Letters to Shareholders

Dear Shareholders,

Thank you for your steadfast support over the past year. PILI International Multimedia Co., Ltd. began with glove puppetry television dramas and has grown into a comprehensive media entertainment company through years of development. We continue to uphold the spirit of "Tradition Has No End, Innovation Has No Boundaries," maintain our original thinking, and emphasize our core values of "Culture, Aesthetics, Innovation, and Harmony" while pursuing steady and sustainable growth.

Since officially listing on the Over-the-Counter (OTC) market in October 2014, becoming the first publicly listed representative of Taiwan's cultural and creative industry, PILI has continuously enhanced its corporate governance quality, expanded its operating scale, and improved shareholder value. Looking ahead, we hope to promote glove puppetry culture internationally under the principles of cultural inheritance, innovation, and sustainable management, thereby creating an "Eastern original fantasy" trend and building a dream kingdom envisioned as the "Disney of the East."

1. Business Performance Report for Fiscal Year 2025

For fiscal year 2025, consolidated operating revenue was NT$237,823 thousand, a decrease of NT$24,393 thousand, or approximately 9.30%, compared with NT$262,216 thousand in the previous year. Operating gross loss was NT$27,733 thousand, compared with operating gross profit of NT$83,011 thousand in the previous year, representing a decrease of NT$110,744 thousand, or 133.41%. After-tax net loss was NT$277,332 thousand, compared with NT$81,155 thousand in the previous year, representing an increase in loss of NT$196,177 thousand, or 241.73%. After-tax loss per share was NT$5.34. The key points of the Company's consolidated operating results for 2025 are summarized as follows:

(1) Results of Business Plan Implementation

Item	2025 Amount	2025 %	2024 Amount	2024 %	Difference	Increase (Decrease) %
Net Operating Revenue	237,823	100%	262,216	100%	(24,393)	(9.30%)
Operating Costs	(265,556)	(112%)	(179,205)	(68%)	86,351	48.19%
Gross Profit (Loss)	(27,733)	(12%)	83,011	32%	(110,744)	(133.41%)
Operating Expenses	(217,243)	(91%)	(204,363)	(78%)	(12,880)	(6.30%)
Operating Loss	(244,976)	(103%)	(121,352)	(46%)	(123,624)	(101.87%)
Non-Operating Income and (Expenses)	(31,035)	(13%)	53,368	20%	(84,403)	(158.15%)
Pre-Tax Net Loss	(276,011)	(116%)	(67,984)	(26%)	(208,027)	(305.99%)
After-Tax Net Loss	(277,332)	(117%)	(81,155)	(31%)	(196,177)	(241.73%)
After-Tax Loss Per Share (NT$)	(5.34)	—	(1.55)	—	—	—

(2) Financial Income and Expenditure and Profitability Analysis

Financial Indicator	2025	2024

Debt-to-Asset Ratio (%)	61.75	51.54
Long-Term Funds-to-Property, Plant and Equipment Ratio (%)	134.52	169.09
Current Ratio (%)	138.36	212.73
Quick Ratio (%)	107.36	166.31
Interest Coverage Ratio (Times)	(23.70)	(4.50)
Return on Assets (ROA) (%)	(21.21)	(4.67)
Return on Equity (ROE) (%)	(49.28)	(10.82)
Pre-Tax Profit to Paid-in Capital Ratio (%)	(53.79)	(13.25)
Net Profit Margin (%)	(116.61)	(30.95)
Earnings Per Share (EPS) (NT$)	(5.34)	(1.55)

2. Summary of the Business Plan for Fiscal Year 2025

In 2025, the Company continued to focus on core IP operations as its development strategy, driving simultaneous growth in brand influence and commercial monetization through three major operating areas: content distribution, physical events, and merchandise development. The year also marked an important milestone with the arrival of the final chapter of the Thunderbolt Fantasy series. Overall operations delivered steady results across content visibility, fan engagement, and merchandise sales.

Continued Progress in IP Content Distribution and Market Expansion

In drama distribution, building on the market attention generated by Pili Heroic Chronicles: The World of Annihilation, the Company actively promoted and developed the market positioning of the new series Pili Heretical Chapter: The Dragon War and Pili Bing Tao during 2025. Centered on popular characters including Qingyangzi, Jing Tao Jun, Shu Lou Long Su, and Feng Zhi Hen, the Company integrated teaser PVs, opening visuals, and overall visual marketing strategies. In collaboration with convenience-store channels, promotional campaigns, giveaways, and diversified exposure were used to strengthen marketing effectiveness. Offline fan events and social-media promotion further expanded the visibility of the new series and supported the long-term market development and commercialization of Pili drama IPs.

