Operating Result Report for Q3 2023

Nov. 14, 2023

Dynamic Holding

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Disclaimer

- The forward-looking statements in this report contain unknown risks and uncertainties, which may cause actual operating results to be materially different from the forward-looking statements, the statements about historical events are excluded.

- The forward-looking statements in this report reflect the company’s view of the future so far, the company is not responsible for reminding or updating on any changes or adjustments in these views in the future at any time.

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Market Information

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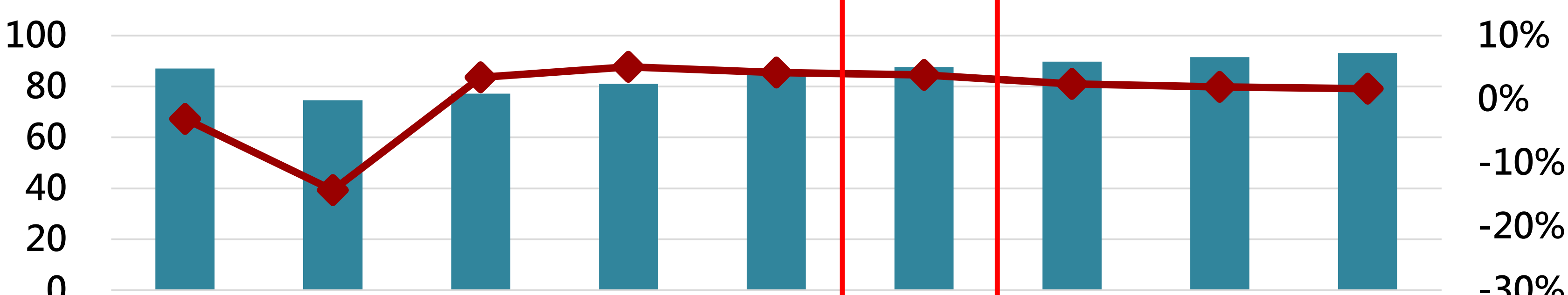
The Trends of Car Sales and Automotive Electronics

- Car sales have been steadily growing every year.
- The electronic components in cars, accounting for 30% of the unit cost in 2020, are expected to increase to 45% by 2027, driving an increase in the usage of Printed Circuit Boards (PCBs) in automobiles.

