TSE Code - 3704

Zyxel Group Corporation

Annual Report
2025

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Zyxel Group annual report is available at
http://www.zyxelgroup.com

I. Spokesperson and Deputy Spokesperson

Spokesperson: Jason Pu

Title: Associate Vice President

Tel: (03) 578-8838 ext: 81810

Email: Jason.Pu@zyxelgroup.com

Deputy Spokesperson: Richard Hsu

Title: Senior Manager

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Email: chhsu@zyxelgroup.com

II. Headquarters, Branch and Plant

Headquarters: 3F, No. 363, Sec. 2, Gongdaowu Rd., Hsinchu City

Tel: (03) 578-8838

Branch: none

Plant: none

Brand: Zyxel Communications Corporation

11F., No. 223, Sec. 3, Beixin Rd., Xindian Dist., New Taipei City

Zyxel Communications Corporation Science Park Branch Office

No.2, Industry E. Rd. IX, Science Park, Hsinchu City

Channel: Zyxel Networks Corporation

11F., No. 225, Sec. 3, Beixin Rd., Xindian Dist., New Taipei City

OEM: MitraStar Technology Corporation

No. 6, Innovation Road II, Hsinchu Science Park, Hsinchu City

MitraStar Technology Corporation New Taipei Branch Office

11F., No. 223, Sec. 3, Beixin Rd., Xindian Dist., New Taipei City

III. Stock Transfer Agent

Name: Shareholding Agency Service Dept., Mega Securities

Address: 1F, No. 95, Sec. 2, Zhongxiao E. Rd., Taipei City

Website: http://www.emega.com.tw

Tel: (02) 3393-0898

IV. Independent Auditors:

Auditors: Hai-Ning Huang / Ji-Long Yu

Firm Name: KPMG Taiwan

Address: No. 11, Prosperity Road I, Hsinchu Science Park, Hsinchu City

Website: http://www.kpmg.com.tw

Tel: (03) 579-9955

V. Overseas Securities Exchange: none

VI. Zyxel Group Website: http://www.zyxelgroup.com

Note: The English version is a translation of the Chinese version. If there is any discrepancy between the Chinese version and English version, the Chinese version shall prevail.

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I. Letter to Shareholders

Dear Shareholders,

Zyxel Group Corporation (hereinafter referred to as “Zyxel Group”) enhances its performance and industry competitiveness through a holding company structure. The Group has carried out the reorganization based on the industrial characteristics of its subsidiaries to improve industry focus and competitive profitability.

1. Business results in 2025:

(1) Outcome of performance:

Unit: NTD thousand

Item	2025	2024
Operating revenue	25,295,196	25,969,435
Gross profit	6,743,321	6,434,215
Operating income	866,622	441,109
Income (loss) before income taxes	918,608	718,820
Net income	652,489	591,534

(2) Analysis on profitability:

Item		2025	2024
Return on total assets %		3.24	2.96
Return on attributable to shareholders of the parent %		5.64	5.28
As a percentage of paid-in capital %	Operating Income	20.86	10.72
	Income (Loss) before income taxes	22.11	17.47
Net income %		2.58	2.28
Basic earnings per share/NTD		1.56	1.41

2. Business Outlook:

Zyxel Group is dedicated to the networking industry, having deeply rooted itself in various areas about the network technology and market. The three subsidiaries, namely Zyxel Communications Corporation (hereinafter referred to as “Zyxel”), MitraStar Technology Corporation (hereinafter referred to as “MitraStar”), and Zyxel Networks Corporation (hereinafter referred to as “ZNet”), are in charge of telecommunication, DMS, and channel business, respectively, and strive in the technologies and markets in the network industry. We provide our customers with real-time sales and service in 150 markets worldwide.

In response to global shifts and intense competition, Zyxel Group launched a core strategic initiative in 2025 centered on "Integrated Production-Sales and Unified Operations." This strategy aims to optimize resource planning and allocation to enhance market competitiveness. Aligned with these strategic goals, Zyxel Group has horizontally integrated subsidiary resources through functional organization, consolidating them into four core executive roles: Chief Executive Officer (CEO), Chief Operating Officer (COO), Chief Technology Officer (CTO), and Chief Product Officer (CPO). The Group’s operational transformation is led by the CEO, whose leadership focuses on streamlining decision-making and fostering organizational synergy to drive overall competitiveness and shareholder value.

For the service provider market, Zyxel has introduced its latest 50G fiber carrier-grade product. Build on a tri-mode optical architecture design, it supports 50G PON, XGS-PON, and GPON on shared fiber, giving service providers a highly flexible migration path. This architecture accelerates network deployment and upgrades, helping service providers roll out large-scale fiber services faster while delivering ultra-high-speed and ultra-low-latency end-to-end connectivity. At CES 2026, Zyxel also launched its Wi-Fi 8 latest innovations, establishing the highly stable, low-latency network foundation essential for service providers in the AI application era.

Additionally, Zyxel has launched the Zyxel One AI-powered Wi-Fi management solution. Through AI analysis and visualized data, it enables service providers to remotely monitor and manage subscribers’ devices while quickly troubleshooting issues. Subscribers can use the Zyxel One App to guide automatic installation and activation processes and to perform interactive smart diagnostics to resolve home networking issues. This effectively enhances service providers' operational efficiency, reduces operational costs, and further increases user adoption rates. Leveraging its exceptional software R&D capabilities, Zyxel has independently developed the modular OPAL software platform based on Linux. By integrating the prpl Foundation's open-source architecture, Zyxel has developed prplOS—compatible with prplWare—enabling rapid deployment of diverse applications and value-added services. The OPAL software increases the efficiency of system integration, significantly shortens product development cycles, and enables swift responses to service providers' deployment demands.

In the SMB market segment, ZNet centers its efforts around the Nebula cloud-based network management platform, focusing on collaborations with Managed Service Providers (MSPs) and authorized resellers. We continuously deliver networking products and solutions tailored to the needs of SMBs, MSPs, and professional users, addressing challenges businesses face in IT staffing, network management and maintenance, and cost control. Nebula currently supports over 100 device models, including wireless access points, Ethernet switches, firewalls, and multiple 5G/LTE mobile routers, catering to diverse networking environments.

ZNet also actively leverages AI-driven technologies to enhance automation and intelligence in cloud network management and cybersecurity, thereby improving network management efficiency and stability. ZNet has introduced software subscription services and related management platforms, while establishing its proprietary e-commerce platform, Zyxel Store, to further elevate its overall competitiveness and long-term business value in the SMB networking market.

Affected by factors such as Sino-US trade barriers and demands from European and American operators for supply chains to be “non-China manufacturing, sourced from third-party locations,” MitraStar has established a new factory in Vietnam, with trial production expected to commence in 2026. The new facility will serve as a crucial hub in the group's global layout, enhancing shipment flexibility to Europe and America. This will further increase the self-manufacturing rate, reduce outsourcing proportions, and significantly boost the company's bargaining power and supply chain resilience.

In response to climate change challenges and global manufacturers' net-zero emission requirements, Zyxel Group has comprehensively advanced emission reduction initiatives. In 2025, it earned the prestigious EcoVadis Platinum Award in international sustainability ratings, ranking among the top 1% of assessed companies globally for sustainability performance. This recognition affirms the company's sustained commitment and outstanding achievements across the three pillars of Environmental, Social, and Governance (ESG). Furthermore, in 2025, Zyxel Group successfully passed the greenhouse gas reduction target review by the Science Based Targets initiative (SBTi), demonstrating its commitment to carbon reduction and advancing environmental sustainability.

Zyxel Group also applies its expertise in network technology to defense communications and cybersecurity, standing as one of Taiwan's few firms with R&D capabilities for security hardware, including radar systems, military wireless communications, and network firewalls. In 2025, it became Taiwan's first networking company to join FIRST (Forum of Incident Response and Security Teams), the world's largest cybersecurity incident response organization, demonstrating its leadership in product security governance and international collaboration.

The entire management team will use its best effort to combine the sound technical energy, create more infinite possibilities for network communications, and maximize shareholder value and create a win-win-win situation for Zyxel Group Corporation, its employees, and shareholders.

At last, we wish all of you good health and everything goes well!

Chairman of Board: Shun-I Chu

II. Corporate Governance Report

1 Directors

1.1 Information about Directors

April 17, 2025

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions at Zyxel Group and Other Companies	Directors Who are Spouses or within Two Degrees of Kinship			Remarks
							Number of shares	%	Number of shares	%	Number of shares	%	Number of shares	%			Title	Name	Relationship	
Chairman	R.O.C.	Shun-I Chu	Male 71~80 years old	2025/06/17	3	2010/06/17	89,981,358	21.81	89,981,358	21.66	15,238,525	3.67	-	-	Department of Electronics Engineering, National Chiao-Tung University President, Yilung Technology	CEO, Zyxel Group Director, Zyxel Communications Corporation (Zyxel) - Representative of Zyxel Group Corporation (Zyxel Group) Director, Zyxel Networks Corporation (ZNet) - Representative of Zyxel Group Chairman, Black Cat Incorporation (Black Cat) - Representative of Zyxel Group Legal Representative of Bluebell Overseas Ltd. (Bluebell) - Representative of MitraStar Director, ZyFX Technologies Inc. - Representative of ZYXEL Foundation Chairman/ President, Zychamp Investment Co., Ltd. (Zychamp) - Representative of Zyxel Chairman, Zytpe Communications Corporation (ZyTPE) - Representative of ZNet Director, Zyxel Communications A/S (ZyAS) - Representative of Zyxel Director, Zyxel Communications UK Ltd.(ZyUK) - Representative of ZyAS Director, Zyxel India Communications Private Limited (ZCIN) - Representative of Zyxel Chairman, Zyxel Iletisim Teknolojileri A.S. (ZyTR) - Representative of Zyxel Director, Zyxel Communications Do Brasil Ltda.(ZyBR) - Representative of Zyxel Director, Zyxel Networks A/S (ZNet AS) - Representative of ZNet Director, Zyxel Communications B.V. (ZNet BNL)- Representative of ZNet AS Chairman, Zyxel (Thailand) Company Ltd. (ZNet TH) - Representative of ZNet Director, Zyxel Technology India Pvt Ltd. (ZNet IN) - Representative of ZNet Director/ President, Tianjin Huagin Communications Equipment Co., Ltd. (Tianjin Huagin) - Representative of ZNet Director, Heartbot AI Incorporation	Director	Ping-Jie Chu	Father And Daughter	-
Director	R.O.C.	Gordon Yang	Male 61-70 years old	2025/06/17	3	2019/06/12	2,772,909	0.67	-	-	-	-	-	-	MBA, Claremont Graduate University	Director, ZyTR- Representative of Zyxel Director, ZNet KR - Representative of ZNet Director, Zyell Solutions Corporation	-	-	-	Note 1

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions at Zyxel Group and Other Companies	Directors Who are Spouses or within Two Degrees of Kinship			Remarks
							Number of shares	%	Number of shares	%	Number of shares	%	Number of shares	%			Title	Name	Relationship	
Director	R.O.C.	Ping-Chin Li	Male 71-80 years old	2025/06/17	3	2010/06/17~ 2016/06/17、 2022/06/15	579,482	0.14	579,482	0.14	185,839	0.04	-	-	Ph.D., Department of Electronics Engineering, University of Southern California 14th Team Leader, 3rd Research Division, NCSIST	Director, ZyTPE - Representative of ZNet Chairman/President, ZyFX Technologies Inc. - Representative of ZYXEL Foundation Chairman, ZQAM Communications Corporation Director, Zyell Solutions Corporation - Representative, ZyFX Technologies Inc. Director, Ardomus Networks Corp. - Representative, ZyFX Technologies Inc.	-	-	-	-
Director	R.O.C.	Wayne Hwang	Male 61-70 years old	2025/06/17	3	2022/06/15	528,851	0.16	-	-	-	-	-	-	Master, Electrical Engineering, National Chengkung University General Manager, MitraStar Technology Corporation Technician, National Chung-Shan Institute of Science and Technology	Director, MitraStar- Representative of Zyxel Group Chairman, ZNet- Representative of Zyxel Group Advisor, ITRI	-	-	-	Note 2
Director	R.O.C.	Jyuo-Min Shyu	Male 71-80 years old	2025/06/17	3	2025/06/17	-	-	-	-	-	-	-	-	Ph.D. in Electrical Engineering and Computer Sciences, University of California, Berkeley, USA Honorary Professor, National Tsing Hua University Minister, Ministry of Science and Technology	Independent Director, United Microelectronics Corporation Independent Director, Qisda Corporation Independent Director, Far EasTone Telecommunications Co., Ltd. Director, Iridium Medical Technology Co., Ltd. Director, Alpha Ring Asia Inc.	-	-	-	-
Director	R.O.C.	Ping-Jie Chu	Female 41-50 years old	2025/06/17	3	2022/06/15	3,210,772	0.78	3,210,772	0.77	-	-	-	-	MS in Finance, Business Administration College, Washington University in St. Louis, the U.S.A Special Assistant, Zyxel Group Corporation Deputy CEO, Zyxel Foundation	Special Assistant, Zyxel Group Deputy CEO, Zyxel Foundation Director, ZyFX Technologies Inc. - Representative of ZYXEL Foundation	Chairman	Shun-I Chu	Father And Daughter	-
Independent director	R.O.C.	Chin-Tang Liu	Male 61-70 years old	2025/06/17	3	2019/06/12	-	-	-	-	-	-	-	-	Bachelor, Department of Accounting, Tamkang University CPA, KPMG Director of the 21st Term, Taiwan Provincial CPA Association	Independent Director, Sino-American Silicon Products Inc. Independent Director, Prolific Technology Inc. Director,Hospice Foundation of Taiwan	-	-	-	-

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions at Zyxel Group and Other Companies	Directors Who are Spouses or within Two Degrees of Kinship			Remarks
							Number of shares	%	Number of shares	%	Number of shares	%	Number of shares	%			Title	Name	Relationship	
Independent director	R.O.C.	Chin-Liang Wang	Male 61-70 years old	2025/06/17	3	2010/10/04~ 2013/06/16、 2022/06/15	-	-	-	-	-	-	-	-	Ph.D., Institute of Electronics, National Chiao-Tung University Chair Professor and Distinguished Professor Department of Electrical Engineering and Institute of Communications Engineering, National Tsing Hua University Technology Advisor, Metanoia Communications Inc. Director, MediaTek Foundation	Technology Advisor, Metanoia Communications Inc.	-	-	-	-
Independent director	R.O.C.	Yi-Bing Lin	Male 61-70 years old	2025/6/17	3	2024/6/18	-	-	-	-	-	-	-	-	Ph.D., Department of Computer Engineering, University of Washington (Seattle) Lifetime Chair Professor and Professor of College of Artificial Intelligence, National Yang Ming Chiao Tung University Vice-Chancellor, University System of Taiwan Deputy Minister, Ministry of Science and Technology	Independent Director, Groundhog Inc.	-	-	-	-
Independent director	R.O.C.	Shing-Hai Wei	Male 61-70 years old	2025/6/17	3	2025/6/17	-	-	-	-	-	-	-	-	Master of Executive MBA Program, National Chiao Tung University CPA, Audit Department, KPMG Taiwan Chairperson, CPA Practice Evaluation Committee, National Federation of Certified Public Accountants Associations of the Republic of China Managing Partner and CPA, Chuan Zhi He Shu	Independent Director, TAIWAN KONG KING CO.,LTD Independent Director, ADLINK TECHNOLOGY INC.	-	-	-	-

Note 1: Director Gordon Yang resigned on November 11, 2025.
Note 2: Director Wayne Hwang resigned on March 30, 2026.
Note 3: The Board of Directors has resolved, in accordance with corporate governance principles and operational exigencies, that the same individual shall concurrently serve as Chairman and

CEO. The rationale and accompanying measures are set out below:
Reason: To enhance decision-making efficiency and execution, the Board believes that entrusting both leadership of the Board and day-to-day management to a senior executive possessing extensive industry experience and a comprehensive understanding of company operations will better align board decisions with management, thereby facilitating strategic implementation and the attainment of operational objectives.
Rationale: Zyxel Group has appointed independent directors and established an Audit Committee, and convenes regular board meetings to ensure that major matters are decided collectively, mitigating the risk of excessive power concentration. The Board considers this arrangement consistent with sound corporate governance and the Company’s practical needs.
Mitigating measures:
①.The Board will periodically review the appropriateness of the concurrent appointment and adjust the division of responsibilities in line with the Company’s operational development.
②.Internal control mechanisms will be strengthened, material transactions and personnel appointments must be deliberated by the Board or the Audit Committee.
③.The Chairman will recuse himself from deliberation and voting on matters in which he has a personal interest, in accordance with the law, to ensure impartiality.
④.In compliance with statutory requirements, a majority of directors will not concurrently serve as employees, and an additional independent director position is maintained.

1.2 Information about Directors

1.2.1 Information disclosure for the professional qualification and experience of the directors and the Audit Committee, and the independence of the independent directors:

Name \ Criteria		Professional qualification and experience (Note 1)	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman	Shun-I Chu	Please refer to page 4-7, 1.1 Information of Directors for their professional qualification and experience.		0
Director	Gordon Yang (Note 2)			0
Director	Ping-Chin Li			0
Director	Wayne Hwang(Note 3)			0
Director	Jyuo-Min Shyu			3
Director	Ping-Jie Chu			0
Independent director	Chin-Tang Liu		Is the independent director, his/her spouse, or any relative within the second degree of kinship serving as a director or supervisor of the company or any of its affiliates: no. Number and weight of the Company's share held by the independent director, his/her spouse, or any relative within the second degree of kinship, or held by the person under others' names: not holding the Company's shares. Is the independent director serving as a director, supervisor, or employee of any company having certain relationships with the Company: no. Amount of compensation received in the recent two years by providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company: no such situation.	2
Independent director	Chin-Liang Wang			0
Independent director	Yi-Bing Lin			1
Independent director	Shing-Hai Wei			2

Note 1 : None of director has any condition defined in Article 30 of the Company Act.

Note 2 : Director Gordon Yang resigned on November 11, 2025.

Note 3 : Director Wayne Hwang resigned on March 30, 2026.

1.2.2 Diversity and independence of the board of directors

1.2.2.1 Diversity of the board of directors

Article 4 of Zyxel Group's "Regulations for Election of Directors" has established the diversity policy and specific management targets of the Board members and has actually implemented them. The directors who serve as Zyxel Group's managerial officers are less than one-third of the whole directors for the time being. However, Zyxel Group values gender equality in the Board members. As of December 31, 2025, the 9 Board members include 1 female director, i.e. 11% of the whole directors. Further, in terms of professional knowledge and skills, Zyxel Group's Board members are specialized in engineering, mechanical engineering, management science and finance and have the industrial experience needed by Zyxel Group's business. For the time being, Zyxel Group's Board is composed based on the policy and targets set forth by Zyxel Group. There are 3 directors who are also Zyxel Group's employees. There are 4 independent directors in the Board. There is 1 director aged between 41 and 50, 5 directors aged between 61 and 70, and 3 directors aged between 71 and 80. There are 3 directors with a tenure of less than 3 years, 5 directors with a tenure of 4 to 10 years, and 1 directors with a tenure of over 10 years. The average tenure of directors is 4.8 years.

Due to the characteristics of the technology industry, the proportion of women in the workforce is relatively low, resulting in the percentage of female directors in the company being less than one-third. To improve this situation, the company will implement the following measures: First, promote the development of internal female talent by providing more opportunities for growth and advancement. Second, broaden the talent search scope by actively recruiting external female experts or cross-disciplinary professionals. Additionally, enhance advocacy for gender equality to raise awareness and support for diversity among internal employees and external stakeholders. Through these actions, the company aims to gradually enhance gender diversity on the board and strengthen corporate governance.

The specific management targets of the diversity policy and achievement are as below:

Management target	Achievement
At least one seat of female director	Achieved
At least one director has the financial and accounting background	Achieved
No more than one third of directors concurrent serves as the Company's managerial officers	Achieved

Implementation of the current Board member diversity policy is disclosed as follows:

Core items under diversity / Name of Director	Basic Requirements			Professional knowledge and skills						
	Gender	Nationality	Academic degree	Ability to make judgments about operations	Accounting and financial analysis ability	Business management ability	Industry knowledge	International market perspectives	Leadership ability	Decision-making ability
Shun-I Chu	Male	R.O.C.	Electronics Engineering	✓	✓	✓	✓	✓	✓	✓
Ping- Chin Li	Male	R.O.C.	Electrical Engineering	✓	✓	✓	✓	✓	✓	✓
Wayne Hwang	Male	R.O.C.	Electrical Engineering	✓	✓	✓	✓	✓	✓	✓

Core items under diversity / Name of Director	Basic Requirements			Professional knowledge and skills						
	Gender	Nationality	Academic degree	Ability to make judgments about operations	Accounting and financial analysis ability	Business management ability	Industry knowledge	International market perspectives	Leadership ability	Decision-making ability
Jyuo-Min Shyu	Male	R.O.C.	Electrical Engineering	✓		✓	✓	✓	✓	✓
Ping-Jie Chu	Female	R.O.C.	Finance	✓	✓	✓	✓	✓	✓	✓
Chin-Tang Liu	Male	R.O.C.	Accounting	✓	✓	✓		✓	✓	✓
Chin-Liang Wang	Male	R.O.C.	Electronics	✓		✓	✓	✓	✓	✓
Yi-Bing Lin	Male	R.O.C.	Computer Engineering	✓		✓	✓	✓	✓	✓
Shing-Hai Wei	Male	R.O.C.	Accounting	✓	✓	✓	✓	✓	✓	✓

The Board member diversity policy is disclosed on Zyxel Group’s official website and the MOPS.

1.2.2.2 Independence of the board of directors

As of December 31, 2025, nine directors composed the Company’s board of directors, including five general directors and four independent directors; the independent directors account for 44% of all board members. The independent directors have to sign the independence statement every year during their terms of offices, to confirm that they comply with the requirements of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” and Article 14-2 of the Securities Exchange Act. Among the Company’s directors, only two seats are spouses or relatives within the second degree of kinship. This complies with Paragraph 3 and 4, Article 26-3 of the Securities Exchange Act. Please refer to 2.1, Information of Directors for the relationships of directors as spouse or relatives within the second degree of kinship.

Independent directors’ conformity to the independence criteria as below:

Independence criteria
Is the independent director, his/her spouse, or any relative within the second degree of kinship serving as a director or supervisor of the company or any of its affiliates: no.
Number and weight of the Company’s share held by the independent director, his/her spouse, or any relative within the second degree of kinship, or held by the person under others' names: not holding the Company’s shares.
Is the independent director serving as a director, supervisor, or employee of any company having certain relationships with the Company: no.
Amount of compensation received in the recent two years by providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company: None.

1.3 Remuneration Paid to directors

December 31, 2023/ Unit: NTD thousand

Title	Name	Remuneration to directors								Total amount of remuneration(A+B+C+D)and its ratio to Net Income		Relevant Remuneration Received by Directors Who are Also Employees								Total amount of remuneration (A+B+C+D+E+F+G)and its ratio to Net Income		Remuneration from ventures other than subsidiaries or the parent company
		Base Compensation (A)		Severance Pay (B) (Note 1)		Directors Compensation (C) (Note 2)		Allowances(D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		Zyxel Group	Consolidated Entities	Zyxel Group	Consolidated Entities	Zyxel Group	Consolidated Entities	Zyxel Group	Consolidated Entities	Zyxel Group	Consolidated Entities	Zyxel Group	Consolidated Entities	Zyxel Group	Consolidated Entities	Zyxel Group		Consolidated Entities		Zyxel Group	Consolidated Entities	
																Cash	Stock	Cash	Stock			
Chairman	Shun-I Chu																					
Director	Yuh-Long Chen (Note 3)																					
Director	Gordon Yang (Note 4)																					
Director	Ping-Chin Li	-	-	-	-	5,892	5,892	1,626	1,694	7,518 1.19%	7,586 1.20%	10,183	23,764	127	167	-	-	-	-	17,828 2.81%	31,517 4.97%	N/A
Director	Wayne Hwang (Note 5)																					
Director	Jyuo-Min Shyu																					
Director	Ping-Jie Chu																					
Independent director	Chin-Tang Liu																					
Independent director	Chin-Liang Wang	-	-	-	-	3,233	3,233	1,902	1,902	5,135 0.81%	5,135 0.81%	-	-	-	-	-	-	-	-	5,135 0.81%	5,135 0.81%	N/A
Independent director	Yi-Bing Lin																					
Independent director	Shing-Hai Wei																					

Other than the remuneration disclosed in said table, the remuneration received by any of the Company's directors for providing services to any companies in the financial statement, e.g., as an advisor other than an employee of the parent/all companies in the financial statements/reinvestee in the most recent year: none.

Note 1: The severance pays in 2025 was provided as an expense amount.

Note 2: The Company has the net profit after tax in 2025; according to the Articles of Incorporation, no less than 0.02% of the profit shall be allocated as employee compensation(with 50% of that amount designated for rank-and-file employees) and no more than 2% as directors' compensation.

Note 3: Director Yuh-Long Chen stepped down on June 17, 2025.

Note 4: Director Gordon Yang resigned on November 11, 2025.

Note 5: Director Wayne Hwang resigned on March 30, 2026.

Remuneration Range for Each Director in the Company	Name			
	Sum of the First 4 Items (A+B+C+D)		Sum of the First 7 Items (A+B+C+D+E+F+G)	
	Zyxel Group	Consolidated Entities	Zyxel Group	Consolidated Entities
Lower than 1,000,000	Yuh-Long Chen, Jyuo-Min Shyu, Shing-Hai Wei	Yuh-Long Chen, Jyuo-Min Shyu, Shing-Hai Wei	Yuh-Long Chen, Jyuo-Min Shyu, Shing-Hai Wei	Yuh-Long Chen, Jyuo-Min Shyu, Shing-Hai Wei
NT$1,000,000 (inclusive)~ NT$2,000,000 (exclusive)	Shun-I Chu, Gordon Yang, Ping-Chin Li, Wayne Hwang, Ping-Jie Chu, Chin-Tang Liu, Chin-Liang Wang, Yi-Bing Lin	Shun-I Chu, Gordon Yang, Ping-Chin Li, Wayne Hwang, Ping-Jie Chu, Chin-Tang Liu, Chin-Liang Wang, Yi-Bing Lin	Ping-Chin Li, Chin-Tang Liu, Chin-Liang Wang, Yi-Bing Lin	Chin-Tang Liu, Chin-Liang Wang, Yi-Bing Lin
NT$2,000,000 (inclusive)~ NT$3,500,000 (exclusive)	-	-	Ping-Jie Chu, Wayne Hwang	Ping-Jie Chu, Wayne Hwang
NT$3,500,000 (inclusive)~ NT$5,000,000 (exclusive)	-	-	Gordon Yang	Gordon Yang
NT$5,000,000 (inclusive)~ NT$10,000,000 (exclusive)	-	-	Shun-I Chu	Shun-I Chu
NT$10,000,000 (inclusive)~ NT$15,000,000 (exclusive)	-	-	-	Ping-Chin Li
NT$15,000,000 (inclusive)~ NT$30,000,000 (exclusive)	-	-	-	-
NT$30,000,000 (inclusive)~ NT$50,000,000 (exclusive)	-	-	-	-
NT$50,000,000 (inclusive)~ NT$100,000,000 (exclusive)	-	-	-	-
NT$100,000,000 or More	-	-	-	-
Total	12,653	12,653	17,828	31,517

2. Management Team

2.1 Information about Management Team

April 19, 2025

Title	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions at Other Companies	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation ship	
Chief Executive Officer	R.O.C.	Shun-I Chu	Male	2025/07/01	89,981,358	21.66	15,238,525	3.67	-	-	Department of Electronics Engineering, National Chiao-Tung University President, Yilung Technology	Please refer to the information on page 4 for details.	-	-	-	-
Chief Operating Officer	R.O.C.	Denise Lin	Female	2025/07/17	305,938	0.07	-	-	-	-	Ming Chuan University, Department of Accounting and Statistics Chief Sustainability Officer, Zyxel Group Corporation General Manager, Zyxel Communications Corporation	Chairman/President, Zyxel- Representative of Zyxel Group Chairman, MSTC- Representative of Zyxel Group Director/President, ZyAS - Representative of Zyxel Director, ZyUSA - Representative of Zyxel Director, Orui Development Limited Company	-	-	-	-
Financial& Accounting officer	R.O.C.	Jason Pu	Male	2025/05/05	77,481	0.02	-	-	-	-	Ming Chuan University, Bachelor of Accounting Associate Vice President, Zyxel Group Corporation	Director/Financial&Accounting officer, Zyxel- Representative of Zyxel Group Financial&Accounting officer, MitraStar Financial&Accounting officer, ZNet Director, ZyAS - Representative of Zyxel Director, ZyUSA - Representative of Zyxel Vice Chairman, ZyTR- Representative of Zyxel Director, ZyChamp - Representative of Zyxel Director, Ardomus Networks Corporation- Representative of Zyxel Director, ZyUK - Representative of ZyAS Director, ZyIT - Representative of ZyAS Supervisor, Tianjin - Representative of ZNet Director, ZNet AS - Representative of ZNet Supervisor, ZyTPE- Representative of ZNet Supervisor, Black Cat	-	-	-	-
Senior Manager, Internal Auditing Office	R.O.C.	Jessica Chen	Female	2011/08/09	0	0.00	-	-	-	-	Department of Finance, National Sun Yat-sen University Senior Manager, Giant Plus Technology Co., Ltd.	-	-	-	-	-

2.2 Remuneration Paid to President and Vice Presidents

Unit: NTD thousand

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A)</th><th colspan="2">Severance Pay (B)
(Note 1)</th><th colspan="2">Bonus and Allowances (C)</th><th colspan="4">Employee Compensation (D)
(Note 2)</th><th colspan="2">Total amount of remuneration(A+B+C+D) and its ratio to Net Income (%)</th><th rowspan="3">Remuneration from ventures other than subsidiaries or the parent company</th></tr>
<tr><th rowspan="2">Zyxel Group</th><th rowspan="2">Consolidated Entities</th><th rowspan="2">Zyxel Group</th><th rowspan="2">Consolidated Entities</th><th rowspan="2">Zyxel Group</th><th rowspan="2">Consolidated Entities</th><th colspan="2">Zyxel Group</th><th colspan="2">Consolidated Entities</th><th rowspan="2">Zyxel Group</th><th rowspan="2">Consolidated Entities</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td rowspan="2">Chief Executive Officer</td><td>Shun-I Chu (succeeded on July 01, 2025)</td><td rowspan="4">7,391</td><td rowspan="4">9,073</td><td rowspan="4">36</td><td rowspan="4">121</td><td rowspan="4">1,260</td><td rowspan="4">3,860</td><td rowspan="4">23</td><td rowspan="4">-</td><td rowspan="4">23</td><td rowspan="4">-</td><td rowspan="4">8,710
1.37%</td><td rowspan="4">13,077
2.06%</td><td rowspan="4">N/A</td></tr>
<tr><td>Gordon Yang (dismissed on July 01, 2025)</td></tr>
<tr><td>Chief Operating Officer</td><td>Denise Lin (succeeded on July 17, 2025)</td></tr>
<tr><td>Senior Vice President</td><td>Woei Lo (dismissed on May 05, 2025)</td></tr>
</table>

Note 1: The severance pays in 2025 was provided as an expense amount.

