

Letter to shareholders

Dear Shareholders,

Taiwan Mobile (“TWM”, or “the Company”) and Taiwan Star officially merged on December 1, 2023. The newly formed “5G Team Taiwan” offers its more than 10 million users a maximum bandwidth of 100MHz across the coveted 3.5GHz golden frequency band, in addition to the lower frequency band of 700MHz, delivering unparalleled internet services while introducing a variety of unique bundles to give users the most valuable choices. Environmental sustainability is one of our missions, and the integration of the two companies’ base station infrastructure has led to a tangible reduction in power consumption, contributing to carbon reduction and delivering a positive impact on society.

As the telecommunications industry moves toward a new realm of competition centered around meaningful value creation, we will accelerate the development of “Telco+Tech” businesses to propel our technology and telecom flagship forward. Concurrently, we are committed to implementing world-class corporate governance standards internally, while balancing shareholder interests and customer satisfaction externally. With sustainability at its core, the Company aspires to serve as a beacon of corporate social responsibility.

2023 operating and financial results

Propelled by solid momentum from our three growth engines – 5G, e-commerce and home broadband – our mobile business benefited from the release of the iPhone 15 series and our unique bundles. 5G postpaid penetration steadily increased, driving our smartphone postpaid ARPU and mobile service revenue to new highs in recent years.

In 2023, along with revenue contribution from Taiwan Star in December, TWM reported consolidated revenue of NT\$183.3 billion, a 6% YoY growth, EBITDA of NT\$35.8 billion, operating income of NT\$17.5 billion, a 4% YoY growth. Net income hit a four-year record-high of NT\$12.3 billion, with EPS of NT\$4.33, boosted by one-time gains on disposals of investments recorded at the end of the year.

New business roadmap and group resources integration

TWM has been expanding its 5G ecosystem and new business roadmap through strategic investments in multiple fields. The Company continues to partner with the top e-commerce platform, momo, through its unique bundle “momobile” steadily enlarging its business ecosystem. Its “Double Play” footprint has grown to cover over 80% of households in Taiwan, allowing more users to enjoy its stable mobile and broadband services. In addition, its “OP Life” provides a one-stop shop that allows customers to enjoy state-of-the-art home theater experiences through seamlessly integrated bundles of TVs, routers, speakers, and set-top boxes, along with TWM’s unique services. Gaming is another fast-growing business. In addition to the enduring popularity of “League of Legends”, TWM launched the mobile version of “Teamfight Tactics” to break platform restrictions and meet gameplay needs on different devices.

On the enterprise front, in response to businesses’ investment focus and government incentive policies, TWM, leveraging its “Telco+Tech” advantages, has developed enterprise cybersecurity services and enterprise-exclusive generative AI services. The Company has also expanded the industrial ecosystem to develop 5G, IoT, cloud and ESG solutions, working with partners to facilitate digital transformation across industries.

Innovative applications and research results

TWM has poured in a lot of resources into research and development. In 2023, our information, data research and technology units obtained 14 patents, including systems and methods for diagnosing telecom network equipment, geographical modeling of user activity, and detecting and suppressing mobile network interference. The Company has also proactively invested in efforts to combat fraud, leading its peers in developing two powerful tools – the "Anti-fraud Service" and "Number Masking Service" that connect five major stakeholders (government agencies, law enforcement units, public associations, businesses and consumers) to build a secure e-commerce ecosystem. In addition, leveraging its telecom tech expertise, TWM has created a digital transformation solutions package – "OPBiz" for small businesses and micro merchants to help accelerate small- and medium-sized enterprises' (SME) digital transformation, enhance their competitiveness and expand their operational scale.

World-class corporate governance

Taiwan Mobile has striven to be a role model in corporate sustainability and is the first telecommunications company to promote the "Sustainability Development Committee" to the level of board of directors, enhancing the height and breadth of the Company's sustainable governance. The Company once again received numerous commendations for its efforts in the past year. Recognized by the international verification institution SGS, we were honored with the Carbon Management Award – one of the only 10 companies in Taiwan to receive this recognition; for six consecutive years, we have been listed in the "Taiwan Sustainability Index".

Additionally, the Company was included in the Dow Jones Sustainability Indices (DJSI) Emerging Markets Index for the 12th consecutive year and in the DJSI World Index for the seventh time, ranking top three among the world's telecommunications enterprises. For nine years in a row, we have been among the top 5 percent listed companies commended for good corporate governance. Lastly, TWM was awarded a Silver Class award in S&P Global's "ESG Yearbook 2023".

Corporate social responsibility

As a leading telecom operator, it is our duty not only to continue to pursue solid operational and financial performances, but also to take into account social inclusion, environmental awareness and sustainable development. In 2023, Taiwan Mobile was the first telecom company in Asia to have its 1.5°C-aligned science-based targets to reach net zero emissions by 2050 validated by the Science-Based Targets initiative (SBTi), and to commit to 100% renewable energy use by 2040. It also published the Company's first Task Force on Climate-Related Financial Disclosures (TCFD) report. Our efforts were recognized by different organizations in Taiwan, as we earned our 2nd *Global Views Monthly* magazine's ESG Awards "Annual Honor Roll", and won 1st place in the Human Resources Development category and a Model Award in the Education Promotion category in 2023. We were also honored with our 16th Excellence in Corporate Social Responsibility Award from *CommonWealth Magazine*. The Company earned further distinction by receiving seven awards at the 2023 Taiwan Corporate Sustainability Awards (TCSA), and won "The Most Prestigious Sustainability Awards – Top 10 Sustainable Taiwanese Service Businesses Award" for the 9th time.

Valuing shareholders' interests and customer satisfaction

Industry consolidation should lead to a healthier market. An expanded user base and synergies unlocked from TWM's and Taiwan Star's merger should propel profit growth, generate stable free cash flow, increase financial flexibility and improve shareholder returns. We completed our 3G network consolidation and 4G 2100MHz capacity expansion on the day of the merger, which should enhance user experience, including a 10% jump in 4G network speed for existing users. With a multi-operator core network (MOCN) in place, we will provide integrated 5G services as we consolidate 4G base stations. Over time, we expect to provide our users with a wider coverage and higher speeds in 4G+5G networks and gradually realize the cost-saving synergies from network consolidation.

Outlook

"5G Team Taiwan" will focus on creating value as its core mission. From the perspective of the telecommunications industry, we will connect our core expertise with sustainable thinking, addressing ESG concerns and contributing to positive social change. Environmental sustainability will always be part of our mission. With the advent of 5G, TWM will leverage and integrate the group's resources and services, including finance, telecommunications, digital and retail, while also expanding outward, laying down new milestones, and outlining a blueprint for a better future for users, employees, shareholders and all stakeholders.

Daniel M. Tsai
Chairperson