4. Enhance Cooperation among Value Chains

4.1 Innovation R&D and management

4.2 Supply Chain Management

4.3 Environmental Product Declaration

4.4 Customer Relationship Management

4.1 Innovation R&D and management

Material Topic	Significance to the Company	Policy/Commitment	Short-term Goal	Mid- to Long-term Goals	1. Resources Invested / 2. Achievements	Responsible Department / Grievance Mechanism	Evaluation Mechanism / Outcomes
Innovation R&D	Innovation and research are the driving forces of the Company's sustainable growth, enhancing product competitiveness, increasing added value, and responding to rapid market and technological changes to secure industry leadership and long-term profitability.	The Company is committed to allocating a stable proportion of annual revenue to R&D expenditures, encouraging cross-departmental collaboration and knowledge sharing, and establishing institutionalized innovation incentives and protection mechanisms (such as patent applications and innovation proposal reward systems).	Promote innovation incentive programs to effectively stimulate and unleash employee potential.	Implement continuous training and knowledge transfer programs while expanding recruitment of outstanding professionals.	1. Resources invested during the year: NT$55,791 thousand. 2. Key achievements: New product development delivered significant energy-saving and carbon-reduction results: SPI to Ethernet MAC Controller DM9051A-E2/DM9051-E2, Operating current ratio 60mA /160mA =37.5%. DM9051A-E2/DM9051-E2, Chip Size ratio 42.4%.	Administration Department：esther_lin@Davicom.com.tw	New product development results.

4.1.1 Innovation R&D

Since its establishment in 1996, Davicom has been dedicated to embedded network communication IC technologies. Leveraging its excellence in mixed-signal design, rapid IC integration, and system application software, the Company provides customers with highly integrated, efficient, and cost-competitive solutions. Ethernet, with its ease of use, low cost, and high bandwidth, has emerged as the dominant networking technology, widely adopted in enterprises, consumer electronics, and the Industrial Internet of Things (IIoT). With the rising demand driven by electric vehicles and artificial intelligence (AI), Davicom has long cultivated Ethernet IC development and continues to play a leading role in advancing technology.

In response to the rapid global expansion of the Internet of Things (IoT), Davicom has concentrated its R&D efforts on Artificial Intelligence of Things (AIoT) and IIoT, integrating high-speed Ethernet with AI computing capabilities to deliver high-performance, low-power intelligent chip solutions. The Company has developed a three-in-one chip incorporating a CMOS Image Sensor (CIS), Neural Processing Unit (NPU), and Microcontroller (MCU), enabling real-time edge decision-making through deep learning. These innovations serve both consumer markets—such as home appliances and toys—and professional sectors such as epidemic prevention and education. Looking ahead, Davicom aims to extend its applications to pet detection, smart factory monitoring, intelligent driving assistance, and AI-enabled cloud logistics management systems, thereby deepening its presence in AI-driven solutions.

Within the IIoT domain, Davicom has developed Ethernet chips supporting smart manufacturing, with applications in smart grids, industrial control, and AI-based image recognition. The Company has also introduced RFID systems integrated with AI analytics for smart medical cabinet management, enhancing pharmaceutical inventory control while reducing risks of error. In alignment with ESG sustainability objectives, Davicom incorporates low-power architecture into product design, developing embedded Ethernet controllers that meet low-carbon goals, helping customers reduce energy consumption and contributing to global energy conservation and carbon reduction. Backed by a professional R&D team, Davicom swiftly responds to evolving market and client needs, continuously developing 10/100/1000M Ethernet controllers for applications such as smart buildings, digital homes, and cloud computing. With the advent of edge AI and hybrid cloud architectures, the Company has launched highly integrated network communication products that strengthen data transmission and analytics in AIoT and IIoT applications. Moving forward, Davicom will continue investing in intelligent detection and recognition technologies, expanding into diverse market applications, driving innovation, and advancing sustainability—pioneering new frontiers in AI and Ethernet technologies.

