

Advantech (TT:2395)

1H & 2Q 2026 Investor Conference Call Transcript (Summary)

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1H26 Key Financial Results

1H26 Revenue	Gross Margin	Operating Margin	EPS (NTD)
\$46.512 BN <i>+32% YoY</i>	38.3%	19.0%	\$9.05

CALL PARTICIPANTS

Corporate Executives

- **KC Liu**– *Chairman*
- **Eric Chen**– *CFO & President of General Management*
- **Linda Tsai**– *President of Intelligent System & COO*
- **Miller Chang**– *President of Embedded Sector*
- **Grace Liao** – *Deputy Spokesperson and Sr. IR Manager*

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MANAGEMENT PRESENTATION

Grace Liao – Deputy Spokesperson and Sr. IR Manager

Advantech's revenue and profit both reached record highs in the second quarter and first half of 2026. Second-quarter revenue amounted to NT\$26.13 billion, representing an increase of 46% year-over-year and 28% quarter-over-quarter, exceeding the Company's original guidance. Gross profit was NT\$9.85 billion, with a gross margin of 37.7%. Under disciplined expense control, operating expenses amounted to NT\$4.72 billion, while the operating expense ratio declined significantly to 18.1% from 22.5% in the same period last year. Operating profit reached NT\$5.13 billion, with an operating margin of 19.6%, representing significant improvements both year-over-year and quarter-over-

quarter. The effective tax rate for the second quarter was 19.4%. Net income after tax reached NT\$4.52 billion, up 127% year-over-year, with quarterly EPS of NT\$5.20.

For the first half of 2026, cumulative revenue reached NT\$46.512 billion, up 32% year-over-year. Gross profit amounted to NT\$17.83 billion, with a gross margin of 38.3%, down 1.9 percentage points year-over-year, mainly due to higher component costs. Nevertheless, benefiting from effective expense control, the operating margin remained at 19%. Net income after tax for the first half reached NT\$7.85 billion, representing a year-over-year increase of 66%, with cumulative EPS of NT\$9.05.

In U.S. dollar terms, first-half revenue amounted to US\$1.47 billion, up 33% year-over-year, with all regional markets delivering double-digit growth. North America, Europe, and China collectively continued to contribute approximately 70% of total revenue. China outperformed the overall business, with its revenue contribution increasing to 24%. North America grew by 30%, primarily driven by semiconductor equipment, robotics, and cloud networking equipment projects. Europe grew by 29%, supported by medical equipment, industrial automation, and surveillance system projects. China recorded strong growth of 51%, mainly benefiting from robust channel sales and rapid growth in semiconductor, robotics, and energy projects. Taiwan grew by 67%, primarily driven by semiconductor equipment and automation equipment projects.

By business sector, IoT Automation grew by 19%, driven by automation equipment and transportation projects. Intelligent Systems grew by 34%, mainly benefiting from high double-digit growth in the semiconductor equipment business across North America, China, Europe, and Taiwan, as well as solid performance in cloud networking equipment. Embedded Sector grew by 28%, supported by continued strong demand for smart healthcare, automation equipment, and robotics projects. Applied Service grew by 2%, with smart healthcare projects in Europe and the Middle East continuing to gain momentum, although overall performance was affected by component shortages.

Regarding the balance sheet, inventories increased to 22% of total assets, while inventory turnover days reached 101 days, both slightly higher than the previous quarter and the same period last year, mainly reflecting increased material procurement costs. The Company continued to maintain disciplined inventory management. The cash conversion cycle remained at a healthy level of 82 days, indicating stable operations, efficient capital utilization, and a sound financial structure.

Eric Chen— *CFO & President of General Management*

Advantech delivered strong operating performance in the first half of the year, primarily benefiting from AI infrastructure and the two key growth engines of Edge AI and Physical AI, while continuing to advance software-hardware integration and its IWS initiatives. From an operational perspective, gross margin and inventory levels remain key areas of focus. Second-quarter gross margin declined from its historical level of approximately 40% to 37.7%, mainly due to several-fold price increases in certain components. Although the Company has the ability to pass on higher costs, actual price increases were approximately 5% to 10% and could not fully reflect its original gross-margin markup,

thereby diluting the overall gross margin. Gross margin is expected to gradually recover once raw material price increases moderate. Inventories increased from the same period last year, with 38% of the increase attributable to higher prices for components such as DDR4 and SSDs, while the remaining 62% resulted from increased stocking volumes to support business growth.