Unit：million unit

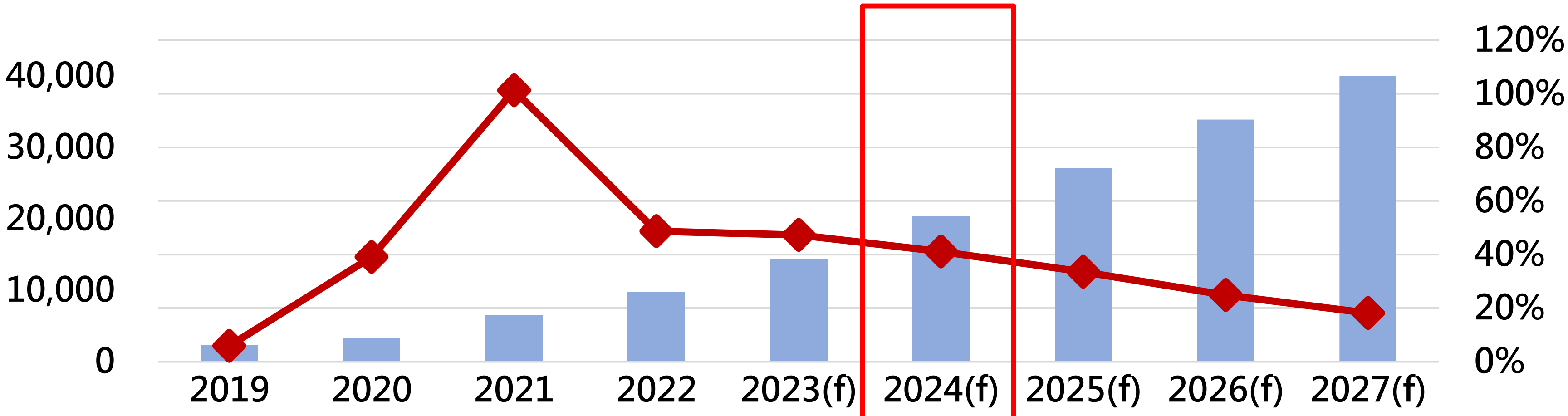


	2019	2020	2021	2022	2023(f)	2024(f)	2025(f)	2026(f)	2027(f)
Sales Volume	87	75	77	81	85	88	90	92	93
Yearly Growth Rate	-3.1%	-14.3%	3.4%	5.1%	4.2%	3.8%	2.4%	1.9%	1.7%

DIGITIMES Research (2023/09)

Trends in Electric Vehicle Sales Volume and Growth Rate

Unit：million unit



	2019	2020	2021	2022	2023(f)	2024(f)	2025(f)	2026(f)	2027(f)
Sales Volume	2,350	3,267	6,576	9,780	14,403	20,323	27,136	33,879	40,013
Yearly Growth Rate	5.8%	39.0%	101.3%	48.7%	47.3%	41.1%	33.5%	24.8%	18.1%

- Although the growth rate of electric vehicles is slowing down, it is still a product experiencing high-speed gro

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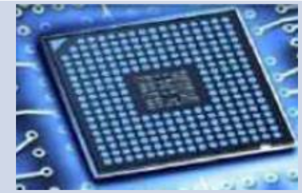
DIGITIMES Research (2023/09)

Opportunities for High-End Automotive PCBs

Autonomous Driving	Intelligent Cabin Solutions	Computing / Storage Devices
		
Camera, Lidar, Radar	Display, projection, Human-Computer Interface	AI chip, CPU Car Computing, Memory

Connected Cars	Power System
	
Communication Chips, Antenna	Power Management, Charging module

Industrial Technology Research Institute (ITRI) (Oct. 2023)

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Advanced Automotive PCB Technology Requirements

Item	Traditional Automotive Boards	EV & ADAS PCB
Layer	2-6L	8-14L
Copper Thickness	1-2oz	3-6oz
HDI	Through-hole and few one-step HDI	2-step and above HDI
Material	average medium-high Tg*	High Tg, Low CTE
POFV	No	Yes
Back Drilling	No	Yes
Embedded Copper Ingot	No	Yes
ASP	1	more than 3.5 times

* Tg refers to the glass transition temperature, indicating the temperature at which the substrate transitions from a glassy state to a rubbery state.

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Electronic product PCB spec vs. automotive PCB spec

Item	Cell Phone PCB	Automotive PCB
Product Life Cycle	2-5 years	10-15 years
IPC	IPC Class 2	IPC Class 3
TCT (Temperature Cycling Test)	-40~125 degree / 15 mins 100 cycles	-40~125 degree / 30 mins 100 cycles
Automotive Reliability Verification	-	CAF/SIR/IC/IST/Bakelite/Hot Oil/High-Temperature Storage etc.
Certification (Development) Schedule	1 year	3 years and above

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Operating Overview for Q3 2023