Note 2: The Company has a net profit after tax for 2025; According to the Articles of Incorporation, no less than 0.02% of the profit shall be allocated as employee compensation(with 50% of that amount designated for rank-and-file employees).

Compensation Range for Each General Manager and Vice President in the Company	Name	
	Zyxel Group	Consolidated Entities
Lower than NT$1,000,000	Denise Lin	-
NT$1,000,000 (inclusive)~ NT$2,000,000 (exclusive)	Woei Lo	Woei Lo
NT$2,000,000 (inclusive)~ NT$3,500,000 (exclusive)	Gordon Yang	Gordon Yang
NT$3,500,000 (inclusive)~ NT$5,000,000 (exclusive)	Shun-I Chu	Shun-I Chu、Denise Lin
NT$5,000,000 (inclusive)~ NT$10,000,000 (exclusive)	-	-
NT$10,000,000 (inclusive)~ NT$15,000,000 (exclusive)	-	-
NT$15,000,000 (inclusive)~ NT$30,000,000 (exclusive)	-	-
NT$30,000,000 (inclusive)~ NT$50,000,000 (exclusive)	-	-
NT$50,000,000 (inclusive)~ NT$100,000,000 (exclusive)	-	-
NT$100,000,000 or More	-	-
Total	8,710	13,077

2.3 Name of Managerial Officers Receiving Employee Compensation, and the Status of Allocation:

Title	Name	Stock	Cash	Total	Ratio of total amount to Net Income(%)
Chief Operating Officer	Denise Lin	-	68	68	0.01%
Financial&Accounting officer	Jason Pu				
Senior Manager, Internal Auditing Office	Jessica Chen				

2.4 Comparison of Remuneration to Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Compensation Policy for Directors, Supervisors, President and Vice Presidents, Ratio of Total Remuneration to Net Income, and Policies, Standards, and Portfolios for the Payment of Remuneration, the Procedures for Determining Remuneration, and the Correlation with Risks and Business Performance.

2.4.1 The ratio of the total remuneration paid by Zyxel Group and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president, and vice presidents of Zyxel Group as net income:

Item / Title	Total Remuneration to Net Income (%)			
	2025		2024	
	Zyxel Group	Consolidated Entities	Zyxel Group	Consolidated Entities
Director	3.62%	5.78%	4.59%	6.24%
Supervisor	-	-	-	-
President and Vice Presidents	1.37%	2.06%	2.69%	2.69%

2.4.2 The correlation between remuneration formulation procedure, remuneration pay standard and policy, and business performance:

Zyxel Group’s policy regarding directors’ remuneration is established in accordance with Article 29 of the Articles of Incorporation, permitting the allocation of up to 2% of the after-tax profits for the current fiscal year. The remuneration distribution will comprehensively consider the performance evaluation results of the Board of Directors, overall business achievements, industry development trends, and future operational risks to ensure the compensation level is both reasonable and incentivizing. The related remuneration allocation plan will be reviewed by the Compensation Committee and subsequently submitted to the Board of Directors for approval. Zyxel Group will also periodically reassess the remuneration system in accordance with actual operational conditions and legal changes, balancing sustainable management and risk control.

Zyxel Group’s executive compensation policy is formulated based on the “Regulations on the Remuneration of Directors, Functional Committee Members, and Managers,” with evaluation criteria including corporate performance, individual contributions, team stability, future developmental prospects, and social responsibility.

When the company records a profit in the fiscal year, no less than 0.02% of the profit shall be allocated as employee remuneration (with 50% of that amount designated for rank-and-file employees) in accordance with Article 29 of the Articles of Incorporation, to foster mutual growth between all employees and the company. The executives’ compensation levels are determined by benchmarking market salary standards within the industry and the scope of responsibilities associated with their positions. After review by the Compensation Committee, the proposals are submitted to the Board of Directors for final approval. The company shall continuously review the executive remuneration system in a timely manner based on operating performance and market fluctuations to maintain fairness, competitiveness, and sustainability.

3. Implementation of Corporate Governance

3.1 Operation of the Board of Directors

3.1.1 Board of Directors' meeting

Reelection of directors of the 6th Board of Directors was held at the annual shareholders' meeting on June 17, 2025. The newly elected directors held the position on reelection (the new term of office commences from June 17, 2025 until June 16, 2028). A total of 8 meetings of the Board of Directors were held in 2025. The attendance of directors is stated as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Remarks
Chairman	Shun-I Chu	8	-	100%	Reelected on 2025/06/17
Director (Note 1)	Gordon Yang	-	8	0%	Reelected on 2025/06/17
Director	Yuh-Long Chen	4	-	100%	Term expired
Director	Ping-Chin Li	8	-	100%	Reelected on 2025/06/17
Director (Note 2)	Wayne Hwang	8	-	100%	Reelected on 2025/06/17
Director	Jyuo-Min Shyu	4	-	100%	Reelected on 2025/06/17
Director	Ping-Jie Chu	7	1	87.5%	Reelected on 2025/06/17
Independent director	Chin-Tang Liu	8	-	100%	Reelected on 2025/06/17
Independent director	Chin-Liang Wang	7	1	87.5%	Reelected on 2025/06/17
Independent director	Yi-Bing Lin	8	-	100%	Reelected on 2025/06/17
Independent director	Shing-Hai Wei	4	-	100%	Elected on 2025/06/17

Note 1: Director Gordon Yang resigned on November 11, 2025.
Note 2: Director Wayne Hwang resigned on March 30, 2026.

3.1.2 Other matters to be disclosed by the Board of Directors:

I. Concerning the circumstances and board resolutions where other independent directors have expressed opposition or qualified opinions that have been noted in the record or declared in writing, as referred to in Article 14-3 of the Securities and Exchange Act:

A. The circumstances referred to in Article 14-3 of the Securities and Exchange Act: The Company has established the Audit Committee. Therefore, Article 14-3 of the Securities and Exchange Act shall not apply. For relevant information, please refer to the "Operations of the Audit Committee" in this Annual Report.

B. Board resolutions where other independent directors have expressed opposition or qualified opinions that have been noted in the record or declared in writing: none.

II. Status of directors' recusing themselves due to a conflict of interest:

A. On March 3, 2025, except Director Shun-I Chu, Director Gordon Yang and Director Ping-Jie Chu, abstained from voting due to conflict of interest concerns. All other Board members in attendance voted in favor of the 7th proposal for 2024 compensation to

Chairman and managerial officers.

B. On May 5, 2025, except Director Shun-I Chu, Director Gordon Yang, Director Ping-Chin Li, Director Wayne Hwang, Director Chin-Tang Liu, Director Chin-Liang Wang, Director Yi-Bing Lin and Director Ping-Jie Chu, abstained from voting due to conflict of interest concerns. All other Board members in attendance voted in favor of the 4th proposal for lifting the noncompetition restriction on Zyxel Group's sixth term directors.

C. On June 25, 2025, except Director Chin-Tang Liu, Director Chin-Liang Wang and Director Yi-Bing Lin, abstained from voting due to conflict of interest concerns. All other Board members in attendance voted in favor of the 3rd proposal to appoint members of the sixth term Compensation Committee.

D. On June 25, 2025, except Director Chin-Liang Wang, abstained from voting due to conflict of interest concerns. All other Board members in attendance voted in favor of the 4th proposal to establish an industry-academia collaboration and academic feedback mechanism agreement with National Tsing Hua University.

E. On June 25, 2025, except Director Yi-Bing Lin, abstained from voting due to conflict of interest concerns. All other Board members in attendance voted in favor of the 5th proposal to establish an industry-academia collaboration and academic feedback mechanism agreement with National Yang Ming Chiao Tung University.

F. On August 4, 2025, except Director Shun-I Chu and Director Ping-Jie Chu, abstained from voting due to conflict of interest concerns. All other Board members in attendance voted in favor of the 6th proposal for lifting the non-competition restriction on Zyxel Group's managerial officers.

G. On November 3, 2025, except Director Shun-I Chu, Director Gordon Yang and Director Ping-Jie Chu, abstained from voting due to conflict of interest concerns. All other Board members in attendance voted in favor of the 3rd proposal for 2026 compensation projections for Zyxel Group's Chairman and managerial officers.

III. Implementation Status of Board Evaluations

Zyxel Group has established the "Board of Directors Performance Assessment Regulations" and had the same approved by the Board of Directors on March 14, 2019, in order to have the Board members keep pushing themselves and improve the Board's operations. The Regulations require the performance assessment on the Board, individual Board members and functional committees, respectively, to be conducted at least once per year. The assessment conducted by an entrusting external professional institution or external expert team at least once per three years.

The Board internal performance assessment shall cover the following five major indicators:

A. Level of participation in company operations
B. Improvement on quality of the Board decisions
C. Board composition and structure
D. Appointment of directors and directors' continuing education.
E. Internal control

The Board member performance assessment shall cover the following six major indicators:

A. Grasp of company targets and missions
B. Understanding of the director's role and responsibilities
C. Level of participation in company operations
D. Internal relationship management and communication.
E. Professional and continuous education of directors.
F. Internal control

Function committee performance assessment shall cover the following five major indicators:

A. Level of participation in company operations
B. Understanding of the functional committee's role and responsibilities
C. Improvement on quality of the functional committee decisions
D. Functional committee composition and the election of the committee members
E. Internal control

Zyxel Group conducts the performance assessment for the previous year based on various indicators through a questionnaire. The results generated by the recalled questionnaire are reported to the Board of Directors. The deficiencies, if any, will be reviewed and improved. The performance assessment results may serve as the reference for the nomination of director candidates.

The 2025 performance assessment on the Board, individual Board members and functional committees, respectively, showed "Excellent." Apparently, the Board of Directors and functional committees operated successfully. The assessment results have been reported at the Board meeting on March 9, 2026.

IV. Objectives for Strengthening the Functions of the Board of Directors in the current and the most recent year:

A. Convene the meeting with independent directors, independent auditors and internal audit officers separately at least four times a year.
B. Zyxel Group's directors consist of professionals from diversified backgrounds, including civil engineering, electrical engineering, management and finance, and also include one female.
C. Each reappointed director participates in at least six hours of training per year on corporate governance and sustainable development.
D. Zyxel Group appointed the chief corporate governance officer per the resolution adopted by the Board of Directors on March 15, 2021, who shall be in charge of the corporate governance operations.
E. Zyxel Group set forth the "Corporate Governance Best Practice Principles," "Ethical Corporate Management Best-Practice Principles," and "Corporate Social Responsibility Best Practice Principles" and had the same rules adopted by the Board of Directors, in order to improve the corporate governance operations.
F. Zyxel Group perform the Board of Directors self-performance assessment periodically each year, and appoint an external independent organization to execute the external evaluation at least once per three years, Zyxel Group has appointed Taiwan Institute of Ethical Business to execute the Board of Directors performance assessment in 2024.

3.2 Operations of the Audit Committee

The Audit Committee is established to improve corporate governance and solidify the Board's supervision functions. The Audit Committee, acting professionally and independently, is responsible for the adequate expression of Zyxel Group's financial statements, appointment (dismissal) and independence of independent auditors, effective implementation of Zyxel Group's internal control, compliance with laws & regulations, and existing and potential risks of Zyxel Group, etc.

The Audit Committee shall be composed of the total number of independent directors, who shall be no less than three persons, including one convener, and at least one member who shall have accounting or financial expertise. The Audit members shall hold the term of office for three years and can be reelected for a second term of office. As required, the Audit Committee shall convene the meeting at least once per quarter, and shall communicate with the internal auditing unit and independent auditors thoroughly.

The Audit Committee's responsibilities include a review of Zyxel Group's internal control system, financial statements, significant acquisition or disposal of assets, derivatives trading, loaning of funds to others, making of endorsements or guarantees for others, appointment, dismissal or remuneration of independent auditors, and appointment/dismissal of finance, accounting or internal audit managers, etc.

Review of Zyxel Group's internal control system:
The Audit Committee evaluates the effectiveness of Zyxel Group's internal control system policies and procedures (including the controls over sales, procurement, production, human resource, finance, information security and compliance). Also, it reviews the work report of the internal audit unit and independent auditors. The Audit Committee holds that Zyxel Group's internal control system was effective, and Zyxel Group has taken the necessary controls to supervise and improve the misconduct.

Review of financial statements:
This report is to certify that Zyxel Group's 2025 business report and financial statements, and the proposal for the appropriation of profit or loss, were prepared and submitted by the Board of Directors, and the financial statements contained therein were already audited by KPMG Taiwan, which also issued its audit report therefor. Said business report, financial statements and proposal for the appropriation of profit or loss have also been certified by the Audit Committee, which in its opinion, comply with the relevant requirements.

3.2.1 Audit Committee meeting

Zyxel Group established the Audit Committee on June 12, 2019. A total of 5 meetings of the Audit Committee were held in 2025. The attendance of independent directors is stated as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Remarks
Independent director (Convener)	Chin-Tang Liu	5	-	100%	Reelected on 2025/06/17
Independent director	Chin-Liang Wang	5	-	100%	Reelected on 2025/06/17
Independent director	Yi-Bing Lin	4	1	80%	Reelected on 2025/06/17
Independent director	Shing-Hai Wei	2	-	100%	Elected on 2025/06/17

3.2.2 Other matters to be disclosed by the Audit Committee:

I. Concerning the circumstances and other resolution not approved by the Audit Committee but approved by two-thirds or more of all directors, as referred to in Article 14-5 of the Securities and Exchange Act:

A. The circumstances referred to in Article 14-5 of the Securities and Exchange Act;

Date	Meeting	Resolution	Opinion of All Independent Directors and the Company's Response to Independent Directors
March 3,2025	12th Meeting of 2nd	Update of the general principles of the company's pre-approved non-assurance services policy.	None of the independent directors has expressed opposition or qualified

Date	Meeting	Resolution	Opinion of All Independent Directors and the Company's Response to Independent Directors
	Committee	Approved the independent auditors' independence and competence evaluation.	opinions.
		Approved the 2024 Business report and financial statements.	
		Approved the 2024 Internal Control System Statement.	
		Approved the 2024 Earning Distribution.	
		Approved for established the matters related to the exercised the employee stock options in the Fourth Quarter of 2024 converting share capital.	
		Approved the decision not to proceed with the private placement of common shares approved at the 2024 annual shareholders' meeting.	
		Approved the issuance of new restricted employee shares.	
		Approved the amendments to the " Procedures for Loaning Funds to Others".	
Mar 26, 2025	13th Meeting of 2nd Committee	Approved Zyxel Group's endorsement and guarantee to the subsidiary, Zyxel Communications Corporation.	
May 5, 2025	14th Meeting of 2nd Committee	Approved the changes for the positions of Financial and Accounting Officer and other related roles.	
		Approved the First Quarter of 2025 consolidated financial statements.	
		Approved for established the matters related to the exercised the employee stock options in the First Quarter of 2025 converting share capital.	
		Approved to lift the non-competition restrictions on Zyxel Group's 6th Board of Directors.	
August 4, 2025	1st Meeting of 3rd Committee	Approved the Second Quarter of 2025 consolidated financial statements.	None of the independent directors has expressed opposition or qualified opinions.
		Approved for established the matters related to the exercised the employee stock options in the Second Quarter of 2025 converting share capital.	
		Approved Zyxel Group's additional	

Date	Meeting	Resolution	Opinion of All Independent Directors and the Company's Response to Independent Directors
		loan to the subsidiary, MitraStar Technology Corporation.	
		Approved Zyxel Group’s additional loan to the subsidiary, Zyxel Communications Corporation.	
		Approved to lift the non-competition restrictions on Zyxel Group's managers.	
November 3, 2025	2nd Meeting of 3rd Committee	Approved the professional fees of the independent auditors retained by Zyxel Group.	
		Approved the Third Quarter of 2025 consolidated financial statements.	
		Approved the matters regarding the allocation details of new shares with restricted stock awards.	
		Approved for established the matters related to the exercised the employee stock options in the Third Quarter of 2025 converting share capital.	
		Approved the amendment to the internal control system.	
		Approved 2026 internal audit plan.	

B. Any other resolution not approved by the Audit Committee but approved by two-thirds or more of all directors: none.

II. Status of independent directors’ recusing themselves due to a conflict of interest: none.

III. Communication between independent directors and internal audit officers as well as independent auditors:

A. Convene the meeting with independent directors, independent auditors and internal audit officers separately at least four times per year to communicate with each other on the Company’s business and finance.

B. Communication between internal audit officers and independent directors:

1.Internal audit officers regularly send audit reports and tracking reports to independent directors. If the independent directors have any suggestions or questions after receiving the audit report, they will communicate with internal audit officers irregularly.

2.Internal audit officers report the annual internal audit plan and implementation to the Audit Committee quarterly.

C. Communication between independent auditors and independent directors：

Independent auditors attend the Audit Committee quarterly, report audit results, and discuss discoveries in the audit.

D. Others: In the event of major exception occurred, or matters that independent directors, internal audit officers and independent auditors consider necessary to communicate independently, meetings may be held at any time.

E. The independent directors asked the internal and independent auditors in the separate communication meeting whether they encountered obstacles during the audit process, and the auditors replied that there was no relevant matter during the audit process.

Communication between independent directors and independent auditors as well as internal audit officers in 2025:

Date	Attendees	Items	Results
2025.03.03 Audit Committee	Independent Director- Chin-Tang Liu Independent Director - Chin-Liang Wang Independent Director - Yi-Bing Lin Internal Audit Officer- Jessica Chen CPA- Hai-Ning Huang	Audit Results and Internal Control Audits of the 2024 Consolidated Financial Statements and Parent-Company-Only Financial Statements	Acknowledged.
		Communicate with governance units (to discuss and communicate the impacts posed by new and amended laws and regulations, and discoveries in the audit)	
		Report for 2024 internal control system self-inspection result	
		2024 Internal Control System Statement	
		Internal Audit Execution Report	
2025.05.05 Audit Committee	Independent Director- Chin-Tang Liu Independent Director - Chin-Liang Wang Internal Audit Officer- Jessica Chen CPA- Hai-Ning Huang CPA- Ji-Long Yu	Review results of the First Quarter of 2025 Consolidated Financial Statement	Acknowledged.
		Communicate with governance units (to discuss and communicate the impacts posed by new and amended laws and regulations, and discoveries in the audit)	
		Internal Audit Execution Report	
2025.08.04 Audit Committee	Independent Director - Chin-Tang Liu Independent Director - Chin-Liang Wang Independent Director - Yi-Bing Lin Independent Director - Shing-Hai Wei Internal Audit Officer- Jessica Chen CPA- Hai-Ning Huang	Review results of the Second Quarter of 2025 Consolidated Financial Statements	Acknowledged.
		Communicate with governance units (to discuss and communicate the impacts posed by new and amended laws and regulations, and discoveries in the audit)	
		Internal Audit Execution Report	
2025.11.03 Audit Committee	Independent Director - Chin-Tang Liu Independent Director - Chin-Liang Wang Independent Director - Yi-Bing Lin Independent Director - Shing-Hai Wei Internal Audit Officer- Jessica Chen CPA- Hai-Ning Huang	Review results of the Third Quarter of 2025 Consolidated Financial Statements	Acknowledged.
		2025 communication matters in the Group's audit at the end of the period	
		Communicate with governance units (to discuss and communicate the audit plan, impacts posed by new and amended laws and regulations, and discoveries in the review)	

Date	Attendees	Items	Results
		Internal Audit Execution Report	
		2026 internal audit plan	

3.3 Operations of Remuneration Committee

To improve corporate governance, solidify the compensation system for directors and managerial officers throughout Zyxel Group, make the enterprise compensation system more transparent and impartial, and protect shareholders’ interest and right, Zyxel Group established the Remuneration Committee on August 9, 2011.

The Remuneration Committee members shall be nominated by the Chairman and appointed upon resolution of the Board, consisting of three persons, including at least one independent director who shall serve as the convener and chairman of meetings. According to the articles of association of the Committee, the Remuneration Committee shall convene a meeting at least twice per year and may convene meetings at any time whenever necessary.

The Remuneration Committee shall exercise the due diligence as a good administrator, perform its functions faithfully and submit proposals to the Board of Directors for discussion:

A. Stipulate and review regularly the compensation policies, systems, standards and structures, and performance of directors and managerial officers.
B. Regularly review and adjust directors' and managerial officers' compensation.

3.3.1 Information about Remuneration Committee members

Professional Qualifications and Independence Analysis of Remuneration Committee Members:

Identity Status	Criteria / Name	Professional qualification and experience	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Independent director (Convener)	Chin-Tang Liu	Please refer to pages 4-7, 1.1 Information of Directors for their professional qualification and experience.	Is the independent director, his/her spouse, or any relative within the second degree of kinship serving as a director or supervisor of the company or any of its affiliates: no. Number and weight of the Company's share held by the independent director, his/her spouse, or any relative within the second degree of kinship, or held by the person under others' names: not holding the Company's shares. Is the independent director serving as a director, supervisor, or employee of any company having certain relationships with the Company: no. Amount of compensation received in the recent two years by providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company: no such situation.	2
Independent director	Chin-Liang Wang			0
Independent director	Yi-Bing Lin			1

3.3.2 Remuneration Committee meeting

A total of 2 Remuneration Committee meetings have been convened in 2025. The attendance is stated as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Remarks
Member (Convener)	Chin-Tang Liu	2	-	100%	Reelected on 2025/06/25
Committee Member	Chin-Liang Wang	2	-	100%	Reelected on 2025/06/25
Committee Member	Yi-Bing Lin	1	-	100%	Elected on 2025/06/25
Committee Member	Shing-Hai Wei	1	-	100%	Term expired

3.3.3 Other matters to be disclosed by the Remuneration Committee:

I. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company’s response to the remuneration committee’s opinion: none.

II. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members’ opinions and the response to members’ opinion should be specified: none.

III. Proposals and resolutions of the Remuneration Committee:
The Remuneration Committee’s proposals and resolutions of the Remuneration Committee and resolutions in 2025 and Zyxel Group’s response to the Committee members’ opinion are stated as follows:

<table>
<tr><th>Date</th><th>Meeting</th><th>Proposal</th><th>Resolution</th><th>The Company's response to the Remuneration Committee members’ opinion</th></tr>
<tr><td rowspan="3">March 3, 2025</td><td rowspan="3">6th Meeting of 5th Committee</td><td>2024 compensation to chairman and managerial officers.</td><td rowspan="6">Approved by all of the Committee members</td><td rowspan="6">Approved by all attending directors in the Board meeting</td></tr>
<tr><td>2024 remuneration to employees and directors.</td></tr>
<tr><td>Contribution rates of 2025 remuneration to employees and directors.</td></tr>
<tr><td rowspan="3">November 3, 2025</td><td rowspan="3">1st Meeting of 6th Committee</td><td>2026 compensation projections for Zyxel Group's chairman and managerial officers.</td></tr>
<tr><td>2025 managerial allocation plan for restricted stock awards</td></tr>
<tr><td>Abolish the "Zyxel Group Corporation Managerial Performance Bonus Policy" and establish the "Compensation Policy for Directors, Functional Committees, and Managers."</td></tr>
</table>

3.4 Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

Assessment Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
I. Does Company establish and disclose the Corporate Governance Best-Practice Principles, pursuant to the Corporate Governance Best- Practice Principles for TWSE/TPEx Listed Companies?	✓		Zyxel Group has established the "Corporate Governance Best-Practice Principles", and disclosed such at the website and MOPS.	No material deviation.
II. Shareholding Structure & Shareholders' Rights				
(I) Does the Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	✓		(I) The "Corporate Governance Best-Practice Principles" specify that the dedicated staff handle the shareholders' suggestions and disputes properly.	No material deviation.
(II) Does Company possess a list of major shareholders and beneficial owners of these major shareholders?	✓		(II) Stock affair staff grasp the status of the major shareholders, and disclose such information on the information reporting website assigned by the competent authorities.	No material deviation.
(III) Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates?	✓		(III) Zyxel Group has established "Procedures of Managing Related Party Transaction" and "Operational Procedures of Subsidiary Supervision" to establish a firewall and risk control mechanism with related companies, while coping with related procedures such as loaning of fund to others and endorsement/guarantee, to prevent financial frauds that may cause chain effect on the affiliates.	No material deviation.
(IV) Has the Company established internal rules prohibiting insider trading on undisclosed information?	✓		(IV) The "Procedures for Ethical Management and Guidelines for Conduct" and "Procedures for Handling Material Inside Information" specify that Zyxel Group's personnel shall observe the requirements of the Securities and Exchange Act, to refrain from insider trading with the undisclosed information known to them, nor disclose to any others to prevent them from insider trading with	No material deviation.

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			undisclosed information.	
III. Composition and Responsibilities of the Board of Directors (I) Has the Board established a diversity policy, specific management goals, and implemented it accordingly?	✓		(I) In the “Procedures for Election of Directors,” the proper diversification guidelines are established. The major two aspects are: basic qualifications and values (gender, age, nationality and culture); professional knowledge and skills (professional background, professional skills and industrial experience). For the board members, gender equality, and the required knowledge, skills and literacy to perform their duties for achieving corporate governance goals shall be taken into account. For the diversity policy, specific management goals, and implementation of the Board of Directors, please refer to "1.2.2.1 Diversity of the board of directors” in the annual report.	No material deviation.
(II) Other than the Remuneration Committee and the Audit Committee, which are required by law, does the Company voluntarily set up other functional committees?		✓	(II) Other functional committees will be established depending on the Company's actual needs.	In the future, other functional committees will be established depending on the Company's development needs.
(III) Has the Company established a methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and used the results as reference for directors’ remuneration and renewal?	✓		(III) Zyxel Group has formulated the "Procedures of Board Performance Appraisal," specifying that the Board of Directors should perform at least one performance appraisal for the Board of Directors and members, as well as functional committees every year. The results of the 2025 performance appraisal have been reported to the Board of Directors in the first quarter of 2026, and such results shall be served as the basis for the remuneration of individual directors and the nomination for re-election. In addition, the evaluation is conducted at least every three years by an external professional independent institution or external expert or scholar teams. The latest	No material deviation.

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			evaluation was commissioned by Taiwan Institute of Ethical Business. The performance evaluation report was presented on December 04, 2024.	
(IV) Does the Company regularly evaluate its external auditors’ independence?	✓		(IV) The Board of Directors regularly evaluates the independence and competence of CPAs at least once a year, and requires CPAs to provide a "Statement of Independence" and "Audit Quality Indicators (AQIs)." The following five aspects and 13 AQI indicators are evaluated. Confirming that the firm has sufficient auditing capabilities, experience, and effective quality control. The audit and review tasks also comply with the provisions related to the independence of the Bulletin of Norm of Professional Ethics for Certified Public Accountants of the Republic of China No.10, and there has been no violation resulting in any impact on the independence of the accounting firm. The most recent assessment was conducted and approved by the Audit Committee on March 9, 2026, and subsequently reported and approved by the Board of Directors on the same date. 1. Professionalism (1) Experience in audits (2) Hours trained (3) Turnover rate (4) Professional support 2. Quality control (1) Workloads of the CPAs (2) Input to the audit (3) Engagement quality control review (EQCR) (4) Supportive capability to QC 3. Independence (1) Non-audit service	No material deviation.

Assessment Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			(2) Familiarity to customers 4. Supervision (1) Deficiencies and dispositions regarding external inspection (2) Improvement required by the competent authority in correspondence 5. Innovation capability (1) Innovative planning or initiatives	
IV. Do TWSE/TPEx Listed Companies appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of the law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?	✓		Zyxel Group's Finance Division is concurrently responsible for handling corporate governance affairs. On March 15, 2021, the Board of Directors approved the appointment of the Chief Corporate Governance Officer who is the highest level manager responsible for corporate governance affairs. Scope of functions: handling matters relating to board meetings and shareholders' meetings in compliance with law; preparing minutes of board meetings and shareholders meetings; assisting in onboarding and continuing educations of directors; providing information required for performance of duties by directors; and assisting directors in compliance with the law. Key tasks for 2025: 1. Assist directors in performing their duties, provide required information and arrange continuing education for directors. (1) Irregularly inform the board members of the latest laws and regulations related to corporate governance. (2) Provide corporate information required by directors, and maintain smooth communication among directors and all higher-level officers. (3) Regular communications among the independent directors, internal audit officers or CPAs, to	No material deviation.