For physical retail channels and fan engagement, the Company introduced a pop-up sales and exhibition model and completed a three-region tour covering northern, central, and southern Taiwan, including key commercial locations such as Taichung Station, Dream Mall in Kaohsiung, and Eslite Spectrum in Ximending. By integrating sales activities with fan interaction and experiential engagement, the Company effectively increased traffic and consumer activity. Product strategies incorporated mainstream ACG-market sales models such as capsule-toy machines, limited-edition gifts, and blind-box series, enhancing consumer participation and purchase conversion. These pop-up activities not only generated stable revenue but also strengthened the visibility of the PILI brand among younger audiences and in the anime, comics, and games (ACG) market.

For live performances and events, the Company completed more than 120 performances and activities in 2025, both in Taiwan and overseas. Major events included an at-sea performance in collaboration with Resorts World Cruises and participation in the Chiayi Wind Orchestra Festival at the end of the year, which attracted more than 3,000 attendees. Through diverse stages and cross-industry collaborations, PILI continued to move steadily between cultural heritage and innovation, creating broader development opportunities for glove puppetry culture.

Upgrading IP Merchandise Development and Strengthening Collector-Market Momentum

The Company continued to deepen its IP commercialization strategy in merchandise development. For the "3D Battle of the World" figure series, several limited editions and revised models were launched.

Strategies involving color variants and limited quantities were used to move beyond the traditional pre-order model, increasing product buzz and collectible value. Merchandise featuring classic characters such as Su Huan-Jen and the Three Celestial Beings received positive feedback in both social-media discussion and sales performance, further consolidating the brand positioning of PILI character merchandise in the collector market.

In addition, the Company launched a new weapon merchandise series, "PILI Weapon Chronicle," in 2025. While maintaining the refined craftsmanship and quality of PILI weapon products, the new product strategy was designed to broaden the consumer base. The first product, "ORME," attracted strong attention from fans and achieved a favorable sales response after launch, creating new growth momentum for the weapon merchandise line.

Release of the Final Chapter of Thunderbolt Fantasy and Creation of an IP Milestone

Another major operating milestone in 2025 was the arrival of the final chapter of the Thunderbolt Fantasy series. Following the broadcast of Thunderbolt Fantasy 4 in 2024, market attention continued to build. In 2025, the film Thunderbolt Fantasy: Sword Travels in the East – The Final Chapter was released in theaters across Taiwan and attracted significant attention in both Taiwan and Japan. The Company also organized a series of official events, including the Season 4 premiere, theatrical events for the film, and a large-scale fan appreciation festival. These activities successfully consolidated fan engagement and generated broader discussion around the IP. In addition to demonstrating strong fan support, the events effectively stimulated sales of related merchandise and further enhanced the overall commercial value of the IP. During the first half of 2025, the Thunderbolt Fantasy series delivered strong results across content distribution, event operations, and merchandise sales, marking a representative peak in the development of the IP.

Diversified Cross-Industry Licensing to Expand Physical Channels and Brand Collaborations

In 2025, the Company continued to advance cross-industry IP licensing and deepen cooperation with physical retail channels and brands. Leveraging the momentum of the PILI and PILIGILI brands, the Company partnered with Taichung Metro in March to create a themed station, themed train cars, and co-branded merchandise, generating strong cross-industry visibility. The Company also expanded its retail presence: in March, Su Huan-Jen served as a one-day store manager at Tsann Kuen's Huwei store, and in July the campaign expanded to Tsann Kuen stores nationwide with member-exclusive benefits. Puppet press events and collaborative advertising produced by the PILI team further enhanced the commercial value of the partnership.

In August, the Company's Korean IP UGLYMEWS was partnered with fashion brand QUEENSHOP for a collaboration, including a pop-up store at Eslite Spectrum Nanxi in Taipei and participation in the 2025 Taiwan Creative Expo. The initiative precisely reached younger consumers and created more diversified IP revenue opportunities for the Company.

Overall, in 2025 the Company continued to build on its core IPs through three major operating pillars—drama content distribution, physical events, and merchandise development—gradually strengthening the overall competitiveness of the PILI brand in the content industry and the ACG market. Through diversified marketing strategies and cross-channel expansion, the Company not only enhanced the market visibility of its dramas and IPs but also effectively increased fan engagement and merchandise sales, continuing to expand the commercial value and market influence of its IP portfolio. The release of the final chapter of the Thunderbolt Fantasy series successfully brought together fans in Taiwan and Japan and created an important milestone in IP development, demonstrating the long-term brand value of cross-border content collaboration. Looking ahead, the Company will continue to deepen content production, IP operations, and diversified business models to steadily expand the development momentum of the PILI brand in the film, television, entertainment, and cultural and creative industries.