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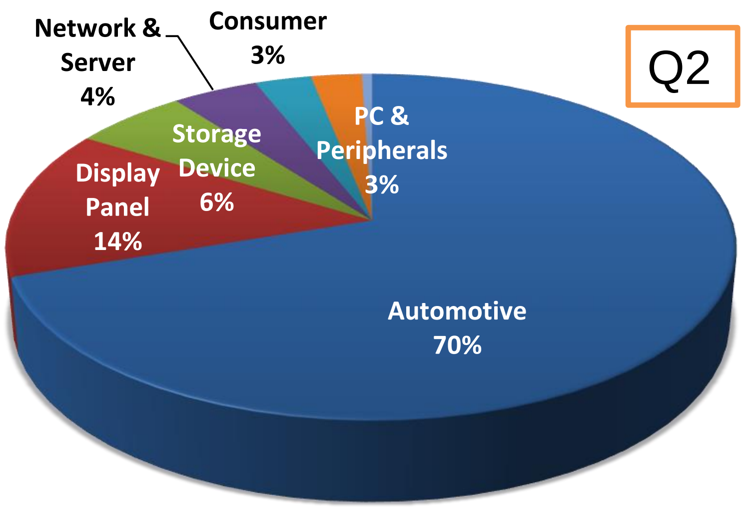
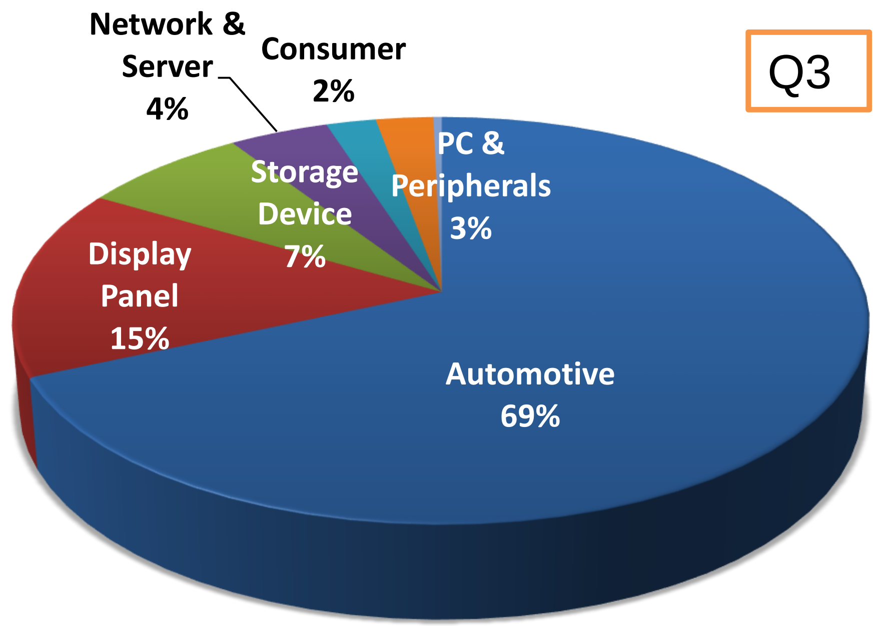
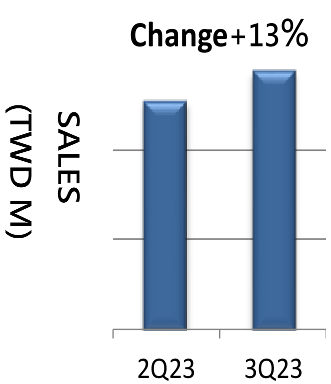
2023Q3 Sales Analysis - Product