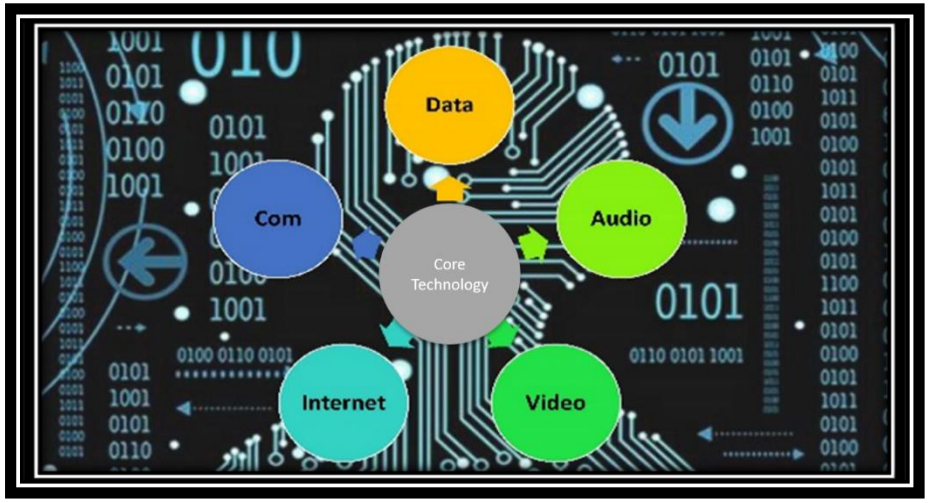
Year	R&D expense	Proportions
2023	NT$66,024 thousand	27%
2024	NT$55,791 thousand	33.6%

▲ Annual R&D expense

4.1.2 Innovation and R&D Management Framework

In terms of technology management, Davicom introduces new technologies through mergers and acquisitions, technology transfers, and industry–academia collaborations, applying them to new product design and development. By integrating core technologies into the creation of subsequent products, the Company fosters an innovative and forward-looking R&D team. Technology introduction is a critical undertaking, enabling continuous product line expansion and, through the application of advanced innovations, the ongoing enhancement of product quality and production efficiency to meet evolving customer needs.

In human resource management, Davicom strengthens organizational innovation by encouraging employees to embed creativity in their work through internal performance evaluations and reward mechanisms. Particular emphasis is placed on engineers' development potential and collaborative capabilities, especially when adopting external technologies, to ensure smooth execution of technology transfers and cooperative projects. Employee development and effective management form the cornerstone of the Company's success. In a rapidly evolving environment, sustaining a high level of innovation and competitiveness remains an essential strategy for achieving long-term growth.

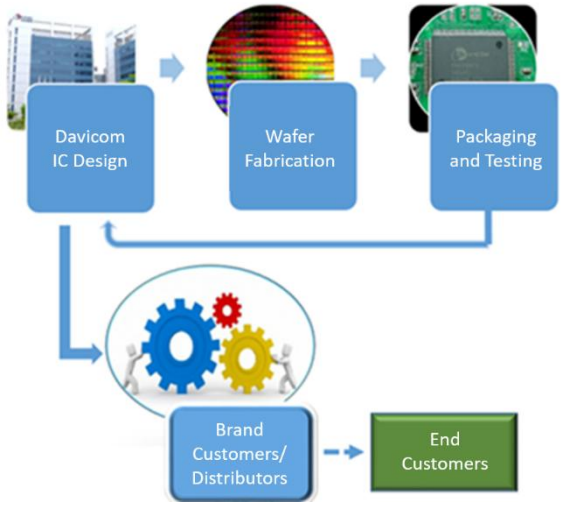


4.2 Supply Chain Management

Material Topic	Significance to the Company	Policy/Commitment	Short-term Goal	Mid- to Long-term Goals	1. Resources Invested / 2. Achievements	Responsible Department / Grievance Mechanism	Evaluation Mechanism / Outcomes
Supply Chain Management	The stability and compliance of the supply chain directly affect product quality, delivery reliability, and the Company's sustainability reputation. As global ESG expectations intensify, supply chain transparency and risk management have become vital indicators of competitiveness and responsible governance. Establishing a resilient, ethically responsible, and environmentally conscious supply network is key to ensuring long-term business sustainability.	Davicom's quality management system is ISO 9001:2015 certified and is built around the core objective of "meeting customer needs and enhancing customer satisfaction." The system encompasses a comprehensive quality management process, covering new product development, design verification, production planning, and customer relationship management.	Continuously assess the feasibility of local sourcing to reduce greenhouse gas emissions from transportation.	Incorporate ISO 14001 into supplier selection criteria.	1. Conducted supply chain mapping to identify supplier locations and assess the proportion and potential of local suppliers. 2. Achieved a local procurement ratio of 87.91% in 2024.	Administration Department：esther_lin@Davicom.com.tw	Annual quality management review meetings.