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			understand the Company's financial performance. (4) Assist in providing information required by directors to perform their duties and arrange continuing education for directors. 2. Assist various functional committees, Board of Directors and shareholders' meetings agenda procedures and legal compliance matters. (1) Draft the agenda of the Board of Directors’ meetings, and notify the directors seven days in advance; convene meetings and provide the meeting materials, and remind them in advance for recusals due to conflict of interests, and complete the minute of the Board of Directors within 20 days after a meeting. (2) After the meeting, disclose the material information of important resolutions adopted by the Board of Directors, to ensure the legality and accuracy of the content of the material information, for protecting the equal investor transaction information. (3) Handle the pre-registration of the date of the shareholders' meetings pursuant to laws, and produce meeting notices, agenda handbook, and minutes before the statutory deadlines. 3. Perform the performance appraisal of the Board of Directors and functional committees pursuant to the "Procedures of Board Performance Appraisal." Continuing education of the Chief Corporate Governance Officer:	

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><th>Date</th><th>Host by</th><th>Training / Speech title</th><th>Hours</th></tr>
<tr><td>2025/06/11</td><td>Accounting Research and Development Foundation</td><td>Legal liabilities of employee fraud and best practices in internal control and auditing</td><td>6 hours</td></tr>
<tr><td>2025/06/30</td><td>Accounting Research and Development Foundation</td><td>Workshop on sustainable information preparation and reporting practices</td><td>6 hours</td></tr>
<tr><td>2025/07/30</td><td>Accounting Research and Development Foundation</td><td>In-depth analysis of IFRS 18: Presentation and disclosure in financial statements standards and practices</td><td>6 hours</td></tr>
</table>
</td><td></td></tr>
<tr><td>V. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders’ questions on corporate responsibilities?</td><td>✓</td><td></td><td>Zyxel Group established the "Procedures for the Group’s Stakeholder Filing Complaints and Whistleblowing" to establish internal and external complaint-filing channels and handling system, while setting up a "Stakeholder Communication" section on the website to provide contact information to stakeholders.
Based on the concerned issues of the stakeholders, the implementation goals are set, and the operational procedures for the stakeholders are established. Through the</td><td>No material deviation.</td></tr>
</table>

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			identification of the stakeholders and the analysis of the issue of concerns, the plans for the stakeholders are formulated. The communication is carried out through the communication channels of the stakeholders to improve the relationship with the stakeholders and strengthen the corporate responsibility for the stakeholders. Please refer to Zyxel Group’s Sustainability Reports, and the Chapter and Section of Communications to Stakeholders on the official website for details. The communication status with stakeholders for this year has been reported to the Board of Directors on August 4, 2025.	
VI. Has the Company appointed a professional stock affair agency for its Shareholders’ Meetings?	✓		Zyxel Group has commissioned the stock affair agent department of Mega Securities to handle.	No material deviation.
VII. Information Disclosure (I) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status? (II) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	✓ ✓		(I) Zyxel Group has established the website (url: http://www.zyxelgroup.com) and the “Investor” section to disclose the information on operation and corporate governance, as well as the Q&A mechanism for investors to inquire. (II) Zyxel Group’s website is in both Chinese and English. It has assigned dedicated staff to be responsible for the collection and disclosure of Company information. Besides, the spokesperson system is implemented pursuant to regulations. The relevant information is disclosed on the Zyxel Group's website for investors to check.	No material deviation. No material deviation.

Assessment Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
(III) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?	✓		(III) After the end of each fiscal year, Zyxel Group announces and reports the annual financial report approved by the Board of Directors within the timeline prescribed by the competent authorities, and also announces and reports the first, second, and third quarter financial reports and monthly operating status within the prescribed timeline to MOPS, for investors to obtain sufficient and correct information timely.	No material deviation.
VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	✓		(I) Employee rights and employee wellness: please refer to the description of "Labor Relations" in this annual report. (II) Investor relations: Pursuant to laws, the information is updated on MOPS, so that investors may grasp the information at any time, and smooth communication channels are provided. (III) Supplier relations: Zyxel Group has established the procurement policy and guidelines for supplier management, specifying the Company's procurement principles and spirit that serve as standards for procurement personnel to perform procurement business; meanwhile, the strategies and targets of supplier management is established to create the highest value of the Company, and establish a good partnership with suppliers. Meanwhile, the overall sustainable value of suppliers is appreciated. Four process implementation guidelines, including regulated management, risk assessment, audit verification, and continuous improvement to grasp the sustainable performance of suppliers in economic, social, and environmental aspects. (IV) Stakeholder's rights: Please refer to the assessment items at V above. (V) Continuing education of directors and supervisors: please	No material deviation.

Assessment Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			refer to the description under "5. Labor Relation" of the annual report. (VI) Implementation of risk management policy and risk measurement standards: the risk management policies and procedures are approved by the Board, as the highest guidelines for risk management; the risk management panel is established under the "Sustainable Committee of Zyxel Group," responsible for the implementation of the risk management policies approved by the Board. Via the risk management mechanism that effectively identifies, analyzes, appraises, controls various risks, and establishes the corresponding mitigation measures, for effectively grasping enterprise risks, and reducing the impacts on the related stakeholders from such risks. The implementation of risk measurement standards is disclosed on the Zyxel Group's official website. (VII)Implementation of customer relations policies: The Group has purchased product liability insurance, and has a complete service system for all clients and consumers, to ensure immediate responses to clients' needs and protect consumer rights. The Group values the protection and control of confidential commercial information and has established the "Procedures for Classifying and Managing Confidential Documents" to regulate the appropriate storage methods and related protection measures meeting the classification of confidential documents, to assist the management of the Company's trade secrets and internal confidential documents. It is responsible for conducting surveys, calculations, and analyses of customer satisfaction with after-sales service every year, and notifying the customer feedback information to relevant departments for improvement and review, as	

Assessment Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			well as reporting the improvement status to customers. (VIII)Liability insurance the Company purchases for directors and supervisors: Zyxel Group has insured directors and supervisors for the liability insurance and reported to the Board of Directors on May 5, 2025. The insurance amount for 2025 was USD5,000 thousand.	

IX. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange, as well as the prioritized enhancements for the matters and measures not yet improved.

For the 12th Term of Corporate Governance Evaluation (evaluation year: 2025), the improvements of the Company are described as follows:

Indicator Content	Description
4.27 Has the company disclosed the Scope 3 greenhouse gas categories and their annual emissions for the past year?	Zyxel Group has disclosed this information in the sustainability report.
4.28 Has the company established an energy management plan and disclosed its implementation status on the company website, annual report, or sustainability report?	Zyxel Group has disclosed this information in the sustainability report.
4.30 Has the company developed an employee training and development program aimed at enhancing career competencies, and disclosed its content and implementation status?	Zyxel Group has established a diversified career planning and development training system to enhance employees' professional competencies.
4.31 Does the company conduct regular employee satisfaction surveys and disclose the implementation details along with improvement plans?	Zyxel Group regularly conducts employee satisfaction surveys to gauge their sentiments and translates the survey data into actionable improvement initiatives.
4.32 Has the company established a personal data protection policy and disclosed its content along with the implementation status?	Zyxel Group has established a personal data protection policy and conducts regular training sessions for employees.
4.33 Has the company formulated policies and complaint procedures related to protecting consumer or customer rights concerning product and service aspects such as health and safety, marketing, or labeling?	Zyxel Group has implemented stakeholder grievance and whistleblowing mechanisms, offering consumers and clients accessible channels for lodging complaints.

3.5 Implementation of Promoting Sustainable Development and Variance from “the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies”

Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
I. Has the company established the governance framework for promoting sustainable development, a designated unit in charge of promoting sustainable development, and the senior management is authorized by the board of directors for handling, as well as the status of board of directors’ oversight?	✓		" Zyxel Group Sustainability Committee" takes " Zyxel Group Sustainability Policy" as the highest guiding principle for sustainable development, and it is the highest-level management and executive organization for planning, implementing and supervising sustainable development strategies. The “Steering Committee” is the strategic guidance unit, chaired by the chairman of Zyxel Group as the chairman, and the presidents of Zyxel Group and three companies serve as members of the "Steering Committee." Zyxel Group has established the "Sustainability Office" and appointed a dedicated Chief Sustainability Officer (CSO) to oversee sustainability initiatives and report to the board of directors. The CSO guides the implementation of sustainability efforts across subsidiary companies. Through committee members spanning across various subsidiary companies, with clear organizational divisions, sufficient authorization from executives, and under the leadership and full support of senior management, various sustainable development tasks are implemented from top to bottom with every employee. The “Sustainability Committee” holds regular meetings to establish the roadmap for corporate responsibility, and review the implementation of related affairs with continuous improvement. The Committee also reports to the Board of Directors each quarter regarding annual sustainable development plans and task results every year. The Board of Directors must review the feasibility and progress of the strategies, and make recommendations to urge. The agenda items for the 2025 annual report include (1)Report on the implementation of integrity management in 2024 (2)Zyxel Group’s sustainable development progress report (3)Zyxel Group’s 2024 sustainability report (4)Report on the operation of risk management in 2025 (5)Stakeholder communication (6)Implementation of Business Continuity Management (BCM) Plans (7)Implementation progress of Science-Based Targets initiative (SBTi) (8)Community welfare implementation status	No material deviation.

Promoted Item	Implementation			Deviations from "the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
II. Does the Company follow the materiality principle to conduct a risk assessment for environmental, social and corporate governance topics related to company operation, and establish a risk management related policy or strategy?	✓		The disclosed information covers the risk assessment extremums of the major operations of the Company from January 2025 to December 2025, and including the subsidiaries, namely Zyxel, ZNet, and MitraStar. The Company's risk management procedures are analyzed based on the principle of materiality, and the operational and strategic goals are confirmed; then various risk trend reports are reviewed to understand the opportunities and risks industry and economy, while combining the occurred risk record of its own to identify the possible risks impacting the operational goals, to establish the key points of the risk management. For these risks, a risk matrix analysis is conducted to assess the likelihood of occurrence, impact severity, and degree of control, enabling risk classification management. Plans and measures for risk treatment are determined, and throughout the entire process, documentation, communication, consultation, monitoring, and review are conducted. The risk management policies and procedures are approved by the Board, as the highest guidelines for risk management. Following the ISO 31000 risk management guidelines, relevant response policies and procedures are established, responsible for executing the risk management policy approved by the Board of Directors. For the aspects of corporate governance, economy, environment, and society, the risk management scopes and responding strategies are as shown in the following table:	No material deviation.

Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			<table><tr><th>Aspect</th><th>Category of risk</th><th>Mitigation measure</th></tr><tr><td rowspan="2">Corporate Governance</td><td>Operational risks</td><td>• The operation unit regularly reports strategic issues to the board of directors, and the operational risks are sought to be reduced with the engagement, recommendations, and oversights of the Board members. • Managing the annual guidelines and goal achievement via the operation performance meetings. • Enhancing the risk management mechanism, adding diversified interactions and channels with stakeholders, and improving the communication and disclosure quality. • Establishing the “Managerial Procedures of Operating Plans” to ensure the product quality and market competitiveness, customer satisfaction, and implementation effects of financial performance, for being able to adjust the sustainable management goals timely.</td></tr><tr><td>Financial risks</td><td>In consideration of the Group’s higher proportions of export sales, the Group keeps controlling the market information and exchange rate trends and evaluates the risk over the foreign exchange position in order to mitigate the foreign exchange risk. Meanwhile, the Group hedges against risks in a timely manner to mitigate the adverse effect caused to the operation.</td></tr></table>	

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<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><th>Aspect</th><th>Category of risk</th><th>Mitigation measure</th></tr>
<tr><td>Corporate Governance</td><td>Information Security Risk</td><td>• The cross-function “Information Security Committee” is established.
• Improving the information awareness and professional knowledge of employees.
• Enhancing the information safety management, to ensure the confidentiality, completeness and availability of information assets.
• Through asset identification, and verification of threats and vulnerabilities, administrators fully understand where the risks are and seek to reduce risks to a tolerable extent.
• Obtaining the ISO 27001:2022 certification.</td></tr>
<tr><td>Economy Aspect</td><td>Supply chain risks</td><td>• Establish a sustainable supply chain partnership.
• Establish the raw material price risk management mechanism
• Prudentially assess and actively develop new sources of materials to prevent the monopoly by a few suppliers.
• Establish a safe inventory.
• Via the business intelligence collection or market surveys, the market conditions are understood for early responses.</td></tr>
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<tr><td></td><td></td><td></td><td>
<table>
<tr><th>Aspect</th><th>Category of risk</th><th>Mitigation measure</th></tr>
<tr><td rowspan="2">Economy Aspect</td><td>Technology risks</td><td>• Grasping market trends and understanding customers’ needs, for early positioning of new products and developing core technologies.
• Engaging related technology R&D to increase the energy and investment of R&D.
• Establishing the “Managerial Procedures of Project Risks” to conduct the risk management plans during the planning of new products.</td></tr>
<tr><td>Business risks</td><td>• Via the business intelligence collection or market surveys, the market conditions are understood for early responses.
• To respond to the evolutions of the Sino-US trade war, the capacity allocations are optimized, and enhance the partnerships with customers and the supply chain.</td></tr>
<tr><td rowspan="2">Environment Aspect</td><td>Disaster risks</td><td>• Optimizing capacity allocations.
• Enhancing the partnerships with customers and the supply chain.</td></tr>
<tr><td>Climate change risks</td><td>• Identifying the risks and opportunities of climate change, and formulating the responding measures, evaluating operational shocks and financial impacts, while presenting the disclosure of climate change information.
• Managing carbon emissions and promoting the GHS inventory and energy-saving measures.</td></tr>
<tr><td>Social Aspect</td><td>Human resource risk</td><td>• Effective human resource management mechanism with introduction of performance evaluation procedures.
• Enhancing talent recruitment and training channels.
• Compliant with HR management procedures.</td></tr>
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Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
III. Environmental Topic (I) Has the Company set an environmental management system designed to industry characteristics?	✓		(I) The Group establishes the environmental policies based on its industrial characteristics, and builds the systems, procedures and management manuals related to environmental management for environmental management. Meanwhile, targets are set for major environmental issues and the results are tracked every year. The subsidiaries under the Zyxel Group currently have passed ISO 9001, TL 9000, ISO 14001, and ISO45001; the GHG inventory ISO14064 is conducted annually to obtain ISO14064-1 verification certificate and track the performance of emission reduction, and the results are disclosed in the Sustainability Report and on the official website. To assist organizations in establishing a systematic framework, the Group's subsidiaries have continuously obtained and renewed ISO 14001 Environmental Management System certification. The validity periods for each company's certification are as follows: MitraStar (December 8, 2023 to December 7, 2026), Zyxel (January 15, 2026 to January 14, 2029), ZNet(January 15, 2026 to January 14, 2029). Certificates are available on the official website.	No material deviation.
(II) Is the Company committed to improving energy utilization efficiency and to the use of renewable materials with low environmental impact?	✓		(II) In terms of energy management, the Group sets an annual carbon reduction target of 4.2% based on the SBTi absolute emission reduction method. To improve energy efficiency, actions include establishing an energy management system, replacing energy-saving lighting, upgrading outdated equipment, and promoting energy conservation awareness. In resource management, water resource conservation mainly focuses on domestic water-saving facilities and promotion, as there is no process water demand in the production process. During the production process, efforts are made to minimize the use of raw materials to reduce waste generation and cost expenditure. In product design, the use of virgin materials is minimized, shared parts are used to reduce material complexity, and recycled plastic materials are adopted.	No material deviation.
(III) Does the Company evaluate current and future climate change potential risks and opportunities and take	✓		(III) Zyxel Group discloses information such as climate governance, strategies, risk management, and indicators and objectives based on the Task Force on Climate-Related Financial Disclosures (TCFD) for identifying the risks and opportunities of climate change; based on the categories of climate change risks and opportunities and impact degrees, and the identification and sorting of climate related risks and opportunities are conducted to	No material deviation.

Promoted Item	Implementation			Deviations from "the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
measures to respond the climate related issues?			respond to the potential crisis of climate change, including: environmental regulations, GHG emission controls, technological improvement costs for low-carbon and high performance, rising raw material costs, and rising temperature. The responding measures are formulated to lower the risks identified as risks, including: adopting production, distribution and sales process and new technologies with better efficiency, developing and innovating energy-saving products, and the strategic resilience of the organization when facing natural disasters, while analyzing the potential financial impacts of adopting various responding measures. The Group's risks and opportunities from climate change and their financial impact have been disclosed in the Group's sustainability report. Meanwhile, it has also initiated the scenario analysis and financial estimation of major risks/opportunities, to further understand the impact of climate change on the Group under different climate scenarios as a self-inspection; at the same time, the financial impact is estimated to adopt adaptive approaches and countermeasures.	
(IV) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management policies?	✓		(IV) The Group conducts annual statistics on greenhouse gas emissions, water consumption, and total waste weight, while establishing environmental policies, including policies for energy-saving and carbon reduction, greenhouse gas reduction, water reduction or other waste management, and establishes targets for tracking results. 1. GHG emission volume Please refer to 3.6.2.1 "Greenhouse Gas Inventory Information" for details on greenhouse gas emissions over the past two years. The Group has set a long-term carbon reduction target as reducing carbon emissions by 4.2% per year (corresponding to within temperature rise of 1.5ºC), to achieve net zero in 2050. It has launched a carbon reduction program and the implementation schedule and strategies are planned. Additionally, the Group has committed to science-based target setting (SBTi), developed renewable energy sources, and evaluated green electricity procurement plans, gradually moving towards the goal of net zero emissions. The Group takes the information on the GHG emissions in the plants as the basis for the management of the emissions in the plants. By referring to the ISO 14064-1 GHG	No material deviation.

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<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>
inventory standards, the GHG inventory is conducted, to inventory the GHG emissions every year, for grasping the use and emission of GHG, with the reduction actions taken, to review the effectiveness of the overall carbon reduction through the results of GHG inventory verified by a third party. For GHG reduction targets, the direct emissions (Scope 1) include emergency power generators, fuels for official vehicles; indirect emission sources (Scope 2 and Scope 3), include the purchased power and other emission sources for the carbon reduction.
2. Water usage
The production process of the subsidiaries under the Zyxel Group is mainly assembly, without demands of water during the process, and thus no significant water was consumed. The use of water is mainly for the water of the factory facilities and people’s daily life needs; The water sources are all tap water. Zyxel Group continues to implement daily water conservation measures as part of its water resource management efforts.
Water usage volume in the most recent two years:
(Taiwan MitraStar and Zyxel sites) (ton/year)
<table>
<tr><th>Year</th><th>2025</th><th>2024</th></tr>
<tr><td>MitraStar Site</td><td>37,256</td><td>39,910</td></tr>
<tr><td>Zyxel Site</td><td>12,369</td><td>12,697</td></tr>
<tr><td>Total</td><td>49,625</td><td>52,607</td></tr>
</table>
Zyxel Group's water resources management continues to implement daily water-saving measures.
3. Waste management
We continuously improve the production equipment to meet various international environmental requirements, realize the green enterprise, and achieve the goal of environmental protection. During the production process, the utilization of raw materials is reduced as much as possible, for reducing the generation of waste, costs and expenses; re-use the recycled resources to lower the environmental pollution and effectively use resources.
Waste generation volume/recycle rate in the most recent two years:
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<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><th>Year</th><th>2025</th><th>2024</th></tr>
<tr><td>General commercial waste (tons)</td><td>27.96</td><td>41.16</td></tr>
<tr><td>Hazardous business waste (tons)</td><td>0.88</td><td>0.37</td></tr>
<tr><td>Recycling waste(tons)</td><td>397.85</td><td>464.63</td></tr>
<tr><td>Total waste generation</td><td>426.69</td><td>506.15</td></tr>
<tr><td>Percentage of recycled waste (%)</td><td>93.24%</td><td>91.80%</td></tr>
<tr><td>Waste intensity</td><td>0.016</td><td>0.019</td></tr>
</table>
</td><td></td></tr>
<tr><td>IV. Social Topics
(I) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?</td><td>✓</td><td></td><td>(I) The Group’s management policies for stakeholders, such as clients, employees, suppliers, communities, and investors, follow relevant international standards, support internationally recognized human rights norms and principles, including the "Universal Declaration of Human Rights," The United Nations Global Compact," and International Labor Organization’s "Declaration of Fundamental Principles and Rights at Work," while abiding by the local laws and regulations of the locations where the Company operates.
The Group has formulated a human rights management policy, according to which operational processes facing human rights issues are identified and assessed for risks. The identification includes assessing the subjects and issues of human rights risks, establishing preventive norms for different risk subjects, conducting various risk investigation methods to understand the degree of human rights risks. Subsequently, mitigation measures are implemented, along with providing complaint channels, to prevent human rights violations. Continuous monitoring and improvement are also conducted.
Simultaneously, Zyxel Group establishes relevant management regulations and procedures, and expressly formulates internal management procedures such as work rules, employee handbooks, sexual harassment prevention, and anti-bullying in the workplace, to clearly demonstrate protection of employees' rights and proper care to them. Meanwhile, in order to enhance the human rights of all employees in the supply chain, the "Code of Conduct for Suppliers" has been formulated to protect and take care of employees jointly with suppliers.
Based on this, the Group identifies major human rights concerns and sets management policies and goals. And publishes the following content on the Group's website:</td><td>No material deviation.</td></tr>
</table>

Promoted Item	Implementation			Deviations from "the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	

Human rights issue	**Management proposal**
Reasonable working hours and remuneration	• Ensuring that the minimum wage for employees exceeds the statutory minimum wage ratio. • Flexible working hours.
Prohibition of forced labor	Adhering to government regulations, international standards, and corporate social responsibility practices to eliminate all forms of forced labor.
Zero tolerance for harassment and bullying	• Providing diverse communication channels. • Providing communication and complaint channels.
Physical and mental well-being and work-life balance	Diversified club and employee activities are provided.
Safe and healthy working environment	• The management goal is "zero occupational disaster". • Adhering to the government regulations related to occupational health and safety and the international regulations, while establishing the "occupational health and safety management system" to implement the related laws and regulations. • Physical checks are conducted annually, and the outcomes are categorized for management, to better track the groups with potential health risks regularly • Being employee need-oriented, the health-improving activities and assisting programs to employees are promoted.

<table>
<tr><th rowspan="2">Promoted Item</th><th colspan="3">Implementation</th><th rowspan="2">Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><th>Human rights issue</th><th>Management proposal</th></tr>
<tr><td>Child labor prohibited</td><td>The Company’s recruitment process document specifies that the Company only accepts job candidates aged 18 or older, and inspects the job candidates.</td></tr>
<tr><td>Complaint filing mechanism for implementing human rights</td><td>• Diversified opinion channels for employees, and the regularly employee conventions for open interactions between employees and the employer.
• The “Procedures of Complaint and Whistleblowing by Stakeholders of the Group” are specified, with complaint channels and the pre-requisites of protection to the whistleblowers’ rights, for designated personnel to proceed.</td></tr>
<tr><td>Freedom of association and collective consultation</td><td>• The freedom of association and collective bargaining rights of employees are respected. Employees are fully informed that they are free to join any organization they choose, without any adverse consequence or being retaliated against by the Company.
• Regular Management and Labor Council for the two-way communications.</td></tr>
</table>

(II) Human Rights Due Diligence
To implement human rights policies and align with international standards, Zyxel Group not only references the EU Corporate Sustainability Due Diligence Directive (CSDDD) but also upgrades its existing “Labor Risk Factor Identification and Assessment” into a comprehensive Human Rights Due Diligence (HRDD) framework.
Led by the “Labor and Human Rights Subcommittee” of the Zyxel Group Sustainability</td><td></td></tr>
</table>

Promoted Item	Implementation			Deviations from "the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			Committee, a standardized process encompassing issue identification, risk assessment, mitigation measures, and continuous improvement has been established. Through multilingual online questionnaires, extensive feedback is gathered from global employees and suppliers to ensure management measures precisely align with actual conditions. 1. Scope of Human Rights Due Diligence: By expanding the scope of investigation subjects, the company ensures sample representativeness and data comprehensiveness. The investigation covers both internal and external supply chains: (1)Zyxel Group Employees：The investigation subjects include all global employees (both direct and indirect) of Zyxel, MitraStar, ZNet and their overseas subsidiaries. ● Implementation Method: Multilingual questionnaires (Traditional Chinese, Simplified Chinese, English, and Vietnamese) were provided to ensure seamless communication. ● Sample Size: Over 3,000 individuals were surveyed, with 1,464 valid responses collected, achieving a 50.01% response rate. (2) Zyxel Group Suppliers: An online survey was conducted for global supply partners, offering questionnaires in Chinese and English. ● Sample Size: A total of 532 valid responses were collected. 2. Identification of Significant Human Rights Issues: Zyxel Group integrated "UN and international human rights standards," "RBA audit results from the past three years," and "internal labor risk identification assessments" to select nine core human rights themes most relevant to the ICT industry. These were further broken down into 25 specific issue descriptions for evaluation: Core Human Rights Themes: (1) Reasonable Working Hours and Compensation (2) Human Trafficking (3) Child Labor (4) Forced Labor (5) Occupational Health and Safety (6) Workplace Harassment (7) Employment Discrimination (8) Freedom of Association (9) Grievance Mechanisms Through cross-analysis of "occurrence frequency" and "risk severity" based on questionnaire feedback, issues were categorized into high, medium, and low risk levels. This serves as a key reference for subsequent management goal setting and improvement actions.	

<table>
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<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>
3. Mitigation or remedial measures implemented：
<table>
<tr><th>Risk Level</th><th>Risk Issues</th><th>Management and Mitigation Measures</th><th>Remedial measures</th></tr>
<tr><td>High risk</td><td>Grievance mechanism</td><td>1. Establish diverse and confidential complaint channels.
2. Ensure transparent and clearly defined complaint procedures.
3. Conduct regular awareness campaigns and training sessions.</td><td>1. Prompt and impartial investigation and resolution.
2. Protection of complainant rights.
3. Continuous improvement.
4. Feedback mechanism.</td></tr>
<tr><td>Medium risk</td><td>Freedom of association</td><td>1. Establish clear policies supporting freedom of association.
2. Promote transparent and equitable labor-management communication channels.
3. Train management and responsible teams.
4. Adapt practices to regional characteristics.</td><td>1. Conduct impartial investigations and resolve complaints related to freedom of association.
2. Safeguard the rights of affected employees.
3. Revise policies and enhance institutional transparency.</td></tr>
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</td><td></td></tr>
</table>

<table>
<tr><th rowspan="2">Promoted Item</th><th colspan="3">Implementation</th><th rowspan="2">Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><th>Risk Level</th><th>Risk Issues</th><th>Management and Mitigation Measures</th><th>Remedial measures</th></tr>
<tr><td>Medium risk</td><td>Workplace harassment and bullying</td><td>1. Establish and enforce a zero-tolerance policy.
2. Provide harassment and bullying prevention training.
3. Offer diverse communication channels and cultivate key personnel's sensitivity and investigative capabilities.
4. Foster a respectful and inclusive workplace culture.</td><td>1. Prompt and impartial investigation and resolution.
2. Support for victims.
3. Prevention of retaliation.
4. Continuous improvement of policies and procedures.
5. Regular follow-up and feedback.</td></tr>
</table>
Regarding the human rights due diligence process established for suppliers and its implementation: Analysis of supplier questionnaires identified “freedom of association” and “grievance mechanisms” as the top two high-risk issues. The Zyxel Group will continue to commit to responsible supply chain management and human rights risk prevention and control.
<table>
<tr><th>Risk Level</th><th>Risk Issues</th><th>Management and Mitigation Measures</th><th>Remedial measures</th></tr>
<tr><td>Relatively high</td><td>Grievance mechanism</td><td>1. Promote independent third-party investigations to support fair and transparent grievance handling.
2. Jointly organize grievance mechanism awareness and training activities to enhance suppliers' and their employees' understanding and trust in grievance channels.
3. Conduct risk assessments and</td><td>1. Assist affected supplier employees in seeking third-party support (e.g., labor unions, professional organizations).
2. Organize coordination meetings to compel suppliers to address issues and develop concrete improvement</td></tr>
</table>
</td><td></td></tr>
</table>

Promoted Item	Implementation							Deviations from "the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary					
					oversight, using evaluation tools to track the operation of grievance mechanisms. 4. Recommend suppliers establish anti-retaliation policies and assist in monitoring their implementation.	plans. 3. Adjust cooperation terms as appropriate; impose restrictions or terminate cooperation with those refusing to improve.		
			Relatively high	Freedom of association	1. During supplier selection and contract renewal processes, explicitly require compliance with standards related to freedom of association. 2. Provide training resources and case studies on freedom of association to help suppliers understand international standards and best practices. 3. Encourage suppliers to maintain positive interactions with local unions or employee representatives, fostering open and transparent labor-management dialogue.	1. Promote independent third-party investigations to support fair and transparent grievance handling. 2. Assist affected employees in obtaining necessary legal and psychological support. 3. Negotiate corrective actions with suppliers based on investigation findings and adjust supplier relationships as necessary.		

Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
(II) Has the Company established appropriately managed employee welfare measures (including salary and compensation, leave and others), and linked operational performance or achievements with employee salary and compensation?	✓		(II) Employees’ remunerations To have the overall competitive wages, incentive programs are offered and the earnings are shared with employees. The starting salaries of the newly recruited are determined based on the educational and career background of the stationed locations, professional knowledge and skills, and seniority and experiences; no difference will be made due to genders, races, genders, political preferences, marital status, and unions/clubs. Diversification and equality in the working place: A friendly working environment with gender equality, cross-generation fusion, and blends of diversified cultures. Talents are recruited in an open and fair manner; the fairness of recruitment and talent quality is ensured via complete interviews and training. In the procedure of appointment, it is specified that job candidates and employees are treated reasonably in terms of recruitment, appointment, development, appraisals and rewards. The Company offers equal remunerations and promotion opportunities. In 2025, our female employees constituted 40% of the total employees and the female employees holding managerial positions accounted for 33%. Employee benefits: The “Zyxel Group United Employee Welfare Committee” is committed to creating a happy status both at work and life for the colleagues, such as: family day, arts and cultural activities, subsidies for club activities, employee tours, and various subsidies to employees, including gifts for dragon boat festival and mid-autumn festival, benefit points for birthdays, emergency aid, EAP employee assisting programs, among other things. The welfare facilities with physical-mental balance: employee gym, health center, employee recreation room,	No material deviation.

Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			convenient stores, coffee bar and recreation zones, breastfeeding rooms and various on-site services, various diet selections in the Staff’s Dining Room, dorms, shuttle buses, and employee parking lots. Through the complete training system and employee planning and development, employees are assisted to improve their professional capabilities and self-growth, to become an important driving force for the Company's sustainable development. Leave system: The paid leaves of employees conform to the Labor Standards Act; when any family member needs to be taken care of, an employee may apply for the “family care leave.” The parental leave without pay may be applied pursuant to laws when there is a babysitting need for a newborn; before the expiration of such leave, the Company actively arranges the return plan. For any long leave due to personal reasons, leave without pay may be applied. The employees’ remunerations reflect the operating performance: For the fair and reasonable appraisal of employees’ performance, Zyxel Group has established the “Procedures for Performance Management,” as the basis for the position appointment, promotion, salary adjustment, and training and developments; the operating performance is properly reflected in the employees’ remunerations.	