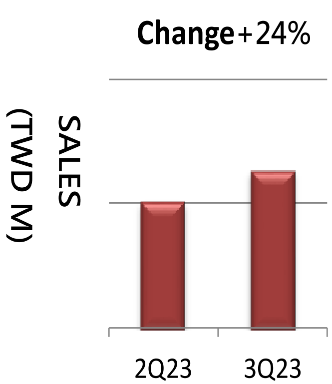




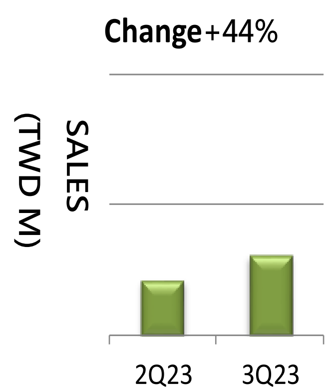
Automotive



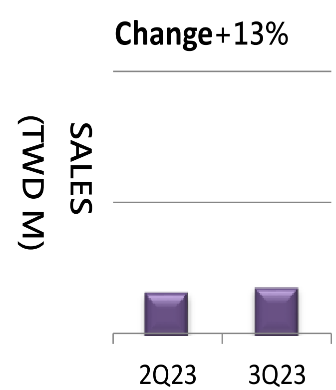
Display Panel



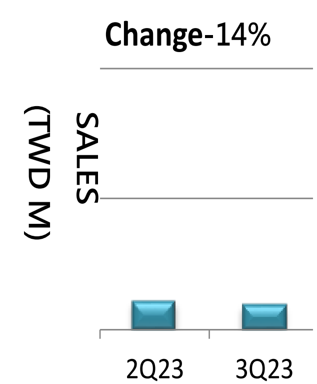
Storage Device



Network & Server



Consumer



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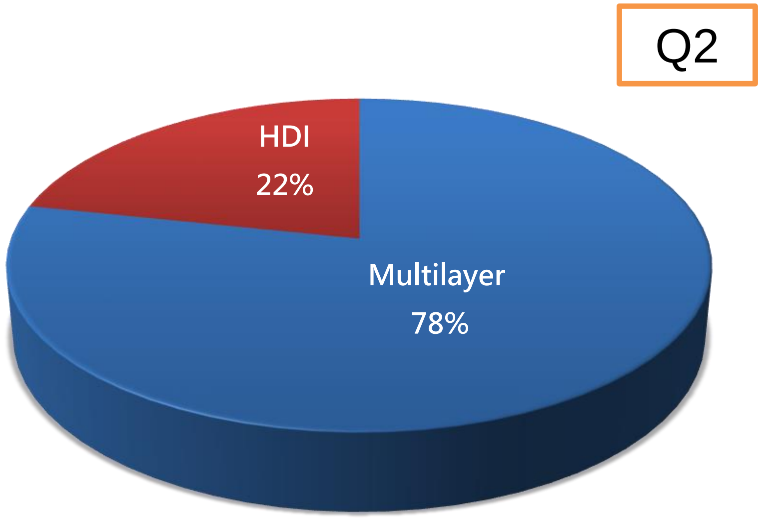
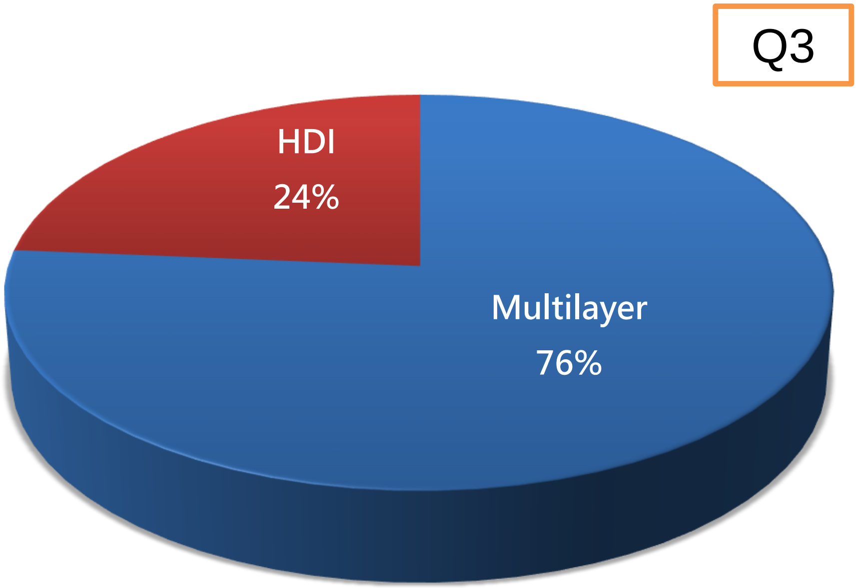
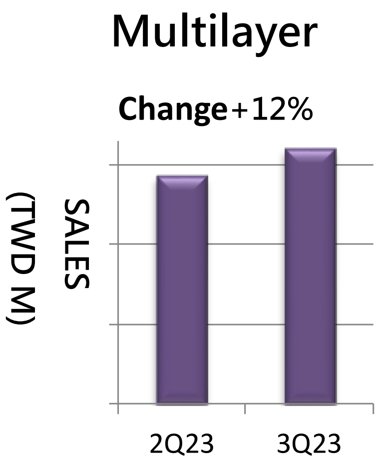
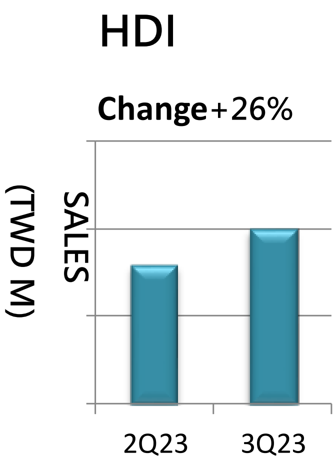
2023Q3 Sales Analysis - Technology









