

Chapter 1 Letter to Shareholders

2022 Business Report

Looking back, the war between Russia and Ukraine has not yet ended. Severe global inflation coupled with geopolitical pressure and other uncertainties have made the overall economic situation not optimistic. We are facing a big challenge for the future of the industry, testing the operation and response ability of enterprises. Driven by the global pursuit of carbon balance, electric vehicles, charging piles and energy storage will all make significant use of the three products of Kamei. As a result, operations are expected to gradually develop once the distractions are gradually eliminated.

I. 2022 Operation Results of the Company

(I) Implementation results of business plan

The consolidated revenue of the Company in 2022 was NT\$5.868 billion, representing a decrease of approximately 23.95% as compared with NT\$7.716 billion in 2021. Gross profit margin was 17%, with a net operating profit of NT\$299 million. Net income after tax attributable to owners of the Company was NT\$0.612 billion. And the earnings per share (EPS) was NT\$4.97.

(II) Status of execution:

As the Company did not announce a financial forecast for 2022, this information is not required.

(III) Financial balance and profitability analysis

(Unit: NT\$ / Amount in NT\$ thousands, unless otherwise specified)

Item	2022
Net cash generated from operating activities	1,323,512
Net cash generated used in investing activities	(463,571)
Net cash generated from financing activities	(411,627)
Return of assets	3.63%
Return on equity	7.07%
Profit margin of the Company	10.43%
Consolidated profit margin	10.46%
Earnings per share (NT\$)	4.97

(IV) Research and development

1. Capacitor: high voltage, high temperature, high ripple resistance, long life and miniaturized products.
2. Motor fans: ultra-high speed, high static pressure fans, high silence and long life sleeve structure fans, and continuous improvement of salt spray and corrosion resistant cooling fans.
3. Resistance: Anti-sulfuration, low TCR, high power, lead-free high voltage, high power, anti-surge, wide electrode, high power, low resistance products, metal film/metal foil product development and automotive products resistance range expansion.

II. 2023 Business Plan

(I) Business policy:

1. Strengthen product and service quality, consolidate and expand high-quality customers.
2. Collect market information, invest in new technology research and development, and develop product application.
3. Optimizing process, strictly controlling quality, cost and delivery time
4. Strengthen inventory and account management.

(II) Production and marketing policies:

1. Improve the production and marketing system, collect industry information, environment and government decrees and regulations to make correct decisions and R&D strategies, develop fast and flexible market response capacity and mechanism, and respond to customer needs quickly.
2. Expand markets for product applications with a view to diversify the sales scope of products.
3. Strengthen cooperation with key suppliers, develop and integrate materials, reduce production cost.
4. Strengthen inventory and account management.

III. Future Development Strategy

1. Replace the old equipment and accelerate the introduction of automation system equipment
2. Focus on and develop high value-added products.

IV. Effect of External Competition, Legal environment, and the Overall Business Environment

Despite the many potential risks posed by the global economy and the increasingly stringent challenges posed by external regulations and the overall operating environment, the company continues to focus on niche products and is cautiously responding its operation status.

Dear Esteemed Shareholders,

Wish you good health and all the best

Kaimei Electronic Corp.

Chairman LU, SHAO-PING