Promoted Item	Implementation			Deviations from "the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
(III) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?	✓		(III) The Company has been certified with ISO 9001, TL 9000, ISO 14001, ISO 45001 , ISO 14064-1 and QC080000. Workplace safety and health management: In the operation of the manufacturing process, complete preventive measures for hazards are provided to ensure the safety of employees' working environment. For the health and safety risks, the preventive hazard measures include the operating environment monitor, improvements of the operating environment, personnel training, protections of machinery equipment, PPEs, chemicals management, prevention of occupational diseases, indications of fire and security equipment, occupational disaster surveys, risk evaluations, and contingent measures. In 2025, the improvement rate of fire safety equipment reached 100%, with an occupational disease incidence rate of 0. Additionally, the number of fire incidents, casualties, and the ratio of casualties to total employees were all 0. Employee health: planning a series of health promotion activities to provide employees to appreciate their own health through four aspects: diet, exercise, psychology, and behavior. In addition, a sports park is built with gym and courts to improve the health of employees. In 2025, the satisfaction rate for activities scoring 4 or above was ≥90%. Safety and health education: complete employee safety and health training are undertaken; corporate continuous operation management awareness training for managers is also conducted, for risk assessment, emergency response training courses and drills are taken simultaneously. The training coverage rate of occupational safety education courses in 2025 was 100%.	No material deviation.
(IV) Has the Company established effective career development training plans?	✓		(IV) Zyxel Group's employee training includes traditional classroom training and on the job training, as well as e- learning through the e-learning platform "Corporate University." For the employees' continuing education and training, please refer to "V. Labor Relation."	No material deviation.
(V) Does the Company's product and service comply with related regulations and	✓		(V) Zyxel Group has purchased product liability insurance, and has a complete service system for all clients and consumers, to ensure immediate responses to clients' needs and protect consumer rights. ISO 27001:2022 international standard certification is obtained, to safeguard customers'	No material deviation.

Promoted Item	Implementation			Deviations from "the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
international rules for customers' health and safety, privacy, sales, labeling and set policies to protect consumers' rights and consumer appeal procedures?			data with information security management and technologies. The "Group's Managerial Procedures for Personal Information Protection" are established. The customer service units manage the customer information, and the Internal Auditing Office inspects the personal information management from time to time; any material deficiency will be reported to the Board. Meanwhile, for the marketing and labeling of products and services, the "Managerial Procedures for Information Disclosure" are established to comply with the related laws and regulations, international standards, and Zyxel Group's requirements of confidentiality. The "Procedures of Complaint and Whistleblowing by Stakeholders of the Group" are specified, with complaint channels and the pre-requisites of protection to the whistleblowers' rights, for designated personnel to proceed. External stakeholders' complaint email: audit@zyxelgroup.com	
(VI) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor rights, and their implementation status?	✓		(VI) Zyxel Group has established the "Supplier Sustainability Policy," specifying to emphasize the sustainable value of the supply chain, to improve the suppliers' capabilities of sustainable supply chain, and to work with suppliers as sustainable development partners, for jointly creating a responsible supply chain industry, as the supplier's sustainability policy. Zyxel Group adopts four process guidelines, including requirements management, risk assessment, audit verification, and continuous improvement, and has formulated the "Code of Conduct for Suppliers," focusing on suppliers' efforts in improving labor human rights and health, occupational safety and health, business ethics, and environmental protection. Suppliers are required to sign the "Supplier Corporate Social Responsibility Statement and Commitment" and the "Supplier Integrity Commitment" to ensure that they actually comply with their commitments, and regularly reply to the "Supplier Social Responsibility Assessment Questionnaire" and conduct "onsite audits" to identify sustainability risks of the supply chain, and the corporate social responsibility actions and results are included in supplier selection and evaluation indicators. In addition, the "Corporate Social Responsibility Training for Supplier" is also provided as learning materials to assist suppliers in continuous improvement.	No material deviation.
V. Does the Company refer to international reporting rules or guidelines to	✓		Zyxel Group's sustainability report is prepared pursuant to the sustainability reporting standards framework, the Global Reporting Initiative (GRI), which describes the materiality analysis results, disclosures and feedbacks in the content, while referring to the structures of	No material deviation.

Promoted Item	Implementation			Deviations from "the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
publish Sustainability Report to disclose non-financial information of the Company? Has the said Report acquired the third party certification institution verification or statement of assurance?			the Sustainability Accounting Standard Board (SASB) and Task Force on Climate-related Financial Disclosures (TCFD) for disclosure. The comparison table of the above-mentioned disclosure structure are provided in the appendix at the end of the report as the reference. Meanwhile, the sustainability report and the implementation of sustainable development are disclosed on the sustainability page of Zyxel Group's website and the MOPs. Zyxel Group's sustainability report obtains assurance from third-party verification annually.	
VI. If the Company has established its sustainable development practice principles according to the "Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies," please describe the operational status and variance. Zyxel Group has established the "Sustainable Development Best Practice Principles," and complies with such principles without material variance.				
VII. Other important information to facilitate a better understanding of the company's implementation of sustainable development: (I) Community relationship 1. Talent cultivation: The Group Chairman, Mr. Shun-I Chu, established the "Progressive Foundation of Education" under his own name to provide scholarships and grants to cultivate talents in the long term. In addition, in August 2015, the "Zyxel Foundation" was formally established and registered to promote innovation and entrepreneurship, practice social welfare, and demonstrate the corporate spirit of giving back to society. 2. Care for the disadvantaged: Caring for the disadvantaged groups in the area, providing long-term subsidies and care for the community in need and life. 3. Community care: donate or support social groups, cope with government agencies to organize activities regarding natural ecological conservation, greening the environment, and resource reclamation. (II) Green products: 1. Zyxel Group customizes a set of "Green Collaborative Information System," to check at each stage, including the raw material suppliers, production, manufacturing, transportation, use and disposal, for implementation of green management in every section. 2. Zyxel Group's exclusive product carbon footprint and environmental footprint calculation platform is developed, to present the environmental impacts caused by product development and manufacturing as the indicators such as carbon footprint and water footprint, to assist customers to analyze the statistical data early for the strategic planning of product specifications or marketing activities, and help us and our customers to quickly respond to environmental issues highly concerned internationally such as climate change and net zero.				

3.6 Climate-related information

3.6.1 Implementation of Climate-related Information

Item	Implementation Status
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	"Zyxel Group Sustainability Committee" is the highest-level organization responsible for managing sustainability development within Zyxel Group. The Chairman of the Sustainability Committee is also the Chairman of Zyxel Group, who oversees the team responsible for promoting and implementing sustainability development and reports directly to the Board of Directors. The Sustainability Committee submits sustainability development plans and reports on achievements to the Board of Directors annually, and report the progress of greenhouse gas inventory quarterly. In the event of significant climate change issues, the committee also presents special reports to the Board of Directors. The Sustainability Committee is composed of various departments from each subsidiary, forming the Environmental Safety Group, Green Product Group, and Supplier Management Group. These groups coordinate and collaborate on climate change-related issues and projects, such as the SBTi initiative, greenhouse gas reduction, energy and carbon management, water resource utilization, low-carbon green products, and supply chain carbon reduction.
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	Based on the categories of climate-related risks and opportunities of TCFD, Zyxel Group discusses the impact of specific risk issues and scenarios on the company's organizational operations. Identify and prioritize climate-related risks and opportunities based on their impact severity, and identify potential crises and opportunities in response to climate change. It distinguishes short, medium, and long-term climate change risks and opportunities that may affect business, strategy, and financial planning. For example, regarding climate risks related to policies and regulations, the imposition of carbon fees and taxes may increase taxation, management, and investment costs for the company. On the other hand, significant climate opportunities, particularly in the development and innovation of energy-efficient products and services, can meet customer demand for energy-efficient products, thereby increasing revenue.
3. Describe the financial impact of extreme weather events and transformative actions.	To measure the financial impact of climate change on the company, we conducted a climate change risk assessment for our facilities in Taiwan. Based on the analysis of extreme weather events including heavy rainfall and the resulting potential for flooding, landslides, and mudslides, we found that Zyxel Group's owned assets in Taiwan are not physically at risk. For more information, please refer to our annual sustainability report.

Item	Implementation Status
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	Zyxel Group follows the framework outlined in the Task Force on Climate-related Financial Disclosures (TCFD) released by the International Financial Stability Board to disclose information on climate governance, strategy, risk management, as well as indicators and objectives. We disclose the progress in our sustainability report and financial annual report. In our "Risk Management Policy and Procedures," climate change is included in the scope of risks. It specifies that the climate change risk management process includes risk identification, risk analysis, risk assessment, risk mitigation, risk classification management, and risk monitoring.
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described	Zyxel Group has initiated a scenario analysis project for significant risks and opportunities to conduct a self-assessment of the impact of climate change on our risks, and subsequently adopt adaptive methods and response measures. For physical risks, we conducted scenario simulations based on the severity of extreme rainfall events, leading to potential vulnerabilities such as flooding, landslides, and exposure at our assets located in Taiwan. The analysis methodology involves four scenarios described in the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report (AR5): RCP2.6, RCP4.5, RCP6, and RCP8.5, which represent future greenhouse gas emissions, as well as Taiwan's temperature and rainfall predictions for four periods outlined in government reports: short-term (2021-2040), medium-term (2041-2060), medium-long-term (2061-2080), and long-term (2080-2100), for climate simulation research until 2100. The analysis revealed that Zyxel Group's owned assets in Taiwan are not exposed to physical risks. Regarding transition risks, we analyzed three scenarios: Taiwan government's net-zero pathway, SSP1-1.9 scenario from IPCC AR6, and SBT-NZ scenario that requires achieving net-zero by 2050 as per SBTI's requirements. We conducted financial impact estimation until 2050 based on assumptions related to regulatory, market, and reputational risks. Regulatory risks mainly affect operating costs and capital expenditures, while market risks primarily impact anticipated revenue losses. For further details, please refer to Zyxel Group's annual sustainability report.
6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	To address the management of climate-related risks, the indicators, objectives, management strategies, and actions used by Zyxel Group for identifying and managing physical and transition risks are outlined in the table below:

Item	Implementation Status		
		Disclosure items	Response strategies and actions
	Indicators and objectives	Indicators for evaluating the strategies and risk management processes followed for climate-related risks and opportunities	• Using greenhouse gas reduction, energy conservation, and water resource management as indicators to measure the degree of risk impact. • Incorporating product research and development into the product life cycle, disclosing product carbon emissions, and establishing low-carbon product indicators.
		Greenhouse gas emissions and associated risks in each category	• Establish goals for greenhouse gas reduction, energy conservation, and water resource management, and develop corresponding response plans. • Conduct regular assessments of greenhouse gas emissions to evaluate the impacts on company operations.
		Objectives for managing climate-related risks and opportunities, and performance against corresponding objectives	• Disclose climate actions to achieve SDG targets. • Participate in the SBTi initiative for science-based carbon reduction targets. • Implement monitoring mechanisms and set targets for climate risks with higher impact levels. • Develop low-carbon indicators for product parts, analyze data on high-carbon emitting parts, and provide relevant information on carbon reduction directions • Link data flow between internal systems and carbon footprint platforms. • Establish standards for recycled plastic use technology and carbon reduction assessment methods.
7. If internal carbon pricing is adopted as a planning tool, the basis for pricing should be described.	Zyxel Group will implement an internal carbon pricing mechanism on a trial basis in 2025, adopting a “shadow price” as the core management tool, with the aim of incorporating the environmental costs of carbon emissions into business decision-making. The pilot carbon price for 2025 is set at USD 30–50 per ton (USD/tCO_2e). This range is determined by comprehensively referencing the		

Item	Implementation Status
	International Energy Agency (IEA) Net-Zero Emissions (NZE) pathways and average international carbon market trading prices, while closely aligning with the development direction of Taiwan's Climate Change Response Act and carbon fee system. Through this mechanism, the company can quantify the potential financial risks posed by climate regulations to its operations, thereby incorporating carbon costs into the investment decision-making process to strengthen overall decision-making resilience.
8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	In our environmental strategy, we focus on three value chain dimensions: "Green Supply Chain," "Green Operations," and "Green Products." For each dimension, we have formulated three main strategies: "Supply Chain Carbon Reduction," "Climate Mitigation and Adaptation," and "Low-carbon Green Products." These strategies aim to identify climate change risks and opportunities, promote mitigation and adaptation plans, set greenhouse gas reduction, water conservation, and waste reduction targets, and enhance environmental awareness and actions among employees. We have implemented a green product management system to reduce the environmental impact throughout the product lifecycle and disclose product carbon footprints to meet customer demand for carbon emission information. We require suppliers to conduct carbon audits as the basis for future product carbon reduction and supplier low-carbon management goal setting. Through collaborative efforts with employees, customers, and suppliers across the value chain, we are pursuing comprehensive sustainability actions and continuously improving through management systems. We actively respond to international initiatives and align with global sustainability efforts. Zyxel Group has not used carbon offsets or renewable energy certificates (RECs) to achieve related goals.
9. Greenhouse gas inventory and assurance, reduction targets, strategies and specific action plans (fill in 3.6.2 and 3.6.3 separately)	

3.6.2 Company greenhouse gas inventory and confirmation status in the last two years

3.6.2.1 Greenhouse gas inventory information

Describe the emission volume (metric tons CO2e), intensity (metric tons CO2e/million yuan) and data coverage of greenhouse gases in the past two years.

- **Greenhouse gas emissions(Statistics include Zyxel Group, MSTC, Wuxi MSTC, Zyxel, ZNet)**

Unit: ton CO2-e	2025			2024		
	Scope 1	Scope 2	Scope 3	Scope 1	Scope 2	Scope 3
Zyxel Group	11.4721	0	Calculating	13.7465	0	179.4239
MSTC	269.9980	4,024.4079	Calculating	319.9311	4,335.9477	78,975.9046
Wuxi MSTC	682.2858	11,131.3406	9,777.6068	696.6394	11,010.1529	309,412.2946

Unit: ton CO2-e	2025			2024		
	Scope 1	Scope 2	Scope 3	Scope 1	Scope 2	Scope 3
Zyxel	201.5332	445.4317	Calculating	124.9768	451.6911	817,307.0399
ZNet	109.3808	702.1500	Calculating	100.3359	683.7833	105,320.7491
Total	1,274.670	16,303.330	Calculating	1,255.630	16,481.575	1,311,195.412

- **Scope 1 & Scope 2 Greenhouse Gas Emission Intensity** (Carbon Emissions / Consolidated revenue of Zyxel Group.)

Unit: Tons CO2e /NT$ M	2025	2024
Greenhouse Gas Emission Intensity	0.69	0.68

Note: The greenhouse gas emission data for the year 2025 is based on self-assessment data. As of the printing date of the annual report, Zyxel Group has not yet obtained complete greenhouse gas inventory information and assurance opinions. The confirmed information will be disclosed separately in the 2025 annual sustainability report of Zyxel Group, and complete assurance information will be disclosed in the next year's annual report.

3.6.2.2 Greenhouse Gas Assurance Information

Description of the assurance status for the two most recent fiscal years ending on the date of the annual report printing, including the scope of assurance, assuring entity, assurance standards, and assurance opinion.

For details on the 2024 greenhouse gas inventory verification certificate, please visit our website:ISO14064-1: 2018 Certificate Link

Scope of Verification:

ARES International Certification Co., Ltd. (hereinafter referred to as “ARES”) received an application from Zyxel Group for ISO 14064-1:2018 verification. In accordance with the requirements of ISO 14064-3: 2019, to verify direct and indirect greenhouse gas emissions. The greenhouse gas emissions coverage period is from January 1, 2024, to December 31, 2024. The verification findings are as follows:

(1) Verification period:January 1, 2024, to December 31, 2024.

(2) Verify location:

Site Name	Venue Address
Zyxel Group Corporation	No. 6, Innovation Road II, Hsinchu Science Park
MitraStar Technology Corporation	No. 6, Innovation Road II, Hsinchu Science Park
Zyxel Communications Corporation	No.2, Industry E. Rd. IX, Science Park, Hsinchu City
Zyxel Networks Corporation	No.2, Industry E. Rd. IX, Science Park, Hsinchu City
Wuxi MitraStar Technology Co., Ltd.	No. 1-1 Minshan Road, New District, Wuxi City, Jiangsu Province

(3) Identify greenhouse gas types: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF6), and nitrogen trifluoride (NF3), and refer to the latest greenhouse gas inventory published by the IPCC.

Verification Agency: ARES

Verification Opinion: ARES conducted the verification process in accordance with its verification criteria. The findings indicate that the greenhouse gas claims submitted by Zyxel Group comply with the regulations, do not exceed the 5% materiality threshold, and meet the criteria for a reasonable assurance level (Categories 1–2) and a limited assurance level (Categories 3–6).

Upon obtaining the verification opinion in 2025, it will be disclosed separately on the company website and in the sustainability report.

3.6.3 Greenhouse Gas Reduction Targets, Strategies, and Specific Action Plans

Description of the baseline year and its data for greenhouse gas reduction, reduction targets, strategies, specific action plans, and achievement of reduction targets
Zyxel Group has joined the Science Based Targets initiative (SBTi) and officially had its targets validated in 2025. Based on the SBTi absolute reduction method, our goal is to achieve a 4.2% annual reduction in carbon emissions (corresponding to staying within 1.5 degrees Celsius of warming). Our target is to achieve a 50% reduction in emissions by 2030 and reach net zero emissions by 2050. As part of our strategy towards green operations, we have set short, medium, and long-term reduction targets. We aim to respond to international initiatives, achieve carbon neutrality, and manage energy efficiently. We are also transitioning towards sustainable living. To achieve these targets, we assess our own and our supply chain's greenhouse gas emissions. We incorporate Scope 3 emissions into our greenhouse gas inventory, identifying areas and actions with carbon reduction potential. Additionally, we plan to implement renewable energy projects, procure green energy, and undertake related carbon reduction initiatives to achieve our long-term reduction goals."

3.7 Fulfillment of Ethical Corporate Management and Deviations from "the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Assessment Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
I. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures (I) Does the company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?	✓		(I) Zyxel Group has established the "Principles and Procedures for Ethical Management and Guidelines for Conduct," approved by the Board of Directors, and disclosed on Zyxel Group's website and MOPS. The personnel shall actively implement the regulations. In terms of corporate social responsibility commitments, the "corporate governance" is clearly stated: "We will comply with relevant legal requirements and emphasize the principle of ethics, and observe business ethics."	No material variance.
(II) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct within a scope no less than the activities prescribed in paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	✓		(II) Zyxel Group has established the evaluation mechanism of unethical behavior risks based on the RBA management system and regulations. The annual analysis is conducted to identify risks with the "Identification and Evaluation Form of Ethical Risks;" the departments with high risks must complete the commercial ethics checklist and sign the commercial ethics pledge, to be reviewed and approved in the audit meeting of the risk panel. Evaluate the operating activities having higher unethical behavior risks within the business scope, and established the "Principles and Procedures for Ethical Management and Guidelines for Conduct," to formulate prevention programs for the matters set for in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the related procedures must be observed.	No material variance.

Assessment Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
(III) Whether the company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and appealing procedures, and periodically reviews and revises such policies?	✓		(III) The Board has established the "Principles and Procedures for Ethical Management and Guidelines for Conduct," to formulate prevention programs for the matters set for in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. Such conduct is only permitted through the required procedures. The "Employee Code of Conduct" has been established as the basic behavioral guidelines and ethical standards to be followed when all employees perform their daily duties, and clarify and restate Zyxel Group's existing management philosophy and values, and the spirit signified by related laws and regulations. Zyxel Group has "Employment Procedures for Employees," specifying that employees are not allowed to accept bribes and commissions, so to prevent employees from sacrificing the Company's interests instead of their personal interests. All employees are required not to provide or accept bribe, or other improper benefits in any form. For the internal implementation planned for ethical management, promotions and training are conducted, and the risks are evaluated, while the disciplinary system for violations and complaint channels are provided. The audit unit is responsible for conducting the risk evaluation related to the ethics and overseeing the implementation, maintaining the complaint channels and providing the review and correction proposals via the self-assessment and audit of the internal control.	No material variance.

Assessment Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
II. Ethic Management Practice (I) Whether the company has assessed the ethics records of whom it has business relationships and include business conduct and ethics related clauses in the business contracts?	✓		(I) Zyxel Group has established relevant evaluation mechanisms for its clients and suppliers, and detailed the rights and obligations of both parties when entering into contracts with them, with non-disclosure terms. The suppliers are required to complete the "Survey for Evaluating Supplier's Social Responsibility," and onsite audits are conducted for the suppliers. The due diligence of ethical behavior is conducted with the "CSR Appraisal and Inspection Form of Supplier's Onsite Audit." The suppliers are required to complete the "Declaration and Promise on the Supplier's Corporate Social Responsibility" and "Promise of Ethics and Integrity" to commit to compliance with the commercial ethic requirements related to anti-corruption.	No material variance.
(II) Whether the company has set up a unit that is dedicated (or concurrent) to promoting the company's ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?	✓		(II) The Company appoints the " Zyxel Group Sustainability Committee-Corporate Governance Team" as the management organization for commercial ethics and ethical management, responsible for coordinating the establishment, supervision and implementation of the internal ethical management policies and regulations in Zyxel Group, and regularly reviewing its promotion and compliance every year to report to the Board of Directors. Implementation in 2025: directors and managerial officers have signed a statement of compliance with the ethical management policy; employees have conducted ethical risk assessments, and completed ethical education and training with a completion rate 99.2%. These will report to the Board of Directors on May 04, 2026.	No material variance.

Assessment Item	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary	
(III) Whether the company has established policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	✓		(III) Zyxel Group has established a “Code of Ethical Conduct” to prevent conflict of interest, and provides related complaint channels. Meanwhile, the “Principles and Procedures for Ethical Management and Guidelines for Conduct” require Zyxel Group and all personnel establish the relationships with clients, supplier, and other external persons in the business manner of fairness, openness, and honesty. None of the staff shall solicit customers for business in an unfair manner. The staff shall use the best effort to upgrade the product and service level that satisfy clients’ need. The "Procedures for Stakeholder’s Appeal and Whistleblowing" regulates all internal and external whistleblowing, to be handled by the appeal review team. Each appeal is established as an individual case, and recorded or retained in the manner of writing, electronic files, or system approval construction. Shall any major violation is discovered from an investigation, the Internal Auditing Office shall take the initiative to report to the independent directors or supervisor, and give appropriate rewards to the whistleblower when the violation is verified as truth.	No material variance.

Assessment Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
(IV) To implement relevant policies on ethical, has the company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and has its ethical conduct program audited by internal auditors or CPA periodically?	✓		(IV) Zyxel Group has established an effective accounting system, and shall not have external accounts or keep secret accounts. The system shall be reviewed frequently to ensure that the design and implementation of the system continue to be effective. An effective internal control system has also been established, and an internal audit unit under the Board of Directors has been set up, to report to the Board of Directors quarterly; CPAs may be retained to perform inspections. If required, professional personnel may be commissioned to assist.	No material variance.
(V) Does the company provide internal and external ethical conduct training programs	✓		(V) The "Principles and Procedures for Ethical Management and Guidelines for Conduct" and "Code of Ethical Conduct" are disclosed at Zyxel Group's website and MOPS. The HR Department hosts promotional sessions for all managers and employees of the Group through e-learning. The contents include all business activities, the relationships with clients, suppliers, and other external persons, all employees in the Group, and the practice of social responsibility, and thus the Group's philosophy, values, and spirits of related laws and regulations are understood, for the observation of the principles and codes, and implemented in the daily tasks. Zyxel Group conducts training related to ethical management every year. The completion rate of employee integrity-related education in 2025 is approximately 99%.	No material variance.

Assessment Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
III. Implementation of Complaint Procedures (I) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	✓		(I) Zyxel Group has established the "Principles and Procedures for Ethical Management and Guidelines for Conduct," to specify the whistleblowing system, including whistleblowing mailbox and hotline, assignment of dedicated staff, and measures to protect whistleblowers. The "Procedures of Complaint and Whistleblowing by Stakeholders" are established for the internal and external complaint channels and handling system, with the complaint mailbox, hotline, and e-mail box. The internal stakeholders may file the complaints via the email of the Human Resource Department: care@zyxelgroup.com; the external stakeholders may file the complaints via the email of the Internal Auditing Office: audit@zyxelgroup.com	No material variance.
(II) Whether the company has established standard operating procedures for investigating the complaints received, follow-up measures after the investigation is completed, and ensuring such complaints are handled in a confidential manner?	✓		(II) Zyxel Group's "Procedures of Complaint and Whistleblowing by Stakeholders" regulate all internal and external whistleblowing, which are handled by the complaint review team. Each complaint will be an individual project, and documented or retained in writing, electronic files, or system approval. Any material violation found via an investigation shall be reported to the independent directors actively by the Internal Auditing Office; when the complaint is verified as a fact, the proper reward shall be granted to the whistleblower(s). Zyxel Group shall handle the whistleblowing cases confidentially, and in the way of being fast, fair, and objective, while protecting the identities of whistleblowers in absolute confidentiality.	No material variance.

Assessment Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
(III) Does the company adopt proper measures to prevent a whistleblower from retaliation for his/her whistleblowing?	✓		(III) Zyxel Group's "Procedures of Complaint and Whistleblowing by Stakeholders" stipulates necessary steps to protect whistleblowers and investigators, ensuring that they are not subjected to undue treatment, retaliation, or unfair practices due to their whistleblowing activities.	No material variance.
IV. Enhancing information disclosure Does the company disclose its ethical corporate management best practice principles as well as information about implementation of such guidelines on its website and Market Observation Post System ("MOPS")?	✓		Zyxel Group discloses the "Principles and Procedures for Ethical Management and Guidelines for Conduct," and announces the "Principles and Procedures for Ethical Management and Guidelines for Conduct" and "Code of Ethical Conduct". The official website and the Sustainability Report disclose the Principles of Ethical Management and the outcomes of promotion.	No material variance.
V. If the Company has established its ethical corporate management practice principles according to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," please describe the operational status and variance. Zyxel Group has established the "Ethical Corporate Management Best Practice Principles," specifying the principles of ethical behaviors for employees, and complies with such principles without material variance.				
VI. Other important information to facilitate a better understanding of the company's ethical corporate management practices: (e.g., reviewing and amending the company's corporate management best practice principles): None.				

3.8 Other Important Information That Is Sufficient to Enhance the Understanding of the Corporate Governance Operations:

3.8.1 Zyxel Group's corporate governance implementation may be accessed on Zyxel Group's website or the MOPS.

3.8.2 For Zyxel Group's managerial officers' attendance to the courses related to corporate governance, please refer to the "Labor Relations" section herein.

3.9 Disclosure of Internal Control System:

3.9.1 Internal Control System Statement: Please refer to MOPS https://mopsov.twse.com.tw/mops/web/t06sg20

3.9.2 The internal control audit report issued by the external auditor commissioned to conduct an internal control audit if any: none.

3.10 Major Resolutions of Shareholders' Meetings and Board Meetings for the Most Recent Year until the Date of Publication of the Annual Report and Implementation Thereof:

3.10.1 Major resolutions made by the shareholders' meetings, and implementation thereof:

Date	Major Resolutions of Shareholders' Meetings
June 17,2025	1. Proposal to ratify the 2024 business report and financial statements. Implementation status: Resolved to approve. 2. Proposal to ratify the 2024 earning distribution. Implementation status: Resolved to approve. The cash dividend was distributed for NTD 0.3 per share in 2024, for NTD 123,455,241 in total. 3. Approved the proposal for the issuance of new restricted employee shares. Implementation status: Resolved to approve. 4. Approved the proposal for the amendments to the "Articles of Incorporation". Implementation status: Resolved to approve. On Aug 21, 2025, the MOEA approved to register the change (Jing-Shou-Shang-Zhi No. 11430104860) and updated at the Company's website. 5.Approved the proposal for the amendments to "Procedures for Loaning Funds to Others". Implementation status: Resolved to approve. The same was uploaded to the MOPS on June 27, 2025, and updated on Zyxel Group's website. 6. Approved the proposal to re-elect directors of the 6th term. Implementation status: The re-election for the directors of the 6th term was completed, and the announcement is made pursuant to subparagraph 6, paragraph 1, Article 4 of the "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities". The term of office for the elected directors (independent directors included) is from June 17,2025 to June 16, 2028. 7. Approved the proposal to lift the non-competition restriction on the directors of the 6th term. Implementation status: Resolved to approve. Meanwhile, the same shall be made public in accordance with subparagraph 21, Paragraph 1 of Article 4 of the "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities".

3.10.2 Major resolutions made by the Board of Directors' Meetings：

Date	Major Resolutions of Board of Directors' Meeting
March 3, 2025 13th Meeting of 5th Board	1. Discussed Items: (1) Resolved to approve the update of the general principles of the company's pre-approved non-assurance services policy. (2) Resolved to approve the independent auditors' competence and independence evaluation. (3) Resolved to approve the 2024 remuneration to employees and directors. (4) Resolved to approve the 2024 business report and financial statements. (5) Resolved to approve the 2025 business plan. (6) Resolved to approve the 2024 Internal Control System Statement. (7) Resolved to approve the 2024 compensation to Chairman and managerial officers. (8) Resolved to approve the 2024 earning distribution. (9) Resolved to approve the contribution rates of 2025 remuneration to employees and directors. (10) Resolved to approve the current-year financial institution credit limit. (11) Resolved to approve matters related to the exercise of employee stock options in the fourth quarter of 2024 for converting share capital. (12) Resolved to approve the decision not to proceed with the private placement of common shares approved at the 2024 annual shareholders' meeting. (13) Resolved to approve the issuance of new restricted employee shares. (14) Resolved to approve the amendments to the " Articles of Incorporation" (15) Resolved to approve the amendments to the " Procedures for Loaning Funds to Others" (16) Resolved to approve the election of the 6th Board of Directors. (17) Resolved to approve the nomination of candidates for the 6th Board of Directors (including independent directors). (18) Resolved to approve matters related to convening the 2025 annual shareholders' meeting and the acceptance of shareholder proposals.
March 26, 2025 14th Meeting of 5th Board	1. Discussed Items: (1) Resolved to approve the endorsement and guarantee for Zyxel Group's subsidiary, Zyxel Communications Corporation. (2) Resolved to approve the nomination of independent directors.
April 11, 2025 15th Meeting of 5th Board	1. Discussed Items: (1) Resolved to approve the amendment concerning the number of seats to be elected in the 6th board of directors election. (2) Resolved to approve the nomination of independent directors.
May 5, 2025 16th Meeting of 5th Board	1. Discussed Items: (1) Resolved to approve the personnel changes for the company's financial and accounting executives.