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Consolidated Income Statement

Accounts (TWD 100M)	3Q23	2Q23	Q-o-Q Change%	3Q22	Y-o-Y Change%	Q1-Q3 2023	Q1-Q3 2022	Y-o-Y Change%
Sales Revenue	42.09	36.54	15.2 %	38.47	9.4 %	115.48	115.28	0.2 %
Gross Profit %	**26.8 %**	**20.0 %**	**6.9 %**	**16.6 %**	**10.3 %**	**22.4 %**	**16.7 %**	**5.8 %** ppts
Operating expenses	4.89	5.13	(4.7)%	4.59	6.5 %	15.08	13.39	12.6 %
Operating Income%	**15.2 %**	**5.9 %**	**9.3 %**	**4.6 %**	**10.6 %**	**9.4 %**	**5.0 %**	**4.3 %** ppts
Non-operating income/expenses	(0.08)	1.06	107.7 %	(0.05)	74.3 %	0.07	0.43	84.4 %
Net Income (loss)	4.19	2.36	77.3 %	1.22	243.7 %	7.51	4.61	63.0 %
Net Income (loss)%	**10.0 %**	**6.5 %**	**3.5 %**	**3.2 %**	**6.8 %**	**6.5%**	**4.0 %**	**2.5 %** ppts
EPS(NTD)	1.51	0.85	77.6 %	0.44	243.2 %	2.71	1.66	63.3 %
ROE (%)	24.6 %	15.4 %	9.2 %	7.9 %	16.6 %	0.0 %	10.0 %	(10.0)% ppts
Average exchange	30.93	30.55	1.2 %	29.29	5.6 %	30.93	29.29	5.6 %

* The weighted average thousand shares to 277,634 of ordinary shares outstanding during the third quarter of 2023.
** The ROE is the annualized data calculated by the average equity of the parent company.

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Consolidated BS and Key Financial Indicators

Accounts (TWD 100M)	3Q23		2Q23		3Q22	
	Amount	%	Amount	%	Amount	%
Cash and cash equivalents	32.04	14.9%	30.49	15.0%	22.08	10.8%
Accounts receivable	45.74	21.3%	38.57	18.9%	44.14	21.5%
Inventories	21.21	9.9%	22.23	10.9%	29.23	14.2%
Property, plant and equipment	99.79	46.5%	97.24	47.7%	86.81	42.3%
Total Assets	**214.42**	**100.0%**	**203.71**	**100.0%**	**205.12**	**100.0%**
Current liabilities	89.29	41.6%	88.23	43.3%	102.11	49.8%
Long-term loans	43.80	20.4%	42.41	20.8%	30.86	15.0%
Total liabilities	**146.13**	**68.2%**	**142.11**	**69.8%**	**143.63**	**70.0%**
Total equity	**68.29**	**31.8%**	**61.60**	**30.2%**	**61.49**	**30.0%**
Important Financial Indicator						
Average collection turnovers	108		105		109	
Average inventory turnover	79		82		90	
Current ratio (Times)	1.2		1.1		1.1	
Asset productivity(Times)	0.8		0.7		0.8	

Ps. Asset productivity= Sales Revenue/ Average total Assets.