4.2.1 Value Chain

As a small to medium-sized IC design company, Davicom specializes in Ethernet communication ICs, electronic paper drivers (EPD), video decoders (VD), and AI processors (AI SoC). Its supply chain spans wafer fabrication, packaging, and testing, with all production outsourced to carefully selected partners who share the Company's commitment to protecting environmental interests. Davicom's products and services are primarily applied in communication fields, including network interface cards, hubs, and switches, as well as CCTV surveillance systems, DVR/NVR digital recording systems, and electronic paper driver applications. Products are distributed through agents or brand clients. Compared with 2023, the Company's value chain, products and services, and business relationships have remained largely unchanged.

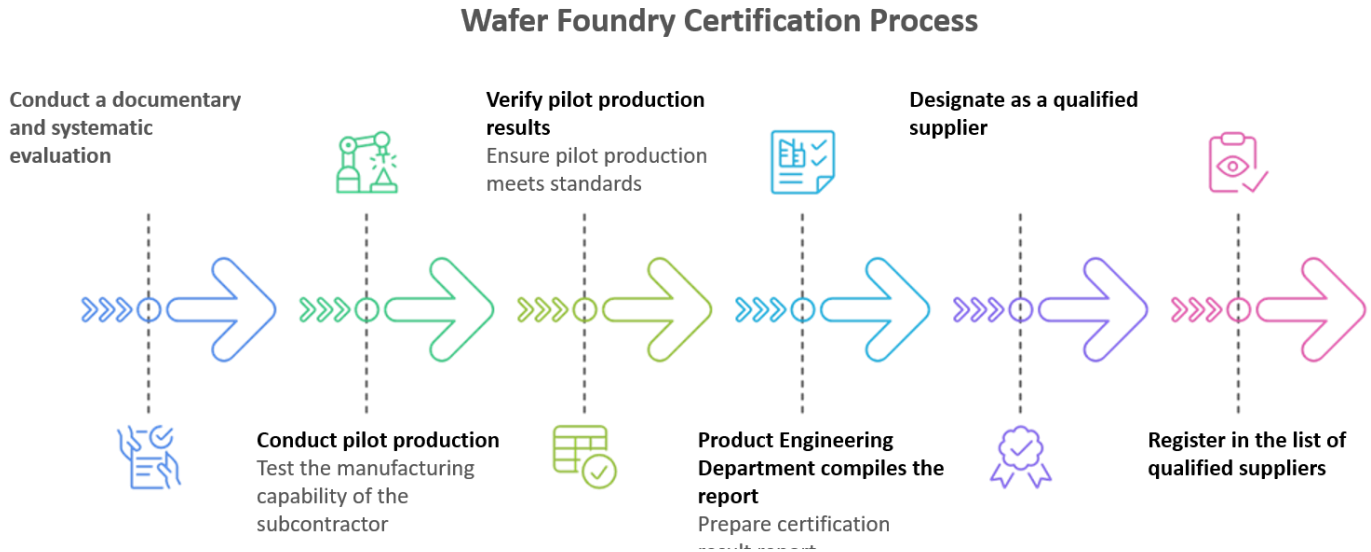


4.2.2 Supplier Selection

Suppliers are key partners in Davicom's sustainable growth, ensuring that products comply with international standards on human rights and green quality. The primary raw material for the Company's products is wafers, with UMC (United Microelectronics Corporation) as the main supplier. During the supplier selection process, Davicom collaborates with reputable and well-established companies, with evaluation criteria focused on product quality, technical capability, and delivery reliability.

Selection Process

For wafer foundry suppliers, the qualification process begins with document and system evaluations. Upon completing the preliminary assessment, the supplier undergoes a trial production run, followed by product verification. The Product Engineering Department consolidates the trial production results into a qualification report. Foundry suppliers that successfully pass verification are formally registered in Davicom's Approved Vendor List (AVL), ensuring quality stability and transparent management for future collaborations.



4.2.3 Supplier Audits and Management

In the semiconductor IC design industry, supply chain management is critical to ensuring product quality and supply stability. Davicom works closely with suppliers to align with international quality standards and enhance supply chain resilience. Through regular and ad hoc audits, the Company continuously monitors suppliers' quality management practices, promptly requesting corrective actions to mitigate risks and strengthen supply chain competitiveness.