Date	Major Resolutions of Board of Directors' Meeting
	(2) Resolved to approve the consolidated financial statements for the first quarter of 2025. (3) Resolved to approve matters related to the exercise of employee stock options in the first quarter of 2025 for converting share capital. (4) Resolved to approve the proposal to lift the non-competition restrictions on the sixth board of directors.
June 25, 2025 1st Meeting of 6th Board	1. Discussed Items: (1) Resolved to approve the election of the Chairman of the sixth Board of Directors. (2) Resolved to approve the changes in the company's Chief Executive Officer. (3) Resolved to approve the appointment of the members of the Remuneration Committee for the 6th term. (4) Resolved to approve the contract for an industry academy collaboration and academic feedback mechanism with National Tsing Hua University. (5) Resolved to approve the contract for an industry academy collaboration and academic feedback mechanism with National Yang Ming Chiao Tung University.
July 17, 2025 2nd Meeting of 6th Board	1. Discussed Items: (1) Resolved to approve the appointment of the company's senior executives.
August 4, 2025 3rd Meeting of 6th Board	1. Discussed Items: (1) Resolved to approve the consolidated financial statements for the second quarter of 2025. (2) Resolved to approve the 2024 Zyxel Group Sustainability Report. (3) Resolved to approve matters related to the exercise of employee stock options in the second quarter of 2025 for converting share capital. (4) Resolved to approve Zyxel Group's loan to its subsidiary, MitraStar Technology Corporation. (5) Resolved to approve Zyxel Group's loan to its subsidiary, Zyxel Communications Corporation. (6) Resolved to approve the removal of non-compete restrictions on the company's managers.
November 3, 2025 4th Meeting of 6th Board	1. Retroactive Recognition Items: (1) Approved the retroactive recognition of the investment in ZQAM Communications Corporation. (2) Approved the amendment to the 2025 Regulations on Restricted Stock Awards. 2. Discussed Items: (1) Resolved to approve the professional fees for the independent auditors retained by Zyxel Group. (2) Resolved to approve the consolidated financial statements for the third quarter of 2025. (3) Resolved to approve the 2026 compensation projections for Zyxel Group's Chairman and managerial officers.

Date	Major Resolutions of Board of Directors' Meeting
	(4) Resolved to approve the distribution details of the company's restricted stock awards to employees and related matters. (5) Resolved to approve the abolition the "Zyxel Group Corporation Managerial Performance Bonus Policy" and the establishment the "Compensation Policy for Directors, Functional Committees, and Managers." (6) Resolved to approve matters related to the exercise of employee stock options in the third quarter of 2025 for converting share capital. (7) Resolved to approve amendments to the internal control system. (8) Resolved to approve the 2026 internal audit plan.
March 9, 2026 5th Meeting of 6th Board	1.Discussed Items: (1) Resolved to approve the independent auditors' competence and independence evaluation. (2) Resolved to approve the 2025 remuneration to employees and directors. (3) Resolved to approve the 2025 business report and financial statements. (4) Resolved to approve the 2026 business plan. (5) Resolved to approve the 2025 Internal Control System Statement. (6) Resolved to approve the 2025 compensation to Chairman and managerial officers. (7) Resolved to approve the 2025 earning distribution. (8) Resolved to approve the contribution rates of 2026 remuneration to employees and directors. (9) Resolved to approve the current-year financial institution credit limit. (10) Resolved to approve the amendments to the "Procedures for Ethical Management and Guidelines for Conduct". (11) Resolved to approve the proposal to establish the "Privacy Protection Policy" (12) Resolved to approve the proposal for the by-election of one director for the sixth term. (13) Resolved to approve the nomination of one director. (14) Resolved to approve matters related to convening the 2026 annual shareholders' meeting and the acceptance of shareholder proposals.

3.11 Any Important Board Resolutions Where Directors or Supervisors Have Expressed Opposition Opinions That Have Been Noted in the Record or Declared in Writing for the Most Recent Year until the Date of Publication of the Annual Report: none.

4. Information Regarding Independent Auditors

4.1 Information about professional fees of Independent auditors

4.1.1 Information about Professional Fees of Independent Auditors

Unit: NTD thousand

Name of accounting firm	Name of CPA	Period covered by CPA's Audit	Audit Fee	Non-Audit Fee (Note 1)	Total	Remarks
KPMG Taiwan	Hai-Ning Huang	January 1, 2025~December 31, 2025	2,642	1,450	4,092	-
	Ji-Long Yu	January 1, 2025~December 31, 2025				

Note 1: The non-audit fees were primarily intended for the master file transfer pricing and tax consulting service.

4.1.2 Change of the CPA firm and the audit fees for the year of the change less than that of the previous year: none.

4.1.3 Audit fees were 10% less than that of the previous year, and the reduction of audit fee, percentage and reasons: none.

4.2 Information about the Change of the Independent Auditors: none.

4.3 Information about Chairman, President, and Financial or Accounting Manager of the Company Who Has Worked with the CPA Firm Which Conducts the Audit of the Company or Affiliate to Such Firm in the Most Recent Year: none.

5. Change in Shareholdings or Shares Pledged by Directors, Supervisors, Management Team, and Shareholders with 10% Shareholdings or More during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report

5.1 Changes in Equity of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

Title	Name	2025		As of April 17, 2026	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman/CEO (major shareholder)	Shun-I Chu	-	-	-	-
Director	Ping-Chin Li	-	-	-	-
Director	Jyuo-Min Shyu	-	-	-	-
Director	Ping-Jie Chu	-	-	-	-
Independent director	Chin-Tang Liu	-	-	-	-
Independent director	Chin-Liang Wang	-	-	-	-
Independent director	Yi-Bing Lin	-	-	-	-
Independent director	Shing-Hai Wei	-	-	-	-
Chief Operating Officer	Denise Lin	-	-	-	-
Financial&Accounting officer	Jason Pu	38,000 (38,000)	-	-	-
Senior Manager, Audit Office	Jessica Chen	-	-	-	-

Note : Director Gordon Yang resigned on November 11, 2025.

Director Wayne Hwang resigned on March 30, 2026.

5.1.1 Counterpart of share transfer is related: none.

5.1.2 Counterpart of share pledge is related: none.

6. Information Regarding Top Ten Shareholders with Relationship as Defined under Statement of Financial Accounting Standards (SFAS) No. 6

April 17, 2026

Name	Shareholding by oneself		Shareholding of spouses and children of minor age		Shareholding through nominees		Name and relationship of top ten shareholders who are related parties as the relationship as defined under Statement of Financial Accounting Standards (SFAS) No. 6		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Shun-I Chu	89,981,358	21.66	15,238,525	3.67	-	-	Zychamp Investment Co., Ltd. Lien-Pin Pai ZYXEL Foundation Progressive Foundation of Education	Chairman/ President Spouse Chairman Chairman	-
ZyFX Technologies Inc.	23,986,067	5.77	-	-	-	-	ZYXEL Foundation	Parent and Subsidiary	-
Lien-Pin Pai	15,238,525	3.67	89,981,358	21.66	-	-	Shun-I Chu	Spouse	-
Zychamp Investment Co., Ltd.	7,317,397	1.76	-	-	-	-	Shun-I Chu	Chairman/ President	-
Yuh-Long Chen	5,994,611	1.44	-	-	-		-	-	-
ZYXEL Foundation	5,389,512	1.30	-	-	-	-	Shun-I Chu ZyFX Technologies Inc.	Chairman Parent and Subsidiary	-
National Yang Ming Chiao Tung University	4,492,310	1.08	-	-	-	-	-	-	-
Citibank Taiwan in custody for Polunin Emerging Markets Small Cap Fund, LLC	4,469,093	1.08	-	-	-	-	-	-	-
Progressive Foundation of Education	3,593,008	0.86	-	-	-	-	Shun-I Chu	Chairman	-
Li-ling Hsu	3,299,885	0.79	-	-	-	-	-	-	-

7. Ownership of Shares in Affiliated Enterprises

As of December 31, 2025 Unit: thousand shares, %

Affiliated Enterprises (Note)	Ownership by Zyxel Group		Ownership by Directors, Managers and Directly/Indirectly Owned Subsidiaries		Total Ownership	
	shares	%	shares	%	shares	%
Zyxel Communications Corporation (Zyxel)	72,450	100%	-	-	72,450	100%
MitraStar Technology Corporation (MitraStar)	316,800	100%	-	-	316,800	100%
Zyxel Networks Corporation (ZNet)	108,888	90%	384	-	109,272	90%
Black Cat Incorporation (Black Cat)	2,200	67%	440	14%	2,640	81%
Zychamp Co., Ltd. (Zychamp)	-	-	8,902	100%	8,902	100%
Zyxel Communications Inc. (ZyUSA)	-	-	9,807	100%	9,807	100%
Zyxel Communications A/S (ZyAS)	-	-	20,712	100%	20,712	100%
Zyxel Iletisim Teknolojileri A.S. (ZyTR)	-	-	333,577	100%	333,577	100%
Zyxel Communications Do Brasil Ltda. (ZyBR)	-	-	106,877	100%	106,877	100%
Zyxel India Communications Private Limited (ZCIN)	-	-	91,200	100%	91,200	100%
Bluebell Overseas Ltd. (Bluebell)	-	-	32,856	100%	32,856	100%
Wuxi Genezys Technology Ltd. (Genezys)	-	-	-	100%	-	100%
Shanghai Monetics Telecommunications Corporation (Monetics)	-	-	-	100%	-	100%
MitraStar (Vietnam) Technology Company Limited (Vietnam MSTC)	-	-	-	100%	-	100%
XSquare Communications Corporation (XSquare)	-	-	13,012	96%	13,012	96%
Zytpe Communications Corporation (ZyTPE)	-	-	6,000	100%	6,000	100%
Zyxel Technology India Pvt Ltd. (ZNet IN)	-	-	8,470	100%	8,470	100%
Zyxel Communication (ShangHai) Co., Ltd. (ZNet SHA)	-	-	-	100%	-	100%
Zyxel Networks A/S (ZNet AS)	-	-	20,712	100%	20,712	100%
Zyxel (Thailand) Company Ltd. (ZNet TH)	-	-	8,000	100%	8,000	100%
Tianjin Huagin Communications Equipment Co., Ltd. (Tianjin Huagin)	-	-	-	95%	-	95%
Zyxel Korea Co., Ltd. (ZNet KR)	-	-	72	65%	72	65%
Wuxi MitraStar Technology Co., Ltd. (Wuxi MSTC)	-	-	-	100%	-	100%

Affiliated Enterprises (Note)	Ownership by Zyxel Group		Ownership by Directors, Managers and Directly/Indirectly Owned Subsidiaries		Total Ownership	
	shares	%	shares	%	shares	%
Zyxel Deutschland GmbH (ZyDE)	-	-	-	100%	-	100%
Zyxel Communications UK Ltd. (ZyUK)	-	-	5,375	100%	5,375	100%
Zyxel Communications Czech s.r.o. (ZyCZ)	-	-	19,000	100%	19,000	100%
Zyxel Communications Iberia S.L (ZyES)	-	-	3	100%	3	100%
Zyxel Communications Italy S.r.l (ZyIT)	-	-	10	100%	10	100%
Zyxel R&D Center GmbH (Gemini)	-	-	-	100%	-	100%
Zyxel Communications B.V. (ZNet BNL)	-	-	14	100%	14	100%
Zyxel Communications RU LLC (ZNet RUS)	-	-	-	100%	-	100%
Zyxel France (ZNet FR)	-	-	10	100%	10	100%
Flatworld Networks, LLC (Flatworld)	-	-	-	-	-	-
Ardomus Networks Corporation	-	-	1,710	19%	1,710	19%
ShareTech Information Co., Ltd.	-	-	1,311	37%	1,311	37%
Beijing Huaqin World Technology Co., Ltd.	-	-	-	49%	-	49%
LiFEMOTE BiLiSiM VE TiCARET ANONiM SiRKETi	-	-	16	25%	16	25%

Note: It’s a long-term investment and structured entity, recognized with equity method (Flatworld).

III. Capital Overview

1. Capital and Shares

1.1 Source of Capital

April 17, 2026, Unit: thousand shares/NTD thousand

Month/ Year	Issued Price	Authorized capital		Paid-in capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of capital	Shares paid with properties other than cash	Others
08/2010	10	700,000	7,000,000	517,048	5,170,483	Conversion of shares	-	August 16, 2010, Jing-Shou-Shang-Zhi No. 09901176800
08/2011	10	700,000	7,000,000	502,435	5,024,353	Reduction of treasury shares	-	August 17, 2011, Jing-Shou-Shang-Zhi No. 10001189770
11/2012	10	700,000	7,000,000	491,320	4,913,203	Reduction of treasury shares	-	November 29, 2012, Jing-Shou-Shang-Zhi No. 10101246240
11/2014	10	700,000	7,000,000	488,761	4,887,613	Reduction of treasury shares	-	November 26, 2014, Jing-Shou-Shang-Zhi No. 10301246010
03/2015	10	700,000	7,000,000	486,660	4,866,603	Reduction of treasury shares	-	April 17, 2015, Jing-Shou-Shang-Zhi No. 10401056770
08/2015	10	700,000	7,000,000	471,023	4,710,233	Reduction of treasury shares	-	August 25, 2015, Jing-Shou-Shang-Zhi No. 10401180230
11/2015	10	700,000	7,000,000	461,177	4,611,773	Reduction of treasury shares	-	November 24, 2015, Jing-Shou-Shang-Zhi No. 10401249320
04/2016	10	700,000	7,000,000	451,177	4,511,773	Reduction of treasury shares	-	April 1, 2016, Jing-Shou-Shang-Zhi No. 10501063810
07/2016	10	700,000	7,000,000	441,177	4,411,773	Reduction of treasury shares	-	July 11, 2016, Jing-Shou-Shang-Zhi No. 10501157500
04/2021	10	700,000	7,000,000	447,643	4,476,438	Exercise of Employee Stock Options	-	April 9, 2021, Jing-Shou-Shang-Zhi No. 11001056230
06/2021	10	700,000	7,000,000	448,348	4,483,479	Exercise of Employee Stock Options		June 10, 2021, Jing-Shou-Shang-Zhi No. 11001090800
08/2021	10	700,000	7,000,000	448,524	4,485,239	Exercise of Employee Stock Options		August 30, 2021, Jing-Shou-Shang-Zhi No. 11001152420
11/2021	10	700,000	7,000,000	449,001	4,490,009	Exercise of Employee Stock Options		November 24, 2021, Jing-Shou-Shang-Zhi No. 11001214780
04/2022	10	700,000	7,000,000	450,679	4,506,789	Exercise of Employee Stock Options and Reduction of treasury shares		April 18, 2022, Jing-Shou-Shang-Zhi No. 11101052880
05/2022	10	700,000	7,000,000	442,397	4,423,969	Exercise of Employee Stock Options and Reduction of treasury shares		May 19, 2022, Jing-Shou-Shang-Zhi No. 11101085660
08/2022	10	700,000	7,000,000	397,525	3,975,250	Exercise of Employee Stock Options and Capital Reduction		August 16, 2022, Jing-Shou-Shang-Zhi No. 11101158550
10/2022	10	700,000	7,000,000	397,869	3,978,690	Exercise of Employee Stock Options		October 12, 2022, Jing-Shou-Shang-Zhi No. 11101192420
03/2023	10	700,000	7,000,000	400,172	4,001,720	Exercise of Employee Stock Options		March 27, 2023, Jing-Shou-Shang-Zhi No. 11230052250
05/2023	10	700,000	7,000,000	402,620	4,026,205	Exercise of Employee Stock Options		May 25, 2023, Jing-Shou-Shang-Zhi No. 11230087980
09/2023	10	700,000	7,000,000	403,070	4,030,700	Exercise of Employee Stock Options		September 1, 2023, Jing-Shou-Shang-Zhi No. 11230165790
12/2023	10	700,000	7,000,000	406,393	4,063,930	Exercise of Employee Stock Options		December 15, 2023, Jing-Shou-Shang-Zhi No. 11230222730
03/2024	10	700,000	7,000,000	409,489	4,094,895	Exercise of Employee Stock Options		March 25, 2024, Jing-Shou-Shang-Zhi No. 11330044400
05/2024	10	700,000	7,000,000	410,494	4,104,940	Exercise of Employee Stock Options		May 27, 2024, Jing-Shou-Shang-Zhi No. 11330081060
08/2024	10	700,000	7,000,000	410,794	4,107,940	Exercise of Employee Stock Options		August 28, 2024, Jing-Shou-Shang-Zhi No. 11330155040
11/2024	10	700,000	7,000,000	411,342	4,113,420	Exercise of Employee Stock Options		November 28, 2024, Jing-Shou-Shang-Zhi No. 11330204380
03/2025	10	700,000	7,000,000	411,517	4,115,175	Exercise of Employee Stock Options		March 14, 2025, Jing-Shou-Shang-Zhi No. 11430035270
05/2025	10	700,000	7,000,000	411,854	4,118,539	Exercise of Employee Stock Options		May 28, 2025, Jing-Shou-Shang-Zhi No. 11430069440
09/2025	10	700,000	7,000,000	412,565	4,125,654	Exercise of Employee Stock Options		September 18, 2025, Jing-Shou-Shang-Zhi No. 11430137560

Month/ Year	Issued Price	Authorized capital		Paid-in capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of capital	Shares paid with properties other than cash	Others
12/2025	10	700,000	7,000,000	415,445	4,154,450	Exercise of Employee Stock Options and issuance of restricted shares to employees		December 1, 2025, Jing-Shou-Shang-Zhi No. 11430189280

April 17, 2026 Unit: shares

Type of share	Authorized capital			Remarks
	Outstanding shares (listed)	Unissued shares	Total	
common stock	415,444,970	284,555,030	700,000,000	Listed

1.2 List of Major Shareholders

April 17, 2026

Shares / Major shareholder's name	Shareholdings	Holding percentage (%)
Shun-I Chu	89,981,358	21.66%
ZyFX Technologies Inc.	23,986,067	5.77%
Lien-Pin Pai	15,238,525	3.67%
Zychamp Investment Co., Ltd.	7,317,397	1.76%
Yuh-Long Chen	5,994,611	1.44%
ZYXEL Foundation	5,389,512	1.30%
National Yang Ming Chiao Tung University	4,492,310	1.08%
Citibank Taiwan in custody for Polunin Emerging Markets Small Cap Fund, LLC	4,469,093	1.08%
Progressive Foundation of Education	3,593,008	0.86%
Li-ling Hsu	3,299,885	0.79%

1.3 Dividend policy specified in the Articles of Incorporation and implementation

1.3.1 Dividend policy

According to the Articles of Incorporation of Zyxel Group, if the Company has earnings at the end of the fiscal year, after paying all relevant taxes and making up losses of previous years, the Company shall allocate 10% of earnings as legal reserve until it reaches the total authorized paid-in capital of Zyxel Group. Additionally, based on the operational needs of the company and legal requirements, special surplus reserves may be allocated or reversed. If there is still a surplus along with undistributed profits from the beginning of the period, the Board of Directors will prepare a profit distribution proposal for approval by the shareholders' meeting.

A portion of the undistributed prior-period earnings shall be reclassified to special earnings reserve to account for cumulative changes to the net reduction of other shareholders' equity pertaining to prior periods. If there is still insufficient, an equivalent amount of special reserve shall be allocated from the after-tax net profit in the period, plus items other than the after-tax net profit in the period, that are included in the undistributed current-period earnings. Subsequently, when there is a reversal in the amount of other shareholders' equity deductions, surplus may be distributed based on the reversed portion.

The dividend policy of Zyxel Group is based on its profit condition, future operating development, and assurance of stockholders' equity. Considering the common stock, capital structure, operating status, and earnings, Zyxel Group may distribute the dividends in the form proposed by the Board of Directors, including stock issuance based on retained earnings and/or cash dividends. The dividend distribution must be approved by the shareholders' meeting that complies with Zyxel Group's balanced and stable dividend policy.

At least 10% of the current year's earnings, after deducting special surplus, shall be appropriated as shareholder dividends, preferably in the form of cash, with stock dividends being the other alternative, according to Income Tax Act. Distribution of stock dividends should be no more than 50% of total dividends.

1.3.2 Implementation

The shareholders' meeting is proposing to distribute cash dividends with the 2025 undistributed earnings of NTD 166,178 thousand, NTD 0.4 per share in cash. The ex-dividend record date, payment date, and other related matters for the cash distribution, upon the resolution of annual shareholders' meeting, the Chairperson will determine the matter.

1.3.3 Describe the expected change in dividend policy is expected: none.

1.4 Impact to business performance and EPS resulting from stock dividend distribution:

Not applicable (the Company does not prepare financial forecast).

1.5 Compensation of employees and directors

1.5.1 The percentages or ranges with respect to employee and director, as set forth in the company's articles of incorporation:

Where there is profit at the end of the fiscal year of this Company, this Company shall firstly allocate an amount not less than two ten thousandth (2/10000) of the profit as the employee bonus (with 50% of that amount designated for rank-and-file employees) and an amount not more than two percent (2%) of the profit as director remuneration. If this Company still has losses of previous years, the profit shall be reserved to recover the accumulated losses in advance. In the event that employee bonus is allocated in cash or stocks, the staff or employee of parents or subsidiaries of this Company, to the extent qualified under certain requirement specified by the Board of Directors, is entitled to such employee bonus.

1.5.2 The basis for estimating the amount of employees and directors compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The compensations to employees and directors are estimated to be recognized as 0.02% (with 50% of that amount designated for rank-and-file employees) and no more than 1.4% of the net profit before tax and recognized compensation to employees and directors, respectively. Shall the estimated amount differ from the actual distribution resolved by the Board of Directors, it is deemed change of accounting estimation, and the adjustment will be accounted in the year resolved by the Board of Directors.

1.5.3 Information on any approval by the board of directors of distribution of compensation:

The remunerations to employees, directors, and supervisors for 2025 was approved by the Board on March 9, 2026; the remuneration to employees is NTD 135 thousand (with 50% of that amount designated for rank-and-file employees), and NTD 9,125 thousand to directors. The aforesaid remunerations are paid in cash, and no variance from the recognized amount in the 2025 Financial Statements.

1.5.4 The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated:

The remunerations to employees, directors, and supervisors for 2024 was approved by the Board on March 3, 2025; the remuneration to employees is NTD 62 thousand, and NTD 7,843 thousand to directors. The aforesaid remunerations are paid in cash, and no variance from the recognized amount in the 2024 Financial Statements.

1.6 Shares Repurchase:none.

2. Issuance of Corporate Bonds

<table>
<tr><td colspan="2">Type of corporate bonds</td><td>The 1st Unsecured Common Corporate bonds in 2021</td></tr>
<tr><td colspan="2">Issuance date</td><td>August 5, 2021</td></tr>
<tr><td colspan="2">Face value</td><td>1,000,000</td></tr>
<tr><td colspan="2">Location of issuance and trading</td><td>Taipei Exchange</td></tr>
<tr><td colspan="2">Issued Price</td><td>Issued at the face value</td></tr>
<tr><td colspan="2">Total amount</td><td>1,900,000,000</td></tr>
<tr><td colspan="2">Interest rate</td><td>0.85%</td></tr>
<tr><td colspan="2">Maturity Date</td><td>Five years
Maturity: August 5, 2026</td></tr>
<tr><td colspan="2">Guarantor</td><td>N/A</td></tr>
<tr><td colspan="2">Trustee</td><td>Mega International Commercial Bank Co., Ltd.</td></tr>
<tr><td colspan="2">Underwriter</td><td>Mega Securities Co., Ltd.</td></tr>
<tr><td colspan="2">Legal Counsel</td><td>Wei, Chung-Jie’s Law Firm</td></tr>
<tr><td colspan="2">Auditor</td><td>KPMG Taiwan</td></tr>
<tr><td colspan="2">Repayment</td><td>100% principal repayment upon maturity</td></tr>
<tr><td colspan="2">Outstanding</td><td>1,900,000,000</td></tr>
<tr><td colspan="2">Redemption or Early Repayment Clause</td><td>None</td></tr>
<tr><td colspan="2">Restrictive Clause</td><td>None</td></tr>
<tr><td colspan="2">Name of Credit Rating Institution, Rating Date, and Result of Rating</td><td>Taiwan Ratings Corporate
May 27, 2021
twA-</td></tr>
<tr><td rowspan="2">Other Rights of Bondholders</td><td>Amount of the Converted (exchange or subscription) Common Shares, GDRs, or other Negotiable Securities as of the Printing Date of the annual Report.</td><td>Not applicable</td></tr>
<tr><td>Issuance and Conversion (exchange or subscription) Procedures</td><td>None</td></tr>
<tr><td colspan="2">Dilution Effect or Other Adverse Impact on Existing Shareholders’ Equity, If Conversion, Exchange, or Subscription Rights are Attached</td><td>None</td></tr>
<tr><td colspan="2">Custodian</td><td>Not applicable</td></tr>
</table>

3. Issuance of Preferential Shares: none.

4. Issuance of Global Depositary Receipts: none.

5. Status of Employee Restricted Stock Awards

5.1 Issuance of Employee Restricted Stock Awards

April 17, 2026

Type of Employee Restricted Stock Awards	Employee Restricted Stock Awards for Year 2025
Effective Registration Date and Total Number of Shares	2025/10/09 2,000,000 shares
Issue Date	2025/11/12
Number of Restricted Employee Shares Issued	2,000,000 shares
Number of Restricted Employee Shares Still Available for Issuance	0 share
Issued Price	None
Ratio of the Number of Restricted Employee Shares Issued to the Total Number of Issued Shares	0.48%
Vesting Conditions of Restricted Employee Shares	After employees are granted the restricted employee shares under this plan, they must remain employed until the vesting dates listed below, abide by the company's code of conduct, and have no breaches of the employment contract, work rules, non-compete and confidentiality agreements, or other agreements with the company. Additionally, they must meet the company's personal performance evaluation indicators and operational targets. The percentage of restricted employee shares vested each year is as follows: After two years of employment: 30% of allocated shares, based on the performance evaluation results of the 12 months preceding the vesting date. After three years of employment: 30% of allocated shares, based on the performance evaluation results of the 12 months preceding the vesting date. After four years of employment: 40% of allocated shares, based on the performance evaluation results of the 12 months preceding the vesting date. If the vesting date falls on a holiday, it will be postponed to the next business day.
Restriction on Rights in the Restricted Employee Shares	1.Before the vesting conditions set forth in the preceding article are fulfilled, employees may not sell, pledge, transfer, gift, set, or otherwise dispose of the

	restricted employee shares granted or subscribed under this plan, except for inheritance. 2.Before the vesting conditions specified in the preceding article are met, the restricted employee shares issued under this plan shall enjoy the same rights as common shares of the Company in terms of attending shareholders' meetings, proposing motions, speaking, voting, and electing, and shall be executed in accordance with the trust custody agreement. 3.Prior to meeting the vesting conditions, holders of the restricted employee shares issued under this plan may receive various distributions, including but not limited to dividends, bonuses, allocations from capital surplus, and rights to subscribe for new shares from capital increases in cash. However, such shares are not included in the scope of custodianship. 4.If, during the vesting period, the Company carries out a capital reduction not due to a statutory reason (e.g., a cash capital reduction), the restricted employee shares shall be canceled proportionally. In the case of a cash capital reduction, the refunded cash shall be deposited into the trust and can only be delivered to the employee after the vesting conditions and period are fulfilled. If the vesting conditions are not met upon expiration, the Company shall retrieve the refunded cash.
Custody of the Restricted Employee Shares	1.After issuance, the restricted employee shares must be placed in trust immediately. Employees cannot request their return under any circumstances before vesting conditions are met. 2.During the trust period, the company or its designated person will act as an agent for employees to handle matters related to the trust agreement with the trust institution, including negotiation, signing, amendment, extension, termination, and delivery, use, and disposal of trust assets.
Treatment of the Restricted Shares for Which the Grantee Fails to Meet the Vesting Conditions after	If, after being granted restricted employee shares, the employee is no longer employed

Receiving or Subscribing to the Shares	on the vesting date, or is found to have violated the Company's employment contract, work rules, non-compete agreement, confidentiality agreement, code of conduct, or other agreements with the Company, the unvested shares shall be reclaimed by the Company without compensation and canceled in accordance with this plan.
Number of Restricted Employee Shares That Have Been Retired or Bought Back	0 share
Number of Restricted Employee Shares That Have Vested	0 share
Number of Unvested Restricted Employee Shares	2,000,000 shares
The Ratio of Number of Unvested Restricted Employee Share to the Total Number of Issued Shares (%)	0.48%
The Effect on Shareholders' Equity	The impact is minimal.

Note: The number of invalid shares due to resignation was deducted.

5.2 Employee Restricted Stock Granted to Management Team and to Top 10 Employees:

April 19, 2025

	Title	Name	Number of Employee Restricted Stock Granted (thousand shares)	Employee Restricted Stock as a Percentage of Shared Issued (Note)	Restrictions Released				Restrictions Unreleased			
					Number of Shares	Issued Price	Issued Amount (NT$ thousand)	Released Shares as a Percentage of Shares Issued (Note)	Number of Shares	Issued Price	Issued Amount (NT$ thousand)	Unreleased Shares as a Percentage of Shares Issued (Note)
Managerial officers	Financial&Accounting officer	Jason Pu	38,000	0.009%	0	0	0	0.00%	38,000	0	0	0.009%
Employee	Senior Manager	Pablo Qin	460,000	0.11%	0	0	0	0.00%	460,000	0	0	0.11%
	Senior Assistant Vice President	Isaac Tai										
	Assistant Vice President	Jack Liu										
	Senior Assistant Vice President	Jerry Zhang										
	President	Yiqing Su										
	Senior Manager	Derek Lee										
	Assistant Vice President	Kimi Peng										
	Assistant Vice President	Midas Lee										
	Assistant Vice President	Julian Wu										
	Chief Digital Officer	Rex Lin										

Note: The share issued is calculated based on the amended number of total share issued approved by Ministry of Economic Affairs on April 10, 2026.