Regarding orders, second-quarter B/B ratios in North America, Europe, and Mainland China reached 1.92, 1.25, and 1.21, respectively, while the overall B/B ratio was 1.44. Orders have recorded positive growth for four consecutive quarters, while shipments have increased for three consecutive quarters. Given that the lead time from order placement to shipment is approximately four to six months and that delivery lead times for certain components have further extended, the Company remains optimistic about its revenue performance in the third and fourth quarters.

By region, revenue in the United States, Taiwan, and Japan is expected to achieve double-digit growth both year-over-year and quarter-over-quarter. China, Europe, and Korea are projected to deliver double-digit year-over-year growth and single-digit quarter-over-quarter growth. Revenue in the Middle East may decline year-over-year as a medical project approaches the end of its product life cycle. Due to restrictions imposed by Taiwan's regulatory authorities, the Company is unable to provide specific quarterly financial guidance. However, consolidated revenue in the third quarter is expected to exceed the second-quarter level, while gross margin and operating margin are expected to remain broadly in line with the second quarter. The Company has also introduced the Design-Win Indicator as an additional operating performance metric. During the first half of the year, North America, Europe, and Mainland China secured a combined 123 design-win projects, which are estimated to generate approximately US\$444 million in annual revenue. In North America alone, the annual revenue potential from full-year design wins is expected to reach approximately US\$900 million.

Regarding capacity expansion, Advantech invested approximately US\$97 million in a new operational site in Tustin, North America, comprising an office building and warehouse. The facility is scheduled to officially commence operations on October 20. The warehouse obtained ISO certification at the end of May, and 33 customer projects have already been transferred to the site for local production and shipment. The facility is expected to contribute at least US\$60 million in shipments this year, with production volumes gradually ramping up thereafter. Advantech's research and development and assembly services in North America are currently concentrated primarily in Milpitas, Northern California. The Tustin site in Southern California will further expand production capacity, and the overall capacity footprint is expected to support North American revenue growth to US\$1.5 billion.

In Taiwan, total investment in the new Hwaya plant is approaching NT\$4 billion. Construction is currently approximately 42% complete, with completion scheduled for the first quarter of 2028. The plant's total floor area will be approximately equivalent to that of the existing Linkou Manufacturing Center and will support the Company's growth requirements through 2030. In the future, Taiwan and China are each expected to account for approximately 42% to 43% of total manufacturing output, Japan for approximately 10%, and the remaining 5% will be supported by outsourced production capacity in third locations such as Malaysia.

In addition, the Company is investing ¥5.5 billion to renovate its Nogata plant in Kitakyushu, Japan, which was acquired in 2019. The renovation is expected to be completed in 2028. The facility will primarily serve local Japanese customers and may also function as a backup manufacturing base under the Company's "Taiwan Plus One" strategy. Upon completion, Japan is expected to account for 6% to 7% of total manufacturing output, rising further to approximately 10% by 2030.

Linda Tsai— *President of Intelligent System & COO*

AI Data Center-related demand continues to drive Advantech's business growth this year, primarily across new products and applications such as semiconductor equipment, fab automation, high-performance computing, AOI, and Semi-Rig. Meanwhile, the Company continues to deepen its presence in the existing power and energy markets by providing comprehensive solutions ranging from OEM equipment to OT-side operations and maintenance management. Leveraging its existing product portfolio and collaborating with OEMs and automation system integrators (SIs), Advantech is working with customers to capture the emerging business opportunities arising from this growth cycle. Demand and growth momentum in the semiconductor business are expected to continue throughout this year and next year. Current demand is primarily driven by the North American market, benefiting from continued large-scale capital expenditures by the four major U.S. CSPs. In addition, Advantech's customers continue to expand their operations across Asia and Europe, meaning that the related business opportunities are not limited to North America.

Regarding the supply chain, the overall environment remains challenging this year, with lead times for key components such as memory, SSDs, and PCBs continuing to extend since the end of last year. To shorten overall production lead times, in addition to planning future capacity investments, the Company is utilizing its overseas sites to provide fast and flexible assembly services. In terms of component management, Advantech has extended the ordering horizon for strategic components from six to eight months to 12 to 18 months, placing orders earlier to improve supply availability. Meanwhile, the Company is negotiating long-term supply agreements (LTAs), purchase commitments, and other collaborative arrangements with strategic suppliers to ensure that the supply of key components in 2027 can meet Advantech's operational requirements.

