S. dollar–denominated assets, in addition to smaller existing exposures in RMB and EUR. Accordingly, the Group’s hedging activities primarily focus on U.S. dollar exposures.Looking ahead, as operations commence at the Mexico plant, demand for local currency payments in Mexican pesos (MXN) is expected to arise and gradually increase, leading to additional foreign exchange exposure. In particular, as the Mexican peso is not a major international currency and is characterized by relatively low liquidity but high volatility, it poses potential operational and financial risks to the Group.</td><td>(1) The Company continues to negotiate with existing partner banks to renew credit facilities while actively establishing new credit lines with additional financial institutions. In a high interest rate environment, the Company is committed to expanding revenue streams and controlling costs to maintain healthy cash flow, and to sustaining an interest coverage ratio of at least five times. →<br>Response measures: The Company closely monitors foreign exchange market trends and will promptly implement hedging strategies to mitigate foreign exchange losses should the U.S. dollar show signs of weakening.</td></tr>
<tr><td>6. Regulatory Compliance Risks</td><td>(1) Frequent revisions to regulations related to public construction projects may result in compliance gaps in existing design solutions and pose risks of delays in project execution.</td><td>(1) Designate dedicated personnel to regularly monitor regulatory updates and meeting records issued by competent authorities and industry associations and promptly translate new regulatory requirements into mandatory updates to internal design solution checklists and standard operating procedures (SOPs).</td></tr>
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| III、Economic (Including Governance) | 7. Operational Risks | (1) Significant volatility in raw material prices (such as oil and metal prices).<br>(2) War and geopolitical risks: Supply disruptions and logistics constraints caused by armed conflicts, as well as changes in national policies.<br>(3) Tariff policies and trade protectionism: High tariffs and supply chain restructuring, which may force companies to relocate production bases. | (1) Regularly monitor changes in international trade and economic policies and regulations across countries and continuously track and analyze fluctuations in raw material prices. Purchasing volumes and timing are adjusted and controlled in a timely manner to manage risks effectively.<br>(2) Supply chain diversification: Leverage suppliers' global production capacity and flexibility, and develop new suppliers that meet customers' requirements regarding material production origin, in order to effectively mitigate risks arising from changes in tariff policies and geopolitical factors.<br>(3) Promote strategic cooperation with key suppliers to achieve cost optimization and risk reduction. Negotiate solutions with customers to address increases in tariff costs and promptly provide analyses of tariff cost impacts to sales teams for coordination and decision-making. |

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| III、Economic (Including Governance) | 7. Operational Risks | (4) In response to the specific requirements of Mexico customs regulations, relevant customs clearance measures will be established in advance. | (4) Establish PEO (Pre-Entry Origin Inspection), which refers to conducting comprehensive inspections of the origin of goods before they enter Mexico. The key components of this process include reviewing the accuracy of shipping documents, assessing the physical condition of goods, supervising container loading, and verifying compliance with customs and transportation standards. |
| IV、Other | 8. Other Risks | (1) Risk of increased material inventory due to frequent or significant changes in customer EDI schedules. | (1) Promote material standardization to reduce reliance on specific specifications; conduct reviews of the latest lead times (L/T) every 1 to 1.5 months to adjust and control purchase orders and prevent the risk of obsolete inventory; and regularly update material demand forecasts by considering historical data, market sales performance, and seasonal demand factors. |

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