6. Status of New Shares Issuance in Connection with Mergers and Acquisitions:

6.1 Basic information of merged or acquired companies: none.

6.2 Any issuance of new shares in connection with a merger or acquisition or with acquisition of shares of any other company is currently in progress, the state of the plan's implementation and its effect upon shareholders' equity shall be disclosed: none.

7. Financing Plans and Implementation: none.

IV. Operational Highlights

1. Business Activities

1.1 Business scope

1.1.1 Main areas of business operations

- *Data Storage Media Manufacturing and Duplicating
- *Restrained Telecom Radio Frequency Equipment and Materials Import
- *Restrained Telecom Radio Frequency Equipment and Materials Manufacturing
- *Intellectual Property
- *Wired Communication Equipment and Apparatus Manufacturing
- *Electronic Parts and Components Manufacturing
- *Digital Information Supply Services
- *Software Design Services
- *Data Processing Services
- *Wholesale of Computer Software
- *Management Consulting Services
- *Internet Identify Services
- *International Trade

1.1.2 Main revenue distribution

Product/Year	2025	2024
Broadband access equipment	76.92%	75.58%
Equipment for business	15.00%	14.96%
Others	8.08%	9.46%
Total	100.00%	100.00%

1.2 Overview of the Industry

1.2.1 Current status and development of the industry

(1) Promotion of broadband network accessibility by Western governments: Long-term deployment policies

Governments worldwide have been implementing broadband infrastructure policies to accelerate infrastructure upgrades, viewing broadband deployment as a demonstration of national strength. This long-term momentum remains unchanged. In 2023, the United States announced the "Broadband Equity, Access, and Deployment (BEAD) Program," the largest high-speed internet initiative in history, with an investment exceeding $42 billion. The program aims to provide high-speed internet access to every American household by 2030. Funded by the Bipartisan Infrastructure Law passed by Congress and overseen by the U.S. Department of Commerce, the program announced in November 2025 that final BEAD proposals from 18 states and territories had been approved and are cleared to begin construction.

On April 29, 2024, the Council of the European Union adopted the Gigabit Infrastructure Act to simplify procedures and accelerate the deployment of high-speed networks such as fiber optics and 5G. It came into effect on 12 November 2025. This act streamlines the mandatory mediation process between public authorities and service providers, reducing unnecessary costs associated with applying for high-capacity network deployment subsidies. Additionally, it enhances policy transparency to ensure efficient planning for service providers and addresses infrastructure deployment and access issues within buildings. Member States must provide a Single Information Point (SIP) to supply infrastructure data and simplify processes, and from 2026 require new or substantially renovated buildings to be “fiber‑ready” or to include pre‑installed in‑building wiring or ducts. These government incentives help reduce investment costs for service providers, thereby increasing incentives for broadband deployment. They also encourage service providers to continue purchasing equipment to support broadband infrastructure development.

(2) Impact of U.S. tariff policies on the global economy

With the United States' tariff policy toward Taiwan finalized, Taiwan's exports to the U.S. are now subject to an equivalent tariff rate of 15%, and will be treated under the principle of non-cumulative application of the Most-Favoured-Nation (MFN) rate, restoring tariff parity with major trading partners such as Japan, South Korea and the EU. Nevertheless, firms must closely monitor Phase II developments under Section 232 concerning the expanded application to semiconductors. Analysis by the Institute for Information Industry indicates that Taiwanese networking contract manufacturers have been transitioning from traditional brand OEM to direct supply models for carriers and hyperscale data centers. Compared with brand OEM work, under these direct-to-customer arrangements a tariff increase could be negotiated as a shared risk with clients, but contract manufacturers are likely to shoulder more immediate cost pressures and heightened tax-compliance obligations. Overall, although Taiwan's communications industry currently enjoys a temporary buffer under the equalized tariff treatment and Section 232 developments, geopolitical uncertainty remains. Consequently, Taiwanese networking firms continue to reinforce a diversified production footprint in Vietnam, Mexico and Taiwan, using dynamic site allocation to proactively reduce global tariff and industrial-policy risks.

(3) U.S. lawmakers have introduced a bill to ban sales of products from Chinese networking brand TP-Link

A bill put forward in the U.S. Congress would comprehensively prohibit the sale of TP-Link routers and related equipment in the U.S. market and calls on the U.S. Department of Commerce to establish specific enforcement measures. TP-Link currently commands roughly a 65% share of the U.S. consumer networking device market; if the ban is enacted, it would likely have a profound impact on the global networking industry. The measure could also create a more favorable competitive landscape for Taiwanese networking brands in the U.S., presenting potential growth opportunities.

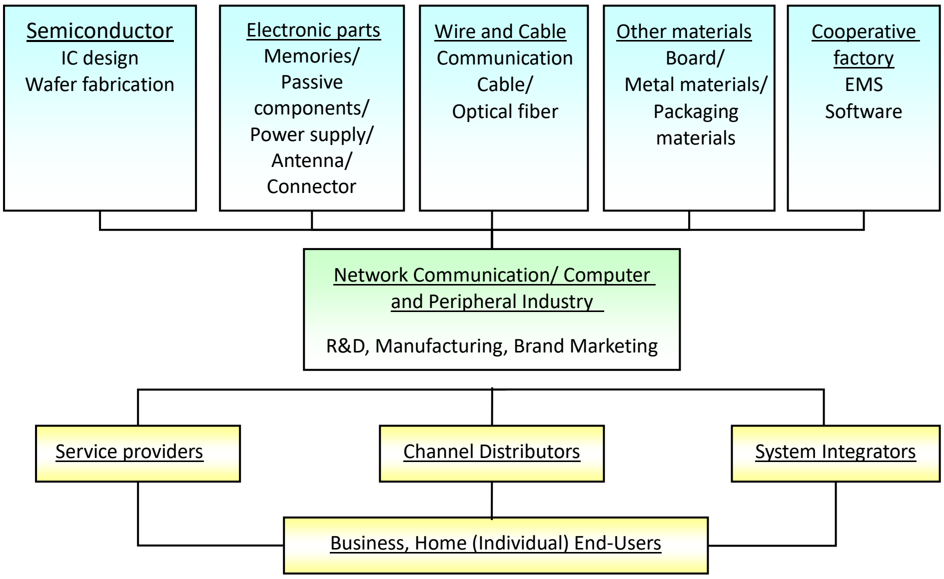
(4) Cybersecurity as national security 2.0 strategy

Taiwan's Cybersecurity as National Security 2.0 Strategy (2021–2025) aims to enhance cybersecurity training capacity at the Cybersecurity Institute, addressing the shortage of cybersecurity professionals. Additionally, it focuses on developing innovative cybersecurity technologies to strengthen information security, positioning Taiwan as a resilient cybersecurity nation. This policy enhances national cybersecurity awareness, laying a solid foundation for a digital nation and an innovation-driven economy, while significantly increasing the demand for cybersecurity technology and protection.

(5) ESG and Net-Zero transition as a global priority

With the global focus on ESG and net-zero targets intensifying, the networking industry is accelerating its sustainability transition. International clients not only track their own emissions goals but also require suppliers to adopt carbon-reduction plans and ESG management measures, incorporating supply-chain decarbonization capabilities into procurement and partnership decisions. Networking firms are increasingly embedding energy-efficient design, low-carbon material choices, circular-economy practices and supply-chain transparency into their core strategies to strengthen competitiveness and brand trust. Going forward, companies with comprehensive ESG frameworks and credible net-zero commitments will be better positioned to win international customers and maintain long-term operational resilience.

1.2.2 Links between the upstream, midstream, and downstream segments of the industry



1.2.3 Various development trends of products

(1) Wi-Fi 7

Emerging Wi-Fi technologies have evolved with standards such as Wi-Fi 6, Wi-Fi 6E, and Wi-Fi 7. Wi-Fi 7 is capable of supporting transmission speeds of up to 30Gbps, with a maximum network speed of 46.4Gbps, which is 4.8 times the maximum network speed of Wi-Fi 6 at 9.6Gbps. In the past two years, when promoting the development of Wi-Fi 6, the focus was mainly on applications in the 2.4GHz and 5GHz frequency bands. With the addition of OFDMA modulation and 160MHz channel bandwidth, transmission speeds could be increased to 9.6Gbps. However, with the promotion of Wi-Fi 6E, an additional 1.2GHz bandwidth was introduced, providing more bandwidth for utilization. The specifications of Wi-Fi 7 quickly gained industry consensus. Wi-Fi 7 strengthens network management and comprehensively improves tri-band applications, equivalent to a comprehensive upgrade of the Wi-Fi 6 architecture. In addition to expanding the maximum channel bandwidth, it also improves the operational management of tri-band networks, clearly dividing applications from low to high frequency bands. This provides corresponding networking management mechanisms for IoT devices that only require low-speed multi-node connections and XR devices that require ultra-high-speed transmission. It is estimated that in the next five years, the latest Wi-Fi 7 market will continue to flourish, and next-generation wireless networks like Wi-Fi 7 will bring users faster speeds and lower latency experiences.

(2) Wi-Fi 8

Wi-Fi 8 (802.11bn) has entered commercial deployment. Rather than merely pursuing peak throughput, Wi-Fi 8 emphasizes Ultra-High Reliability (UHR), providing solutions to spectrum interference, congestion and high-density connectivity. Addressing the low-latency and deterministic network demands of extended reality (XR), industrial IoT, remote healthcare and real-time cloud services, it delivers consistent performance through precise coordination and intelligent radio control. Prepared for the AI era, Wi-Fi 8 boosts uplink capacity and implements dynamic spectrum management to support AIoT, edge computing and multi-device orchestration. Its extensible architecture and flexible spectrum-sharing capabilities enable seamless, smart connectivity across residential and enterprise environments.

(3) 5G Fixed Wireless Access (5G FWA)

According to Ericsson's November 2025 Mobility Report, significant progress in deploying 5G standalone (SA) architectures has driven 5G subscriptions to an estimated 2.9 billion by the end of 2025—about one third of global mobile users—while global 5G population coverage is set to expand by 400 million. The share of traffic carried by 5G continues to climb; by 2031, more than 1.2 billion people are expected to receive broadband via 5G fixed wireless access (FWA). Meanwhile, research and advisory firm Omdia forecasts that global 5G subscriptions will reach 5.9 billion by 2027, with a penetration rate of 70.9%, underscoring growing consumer demand for 5G. 5G will offer faster, more reliable and cost-effective broadband access for households, enterprises and governments, accelerating digital transformation across industries.

Ericsson also projects CPE shipments will reach 35 million units in 2025, a year-on-year increase of 26%, and notes that approximately 57% of those shipments are expected to be 5G-capable. The rapid expansion of the 5G FWA market is already reshaping lives worldwide and prompting service providers to accelerate deployments. Leveraging our forward-looking strategy and technical expertise, Zyxel provides end-to-end solutions. We invested early in 5G R&D and, in 2024, were among the first to launch a 5G+Wi-Fi 7 indoor router that combines cutting-edge technologies to deliver exceptional speeds. Through long-standing partnerships with Tier-1 service provider, we have deep deployment experience and have introduced an integrated cloud AI management platform to optimize user experience, increase customer loyalty and satisfaction, and support carriers and enterprises in achieving sustainable profitability in the 5G FWA era.

(4) PON/XGS-PON

Driven by rising end-user demand, supportive national fiber-broadband policies and increased operator investment, the fiber equipment market has seen notable growth in both shipment volumes and revenues. According to Dell'Oro Group's September 2025 market report, global broadband access equipment revenue reached $4.7 billion in Q2 2025, up 7% increase quarter-on-quarter and 1% year-on-year. This growth that, service providers remain committed to expanding fiber deployments despite macroeconomic uncertainties. The Economic Daily has forecast that 2025 will mark the advent of ultra-high-speed connectivity—spurred by AI and other bandwidth-intensive applications—where the convergence of Wi-Fi 7 and 10G PON will trigger a fresh upgrade cycle and substantial market opportunities for networking vendors. Over the next several years, both shipments and revenues for fiber broadband equipment are expected to continue climbing, with vendor roadmaps centered on higher throughput, lower cost and improved reliability. GPON remains a mature, cost-effective access technology well suited to residential broadband, and its shipments and revenues will continue to grow as FTTH rollouts accelerate in Europe and North America. However, as XGS-PON matures and unit costs decline, GPON's share of shipments and revenues is projected to diminish gradually. XGS-PON—offering significantly higher line rates—is gaining traction across residential broadband, enterprise access and 5G FWA use cases, and its adoption is forecast to expand steadily. TrendForce's December 2025 outlook indicates that, as governments accelerate FTTH programs, Western markets are transitioning from GPON to XGS-PON and will subsequently migrate toward the 50G ultra-high-speed fiber generation. Throughout this migration, service providers face the dual challenge of balancing rapid network roll-out with timely equipment upgrades, requiring careful planning to optimize both deployment speed and future-proofing.

(5) Cloud-based network management and service architectures

As enterprises expand across geographies and remote and hybrid work models become pervasive, demand for centrally managed, scalable and flexible cloud network management solutions continues to rise. Market research indicates the global cloud-managed network market reached approximately $31.1 billion in 2024 and is projected to grow at a compound annual growth rate (CAGR) of about 13.5% from 2025 to 2030. This expansion reflects a marked increase in enterprise adoption of cloud management, subscription licensing models, and cloud platforms to enhance network visibility and operational efficiency.

Against this backdrop, network devices and services are progressively shifting from traditional on-premises deployments to cloud-centric, centralized management architectures paired with subscription-based services—becoming the industry norm. Vendors are therefore advancing cloud network management platforms, security licensing offerings, and unified multi-site management capabilities to meet the escalating demands of enterprises and managed service providers (MSPs) for efficiency, manageability, and cybersecurity.

1.2.4 Competition

Our company remains focused on fiber optics, 5G FWA, mobile communication base stations, cloud network management frameworks, cybersecurity solutions, and licensing services. We actively develop cutting-edge broadband fixed networks (XGS-PON) and wireless networks (Wi-Fi 7) while investing in 5G FWA technology R&D to capitalize on 5G's vast market potential and industrial digital transformation. Concurrently, it is deepening its cloud management and cybersecurity analytics capabilities, leveraging innovative, forward-looking technologies to deliver market-driven products and services and to maintain its leadership position.

In response to the evolving China–United States trade war, we have optimized our production capacity allocation to strengthen customer and supply chain relationships. With a comprehensive manufacturing and service system, we offer cost-efficient, time-sensitive, and customized services to provide tailor-made solutions for our clients.

1.3 Overview of R&D

1.3.1 Technical level and R&D of businesses

(1) Fixed-lined Broadband Communication Access

Zyxel group has long been dedicated to the development of broadband technology to provide cutting-edge network access solutions. As networks evolve towards IP-based, fiber-optic, mobile, and multimedia applications, we have strategically positioned our R&D efforts to stay ahead. As early as 2020, we entered the XGS-PON market, offering end-to-end (E2E) XGS-PON solutions with a complete portfolio of 10G OLT and ONT products to meet diverse FTTx deployment needs. These solutions effectively address the challenges of high-bandwidth services such as 4K/8K video streaming, HD television, Virtual Reality (VR), and Augmented Reality (AR). In 2025, Zyxel group unveiled its latest 50G fiber central-office product suite, which realized truly end-to-end fiber-optic services.

(2) Mobile Broadband Communication Broadband Access

The Group's 5th generation mobile communication solutions provide high integration, high transmission power, low power consumption, and rich interfaces, including outdoor terminals, indoor terminals, portable mobile routers, dual-mode module products, etc., enabling users to access faster and simpler audiovisual and data services.

As the global communications industry transitions into the 5G era, ABI Research forecasts a compound annual growth rate (CAGR) of 63% for the global 5G market by 2026. With the commercialization of 5G worldwide, its high bandwidth, low latency, and massive connectivity features are being widely applied across different industries, with millimeter-wave applications playing a crucial role. According to the Institute for Information Industry (MIC), 5G FWA CPE has emerged as the second most important strategy for service providers to maximize 5G spectrum utilization, second only to mobile communication services. Consequently, 5G FWA is being increasingly adopted for residential and enterprise applications, with service providers providing tiered service packages based on data traffic needs to capture different customer segments. Although North America is currently the primary market, Ericsson's Mobile Trends Report (June 2024) indicates that 65% of newly launched 5G FWA services in the past year originated from emerging markets such as Asia-Pacific and Latin America, reflecting the growing confidence of service providers in the potential of 5G FWA services. Our group has introduced 5G FWA and 4G LTE routers with Nebula cloud-based network management capabilities, providing SMEs with flexible deployment, secure and stable connectivity, and easy-to-manage high-performance network solutions.

(3) Wireless local area network

Wi-Fi 7(11be) is the next-generation wireless network standard, which effectively improves the efficiency and flexibility of wireless network usage, greatly increase network speed and bandwidth, and meet the needs of emerging networking applications. Zyxel’s comprehensive Wi-Fi 7 product portfolio includes DSL, Ethernet, active fiber, passive fiber network gateways, access points, and Wi-Fi extenders, providing both businesses and home users with faster wireless speeds. While the connection speed is increasing, how to improve the coverage of the wireless network in the user's home through the Mesh technology, to realize high-speed connection to Wi-Fi at every corner, has also become one of the topics receiving attention from the Internet communication industry. The MPro Mesh® solution launched by the Group by adopting its excellent software R&D capabilities, supports Wi-Fi 7 and EasyMesh industry standards, and seamlessly connects wireless network extenders with Wi-Fi 7 home gateways. Combining the remote management technology and the app easy-to-operate, there is no dead zone for Wi-Fi transmission at users’ homes. Additionally, Zyxel Group is an industry leader in Wi-Fi 7 Access Point development, offering a diverse range of models from cost-effective, entry-level devices to high-end commercial-grade solutions, catering to the various needs of SMBs. It also launched its first industrial‑grade Wi‑Fi 7 access point (IAP), purpose‑built for smart factories and Industry 4.0 environments, delivering high reliability and robust, stable connectivity and thereby broadening the application scope of Wi‑Fi 7. Looking toward the next‑generation wireless standard, Wi‑Fi 8 (802.11bn), Zyxel Group had already initiated related R&D and validation efforts, focusing on critical use cases such as ultra‑high reliability (UHR), low latency, and high‑density connectivity, and positioning itself to capture emerging market opportunities in extended reality (XR), industrial IoT, and AIoT.

(4) New OPAL software platform

Zyxel independently developed a modular, Linux‑based OPAL software platform that integrates the prpl Foundation open‑source framework and introduces prplOS compatible with prplWare. This unified architecture enables rapid onboarding of diverse applications and value-added services, lowers barriers to system integration, significantly shortens product development cycles, and helps service providers expedite large-scale deployment of network services.

(5) Zyxel One AI-powered Wi-Fi Management Solution

Zyxel launched the high-value added service-Zyxel One solution, integrating a cloud-based intelligent management platform that delivers AI-powered analytics and real-time visualizations. The platform enables service providers to remotely monitor and manage Zyxel customer-premises equipment and to expedite fault resolution, while subscribers can leverage the Zyxel One app for intelligent diagnostics to resolve home connectivity issues. Together, these capabilities materially reduce service providers' technical-support costs and elevate subscribers' online experience, enabling service providers to deliver superior user experiences while lowering operating expenses.

(6) IoT and cloud technologies

Various smart applications driven by the Internet of Things and cloud technology have also led to the development of business opportunities for the entire smart home and smart city. In response to this development trend, the Group actively deploys smart home-related applications and services. Based on the technology developed in broadband wired communications for many years, the Group develops an integrated multi-functional smart home networking platform, and combines cloud applications to connect service providers in the smart home ecosystems, to provide the complete "Connected Home Solution" for the telecommunications providers.

Aiming at networking solutions for small and medium-sized businesses, education, hospitality and other specialized industries, the Group's "Nebula Cloud Networking Solution" integrates three different types of equipment, namely wireless Access Points(APs), switches and firewalls, which are most frequently used by network administrators, into a single Cloud platform management. The solution has three main features: automatic provisioning, unified cloud management and control, and pay-as-you-go pricing. These features help SMBs shift their network administration to the cloud addressing issues such as insufficient IT manpower, administration and maintenance, and costs. Additionally, the solution provides free cloud management, advanced business licenses, and lifetime packages, with a licensing scheme that meets the different expansion needs of businesses. In 2025, Zyxel Group continued to expand its Nebula product portfolio, introducing additional Nebula-compatible Wi-Fi 7 access points, Nebula 5G Wi-Fi 7 indoor routers, multi-gigabit switches, and a new cloud-integrated USG FLEX H-series firewall to meet the diverse, flexible, and high-performance network deployment needs of small and medium-sized enterprises.

Through Zyxel's exclusive Nebula cloud networking ecosystem, SMBs, chain businesses, and SOHO/self-employed users can effortlessly utilize a simple and integrated management platform to remotely access real-time network insights. This platform enables centralized management of switches, wireless access points, firewalls, and 5G/LTE mobile routers, delivering flexible deployment, stable security, and easy-to-manage high-performance networking solutions tailored for SMBs.

(7) Indoor distributed system technology for mobile communication

With the explosive demand for mobile networks, service providers are suffering from no suitable solutions for small and medium-sized buildings. The Group provides flexible indoor coverage solutions (In-Building Coverage Solution, IBS). The entire series of products use CAT5 and PoE power supply, so that network deployment is not restricted by environmental power facilities, and may be deployed more quickly, allowing mobile signals to be distributed to every corner of the building; it also supports 2G, 3G, 4G MIMO, 2CA and high compatibility with multi-band, multi-operator co-construction. The network deployment is more flexible while meeting the needs of end users. The Group's newly launched Repeater Hub is the first device with the advantages of both DAS and repeater. It solves the problem of mobile communication dead spots in small and medium-sized buildings, such as hotels, hospitals, department stores and office buildings, and makes management easier.

(8) Cyber-security for businesses

As remote and hybrid work models have become ubiquitous, organizations are confronting increasingly sophisticated cyber threats. Zyxel Group has continued to bolster its cybersecurity R&D to help SMBs and managed service providers (MSPs) attain enterprise-grade protection while remaining cost-conscious.

In 2025, Zyxel Group introduced cloud-to-edge integrated Smart Sync technology within the USG FLEX H-series firewall, delivering industry-leading security orchestration. Smart Sync automatically synchronizes cloud and on-premises security policies, network objects, and related configurations to ensure cross-platform consistency, simplify management workflows, and enhance overall operational efficiency. The USG FLEX H-series also features multilayered defenses to effectively counter the rising tide of cyberattacks, and its competitive cost structure enables SMBs and MSPs to accelerate improvements in security maturity.

On the cloud management and security integration front, Zyxel Group has expanded Nebula's support across its security product line—covering multiple firewalls and security services—to provide SMBs with a comprehensive end-to-cloud cybersecurity architecture. Nebula's centralized management capabilities, together with its increasingly sophisticated AI-driven security analytics, help organizations handle threat detection and incident response more efficiently.

In the endpoint security domain, Zyxel Group is developing an open, extensible endpoint ecosystem to offer greater deployment flexibility. In addition to integrating Avast's business security solutions to protect Windows, macOS, and Windows Server endpoints, the Astra security service provides cloud-based protection for remote and mobile users—such as dark-web monitoring, IP/URL reputation checks, and web filtering. Astra can be integrated with the Group's firewalls and cloud security services to implement consistent, unified security policies. Going forward, Zyxel Group will continue to expand cross-platform endpoint integrations to support a broader range of hybrid work environments and enterprise use cases.

(9) Radio communications, detection equipment, and technology development

The Russia–Ukraine conflict and recent hostilities in the Middle East have sharpened global attention on national defense, prompting governments to allocate greater budgets and resources toward modernizing military capabilities. Unmanned aerial systems and electronic-warfare platforms have emerged as principal areas of focus.

Zyxel Group has devoted more than 15 years to the manufacture and technological advancement of military radio-communication equipment. Beyond deploying over 20,000 sets of military-grade, anti-jam radios in service with the armed forces, it has attained a leading domestic and international position in software-defined radio (SDR) and mesh-network technologies. Zyxel Group is actively pursuing system integration with leading unmanned‑vehicle manufacturers to compete for recent procurement opportunities—estimated at roughly 200,000 drones and in excess of 1,000 unmanned surface vessels—seeking anti‑jamming, broadband data‑link communication modules. Thereafter, Zyxel Group plans to cooperate with systems integrators to introduce these solutions into markets across Southeast Asia and the Middle East.

On the radio‑detection front, Zyxel Group's robust radar signal‑processing expertise has enabled the bespoke production of advanced radar and electronic‑warfare systems for the armed forces, now installed across a range of platforms to conduct reconnaissance, target acquisition, and alerting functions. Recently, these capabilities have been translated into integrated drone‑defense systems that combine active and passive radar with both non‑kinetic (soft‑kill) and kinetic (hard‑kill) countermeasures. Zyxel Group intends for these systems to be assimilated into the broader national defense architecture and to play a key role in addressing the current surge in demand for military capability enhancements.

1.3.2 R&D expenditures during the two most recent fiscal year and the latest quarter up to the date of publication of the annual report

Unit: NTD thousand

Item \ Year	2025	2024
R&D expenditures (A)	1,854,696	1,906,796
Net operating revenue (B)	25,295,196	25,969,435
(A)/(B)	7.33%	7.34%

1.3.3 Products or services successfully developed in the five most recent years

Month/Year	Key Milestone
January 2021	5G deployment program collaborated by Telenor and Zyxel
July 2021	Collaborating with CHT, Zyxel completed the Concept Verification of Open Broadband Access Network
July 2021	ZNet is authorized by MITRE, a leading information security institution in the U.S, to become the first public listed company to become the CNA member in Taiwan.
December 2021	The first service provider class 5G FWA indoor router obtaining EasyMesh R2 certification in the world.
June 2022	ZNet continues to launch various latest Wi-Fi 6 and Wi-Fi 6E access points. The NWA50AX is tailor-made for small businesses and SOHO users and has won the 31st Taiwan Excellence Award as a recognition.
November 2022	Zyxel launched the Company's first MPro Mesh™ Wi-Fi 6E gateway and wireless network signal extender for the North American market.
July 2023	Zyxel was selected as one of the 2023 Fiber-To-The-Home Top 100 by the U.S. magazine "Broadband Communities".
October 2023	ZNet launches its first enterprise-grade 22Gbps (BE22K) Wi-Fi 7 wireless access point. ZNet introduces the all-new USG FLEX H series firewall, providing SMBs with multi-gigabit performance and advanced security protection devices. ZNet's Nebula cloud networking platform introduces the all-new AI search feature-Intent.

Month/Year	Key Milestone
December 2023	Zyxel was honored with the "Green Gold Collaboration Award" and received the "Gold Certificate" for sustainability partnership from Chunghwa Telecom.
February 2024	Zyxel Communications achieves Wi-Fi Alliance’s Wi-Fi 7 certification.
April 2024	Zyxel collaborates with Chunghwa Telecom to establish the networking equipment carbon footprint standard. Zyxel' The Minimal Series has won the 2024 German Red Dot Design Award for its sustainable, low-carbon design.
June 2024	ZNet launches the USG LITE 60AX security router, tailored for small businesses and remote work needs. This innovative and eco-friendly product has won recognition at the 33rd Taiwan Excellence Awards.
September 2024	Zyxel's The Minimal Series has won the 2024 Golden Pin Design Award for its low-carbon design.
November 2024	Zyxel's Wi-Fi 7 10G home gateway has won the 2025 Taiwan Excellence Award for its sustainable and innovative design.
November 2024	ZNet launches four new Wi-Fi 7 wireless access points, featuring AI-driven functions for rapid configuration, diagnostics, and troubleshooting, meeting the needs of businesses of various sizes and diverse usage scenarios.
November 2024	ZNet launches the AI Assistant feature SecuPilot integrated into SecuReporter cloud analytics service, simplifying threat analysis and reporting, allowing IT staff to respond to security threats more quickly.
December 2024	ZNet introduces the mini-network switch GS-100 with a sustainable concept, smaller than a smartphone, perfectly catering to space and budget constraints.
February 2025	Zyxel’s ethernet VoIP gateway achieved BBF 369 certification from the Broadband Forum.
April 2025	ZNet introduced an upgraded USG FLEX H‑series firewall that incorporates Smart Sync cloud‑to‑edge technology to synchronize cloud and on‑premises security policies and configurations, streamlining management and reinforcing cybersecurity protection.
June 2025	Zyxel was honored with EcoVadis’ Platinum rating—the highest distinction in the international sustainability assessment.
September 2025	ZNet’s NebulaFlex Pro tri‑band Wi‑Fi 7 access point "Smart Smile" series won the 2025 Golden Pin Design Award, recognizing its minimalist, approachable design and its prowess in enterprise‑grade networking innovation.
September 2025	Zyxel’s 5G FWA indoor‑router series was awarded the 2025 Golden Pin Design Award in recognition of its sustainable, low‑carbon design.
October 2025	ZNet introduced the industry's first Passkey‑based passwordless authentication feature, bolstering the security of user accounts and network services while streamlining sign‑in for SMBs and remote users and mitigating risks associated with password management.
November 2025	ZNet launched its inaugural industrial‑grade Wi‑Fi 7 access point, the IAP500BE, engineered with rugged industrial durability and delivering high‑throughput Wi‑Fi 7 performance to meet the connectivity demands of warehouses, manufacturing facilities, and maintenance

Month/Year	Key Milestone
	workshops, thereby accelerating industrial digital transformation.
November 2025	ZNet’s USG FLEX 50HP firewall garnered the Taiwan Excellence Award, affirming its comprehensive strengths in cybersecurity innovation and design excellence.

1.4 Long- and short-term business development plans

1.4.1 Short-term plans

(1) Brand:

ZNet focuses on developing networking solutions for businesses applications. To integrate the popularity of cloud services, ZNet provides products and services that meet the networking needs of both businesses and home users. Zyxel Communications is focused on developing complete, stable solutions that meet next-generation broadband access and further assist global service providers in deploying next-generation fixed-lined and mobile broadband networks.