Miller Chang— *President of Embedded Sector*

Advantech delivered solid operating performance in the first half of the year. Its core strategy is to further extend Edge AI into Physical AI, promoting the deployment of AI technologies across industries and realizing tangible business value. The Company has deployed Edge AI- and Physical AI-related equipment across its existing markets, including semiconductor equipment, factory automation, healthcare, and retail, while actively expanding into emerging applications such as energy and robotics.

Edge AI forms the foundation of Advantech's core business. According to a report by Market.US, the global Edge AI market is projected to reach US\$196.1 billion by 2034, representing a compound annual growth rate of 23.8%. With advantages including low latency, data privacy, and real-time

responsiveness, edge computing hardware continues to play an important role in the development of the AI industry. However, the industry also faces challenges in software development, large-scale deployment, and hardware-software integration. As AI evolves from Cloud AI, Generative AI, and large language models to Agentic AI, Edge AI will become a critical foundation for deploying AI technologies across industries. Through its capabilities in perception, decision-making, and execution, Physical AI can be applied to scenarios including robotics, smart factories, energy, and human-machine collaboration in healthcare, further transforming the industrial ecosystem.

To help customers accelerate AI deployment, Advantech has established a comprehensive three-tier Edge AI hardware architecture. The first tier, Edge AI Embedded, enables the rapid integration of AI accelerator modules into existing industrial computers and edge computing devices to enhance AI computing performance. The second tier, Edge AI Appliance, provides purpose-built equipment for industries such as healthcare, robotics, and energy. The third tier, Edge AI Server, supports on-premises data processing and storage for enterprises, reducing the need to transmit data to the cloud. The edge computing business currently contributes nearly 50% of the Company's revenue.

On the software side, Advantech has introduced WEDA (WISE Edge Developer Architecture), which integrates a standardized and containerized software architecture across various hardware platforms to help developers, customers, and partners accelerate the deployment of Edge AI applications. Regarding its platform strategy, the Company continues to collaborate with leading chip suppliers as computing architectures evolve from the previous dominance of Intel x86 toward a diverse competitive landscape comprising AMD high-performance computing, Arm-based architectures from Qualcomm and Rockchip, and NVIDIA AI chips and the CUDA developer ecosystem. Through these collaborations, Advantech aims to provide real-time, high-performance Edge AI computing platforms and maintain its market competitiveness across diverse chip architectures.

KC Liu— *Chairman*

In the B2B market, Advantech primarily focuses on six vertical applications: smart manufacturing, robotics and automation, energy and utilities, healthcare, smart cities and public services, and retail and services. Energy and utilities currently represent the largest business segment. Smart manufacturing also has considerable scale, although the pace of industry upgrades remains relatively slow. Robotics and automation cover applications such as warehouse and production-line automation.

In healthcare, AI can help automate certain tasks amid nursing staff shortages, enabling nurses to focus on critical patient care. The Company has also established a dedicated division to develop related business opportunities. Smart cities and public services encompass applications such as transportation, city management, and automated toll collection. These applications remain at an early stage, and future growth will depend on government investment and the establishment of viable commercial charging models. Although AI applications have been widely discussed in the retail and services sector, actual adoption remains limited, primarily because the return on investment has

yet to be clearly demonstrated. Current benefits are mainly concentrated on labor cost savings. If AI Agents can further drive revenue growth, the pace of adoption is expected to accelerate.

Regarding its software strategy, Advantech currently has more than 300 dedicated software R&D personnel, primarily developing the WISE and WEDA product lines. WISE focuses on AI application architecture and application software, while WEDA (WISE Edge Developer Architecture) containerizes Advantech's hardware platforms with different chip architectures and functionalities and connects them to the WISE architecture, enabling developers worldwide to integrate the hardware into industrial systems more conveniently. WEDA is currently provided free of charge with the hardware. The Company will evaluate potential charging models if more advanced versions are introduced in the future. As software development must closely align with actual applications and customer requirements, the Company plans to adopt a more internationalized R&D and collaboration model, potentially co-developing solutions with customers and partners in markets such as India and Europe.

Regarding its business model, Advantech recently introduced the IWS (Integrated WISE Solution & Station) concept, integrating servers, edge hardware, WISE software, and AI Agents into an all-in-one hardware-software system that can be deployed directly at customer sites. This changes the previous model under which hardware and software were sold separately and subsequently integrated by customers or system integrators, thereby lowering the technical barriers to AI adoption for industrial customers.

