

M.J. International Co., Ltd.

Business Report

I. Overview

The consolidated revenue for the full year 2022 was NTD 3.263 billion, a decline of 9.6% compared to 2021. The main reason for the revenue decline was due to continuous inventory adjustment by customers in the second half of 2022, resulting in a decrease in order shipments and revenue recognition.

II. The business plan implementation results compared with that in 2021:

The consolidated financial report for the year 2022 shows operating revenue of NTD 3,262,778 thousand, cost of goods sold of NTD 2,573,811 thousand, gross profit of NTD 688,967 thousand, and a gross profit margin of 21.1%. The net income after tax attributable to the parent company was NTD 143,494 thousand, with a net income margin of 4.4%. The comparison with the previous year 2021 is as follows:

Unit: NTD Thousand

Item	2022	2021	Amount of increase (decrease)	Increase (decrease)
Revenue	3,262,778	3,610,670	(347,892)	-9.64%
Cost of goods sold	688,967	624,466	64,501	10.33%
Gross profit	151,336	86,608	64,728	74.74%
Net income after tax	143,494	68,578	74,916	109.24%

In 2022, the operating revenue decreased by NTD 347,892 thousand compared to 2021. In terms of sales performance by region, the European region remains the main sales market, accounting for 63.4% of sales, while North America accounts for approximately 17.0%, Taiwan approximately 5.8%, other regions approximately 10.5%, and the China market approximately 3.3%. In recent years, M.J. has been deepening its sales diversification strategy by expanding into different regions. As a result, the North American and other regions' businesses have gradually emerged, driving the sales growth in these regions in 2022 compared to 2021.

As for the gross profit margin, the full-year gross profit margin for 2022 was 21.1%, an increase of 3.8 percentage points compared to 17.3% in 2021. This was mainly due to the gradual decrease in raw material prices from the high point and the adjustment of product prices reflecting

the earlier costs.

III. Analysis on profitability

Due to the gross profit margin of 21.1% in 2022, which increased by 3.8 percentage points compared to 2021, and a slight increase of 1.6% in operating expenses, the operating income increased by 2.2%. In addition, the non-operating income in 2022 increased by 0.4% compared to 2021, due to an increase in exchange gains. As a result, the net income after tax attributable to the parent company increased to NTD 143,494 thousand in 2022, with a net income margin of 4.4%.

IV. Status of Research & Development

In 2022, M.J received three international design awards (German IF, German Reddot, and American IDEA) for its innovative rice husk flooring and two awards (German Reddot & American IDEA) for its polypropylene (PP) flooring. These achievements are the result of the company's continued efforts in research and development. In order to achieve sustainable growth, M.J. is not only building a better R&D environment and recruiting more professional talents, but also continuously working on new material development, improvement of production equipment, and introduction of automation equipment. In addition, combining the concept of corporate social responsibility and circular economy, M.J. has transformed agricultural waste materials and developed more environmentally friendly and safe innovative products. Furthermore, a highly anticipated new R&D product, an antiviral flooring, will also be launched, showcasing M.J. solid R&D capabilities.

V. Outlook

Looking ahead to 2023, although uncertainties such as the intensifying US-China confrontation and a strong US dollar still exist, M.J remains cautiously optimistic. Our main customers in Europe are still affected by high inflation, resulting in flat order growth in the first half of the year. However, as the negative impact of the macro environment lessens and consumer demand steadily recovers in the second half of the year, it will help create momentum for the group's overall operational growth.

Moreover, the new SPC plant in Tainan, which opened in October 2022, has already obtained initial orders and shipments after customer sample certification and preliminary review by the end of 2022. In the first half of 2023, American customers will visit the plant for review and certification, which could potentially drive growth in the second half of the year.

Moving forward, M.J will continue to deepen its sales in the commercial market while actively expanding into the household sector. We will use a dual product strategy of LVT and SPC to stabilize our position in the commercial market and expand sales in the household market. Additionally, we will drive revenue and profit growth through the introduction and penetration of innovative products such as RSPC, PP, and antiviral flooring.

In addition, the company continues to optimize its team organization and strengthen collaboration among internal teams, customers, and suppliers to deepen M.J's long-term competitiveness. Currently, the management team and all employees are led by professional managers, who uphold the corporate spirit of sincerity, diligence, simplicity, and prudence, and strive towards the greatest benefit of the company, shareholders, employees, customers, suppliers, and society as a whole.