Both companies will continue to deepen the Zyxel brand’s presence among service providers and channels. In addition to the already mature European market, they will continue to expand into emerging markets, including Central and South America, Africa, Turkey, Thailand, Vietnam, and the Philippines in Southeast Asia. In addition to the existing marketing channels, Zyxel is gradually establishing global marketing offices to better serve customers with localized sales and services. These efforts also include offering comprehensive channel partner training, incentive programs, advertising, trade shows, and various marketing activities. Zyxel is actively expanding into online cross-border e-commerce transactions and has established its own e-commerce platform. By combining online and offline marketing methods, Zyxel continues to drive brand growth. In addition to focusing on telecom equipment, Zyxel is also actively expanding into networking security and cloud networking fields and deepening its presence in specialized markets such as SMBs, education, and hospitality. With the vision of developing an international networking brand with innovative technologies and products, Zyxel integrates the internal business strategies and operational goals of the Group to ensure the most effective use of the Group’s resources.

Since launching its self-developed Nebula Smart Cloud Network Management solution in 2016, ZNet has achieved sustained growth while driving hardware sales. ZNet has progressively integrated more cybersecurity products to create comprehensive cloud networking solutions for SMBs, chain businesses, and SOHO/self-employed professionals. The Nebula platform supports over 100 device models, including switches, wireless access points, firewalls, and 5G/LTE mobile routers. Through continuous UI/feature optimization and real-world user feedback integration, it delivers flexible deployment, stable security, and easy management for high-performance networks. In 2025, the number of devices deployed on Nebula surpassed one million units, marking a significant milestone in the platform's development. Additionally, ZNet continues to enhance its cloud services and subscription billing systems. It launched the Circle platform to support MSP billing management and operates the official Zyxel Store e-commerce platform. This platform offers manufacturer warranties, customer service, and exclusive promotions, streamlining user ordering, payment, tracking, and returns.

Initially, Zyxel Store was focused on the 27 EU countries, and in 2023, it expanded to the U.S. market. Plans for future expansion include the APAC region and other European countries, providing a more convenient shopping experience for global users.

Zyxel focuses on service providers and continues to cultivate the global networking and communications market, committed to introducing cutting-edge technologies to strengthen service providers' competitive edge. On the wireless networking front, at CES 2026, Zyxel showcased its latest Wi-Fi 8 technology for the first time, delivering highly reliable, stable, and low-latency real-time connectivity services to meet the demands of AI applications and instant network connectivity. For fiber networks, Zyxel showcased 50G PON fiber access technology. Its Tri-mode optical module design enables simultaneous operation of 50G PON, XGS-PON, and GPON over shared fiber, allowing service providers to seamlessly upgrade network services using existing infrastructure. Combined with flexible equipment design, this further assists service providers in accelerating network expansion and deployment amid diverse deployment environments and high-speed service demands.

Zyxel's product portfolio also includes flagship offerings such as 5G FWA, 10G fiber, and Mesh Wi-Fi 7. Certified by the Wi-Fi Alliance, Zyxel has become the preferred choice for top European service providers including Odido, Telenor, Telia, and TDC. Zyxel has also partnered with third parties to develop the new Zyxel One cloud-based AI intelligent management solution. Leveraging AI analytics and real-time data, it enables service providers to remotely manage devices, reducing operational costs. Simultaneously, end-users can utilize the Zyxel One App to automatically initiate device setup processes and perform interactive smart diagnostics to resolve connectivity issues. This enhances user experience while delivering more comprehensive products and services, strengthening market competitiveness. Zyxel actively participates in international exhibitions and technical alliances such as MWC, Network X, and prpl Foundation. Zyxel showcases its leading technological capabilities at industry events including the Global prpl Summit Paris 2024 and Broadband Forum USP/TR-369 Plugfest. Our products hold multiple international certifications (e.g., BBF.247, BBF.369, etc.), further solidifying our industry-leading position.

In the realm of sustainable development, Zyxel has responded to the international service providers' 2040 net-zero carbon emissions target by launching low-carbon products and actively reducing carbon emissions in its operations. Its sustainability achievements have earned the prestigious EcoVadis Platinum Medal in international sustainability ratings, while its innovative sustainable product designs have garnered domestic and international accolades such as the German Red Dot Design Award and the Golden Pin Design Award, highlighting its exceptional capabilities in sustainable innovation and design. Zyxel will continue to drive technological innovation and sustainable development, collaborating with global partners to create long-term value and future growth momentum.

(2) OEM:

By keeping up with technological development trends and market demands, we continuously adjust its product portfolio. With the development of Wi-Fi 7 technology, we focus on deepening various wireless technologies and continues to invest in 5G development to seize the vast market opportunities that 5G presents. In response to the trend of high-speed network development, we are actively developing the latest fiber broadband PON technology and is committed to driving the digital transformation of future industries. MistraStar will continue to optimize production capacity allocation, strengthen supply chain resilience, maintain close cooperation with customers and suppliers, and leverage its production capabilities to achieve the best overall gross margin performance."

1.4.2 Long-term plans

(1) Brand:

Zyxel aims to be customer-demand oriented, providing complete structured solutions and application services. The development of new products is not solely focused on a single technology, but rather integrates Zyxel's network infrastructure with its hardware and software development capabilities to meet the diverse application needs of service providers, enterprises, and home users. With its robust software R&D team and modular OPAL software design software platform, Zyxel can swiftly respond to service providers' deployment requirements. Meanwhile, we are optimistic about the future demand for wireless networking and cloud solutions in enterprise networking equipment. Zyxel will actively expand from the telecom market to business networking equipment, increasing the proportion of revenue from business networking equipment while focusing more on offering comprehensive products and services to SMBs. For instance, new laptops and desktops will feature Wi-Fi 7, and devices like computers, tablets, smartphones, and various wearable devices will drive consumer demand for high-speed networks, further pushing the upgrade of commercial products and increasing demand for Multi-Gigabit Switches and PoE devices. Additionally, ZNet is actively expanding into the small ISP and WISP markets, offering high-performance FWA and cloud management solutions to support regional broadband services and enable rapid deployment and operations for small and medium-sized ISPs.

Meanwhile, in response to the rapid advancement of AI technology, ZNet has introduced AI-driven innovations to enhance cybersecurity defenses. Moving forward, we will continue leveraging AI and machine learning technologies to deliver more precise network monitoring and predictive maintenance capabilities. We plan to develop additional AI-powered services and features to comprehensively elevate user experience and satisfaction. Following organizational restructuring, we have clearly differentiated our enterprise and telecom markets, further strengthening strategic positioning and product R&D capabilities. Concurrently, we are expanding strategic alliances with industry partners to broaden our overall operational scale.

(2) DMS:

Enhancing R&D and Manufacturing Capabilities: Leveraging our accumulated expertise product development team, we will continue to invest in next-generation core technologies R&D while upholding product quality. By optimizing manufacturing processes and capacity allocation, integrating internal resources, and improving design, material selection, and manufacturing automation, we will elevate process standards, reduce costs, and demonstrate highly efficient and high-quality production capabilities.

Market Expansion and Strategic Partnerships: Actively develop new clients, expand market demand, and maintain keen awareness of global trends. Provide customized services to diverse client needs, secure collaboration opportunities with major international manufacturers, deepen cooperation levels, develop value-added services, establish robust long-term partnerships, and bolster stable growth momentum.

Supply Chain and Cost Competitiveness: Implementing automated production lines at the Wuxi plant, integrating supply chains across mainland China and Vietnam to enhance manufacturing cost competitiveness. Strategically diversifying production locations allows us to mitigate the impact of U.S. tariffs, recovering orders from American clients, and strengthen competitiveness in the global export markets.

Group Integration and Market Support: Collaborate with group brand subsidiaries to advance an integrated production-to-sales business model, expand market reach, and deepen end-to-end production-to-sales support for CPE products. This enhances overall market responsiveness and service capabilities.

2. Market and Sales Overview

2.1 Market analysis

2.1.1 Geographic areas where the main products (services) of the company are provided

The Group currently sells products in more than 150 markets around the world, and the services offered all over the world; subsidiaries and sales bases around the world not only serve our customers directly, but also understand the needs and pulses of the local market.

2.1.2 Market's growth potential

According to IEK analysis, while Taiwan's communications industry will face constraints on mobile phone and terminal shipments in 2025 due to U.S. tariff policies, AI-driven demand for cloud and data center infrastructure, coupled with aggressive network infrastructure investments by the U.S. and multiple nations, will boost exports of Wi-Fi 7 switches and high-speed fiber equipment. Annual output is projected to reach NT$1.2986 trillion, marking a 1.4% year-on-year increase. switches, and high-speed fiber equipment.

Looking ahead to 2026, the integration of Wi-Fi 7 and AI chips will continue to drive upgrades in networking equipment. AI data center demand will sustain steady growth in the switch market, while GPS applications expand into electric vehicles and wearable devices. Furthermore, the deepening of 5G services and growth in cloud-based operations will collectively foster stable expansion in overall communication services. The industry's output value is projected to reach NT$1.3156 trillion, marking a 1.3% increase over 2025. This indicates the sector's continued advancement toward a new phase characterized by high performance and intelligence.

(1) 5G FWA

With service providers actively entering the 5G FWA market, Omdia predicts that by 2027, the global 5G FWA user base will reach 5.9 billion, with a penetration rate of 70.9%, highlighting the increasing demand for 5G among end consumers. In the coming years, we will also witness the emergence of groundbreaking Augmented Reality (AR) services or devices, further reshaping the outlook of the 5G FWA market. Furthermore, MIC states that the global 5G FWA private network market is growing rapidly, with the market expected to reach $109.4 billion by 2030. The compound annual growth rate (CAGR) of the global 5G FWA private network market is estimated to be 43.55% from 2024 to 2030.

North America and Europe are the top two regions in terms of the global 5G FWA market size, with user bases accounting for 48% and 23%, respectively. The trend of supply chain diversification is becoming increasingly clear due to the Sino-US trade war. Moreover, with the requirements of the Clean Network program in the United States, it is expected that Taiwanese supply chains will be the main beneficiaries replacing Chinese counterparts. Taiwan is also expected to continue to maintain strong growth prospects in the future.

(2) Wi-Fi 7/8 devices

Indoor wireless networking technologies, especially Wi-Fi, are advancing rapidly. The seventh generation, Wi-Fi 7, continues to upgrade, with its maximum transmission speed reaching 46.4Gbps, which is 4.8 times faster than the highest speed of Wi-Fi 6. The market opportunity is heating up, with mass production expected to begin in 2024. By 2025, Wi-Fi 7 is expected to become mainstream, gradually replacing Wi-Fi 6 and Wi-Fi 6E. Meanwhile, the standardization process for the next-generation Wi-Fi 8 has already commenced. Centered on enhanced reliability and AI-driven applications, it will usher in a new wave of wireless technology innovation.

2.1.3 Competitive niches

(1) Value of full-rounded customization

The group possesses complete broadband technology and high technical autonomy, enabling us to offer tailored solutions based on customer needs. Unlike competitors who tend to focus on developing single products, our group emphasizes providing a comprehensive product line and end-to-end solutions that meet customer needs across different usage scenarios.

(2) Appreciation to R&D and production quality

The Group has two design and R&D centers around the world, and a high percentage of R&D average expenditures are input annually, showing how much the Company values innovative R&D. The Company has been certified with ISO9001 and is also one of the few domestic Netcom companies that have obtained TL9000 quality certification for the communications industry. In addition, the newly developed products launched to the market every year have also won many awards in international professional magazine tests and evaluations; it clearly demonstrates the superior R&D and production capabilities.

(3) Smooth global marketing channels and rapid responses to market demands

The Group's service offices around the world not only provides complete after-sales services, but also understands the needs and technical trends of the local market. Moreover, the Company values partnerships, and takes clients as the center, to offer them the best service efficiency and influence.

2.1.4 Positive and negative factors for future development, and the company's response to such factors

(1) Positive factors

①The global communications market is growing, and the Internet of Things and smart cities fuel new business opportunities

According to the estimates of IEK, ITRI, with the development of 5G, mobile broadband services, massive machine type communication, communication with ultra-high reliability and ultra-low latency will be enhanced respectively. The world will embrace the large-scale deployment of 5G, penetration of user equipment, and overall activation of services. These will bring huge business opportunities and revolutionary development, especially when combining with AI, Internet of Things, AR/VR and other technologies, it will bring great benefits in vertical applications such as smart healthcare, smart plants, and smart cities. Moreover, IoT applications will drive tens of billions of terminal connections, and significant business opportunities are highly anticipated.

②Complete coverage of product line

In response to the needs of various emerging services, global service providers are actively planning and investing in the deployment of new generation optical fiber, wireless wide area networks, and telecom Internet TV services. The key telecommunications equipment required for these deployments have been included in the telecommunications product lines planned by the Group. With the recovery of the global economy and the demand for new and better services from home users, the Group is expected to increase the global market share of telecom central office and customer premises equipment again in the near future.

③Superior R&D and customization capabilities

Service providers in various countries plan to launch service solutions that are more diversified, and heterogeneous network integration is the main demand to meet consumer needs. Product customization capabilities and cost control are important factors in future competition. The Group has always appreciated the mastery of key technologies. Over years, it has focused on user-oriented innovation, and has continued to develop to provide users with more streamlined and efficient solutions to meet the needs of diversified services.

④Demands from emerging market increase, and the Internet industry has unlimited prospects

Emerging markets are becoming more and more important to the global communications industry. In addition to the Asia-Pacific region, Latin America, the Middle East, and Africa have also actively invested in telecommunications infrastructure in recent years in order to quickly overcome the digital gap between urban and rural areas. The Group is one of the few suppliers in the world with a complete telecommunications's central office and user equipment. In recent years, it has established business marketing and technical support service offices in emerging countries.

⑤Sustainable products launched to cope with the Net-Zero trend

To cope with the global Net-Zero trend, sustainable environmentally friendly products are designed and developed actively; from the design of the product soft- and hardware, suppliers, manufacturing, packaging, logistics to recycle, the carbon emission and carbon footprint at each stage during the life cycle of products are strictly reviewed, to implement the energy-saving and sustainability philosophy with the up- and downstream of the supply chain, sales partners, and customers.

(2) Negative factors and responses

①Negative factors

Intensive industry competition and price-cutting from new competitors: the broadband market in mature countries such as Europe and the United States is close to saturation, and the telecom tender market is fiercely competitive; in addition, new competitors from China compete with destructively low prices to seize market share; price competition will considerably squeeze margins. In recent years, the global AI boom has continued to intensify, driving up memory demand and causing market supply-demand imbalances. This has led to soaring market prices, impacting the pricing of networking equipment.

②Responses

Our group is actively collaborating with service providers to provide complete, fast, and efficient integrated network construction and maintenance solutions. At the same time, we are expanding our business into network solutions for professional industries such as SMBs, education, hospitality, manufacturing, and retail, as well as the channel market. This has significantly boosted the visibility of the Zyxel brand. Additionally, in terms of market development, besides the relatively mature markets in Europe and North America, we will gradually increase our revenue share from emerging markets and regions such as the Asia-Pacific, helping to diversify market risks. In response to soaring product prices, Zyxel has adopted a tiered sales strategy. For Tier 1 international service providers, it provides customized product solutions driven by customer needs. For Tier 2 and Tier 3 service providers, Zyxel integrates cloud services and management to deliver the high-value-added Zyxel One Cloud AI Intelligent Management Solution. This enhances customer loyalty and satisfaction while generating additional revenue through subscription-based cloud software services.

2.2 Usage and manufacturing processes for the company's major products.

2.2.1 Key usages of major products

Our group focuses on next-generation network communication technologies, specializing in wired and wireless broadband networks, next-generation networking, cloud network management, and cybersecurity equipment and services. Our product development, manufacturing, and Zyxel brand expansion efforts revolve around these core areas. The main products and solutions can be categorized into the following aspects:

	Product name	**Key usages and functions**
Devices for Service Providers	Mobile broadband customer-premise equipment	Providing mobile broadband access products compliant with 5G FWA/Wi-Fi 7/8 standards.
	Fixed line customer-premise equipment	It includes complete broadband access technologies such as G.fast, Ethernet, and provides voice/data/video integrated feature to meet the service providers' requirements for a wide coverage, stable transmission, and robust signal wireless network environment for home internet users.
	Optical network units	Including 50G PON/XGS-PON/PON, Active Ethernet and other complete customer premise equipment; This product portfolio meets the high-bandwidth applications of service providers.
	Central office equipment	Supporting 50G PON/XGS-PON/PON, Active Ethernet and G.fast technologies, providing low port number box type, to high port number rack type MSAN, OLT product line, to meet the end-to-end deployment plan of service providers from small-scale to large-scale users
	High-value-added services	Zyxel One AI-powered Wi-Fi Management Solution enables service providers to remotely monitor and manage subscribers' devices through AI analysis and visualized data, quickly troubleshooting connectivity issues. Users can swiftly install devices and resolve home connectivity issues through interactive smart diagnostics via the Zyxel One App's guided setup. This synergistic approach not only effectively reduces service providers' technical support and maintenance costs but also continuously enhances user satisfaction with their internet experience.
Equipment for Businesses	Ethernet switch	Network switching equipment with multi-port bridging capabilities to optimize network bandwidth and enable fast data transmission.

	Product name	Key usages and functions
	Business wireless connection	Provide small and medium-sized businesses wireless local area network solutions along with a flexible cloud-based network management solution that encompasses wireless, wired, security, and mobile broadband. Additionally, offer subscription-based cloud network management services to meet businesses' diverse needs for multi-site network management.
	Network security products	Providing standalone integrated network security solutions, we establish round-the-clock security protection between the internet and corporate networks for enterprise users accessing the web via dedicated lines or ADSL. This safeguards internal resources against unauthorized intrusion, attacks, theft, or tampering by external hackers. Additionally, through our cybersecurity subscription model, small and medium-sized business users can maintain optimal network protection performance by paying a regular fee to receive the latest security optimization services.
	Others	Providing business NAS and DAS equipment, including ZoneDAS extender and Slim DAS. This flexible indoor coverage solution meets the needs of end users such as hotels, hospitals, department stores and office buildings.
Others	Home networking	Providing home wireless AP and wireless signal extender, which eliminate the blind spots of wireless networking signals at homes or small offices. Through the extension of the wireless network, a more reliable and faster wireless network connection is provided.
	Power line devices	The existing power cord is used to connect to the network, to satisfy households’ demands for wiring free, high-bandwidth, and convenient network connection.
	Internet of things	Providing home routers for the dedicated home area network technology, as a smart home hub, to connect and control smart home appliances.
	Radio frequency equipment	Providing wireless communication equipment with industrial specifications and FHSS technology, with advanced encryption system and high reliability.

2.2.2 Manufacturing process of major products

The production process may be divided into two parts: the front end engineering (order-based production) and the back end engineering (order-based production). The details of each part are as follows:

①Front End Engineering:
Issuing components → Solder paste printing→ SMD parts placement → Reflow → AOI inspection→ Material forming→ DIP plug-in→Wave soldering→ Parts supplementary inspection → Material forming → DIP insertion → Wave soldering → Parts touch-up → Function test → Semi-finished product sampling inspection → Burn in test → Functional test → Semi-finished products sampling inspection → Semi-finished products stocking

②Back End Engineering:
Issuing Semi-finished products → Accessories preparation → Assembly→ Functional test→ Packing → Finished product sampling inspection→ Finished products stocking → Shipping inspection→ Shipping

2.3 Supply of Major Materials

The major materials include IC components such as chip sets, RF IC , and PCB. The Company has good partnership with each supplier, without any key component under other's control. The electronic and mechanic components are supplied domestically, so there is no risk of shortage. Major materials and suppliers are as following:

Major material	Supplier
Chip set	Alltek (Broadcom); MediaTek (MTK); Airoha; Rich Power (REALTEK); AITg (Qualcomm)
RF IC	Frontek (Richwave); WT Microelectronics (Skyworks); Promaster (Qorvo)
PCB	Ellington; Trustech

2.4 Major suppliers and clients

2.4.1 A list of any suppliers accounting for 10 percent or more of the company's total purchase amount in either of the 2 most recent fiscal years.

In the past two years, no single supplier has accounted for more than 10% of total purchases.

2.4.2 A list of any clients accounting for 10 percent or more of the company's total sales amount in either of the 2 most recent fiscal years.

Unit: NTD thousand

Item	2025				2024			
	Company Name	Amount	(%)	Relation with issuer	Company Name	Amount	(%)	Relation with issuer
1	Client A	3,166,709	12.52	N/A	Client A	1,775,703	6.84	N/A
	Other	22,128,487	87.48		Other	24,193,732	93.16	
	Total	25,295,196	100.00		Total	25,969,435	100.00	

3. Employee Overview

The number of employees employed for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report:

Year		2025	2024	As of March 31, 2026
Number of employees	R&D	997	982	1,019
	Manufacturing	329	367	320
	Marketing	607	729	593
	Management	390	396	393
	Direct employees	390	519	376
	Total	2,713	2,993	2,701
Average age		39.52	39.57	39.76
Average years of service		7.99	7.13	8.51
Distribution of academic background (%)	PhD	0.30%	0.27%	0.33%
	Master	33.80%	32.24%	33.80%
	College and under	65.90%	67.49%	65.87%

4. Environmental Protection Expenditure

4.1 According to Laws and Regulations If It Is Required to Apply for a Permit for Installing Anti-pollution Facilities, or Permit of Pollution Drainage, or to Pay Anti-pollution Fees, or to Organize and Set up an Exclusively Responsible Unit/Office for Environmental Issues, the Description of the Status of Such Applications, Payment or Establishment Shall Be Made:

There is no special pollution generated from the operating activities of the Group. The sewage disposal fee in 2025 was paid pursuant to the rate fixed by Hsinchu Science Park, for total NTD 670,094.

4.2 Setting Forth the Company's Investment on the Major Anti-pollution Facilities, the Use Purpose of Such Facilities and the Possible Effects to Be Produced: none.

4.3 Describing the Process Undertaken by the Company on Environmental Pollution Improvement for the Most Recent Two Fiscal Years and up to the Prospectus Publication Date. If There Had Been Any Pollution Dispute, Its Handling Process Shall Also Be Described: none.

4.4 Total Amount of Losses or Fines Suffered by the Company in the Two Recent Fiscal Year and up to the Annual Report Publication Date Due to Environmental Pollution Incidents, and Measures Being or to Be Taken:

The Group has not been fined by competent authorities in the two recent fiscal year and up to the annual report publication date due to environmental pollution incidents.

4.5 Explaining the Current Condition of Pollution and the Impact of Its Improvement to the Profits, Competitive Position and Capital Expenditures of the Company, as Well as the Projected Major Environment-Related Capital Expenses to Be Made for the Coming Two Fiscal Years: none.

5. Labor Relations

5.1 List Any Employee Benefit Plans, Continuing Education, Training, Retirement Systems, the Status of Their Implementation, and the Status of Labor-Management Agreements and Measures for Preserving Employees' Rights and Interests:

5.1.1 Benefit plans

(1) All employees are enrolled in the labor and national health insurance programs, in addition to the group insurance (including life insurance, casualty insurance, medical insurance, cancer insurance, medical insurance and cancer insurance for spouse and children).
(2) Reimbursement of marriage, childbirth and death subsidies.
(3) Flexible welfare bonus point system optional by employees voluntarily.
(4) Orientation and competency-oriented professional training.
(5) Allocation of bonus to employees and employee stock ownership plan.
(6) Periodic health checkup, and activities for health promotion.
(7) Fitness gym, clinic, convenience store, restaurant, coffee bar, breastfeeding room, and various on-site services for the staff.
(8) Free employee counseling program available for 24 hours each day.
(9) Provide free parking spaces for employees’ cars or scooters.
(10) New employee leave policy superior to Labor Standards Act and no make-up day on Saturday.

5.1.2 Joint Employee Welfare Committee of the Zyxel Group

The Group has established the Employee Welfare Committee, namely the Joint Employee Welfare Committee, of which all employees elect the members. The Committee uses its best effort to create a fine-quality environment that can fit employees best, hoping to attend to the staff's work and life at the same time to make all employees feel happy. The various activities and subsidies provided through the Welfare Committee's operation, including the family day, annual dinner party, sports games, art and cultural exhibition, company trip, and emergency relief, etc., facilitate the harmonious relationship between the employer and laborers.

The Joint Employee Welfare Committee fully supports the freedom to found any clubs, and keeps awarding clubs the relevant subsidies. So far, more than 20 active clubs are dedicated to serving as the channel for employees to take care of their health and physical and mental development after work and interact with each other.

5.1.3 Continuing education and training of employees

The Group values employees’ comprehensive learning and development. The training courses are planned internally and externally.

(1) Internal training

Employee training includes traditional Classroom Training and On Job Training, as well as e-learning. The internal training is categorized into orientation training, management training, professional training, and other training activities:

①Orientation training:

The Group provides a variety of general training courses for new employees, covering topics such as company introduction, organizational culture, code of conduct, industrial safety, environmental protection and hygiene, quality management, intellectual property rights, and information security. These training sessions are conducted through SAP LMS online courses and in-person classes. The objective is to help new employees quickly familiarize themselves with the company environment and work regulations, acquire essential common work skills, and adapt to their roles efficiently.

②Management training:

Subject to the competency required from various senior managerial officers, the Group provides the officers with the management training, primarily to improve the management's ability to guide people (communication) and team, and lead and do their job (make decisions). In addition to the general training courses, the management’s ability may also be developed through the Project Assignment, Job Rotation, Coaching and Self-learning, etc.

③Professional training：

The Group arranges professional training covering R&D, sales, marketing, manufacturing, quality, and financial accounting for different professional personnel periodically to upgrade professional personnel's expertise and strengthen accumulation and transfer of intelligence and knowledge internally via various knowledge-sharing platforms. Each department will also organize professional training courses for the department, if necessary.

④Other training activities:

The Group provides all staff with the theme-based, or a series of, general training courses, e.g. interpersonal communication, presentation skills, project management, knowledge about products, and language proficiency, etc., so that the staff may learn professional knowledge, and the skills benefiting their work efficiency.

(2) External training

The Group’s employees may request the training subject to their work and personal development needs, or be designated by supervisors to attend external professional training courses.

The employee trainings in 2025 are described as following：

Type of course		Session	Attendees	Hours	Total expenses (NTD thousand)
Internal training	Orientation	120	5,351	36,280	7,279
	Management training	18	416	1,201	
	Professional training	112	6,329	8,883	
	Other trainings	64	13,490	11,180	
External trainings		100	122	976	

5.1.4 Continuing education and trainings of managerial officers

Managerial officer	Date	Host by	Training / Speech title	Hours
Jason Pu (Financial&Accounting officer)	2025/06/11	Accounting Research and Development Foundation	Legal liabilities of employee fraud and best practices in internal control and auditing	6 hours
	2025/06/30		Workshop on sustainable information preparation and reporting practices	6 hours
	2025/07/14~07/23		Initial training program for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	30 hours
	2025/07/30		In-depth analysis of IFRS 18: Presentation and disclosure in financial statements standards and practices	6 hours
Jessica Chen (Senior Manager, Audit Office)	2025/08/25	The Institute of Internal Auditors, R.O.C.	Auditing ethical and professional dilemmas in the Age of AI	6 hours
	2025/08/26		Enhancing corporate sustainability value by establishing a robust risk management framework.	6 hours

5.1.5 Continuing education and training of directors

Director	Date	Host by	Training / Speech title	Hours
Shun-I Chu (Director)	2025/07/09	Taiwan Stock Exchange	2025 Cathy sustainable finance and climate change summit forum	6 hours
	2025/07/16	Taiwan Corporate Governance Association	Sustainability advocacy forum	6 hours
Ping-Chin Li (Director)	2025/03/27	Greater China Financial and Economic Development Association	The seriousness and strategies of enterprises in the new landscape	3 hours
	2025/06/23		The arrival of the AI era: Opportunities and challenges for enterprise intelligent transformation	3 hours
Wayne Hwang (Director)	2025/04/18	Greater China Financial and Economic Development Association	The global impact of Trump's tariff war	3 hours
	2025/10/03	Securities and Futures Institute	2025 Insider trading prevention and awareness initiative	3 hours
Jyuo-Min Shyu (Director)	2025/03/20	Taiwan Academy of Banking and Finance	Corporate governance lecture	3 hours
	2025/06/04	Taiwan Corporate Governance Association	Navigating change: A strategic blueprint for a transformative global landscape	3 hours
	2025/08/22	The Chinese National Association of Industry and Commerce	2025 TS Holdings Net Zero Summit	3 hours
Ping-Jie Chu (Director)	2025/05/07	Taiwan Institute of Directors	SAP NOW AI Tour Taiwan: "Business AI - Leading the Future"	3 hours
	2025/08/21	Greater China Financial and Economic Development Association	The impact of carbon pricing on business operations	3 hours
	2025/09/26	Independent Director Association Taiwan	Carbon pricing, carbon trading, and the challenges and opportunities of international climate change response.	3 hours
Chin-Tang Liu (Independent director)	2025/01/15	Taiwan Institute of Directors	Facing the year of sustainability – Core content and response strategies of IFRS sustainability disclosure guidelines S1 and S2	3 hours
	2025/02/21	Taiwan Corporate Governance Association	Current global economic situation	1 hour
	2025/07/09	Taiwan Stock Exchange	2025 Cathy sustainable finance and climate change summit forum	6 hours
	2025/08/05	Taiwan Corporate Governance Association	How the Board of Directors responds to 12 ESG risk issues	3 hours
Chin-Liang Wang (Independent director)	2025/08/08	Securities and Futures Institute	2025 Seminar on legal compliance for insider equity transactions	3 hours
	2025/08/21	Greater China Financial and Economic Development Association	The impact of carbon pricing on business operations	3 hours
Yi-Bing Lin (Independent director)	2025/09/16	Taiwan Corporate Governance Association	Corporate governance officer and board members	3 hours
	2025/10/17		Corporate governance officer and sustainable governance	3 hours
Shing-Hai Wei (Independent director)	2025/02/24	Greater China Financial and Economic Development Association	Trump's new tariff policy and global economic changes	3 hours

Director	Date	Host by	Training / Speech title	Hours
	2025/07/09	Taiwan Stock Exchange	2025 Cathy sustainable finance and climate change summit forum	6 hours
	2025/10/03	Securities and Futures Institute	2025 Insider trading prevention and awareness initiative	3 hours

5.1.6 Employee Code of Conduct

Zyxel Group has established the “Employee Code of Conduct” to govern the basic behavior guidelines and ethical standards to be followed, and clarify and restate Zyxel Group's existing management philosophy and values, and the spirit signified by related laws and regulations. All of Zyxel Group's employees shall comply with the following service principles:

(1) For all business activities

①Any activities shall satisfy ethical management regulations. Ethical management should be identified as the core management philosophy to be followed by all employees strictly.