The front end of IWS can connect to large language models and be configured with the appropriate Domain AI Agents, industry-specific skills, and local small-scale models for different verticals, including smart factories, energy, healthcare, and retail. Customers can then incorporate their own knowledge and applications into the existing platform to build enterprise-specific AI Agents. The Company will leverage its hardware foundation accumulated over more than 40 years across servers, IPCs, edge computing, and HMIs, as well as its WISE software capabilities developed over the past seven to eight years. It will also collaborate closely with system integrators across different countries and industries to jointly develop Domain Skills and industry-specific AI Agents. IWS is regarded as an important long-term initiative for Advantech's expansion into the B2B AI application layer. However, it will require another one to two years of development, and its current revenue contribution remains limited. It was not a primary driver of the Company's first-half growth.

In the future, IWS will establish a new business model distinct from traditional hardware sales. Although individual customers may purchase only a limited number of systems and expand capacity every two to three years depending on their computing requirements, each system is expected to provide a meaningful contribution to revenue and gross profit, as the solution integrates servers, software, and services. The Company also plans to evolve from a model primarily based on in-house development and sales toward greater ecosystem collaboration. It will continue to conduct hardware design-ins with major customers, while integrating foundational AI software from the U.S. and Chinese markets. In collaboration with vertical-industry system integrators, Advantech will deploy customers' industry knowledge and skills on local servers within their facilities and provide subsequent operations, maintenance, and application services. This will enable more computing

workloads to shift from data centers to enterprise sites, strengthening data control and real-time computing capabilities while potentially reducing cloud token usage and advancing industrial AI applications into their next stage.

QUESTION & ANSWER SESSION

The Q&A topics for this meeting were compiled based on key issues raised through the Company's ongoing engagement and dialogue with the investment community, including but not limited to UBS, Morgan Stanley, Daiwa, Fubon Securities, Capital Investment Securities, SinoPac Securities, and KGI Investment Advisory.

Financial & Outlook

[1.1] Will revenue momentum and order demand remain robust in the second half of the year? Following strong front-loaded shipments in the first half, has there been any slowdown in customer orders for the second half?

[1.2] Advantech's revenue has continued to reach record highs. To what extent has this growth been driven by price increases, and how should the respective contributions from volume and pricing be assessed?

[1.3] What are the current capacity and utilization rates across Advantech's manufacturing facilities? Will the Company have sufficient capacity to continue meeting future shipment and delivery requirements?

Eric Chen— *CFO & President of General Management*

Advantech's demand and order momentum remained strong in the third quarter. Revenue is expected to grow both year-over-year and quarter-over-quarter, with a meaningful increase anticipated. The Company is not providing an outlook for the fourth quarter at this time. Order intake reached another record high of US\$574 million in July, with a B/B ratio of approximately 1.64, exceeding the second-quarter level of 1.44. However, strong order demand has also made component supply the primary challenge for subsequent shipments.

Regarding the composition of revenue growth, first-half revenue in U.S. dollar terms increased by 33.2% year-over-year, of which pricing contributed 12.8 percentage points, primarily reflecting price adjustments to customers following price increases in components such as DDR4 and SSDs. The remaining 20.4 percentage points came from higher shipment volumes and an improved product mix. Overall, approximately 38% of revenue growth was attributable to pricing, while 62% was driven by shipment volumes and product mix.

Regarding capacity, utilization rates at the Kunshan, Taiwan, and Japan plants were approximately 106%, 94.1%, and 94.7%, respectively, in the second quarter. In the third quarter, utilization at the Kunshan plant is expected to increase to 106%–110%, while Taiwan is projected to rise to 105%–

110% and Japan to approximately 95%–100%. The Company can address high utilization rates and order demand through overtime and partial outsourcing.

The primary risks remain concentrated in the supply of key components. PCB shortages may intensify further, while Intel CPUs and certain power ICs are also experiencing supply constraints. By contrast, the supply of SSDs and DDR4 has improved compared with previous conditions. In addition, overall component lead times continue to extend. The Company's operational focus will therefore be on shortening lead times for key components and securing adequate supply to support strong order intake and subsequent shipment demand.

Material Cost Impacts & Reactions

[2.1] Gross margin has continued to decline quarter-over-quarter in the near term due to fluctuations in raw material costs. When is gross margin expected to return to its historical range?

[2.2] Apart from memory components, could the current supply conditions and price increases for other components affect shipments? Can the Company's cost pass-through strategy remain effective?