3. Future Development Strategy

As the cultural content industry continues to evolve toward digitalization and IP-driven business models, PILI International Multimedia Co., Ltd. will continue to place original content IP at the center of its strategy. Through three major operating areas—film and television content distribution, merchandise operations, and performances and events—the Company will continuously optimize its operating model, enhance the commercial value of its IPs, and further expand market momentum and brand influence.

(1) Drama Distribution Strategy

Beginning in 2026, PILI's glove puppetry drama series will officially adopt a release schedule of one chapter every two weeks. This adjustment responds to changes in current content-consumption habits and the industry trend toward the gradual phase-out of physical DVD media. By adjusting the release cadence, the Company expects to optimize drama production processes and content quality while enhancing the viewing experience and market acceptance.

At the same time, the Company will actively introduce artificial intelligence technologies into the film and television production process. While preserving the essence of glove puppetry as a performing art, AI will be integrated into image production, filming workflows, and post-production to improve production efficiency and effectively control production costs and schedules. The adoption of AI is expected to create new development opportunities for glove puppetry screen content and strengthen the Company's content creation and visual-production capabilities.

(2) Merchandise Operations Strategy

In merchandise operations, the Company will focus on two major operating models: "pop-up exhibition and sales" and "pre-order customer-order production." Limited and exclusive products will be introduced through pop-up events, combined with on-site experiences and fan interaction to enhance product buzz and sales momentum. At the same time, pre-order customer-order production will allow the Company to produce according to confirmed market demand, enabling more precise demand management and more effective control of inventory and development costs.

In addition, 2026 marks the 10th anniversary of the Thunderbolt Fantasy series. The Company will plan commemorative events and related merchandise programs in both Taiwan and Japan, using a combined strategy of limited-edition and pre-order products. Through a more flexible operating model, the Company expects to further enhance the commercial effectiveness of IP merchandise and deepen the fan economy.

(3) Performances and Events Development Strategy

For performances and events, in addition to continuing to pursue projects with local governments and various commercial performance opportunities, the Company will actively develop commercial performances with ticketed revenue models. Through past activities such as the Thunderbolt Fantasy series fan appreciation festivals and other IP-based events, the Company has gradually validated the market potential of commercially operated IP performances.

Going forward, the Company will continue to deepen this type of performance format by combining film and television content, character performances, stage technology, and other elements to create entertaining productions with distinctive cultural characteristics. The Company will gradually establish sustainable commercial performance models that generate stable box-office revenue and brand-exposure benefits.

(4) Cross-Industry Collaboration and IP Licensing Development Strategy

In cross-industry collaboration and IP licensing, the Company will continue to expand its business scope and strive to bring PILI's IPs into consumers' daily lives through merchandise development and brand advertising. Building on the business development momentum achieved in 2025, several cross-industry projects that have entered in-depth discussions are expected to launch progressively in 2026. Cooperation areas include well-known food and beverage brands, fashion apparel, and popular video games. By partnering with brands that reach the mass market, the Company can not only enhance broad consumer awareness of its IPs but also create strong and diversified licensing revenue momentum.

The Company will also continue to deepen its cooperation with public-sector institutions and actively participate in public-sector tenders. By coordinating resources across its businesses, the Company plans to develop children's theatrical performances, public-policy promotional advertising, related merchandise, and other projects. Through participation in cultural-promotion activities organized by local authorities, the Company will transform traditional glove puppetry culture into performance formats with modern educational and entertainment value, deepen relationships with local governments, and establish stable public-sector cooperation models that create a win-win outcome for cultural heritage and commercial value.

Overall, the Company will continue to place content IP at the core of its development strategy. Through an integrated operating model encompassing film and television content production, merchandise operations, and performances and events, the Company aims to enhance the long-term value of its IPs, expand diversified revenue sources, and further strengthen its competitive advantages in the cultural content industry.

4. Impact of External Competitive, Regulatory, and Macroeconomic Environments

With rich drama content and diversified, full-spectrum distribution channels, the Company has established stable and positive relationships with consumers and fans. In response to rapid changes in the global economy and increasingly intense industry competition, the Company will continue to focus on understanding market trends and consumer needs while investing in the innovation and development of new products.

Looking ahead, the Company will continue to uphold the principles of integrity in business operations and implement sound corporate governance practices. By continuously pursuing innovation and transformation and leveraging differentiated competitive advantages, the Company aims to create greater value.

Best Wishes to All

Wishing you good health and all the best in everything. Sincerely,

PILI International Multimedia Co., Ltd.

Chairman: Wen-chang Huang