②All staff shall consider the company's overall interest when performing job duties, rather than personal or department's interest.

③All staff shall not provide or accept bribe, or other improper benefits in any form.

④All staff shall exercise the due diligence as a good administrator to protect Zyxel Group's tangible or intangible assets. The staffs are prohibited from impairing Zyxel Group's interest by wasting, intentionally damaging, embezzling or misappropriating the assets, but shall apply Zyxel Group’s resources to create the maximum interest for Zyxel Group.

⑤The working capital and assets may be utilized for legal and adequate purposes only.

⑥They shall comply with the laws, regulations and systems applicable locally in the place where they are performing job duties.

(2) When dealing with the outsiders, such as customers and suppliers, all staff shall

①Act in a commercially fair, open and honest manner.

②Select the suppliers who uphold the values and code of conduct as same as Zyxel Group as partners to work with each other to raise the entire benefits.

③None of the staff shall solicit customers for business in an unfair manner. The staff shall use the best effort to upgrade the product and service level to satisfy customers’ needs.

④When dealing with customers, the staff shall act in accordance with the fair practices applicable to business, marketing and advertising campaigns, and take any reasonable actions to ensure the safety and quality of products or services they provide.

⑤The staff shall take adequate actions to maintain and increase intellectual property, and respect another person's intellectual property rights.

(3) Employees of the Group

① Zyxel Group shall provide employees with a working environment providing adequate remuneration and career development opportunities and align with the international and local labor laws, regulations, and standards.

②Any discrimination, harassment, or oppression is not allowed in the working environment, so discrimination toward employees is based on race, color, belief, nationality, gender, age, disability, sexual orientation, pregnancy, political affiliation or marital status.

③Support and respect the protection of human rights prevailing internationally, e.g. the Universal Declaration of Human Rights of the United Nations, the basic conventions of the International Labor Organization (ILO) fundamental conventions, and the Global Compact.

④Provide employees with a safe workplace, and training and protective equipment required by laws and regulations. The staff shall use the best effort to maintain a safe and healthy working environment, and strictly comply with the safety and health operating procedures and guidelines when performing job duties to prevent themselves and others from danger.

(4) Fulfillment of social responsibility

①Strictly comply with the government's and Zyxel Group's environmental protection policies and guidelines, fulfill the environmental protection responsibility, and avoid contaminating and undermining the environment and wasting resources.

②Fulfill the corporate social responsibility and contribute to the communities where Zyxel Group is operating, as one of the corporate citizens, and also encourage employees to participate in various community development activities after work.

5.1.7 Retirement system

The Group has established its Supervisory Committee of Labor Retirement Reserve according to the Labor Standards Act as of May 1991 and contributed the labor retirement reserve to the Central Trust of China every month. The reserve was managed by the Supervisory Committee of Labor Retirement Reserve. Since July 1, 2005, for employees who choose to apply to the pension system under the Labor Pension Act, the amount equivalent to 6% of the salary of each of them has been contributed to a dedicated account at the Labor Insurance Bureau.

5.2 List the Losses Suffered by the Company Due to Labor Disputes for the Most Recent Year until the Date of Publication of the Annual Report and Disclose the Amount in Losses That May Occur from Such Disputes in the Future and the Countermeasures. If the Amount Cannot Be Reasonably Estimated, Explain the Facts behind Why the Reasonable Estimation Cannot Be Made:

Zyxel Group has always placed great importance on human capital and harmonious labor–management relations, and is committed to strict compliance with labor legislation. However, as of the printing date of the annual report, one labor dispute remains pending; details are as follows:

Matter description: A dispute has arisen between the Company and a former employee regarding the legal effect of the termination of the employment contract. The former employee has initiated litigation seeking a judicial declaration that an employment relationship existed; the plaintiff requests confirmation that an employer–employee relationship between the parties is legally established.

Current status: The case is currently pending before the Hsinchu District Court and has entered first-instance proceedings; the court will schedule oral hearings.

Estimated potential exposure and response measures:

Financial impact assessment: After evaluating the amount in dispute and the potential cumulative salary payments, the estimated exposure constitutes an immaterial proportion of the Company's total assets and revenues, and is not expected to have a material adverse effect on the Zyxel Group's financial position or overall operations.

Response measures: Zyxel Group's legal department has assembled supporting evidence and engaged external counsel to vigorously defend the action, while concurrently enhancing legal training for HR supervisors to prevent recurrence of similar disputes. In addition to actively participating in the judicial process, Zyxel Group has assessed the matter in accordance with applicable accounting standards and, if necessary, will record an appropriate provision in the financial statements. Zyxel Group also continues to refine its performance evaluation and employee exit procedures to ensure the rigor and integrity of personnel operations.

6. Information Disclosure of Cyber Security Management

6.1 Cyber Security Risk Management Framework

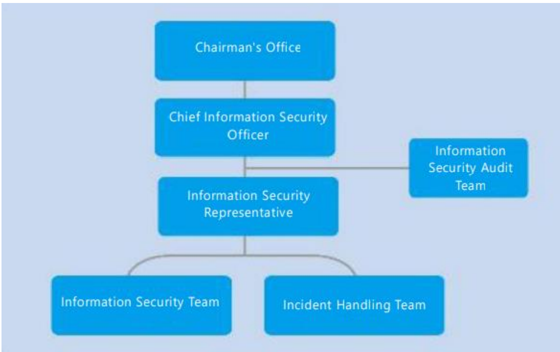
Dedicated Information Security Organization: We have a dedicated chief information security officer responsible for coordinating the planning of information security strategies. In 2014, an information security team was formed based on the information security organization structure developed according to ISO27001 to map out information security strategies and goals, monitor information security incidents, carry out information security activities and projects, and organize relevant dissemination and training sessions.

Direct Subordination to the Chairman’s Office: In response to rising information security threats, Product Security Incident Response Team (PSIRT) is under the jurisdiction of the "Information and Product Security Management Division," which consists of separate departments for “Information Security Management Department” and “Product Security Management Department”. The departments and division are in direct subordination to the Chairman’s Office and are responsible for continuously monitoring potential external threats and giving immediate response to safety issues.

Monitoring by the Board of Directors: The implementation of information security is reviewed regularly on an annual basis. Management review meetings are also held in an effort to unceasingly promote and improve he information security management system. With the aim of ensuring the continuous and effective operation of the internal information security management mechanism, a report on information security work plans and their implementation is made to the Board of Directors at least once a year.

Information Security Organization

Information Security Committee



6.2 Cyber Security Policy

Under Zyxel Group’s information security management framework, the “Governance” pillar prioritizes policy formulation. To safeguard information assets, the company establishes comprehensive information security policies and codifies corresponding operational procedures, controls, standards, specifications, and codes of conduct. These instruments are continuously updated to incorporate developments in information technology and business operations, thereby ensuring the effectiveness of information security practices. The information security rules and codes are developed in alignment with the ISO/IEC 27001 international standard and include, among others, the Cybersecurity Management Measures, Software Asset Management Policy, Personal Computer Equipment Service and Management Policy, and Data Backup Operational Procedures.

To ensure implementation, relevant information security policies and controls are communicated in writing or electronically to company employees, interconnected subsidiaries, and third-party IT service providers, who are required to comply.

6.3 Concrete Management Program

6.3.1 Educational Promotions and Training for Cyber Security

Zyxel Group has established the internal information security website, to provide real-time information security messages to colleagues via the “information security site,” to improve the cognitive ability of information security, enhance the awareness of information security risks, urge all employees to understand the importance of information security, know various possible security risks and responding methods, for the purpose of safeguarding the overall information security.

The colleagues receive training and promotions related to information security annually, to improve their information security awareness and protection capabilities, and lower the information security vulnerabilities resulted from man-made factors. The colleagues newly on-board must complete the online information security courses as required by the new employee training program, including the information security policies, utilization and regulations. All colleagues must complete the information security courses based on their levels, to urge them to understand the importance of information security and various possible risks, enhance their information security awareness, and follow the related information security requirements.

6.3.2 ISO 27001

To ensure the confidentiality, completeness, and availability of all information, from 2015, the ISO27001:2013 international certification has been obtained by passing the review of the verification institution, BSI. And the transition certification to ISO 27001:2022 was successfully completed. The current certificate is valid from April 12, 2024, to April 11, 2027. Zyxel Group has implemented the managerial spirit of “Plan-DoCheck-Act” (PDCA) with a rigorous attitude and continuously improved the information security management and techniques, to safeguard the customers’ data security.

Various management documents are established as required by the standards of the ISO27001:2022 version, the information assets inventory and updates are conducted annually, as well as various information security tasks, including the risk appraisal, analysis of the impact to operations, drills of disaster recovery, audit of account authorizations, scanning of vulnerability and loopholes, penetration tests, and drills of social engineering. The internal and external audits are conducted annually with the convention of management review meetings, to continuously implement various information security policies.

6.3.3 Data Safeguard System and Mechanism

The information security team of Zyxel Group has established its own security operation center (SOC); via data collecting and big-data platform, the security intelligence and database are established; by combining the user and device behavior analyses and machine learning, various multi-dimensional relevance analyses are conducted, to detect behaviors like information security incidents or periodic connection, and provide the real-time alerting mechanism, so the internal and external information security threats are caught in real-time, and the information security incidents are dealt with immediately to minimize the information security damage.

6.4 Resources Input to the Cyber Security

6.4.1 Information Security Management Performance

Zyxel Group has established the verification of information security management system (ISMS) meeting the international standards, ISO/IEC 27001:2022 (including the national standards for information security management system, CNS 27001: 2023). Since the information security management system was introduced and verified in 2015, the information security management verification and periodical review have been passed for 10 years in a row. The information security management has been continuously implemented, and the verification has been obtained every three years via the appraisal and periodical review in between, for the continuous improvement and optimization of management and technologies.

In an effort to monitor potential external threats continuously and cope with security issues immediately, Zyxel Group has formed the “Product Security Incident Response Team” (PSIRT). Under PSIRT is the Product Security Management Department, the team maps out and executes product safety control measures, identifies procedures and guidelines required to be improved together with our product safety representatives, and makes flexible and continuous revisions. It has established safety framework design principles and carried out source code security testing and product safety verification to solve root problems and integrate product design with information security.

Since 2021, Zyxel Group has served as a CVE Numbering Authority (CNA) under the NIST CNA program, a member of the MITRE Common Vulnerabilities and Exposures initiative, responsible for evaluating vulnerability risks and impacts. In June 2023, the Group achieved the highest NVD Acceptance Level “Provider” certification, further strengthening vulnerability management and product security mechanisms while enhancing brand reputation. By obtaining international membership and adhering to external requirements, Zyxel aims to accelerate the internalization of product security practices and fully implement Security by Design. These efforts ensure that every R&D process follows security design principles, safeguarding the confidentiality, integrity, and availability (CIA) of Zyxel Group’s information assets against internal and external risks.

6.4.2 Information Security Management Goals and Outcomes

(1) Implement perimeter firewalls, intrusion detection and prevention systems (IDS/IPS), and virtual private networks (VPNs) to fortify the network perimeter and ensure secure remote access.

(2) Implement multi-factor authentication (MFA) and establish granular access control policies to reinforce user identity verification and authorization.

(3) Leverage microsegmentation and Software-Defined Perimeter (SDP) architectures to minimize the internal attack surface, while enhancing network visibility and enabling real-time threat detection and response.

(4) To enhance employees' awareness of cybersecurity and prevention of email fraud, we implemented information security education and training for all employees, with a completion rate of 99.5%, and conducted two social engineering drills.

(5) The drill of backup switch of the business continuity capacities of the core operating information system was completed in December 2025 as an outcome.

(6) Formulate a comprehensive generative AI strategy and usage guidelines to safeguard information security, while fostering the adoption of AI-assisted design practices among engineers and R&D teams to enhance productivity.

6.5 Specify the Losses, Possible Impacts and Responding Measures for the Material Information Security Incidents in the Most Recent Year Until the Printing Date of the Annual Report; if a

reasonable estimate cannot be made, please explain the fact that cannot be reasonably estimated: None.

7. Important Contracts

Type of Contract	Contractual Party	Term	Major Contents	Restrictive Clause
Contract for sale of products	Agent/telecommunication service provider	Since 2013	Sale of products, and related services derived therefor.	none
License agreement	Multiple domestic/foreign technology companies	Since 2013	License to the technologies required by products, such as Checkmarx, Femto, LTE, IPAV, Digital home, and antivirus.	none
OEM contract	Multiple multinational enterprises	Since 2011	Sale of products and OEM services.	none
Construction Contract	With companies including Li Ming Electronics Industrial Co., Ltd., Hong Wei Electrical Industry Co., Ltd, Ying Sherng Enterprise Co., Ltd., Quanjia Technology Engineering Co., Ltd. and Cheong Sum Engineering Co., Ltd.	2015~2028	Water & electricity, electromechanical and air-conditioning engineering projects.	none
Real estate tenancy agreement	Hsinchu Science Park Bureau and the branch in the Science Park	2010~2025	Public property, plant and dormitory of the Park Bureau rented to the branch in the Science Park. The land rent is paid on a monthly basis. In the government's land price adjustment, the rent will be adjusted relatively, provided that no recovery or refund of paid rent is applicable. Additionally, we maintain leased office space in Taipei and a manufacturing facility in Zhunan.	none

V. Review of Financial Conditions and Operating Results, and Risk Management

1. Financial Position

Unit: NTD thousand

Item \ Year	2025	2024	Difference	
			Amount	%
Current assets	17,112,890	17,430,912	-318,022	-1.82%
Property, plant and equipment	2,430,882	2,499,779	-68,897	-2.76%
Intangible assets	161,837	199,605	-37,768	-18.92%
Other assets	2,158,435	2,531,034	-372,599	-14.72%
Total assets	21,864,044	22,661,330	-797,286	-3.52%
Current liabilities	9,305,524	8,748,344	557,180	6.37%
Non-current liabilities	706,023	2,616,078	-1,910,055	-73.01%
Total liabilities	10,011,547	11,364,422	-1,352,875	-11.90%
Capital stock	4,154,450	4,115,175	39,275	0.95%
Capital surplus	3,715,272	3,640,792	74,480	2.05%
Retained earnings	4,275,485	3,761,864	513,621	13.65%
Other equities	-461,742	-386,170	-75,572	-19.57%
Treasury shares	-96,550	-96,550	0	0.00%
Non-controlling interests	265,582	261,797	3,785	1.45%
Total equity	11,852,497	11,296,908	555,589	4.92%

1. Describe and analyze changes between two consecutive periods over 20% and more than NTD 10 million:
   (1) Non-current liabilities decreased from the previous period, mainly due to the reclassification of bonds payable to long-term liabilities - current portion.
2. Impacts from financial position changes and response: no material impact.

2. Operating Results

Unit: NTD thousand

Item \ Year	2025	2024	Difference	%
Net operating revenue	25,295,196	25,969,435	-674,239	-2.60%
Operating costs	18,551,875	19,535,220	-983,345	-5.03%
Gross profit	6,743,321	6,434,215	309,106	4.80%
Operating expenses	5,876,699	5,993,106	-116,407	-1.94%
Operating income (loss)	866,622	441,109	425,513	96.46%
Non-operating income (expenses)	51,986	277,711	-225,725	-81.28%
Income (loss) before income taxes	918,608	718,820	199,788	27.79%
Net income (loss)	652,489	591,534	60,955	10.30%
Other comprehensive income for the year	8,540	134,954	-126,414	-93.67%
Total comprehensive income for the year	661,029	726,488	-65,459	-9.01%
Net income (loss) attributable to Shareholders of the parent company	634,136	569,652	64,484	11.32%
Net profit (loss) attributable to Non-controlling interests	18,353	21,882	-3,529	-16.13%
Total comprehensive income attributable to Shareholders of the parent company	637,997	705,213	-67,216	-9.53%
Total consolidated income attributable to Non-controlling interests	23,032	21,275	1,757	8.26%

1. Describe and analyze changes between two consecutive periods over 20% and more than NTD 10 million:
   (1) Operating income and income before income taxes increased, mainly due to the increase in gross profit and the decrease in operating expenses.
   (2) Non-operating income (expenses) decreased, mainly due to the increase in other losses.
   (3) Other comprehensive income for the period decreased, mainly due to the decrease in currency exchange gain.
2. Sales volume forecast and the basis thereof for the next year: the financial forecast is not prepared and thus not applicable.
3. Future effect upon the company's financial operations: no material effect.
4. Response: not applicable.

3. Cash Flow

3.1 Analysis Cash Flows in the Recent Year

3.1.1 Analysis of the changes to cash flows in the year

Unit: NTD thousand

Cash balance at the beginning of the period	Net cash flow from operating activities Cash flow	Net cash flow from investing and financing activities	Cash balance at the end of the period	Remedies for cash shortfall	
				Investment plan	Financing plan
3,241,996	336,140	-399,281	3,178,855	—	—

(1) Cash inflow from operating activities was NTD 336,140 thousand, mainly from accounts receivable.

(2) Cash outflow from investing and financing activities was NTD 399,281 thousand, mainly due to the acquisition of property, plant, and equipment for NTD 245,867 thousand and distributed cash dividends for NTD 121,265 thousand.

3.1.2 Remedies for cash shortfall: no insufficient cash.

3.2 Analysis Cash Flows for the Coming Year

3.2.1Analysis of the changes to cash flows for the coming year

Unit: NTD thousand

Cash balance at the beginning of the period	Net cash flow from operating activities Cash flow	Net cash flow from investing and financing activities	Cash balance at the end of the period	Remedies for cash shortfall	
				Investment plan	Financing plan
3,178,855	1,077,036	-352,908	3,902,983	—	—

(1) Cash outflow from operating activities is NTD 1,077,036 thousand, mainly from notes and accounts receivable and net profit.

(2) Cash outflow from investing and financing activities is NTD 352,908 thousand, mainly from the purchase of fixed assets.

3.2.2 Remedies for cash shortfall and liquidity analysis: none.

4. Major Capital Expenditure Items

4.1 Major capital expenditure items and source of capital: none.

4.2 Expected benefits: none.

5. Investment Policy in the Most Recent Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

5.1 Most Recent Annual Reinvestment Policy:

The Group's reinvestment policy focuses on the expansion of productivity and markets in hopes of increasing operating revenue and earnings.

5.2 Main Reason for the Recent Annual Reinvestment Gains or Losses, and the Improvement Plan:

Earnings are generated by the investment income primarily. Losses arise as the sales fail to attain the economic scale. The Group makes appropriate decisions against the investees that suspend operations or have poor performance by considering various factors to improve the management performance and control investment loss.

5.3 Investment Plans for the Coming Year:

The Group will evaluate investment plans with care from a long-term strategic point of view in order to deal with the needs in future markets and continue improving its global competitiveness.

6. Analysis of Following Issues for the Most Recent Year until Publication Date of the Annual Report for Risk Management

The Group manages the potential risks that might impact the Group's operations and earnings to mitigate the impact posed by such risks to stakeholders and shareholders. The Group's risk management organization and relate supervisory mechanism are summarized as follows:

1. Senior Management Meeting:
   Convened monthly and attended by CEO and CFO of the Company and division heads from subsidiaries. Division heads from subsidiaries report the monthly operating results, financial position and key performance indicators at the meeting. Meanwhile, they propose the annual plan based on the direction of management and budget each year, and follow up the implementation thereof periodically, and conduct dynamic review on potential risks and corresponding policies.
2. Departments of Zyxel Group:
   Establish the group policy on the related functions, such as human resource, finance, legal affairs, information, purchase and strategy, in order to integrate the Group's key strategic directions. Each functional department and subsidiary establishes a fair two-way and horizontal communication mechanism to respond to potential risks.
3. Internal Auditing Office of Zyxel Group:
   Audit subsidiaries' finance and business, and adequacy of the internal control system design and implementation, and report the results to the Board of Directors periodically.
4. Subsidiaries:
   Operationally, implement KPI factors, analyze strength and weakness, products, markets and competition status, and provide related countermeasures; financially, set forth their risk management strategies based on the foreign exchange rate risk, interest rate risk and customers' credit risk, and escalate the same to the senior management.

6.1 Impact of Interest and Exchange Rate Fluctuations and Inflation on the Profit and Loss of the Company, and the Future Countermeasures:

(1) Interest rate:

In consideration of the minor proportion of interest income to the operating income for the year, exchange rate fluctuations actually pose a limited impact to the Group's income. The Group invests capital to expand business and reserves the working capital needed by operations. Based on the principle of conservatism and stability, and in order to balance safety and reasonable earnings, the Group deposits idle funds at credible financial institutions and applies principle guarantee and safe investment portfolios as its main tools to manage wealth. The Group keeps controlling the interest rate market trend so that it may take response action in advance whenever loaning of the fund is required for operations to mitigate the impact posed by interest rate fluctuations to the Group's income.

The following sensitivity analyses are determined based on the derivative and non-derivative instruments' interest rate exposure at the reporting dates. The analysis on floating-rate assets or liabilities is prepared under the assumption that the amount of the assets or liabilities outstanding on the reporting date is outstanding throughout the year. When internal personnel report the interest rates to the Group's management, the variable interest rates applied to mean the interest rates increasing or decreasing by 0.25%, and also represent the management's evaluation on the reasonably possible extent of changes of the interest rates.

If the interest rates increase or decrease by 0.25%, while other variables are kept the same, the Group's net profit before income tax in 2025 will increase or decrease by NT$2,515 thousand, primarily as a result of the Group's variable interest rate cash & cash equivalent and short-term loan.

(2) Exchange rate:

In consideration of the Group’s higher proportions of export sales, the Group keeps controlling the market information and exchange rate trends from time to time and evaluates the risk over the Group's foreign exchange position in order to mitigate the foreign exchange risk. Meanwhile, the Group hedges against risks in a timely manner to mitigate the adverse effect caused to the Group.

The Group’s foreign interest rate risk primarily arises from the foreign currency exchange gain and loss generated upon conversion of cash & cash equivalent, notes and accounts receivable (including related parties), long-term notes and accounts receivable, other receivables (including related parties), short-term loan, and notes and accounts payable (including related parties) denominated in foreign currencies. When NT$ against the foreign currencies denominating financial assets and financial liabilities depreciates or appreciates by 5%, while the other factors are kept the same, the effects to the increase (decrease) in pre-tax net profit on December 31, 2025 are stated as follows:

	Depreciation	Appreciation
2025	$ -11,530	$ 11,530

(3) Inflation

Control the inflation trends in the market at any time, and adjust the quotation to customers in a timely manner to mitigate the effects.

6.2 Policies, Main Causes of Gain or Loss and Countermeasures Concerning High-risk, High-leverage Investments, Lending or Endorsement Guarantees, and Derivatives Transactions:

(1) The Group upholds conservative and stable investment and wealth management. Therefore, the Group never engages in high-risk or high-leverage investments.

(2) The loan of the fund is required, as the accounts receivable generated from the sales to related parties should be re-stated upon expiration of three months pursuant to laws or by related parties who need a short-term loan. Meanwhile, if a related party needs a loan due to business dealings, it may apply for the loaning of the fund in accordance with the operating procedure set forth by Zyxel Group.

(3) The endorsements/guarantees are provided only to secure the application of any subsidiary of which 50% of the capital is invested by Zyxel Group for loaning of the fund with a bank or the guarantee of payment required by purchases.

(4) The hedging strategy aims to evade most market price risks, not to engage in trading. The Group is used to acting conservative toward transactions of derivatives. It only undertook the hedging by forwarding exchange rate contracts.

(5) Zyxel Group has had the regulations, including the “Procedures for Loaning Funds to Others,” “Procedures for Making of Endorsement/Guarantee,” “Procedures for Derivatives Trading,” and “Procedures for the Acquisitions and Disposition of Assets,” approved by the Board of Directors to govern related operations.

6.3 Future R&D plans and expected R&D expenditure input:

In the next three to five years, our product development will be based on our existing wired broadband network technology, with a strong focus on deploying next-generation high-bandwidth fiber-optic fixed networks while enhancing wireless network development. In cloud computing and cybersecurity, we will accelerate the development of AI-driven cloud and cybersecurity network solutions to enhance network resilience. At the same time, we will refine the licensing service models for cybersecurity, network management, and cloud management platforms, thereby building a more comprehensive ecosystem encompassing security, network management, and cloud services. These initiatives will strengthen our position as a global leader in the new era of integrated networks.

The future R&D plans and products are as follows:

(1) Wired broadband technology and wireless networking end-to-end solutions.
(2) Integrated application of wireless network management and wireless communication performance.
(3) Mobile Broadband solutions for service providers, businesses and homes.
(4) Service providers' wireless networking and AI-powered Wi-Fi management solutions.
(5) Fiber and cable access solutions for service providers .
(6) Wireless networking, industrial and specialized-environment wireless access points, and switching solutions for commercial and SOHO environments..
(7) Cloud-managed networking solutions for businesses and subscription-based cloud-managed networking licensing services.
(8) Cybersecurity solutions for businesses and cloud-based management and security licensing services.
(9) AI-driven cybersecurity analytics and incident integration service.
(10) SD-WAN networking solutions.
(11) Ultrahigh-speed and wide-area Ethernet switches.
(12) Internet of Things, smart cloud security networking application solutions.
(13) In-building solution (IBS) and distributed antenna system.

The Group intends to further develop these products and technologies in 2026, with R&D investment projected at approximately 5%–10% of total revenue.

6.4 Effects of Changes in Local/foreign Policies and Laws to Corporate Finance and Sales, and Countermeasures:

The Group's routine operations always follow related domestic/foreign laws and regulations. The Group consistently pays close attention to any changes in local and foreign policies, collects related information and submits the same to the management as a reference for decision making, in order to adjust related business strategies. For the time being, no effects of changes of local/foreign policies and laws are posed to corporate finance and sales.

6.5 Effects of Changes in Technology and the Industry to Corporate Finance and Sales, and Countermeasures:

(1) Given the low threshold for technology market access and availability of low-price product technology, the market value declines significantly. Notwithstanding, the market demand is expanded and thereby benefits the increase in market shares.
(2) The increasing market demand for IT integration will expand the same market. The Group will increase resources and capital invested in the relevant R&D.
(3) Information Security Risk Management:
The information security organization is founded in order to ensure the top-down approach adopted by an information security management system and to reach consensus, perform teamwork, assign job duties, and make the whole employees practice the information

security concept, thereby achieving the organization's information security objectives. In order to promote and control the implementation of the information security policy, Zyxel Group establishes the inter-departmental unit, the “Information Security Committee.” The primary missions include:

① Review and approve the organization's information security policy and authority related thereto.
② Take appropriate response action against important information security assets and incidents.
③ Review and control information security incidents.
④ Approve improvement of the key guidance policy on information security management.
⑤ Review information security policies periodically.

In order to avoid the potential risks and hazards caused by unfair use, disclosure, alteration and destruction of data resulting from negligence, intention or natural calamity, Zyxel Group performs relevant operations to manage the information security policy, organization, documents, asset & risk evaluation, personnel safety and training, access control, audit, correction and prevention, etc. Meanwhile, to upgrade Zyxel Group members’ awareness and knowledge toward information security, Zyxel Group demands that new employees complete the information security training on the hiring date. Meanwhile, Zyxel Group exercises the email social engineering rehearsal and internal training periodically or sends personnel to attend the professional information security courses provided by external units in order to upgrade the personnel’s awareness and knowledge toward information security and reduce the information security incidents caused by the personnel with insufficient awareness toward security. Information security education promotion or training is conducted with respect to the personnel at different levels, including the requirements about information security training hours for managers (3 hours), information personnel (6 hours), information security personnel (12 hours), and general personnel (3 hours), in order to urge the personnel to know about the importance of information security and potential security risks, upgrade their awareness toward information security, and comply with related information security requirements.

In order to enhance the information security management and ensure the confidentiality, integrity and availability of information assets, provide the environment and framework needed by Zyxel Group's information operations, and satisfy related laws and regulations, thereby preventing Zyxel Group from any threat, intentional or negligent, internally or externally, Zyxel Group has formally implemented the ISO 27001 to establish the information security management system (ISMS) in line with international standards, Zyxel Group passed the BSI verification agency review in 2015 and obtained the ISO 27001:2013 international standard certification, and ISO 27001:2022 transition verification was completed in 2024. By virtue of risk management, the threat and weakness are verified through asset evaluation to enable managers to verify risks and try to mitigate the risk to an acceptable extent, and achieve the “information security” objectives based on the conclusion that "risks have been controlled effectively."

6.6 Effects of Changes in Corporate Identity to Corporate Risk Management, and Countermeasures: none.

6.7 Expected Benefits From, Risks Relating to and Response to Merger and Acquisition Plans: none.

6.8 Expected Benefits From, Risks Relating to and Response to Factory Expansion Plans: none.

6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and

Excessive Customer Concentration:

(1) Purchase:

According to the purchase policy for single raw materials, the Group should keep two or more suppliers, diversify the purchase sources in principle, and maintain a fair partnership with suppliers to ensure available sources of raw materials.

(2) Sale:

The Group adheres to its powerful strength in R&D and manufacturing.
It maintains permanent cooperative relations with existing customers and also uses the best effort to develop new customers in order to expand and diversify the sources of business. Therefore, there should be no risk over excessive customer concentration.

6.10 Effects Of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: none.

6.11 Effects Of, Risks Relating to and Response to the Changes in Management Rights: none.

6.12 Litigation or Non-litigation Matters: none.

6.13 Other Major Risks, and Countermeasures: none.

7. Other Important Notes: none.

VI. Special Disclosure

1. Summary of Affiliated Companies

1.1 Consolidated Business Report of Affiliates: Please refer the affiliated enterprises three statements section on MOPS.
https://mopsov.twse.com.tw/mops/web/t57sb01_q10

1.2 Consolidated financial statements of affiliates: Please refer the consolidated financial statements on MOPS.

1.3 Relation report: not applicable.

2. Private Placement Securities for the Most Recent Year Until the Date of Publication of the Annual Report: none.

3. Other Supplementary Information: none.

VII. Any Significant Events Materially Affecting Shareholders' Equity or the Price of Securities as Defined in the Subparagraph 2, Paragraph 2 of Article 36 of the Securities and Exchange Act: none

Zyxel Group Corporation

Responsible person: Shun-I Chu

Zyxel Group Corporation

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