[2.3] How does the component inventory level for the third quarter compare with that of the second quarter? Is the level of component preparation broadly similar?

■ **Eric Chen**— *CFO & President of General Management* & **Linda Tsai**— *President of Intelligent System*

Second-quarter gross margin declined mainly due to significant price increases in certain key components, including memory and SSDs. Although the Company has the ability to pass higher costs on to customers, customer acceptance must also be considered. As a result, the Company was unable to apply the same markup based on its historical gross margin and could only implement a limited markup, thereby diluting the overall gross margin. Gross margin is expected to begin recovering once raw material price increases gradually moderate. While prices and supply conditions for certain components have recently shown signs of easing, suppliers such as NVIDIA and Intel may initiate another round of price increases. The Company therefore expects third-quarter gross margin to remain broadly in line with the second quarter.

Regarding component supply, supply constraints for commodity components such as memory and SSDs have eased significantly. Supply conditions for certain wide-temperature and industrial-grade SSDs are expected to improve further in the fourth quarter. Through collaboration with multiple strategic suppliers, the Company's overall supply conditions have gradually stabilized.

By comparison, specialized components require closer attention in the second half, particularly PCBs. Due to shortages of upstream materials and the discontinuation of production by certain suppliers, PCB supply may become more challenging in the fourth quarter. The Company will continue working with suppliers, while its R&D teams accelerate the validation of alternative materials and secondary supply sources. Other components have also experienced occasional shortages, including certain

CPUs with lower core counts. However, the situation remains manageable, and CPU supply is expected to improve in the fourth quarter. Overall, the materials required for the third quarter have largely been secured, and no significant supply issues are expected. PCB supply will be the primary area of focus in the fourth quarter.

Regarding its pricing strategy, the Company has passed on the substantial price increases in memory and SSDs to customers. In addition, prices of non-commodity components, including active components, passive components, and PCBs, have also increased, with some recording double-digit price increases. The Company has initiated a second round of price adjustments and begun communicating with customers worldwide.

Regarding material preparation, factory production schedules are generally locked in approximately four to six weeks in advance. Around 80% of the materials prepared in the second and third quarters were supported by actual orders, with only a portion representing strategic inventory intended to secure supply. As third-quarter shipments are expected to exceed second-quarter levels, the value of materials prepared for the third quarter will also increase accordingly. The primary operational challenge in the second half will remain whether the Company can secure sufficient key components in the fourth quarter and successfully convert its strong order backlog into shipments.

Regional & Sector performances

[3.1] Second-quarter revenue achieved double-digit year-over-year growth. Which product lines, end-market applications, or customer demands were the primary growth drivers? Excluding AI-related projects, how did the Company's non-AI businesses perform?

[3.2] Looking ahead to the second half of the year, which regional markets and sector applications are expected to deliver the strongest growth momentum? Is the demand momentum observed in the first half expected to continue? Will Edge AI- and Physical AI-related applications remain the primary growth drivers?

■ **Miller Chang**— *President of Embedded Sector* & **Linda Tsai**— *President of Intelligent System & COO*

The strongest-performing product lines in the first half were server and cloud-related products at the top tier of the Company's three-tier Edge AI architecture, both of which recorded revenue growth of more than 100%. Edge AI computing platforms, which represent the Company's largest revenue base and include various product lines such as boards and systems, also generally grew by 30% to 50%, delivering strong overall performance. Among emerging applications, robotics and Physical AI currently account for a relatively small share of revenue but have demonstrated significant growth. The Company's robotics business unit, established approximately three years ago, originally targeted 100% revenue growth in 2026 compared with 2025. However, its revenue growth exceeded 250% in the first half of the year. Among other vertical markets, semiconductor equipment delivered particularly strong performance. Medical equipment and mission-critical applications for harsh environments recorded double-digit or high double-digit growth, while the gaming business also

maintained solid performance. By comparison, revenue from the retail sector remained broadly flat year-over-year, primarily because retail customers are more price-sensitive. Component shortages and product price increases prompted some customers to slow their equipment replacement schedules.