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Consolidated Statements Of Cash Flows

(TWD 100M)	3Q23	2Q23	3Q22
Cash at beginning of period	**30.49**	**30.85**	**25.74**
Cash Flow from Operating	3.17	7.63	2.27
Capital Expenditure	(5.82)	(6.53)	(5.72)
Cash Dividends Paid	(2.22)	0.00	(1.94)
Cash Flow from Financing	3.63	0.52	0.73
Investment & Other	(0.18)	0.45	0.85
Cash at end of period	**32.04**	**30.49**	**22.08**
Free Cash Flow	(2.66)	1.10	(3.45)

Ps. Free Cash Flow=Cash Flow from Operating-Capital Expenditure

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2023Q3 Summary

- In terms of product categories, except for consumer electronics, all other product categories show growth. Proportional changes are minimal, with panels and storage devices each increasing by 1%, while automotive boards decrease by 1%.
- From a technological perspective, the amount for High-Density Interconnect (HDI) has increased by 26%, with a 2% increase in proportion.
- In the third quarter, revenue increased by 15.2% compared to the previous quarter and 9.4% compared to the same period last year. The gross profit margin is 26.8%, a 6.8 percentage point increase from the previous quarter, attributed to optimized product combinations, improved production efficiency at the Huangshi Plant, and increased overall capacity utilization. Operating expenses amounted to 489 million, a 4.7% reduction from the previous quarter, primarily due to expected credit loss differences. The second quarter incurred expected credit losses, while the third quarter saw a reversal, resulting in a net difference of about 31 million.
- Non-operating income and expenses amounted to -8 million, including a net foreign exchange gain of about 10 million.
- After-tax net profit is 419 million, a 77.3% increase from the previous quarter and a 243.2% year-on-year increase, with a net profit margin of 10% and an EPS of $1.51.

Outlook for Dynamic

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Future Outlook

NOW

Smart Automotive Solutions

1. Autonomous Driving
2. High-Performance Computing
3. Intelligent Cabin Solutions
4. High-Frequency Radar

NOW

AI-Related Products

1. ASIC Accelerator
2. AI memory DDR4/DDR5

2024H2~

AI Servers

1. Server Mainboard
2. AI Server Mainboards

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Future Outlook

- The fourth-quarter revenue is currently assessed to be steady, with a chance of slight growth. The previously bottlenecked High-Density Interconnect (HDI) production capacity has been resolved, meeting the demand for high-end HDI products in the fourth quarter. The outlook for the gross profit margin is positive.
- This year's revenue is projected to experience a small growth with an increase in profitability.
- In 2024, considering the sustained demand and potential penetration for high-end new products, revenue is expected to grow. The continuous improvement in product combinations contributes to an optimistic outlook for profitability. The company will keep monitoring the demand for other product categories and changes in the overall environment.
- The Thailand plant is anticipated to be a crucial breakthrough for entering higher-end products. Many new customers are eagerly awaiting the completion of the Thailand plant for certification.
- Mass production at the Thailand plant is expected in the fourth quarter of 2024. The plant is designed to be highly intelligent and automated, focusing on high-end multilayer boards and HDI, including technologies involving high-frequency and high-speed materials. The products will be applied in servers, networking, storage devices, and automotive. Funding sources will include internal funds and bank loans.

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Dynamic Actions in ESG

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2023 ESG Action Items

ISO 14064 - Organizational Greenhouse Gas Inventory and Verification:
Completed annually in August for Taoyuan, Kunshan, and Huangshi locations.
Already completed in August.