Looking ahead to the second half, based on second-quarter order intake and current order visibility, overall growth momentum is expected to continue from the first half and may strengthen further. The three major markets of the United States, China, and Europe, as well as the mid-sized markets of Taiwan, Korea, and Japan, all maintained positive momentum. Taiwan, Korea, the United States, and China are expected to remain strong. Although growth in Japan was relatively moderate in the first half, order intake increased significantly in the second quarter, and growth is expected to accelerate in the second half. The primary growth driver remains demand for the deployment of AI across industries, including the three-tier Edge AI hardware architecture, AI factories, and Physical AI applications such as robotics. The Company will continue to expand its resource investment to capture these long-term business opportunities. Demand for semiconductor equipment and AI data center infrastructure is also expected to continue. As lead times across upstream and downstream supply chains have generally extended, the Company has largely secured its orders for this year. Certain strategic key customers have even begun discussing their key component requirements and supply assurance for 2027, further improving the Company's medium-term business visibility.

In addition to direct AI-related demand, network security and enterprise storage are also important growth drivers. As cybersecurity continues to gain importance, the Company's server-grade network security products have recorded strong growth in the United States, Europe, and Korea. The enterprise storage business has also benefited from customer demand, and the related momentum is expected to continue into next year. The semiconductor equipment business is primarily focused on Taiwan, Korea, Japan, and the United States. The Company will continue expanding its customer base among the world's top ten semiconductor equipment suppliers to increase market penetration and strengthen its foundation for long-term growth.

[3.3] What is the current progress of the Company's design wins? How is the overall project momentum, and what is the visibility for converting these projects into future revenue?

■ **Eric Chen**— *CFO & President of General Management*

In the first half of the year, Advantech secured 123 design-win projects in North America, which are estimated to contribute approximately US\$440 million in annual revenue. For the full year, the potential annual revenue contribution from North American design wins is expected to exceed US\$900 million. Compared with the same period last year, the number of design-win projects increased by 43%, while the estimated annual revenue contribution grew significantly by 250%, indicating a notable increase in both the average project size and overall project value. As design-win projects typically have product life cycles of five to eight years following implementation, they are expected to provide the Company with recurring revenue contributions and strong long-term visibility.

Long-term Strategy

[4.1] The Company has indicated that Edge AI adoption is accelerating and has introduced the WEDA platform to integrate Agentic AI. Which application areas, such as smart manufacturing, robotics, healthcare, and retail, are currently driving the majority of Edge AI or Physical AI projects? From the second half of this year through next year, which areas are expected to grow the fastest and have the greatest potential to become new business growth drivers?

■ **KC Liu**— *Chairman*

Advantech's corporate mission is "Enabling an Intelligent Planet." Its strategic initiatives and decisions focus on whether they can create value for the intelligent transformation of various industries, rather than being driven solely by short-term revenue considerations. The Company's business scope remains clearly focused on the B2B market.

Current orders primarily stem from the Company's long-established product, customer, and market foundations, rather than from the deliberate concentration of resources on specific industries. In terms of the pace of AI adoption, manufacturing, energy, and healthcare are expected to lead. Demand for AI applications in the manufacturing and energy sectors is clear, and their deployment can generate significant benefits. In healthcare, persistent nursing staff shortages have created strong demand for AI solutions that can assist with certain nursing and administrative tasks, allowing personnel to focus on critical patient care. Hospitals also have relatively sufficient investment capacity, making healthcare another market with strong potential for the Company. By comparison, industries such as retail, environmental protection, and transportation generally have more limited profitability and investment budgets. These sectors typically require confirmation of tangible benefits before adopting new technologies and are therefore expected to accelerate their development only after AI technologies and business models become more mature.

Overall, industries have demonstrated considerable interest and urgency regarding AI adoption, as companies are generally concerned about falling behind competitors during the digital transformation process. Advantech is therefore promoting its integrated IWS hardware-software solution to reduce the complexity and technical barriers associated with AI adoption in factories, hospitals, and other industries, thereby accelerating the deployment of AI applications at enterprise sites.

[4.2] From a medium- to long-term perspective, please elaborate on Advantech's leadership succession plans and key initiatives.

■ **KC Liu**— *Chairman*

The Company expects to complete the transition of the CEO role by the end of 2026. The succession arrangement involving the three co-presidents is currently progressing smoothly, and KC Liu will continue to serve as Chairman for the next three years. One of the key priorities before year-end is to complete the organizational structure of the Worldwide Business Organization (WWBO), further

strengthening the institutionalization and organizational completeness of the Company's overseas operations. The operating structures in the United States, China, and Europe are already relatively mature, while the Company plans to further strengthen its presence in Southeast Asia, India, and the Middle East. Beginning in 2027, KC Liu will serve solely as Chairman and devote greater attention to corporate branding and new business development.