ISO 14067 - Product Carbon Footprint Inventory and Verification:
Conducted at the Huangshi plant, including two part numbers: an 8-layer multilayer board and a 10-layer HDI board.
Already completed in August.

CDP (Climate Disclosure Project):
Questionnaire response completed on 7/26.
CDP rating results expected to be announced in December.

SBTi (Science Based Targets initiative):
Aim to complete the commitment process for SBTi scientific-based targets by the end of the year.
Step 1: Submit commitment letter.
Step 2: Develop science-based reduction targets within 2 years according to SDA.
Step 3: SBT review within 1 month for compliance.
Step 4: Companies can publicly declare their carbon reduction targets as science-based and respond in the CDP questionnaire.

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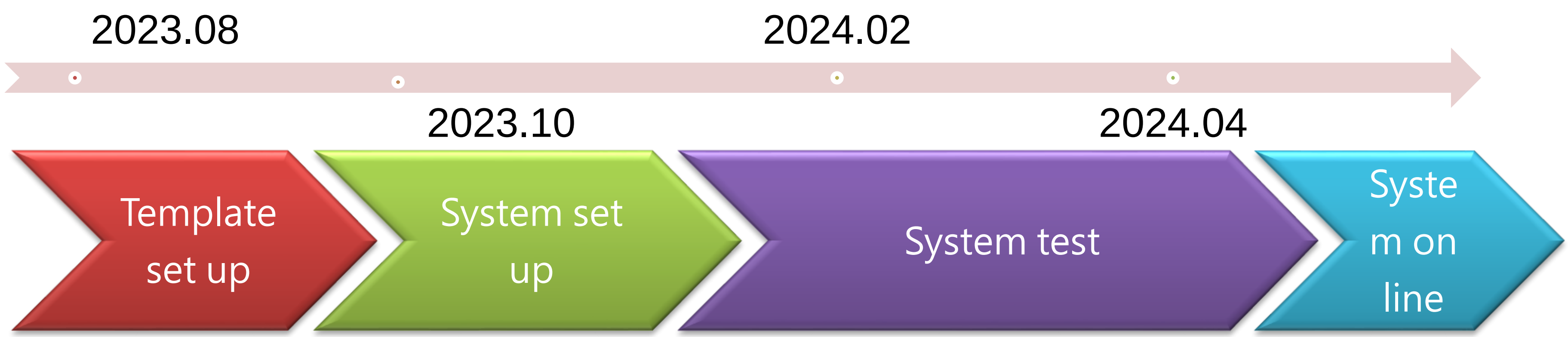
Establish PCF System



We have successfully created a template in Excel that allows estimation of carbon emissions for a given part number or specification.

Moving forward, our next steps include:

- Establishing PCF System in ERP, Setting up foundational data within the PCF system, Defining calculation formulas for carbon emissions associated with various manufacturing processes.
- Collecting Carbon Coefficients from key suppliers to enhance the accuracy and completeness of the foundational data.

Board approved the tax and non-deforestation policies

Tax Policy:

- Pledge not to transfer created value to low-tax jurisdictions.
- Pledge not to use tax structures lacking business substance.
- Pledge not to engage in tax avoidance activities using so-called "tax havens.

Biodiversity and Non-Deforestation Policy:

- Commitment not to operate in globally or nationally designated biodiversity-sensitive hotspots and ecologically adjacent areas to avoid negative impacts on protected species.
- Commitment that, if existing operational locations encroach upon biodiversity hotspots, mitigation, restoration, and compensation plans will be proposed.
- Commitment to adopting environmentally friendly construction methods for new facilities, considering green building design.
- Commitment to continuously raise awareness along the value chain regarding the importance of biodiversity and forest conservation, collaborating with suppliers and partners to adhere to non-deforestation commitments and collectively work towards realizing the vision of the United Nations Convention on Biological Diversity.

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Q&A