Audit Frequency & Audit Criteria

The principle of audit frequency is to conduct one supplier quality audit each year, and a supplier audit review meeting is held every January to review the quality performance and improvement results of suppliers in the previous year, serving as the basis for formulating the new year's audit plan.

Audit Procedures and Implementation Methods

To ensure that audit work is systematic and impartial, the Company has established a standardized audit process as follows:

1. Audit Notification: The audit team must notify the supplier at least two weeks prior to the audit date. The Lead Assessor shall issue a formal letter explaining the audit content and arrangements.
2. On-Site Audit: The audit team, according to the plan, visits the supplier's site to carry out the audit, conducting a comprehensive assessment focusing on the quality management system, process control, product inspection, and abnormality handling mechanisms.
3. Audit Report and Improvement Plan:
   - If non-conformities are found during the audit, the audit team will complete a Quality Audit Defect Report and require the supplier to make improvements within a specified period.
   - All audit results will be compiled into a Supplier Quality Audit Report for subsequent tracking and effectiveness confirmation.
4. Follow-up and Continuous Improvement:
   - The supplier must propose specific corrective measures for the audit deficiencies, including the responsible person and the scheduled completion date, and reply to the Company's Quality Management Department within the designated timeframe.

4.2.4 Supply Status of Key Raw Materials

Item	Content
Supplier	United Microelectronics Corporation (UMC)
Market Status	UMC is a globally renowned semiconductor manufacturer with a well-established reputation for quality. The Company has maintained a long-term partnership with UMC, ensuring reliable access to the production capacity required to meet our business needs.
Davicom's Procurement Strategy	Stable manufacturing processes and high yield rates effectively reduce costs, making the selection of high-quality suppliers highly beneficial to our products. Davicom has enjoyed a longstanding collaboration with UMC, which continuously develops new process technologies aligned with global industry trends and provides access to advanced nodes for our use. The Company reviews pricing based on market supply and demand conditions and conducts regular evaluations of product quality and service performance.

4.2.5 Green Supply Chain Management

The Company is committed to building an environmentally responsible supply chain, ensuring that our products comply with international environmental regulations and customer requirements throughout the design, manufacturing, packaging, and testing processes. Our suppliers and manufacturing partners have obtained SONY Green Partner certification. As of the reporting year, Davicom and its key suppliers, including multiple UMC fabs and Siliconware Precision Industries Co., Ltd. (SPIL), have all achieved SONY GP certification. The certifications remain valid through 2025–2026, subject to regular audits to ensure continued compliance with the latest environmental standards.

Through rigorous supplier management and certification, the Company guarantees that materials, manufacturing, and packaging processes meet environmental requirements, while working hand in hand with supply chain partners to promote green manufacturing and fulfill our corporate social responsibility. Looking ahead, we will continue to monitor suppliers' environmental performance and strengthen green supply chain management in alignment with international standards, thereby reducing environmental impact and advancing our sustainability objectives.

Davicom Provides Customers with a Self-Declaration on Product Compliance with Environmental Regulations and Management Procedures

No.	Davicom Product Management Procedure Declaration
1	Sony SS00259 (management rules under substance environmental management for components and materials)
2	EU RoHS (2011/65/EU, Restriction of Hazardous Substances in Electrical and Electronic Equipment, RoHS Directive)
3	EU REACH (EC 1907/2006) SVHC (Substance of Very High Concern)
4	PFOS (2006/122/EC, directive to restrict use of PFOS)
5	DMF (2009/251/EC, directive to restrict use of DMF)
6	Halogen (IEC 61249-2-21, directive to restrict use of halogen, only chlorine and bromine)

Localization of Procurement

The Company continues to promote local sourcing by collaborating with domestic suppliers to support local economic development and reduce energy consumption from transportation. In 2024, 87.91% of procurement expenditures at major operating sites were sourced from local suppliers.

4.2.6 Quality Management

Quality Management and System Framework

Upholding a strong commitment to product excellence and customer trust, Davicom leverages decades of industry expertise, an enduring reputation for integrity, and robust market experience to continuously refine its quality management system. This effort enhances product reliability, deepens client confidence, and advances the company's vision of sustainable growth.

Our quality policy is articulated along the following principles:

1. Effective governance and reinforcement of operational risk management；
2. Continuous development of cost-efficient, high-performance products to secure market competitiveness；
3. Sustainable business growth and profitability, underpinned by corporate social responsibility.

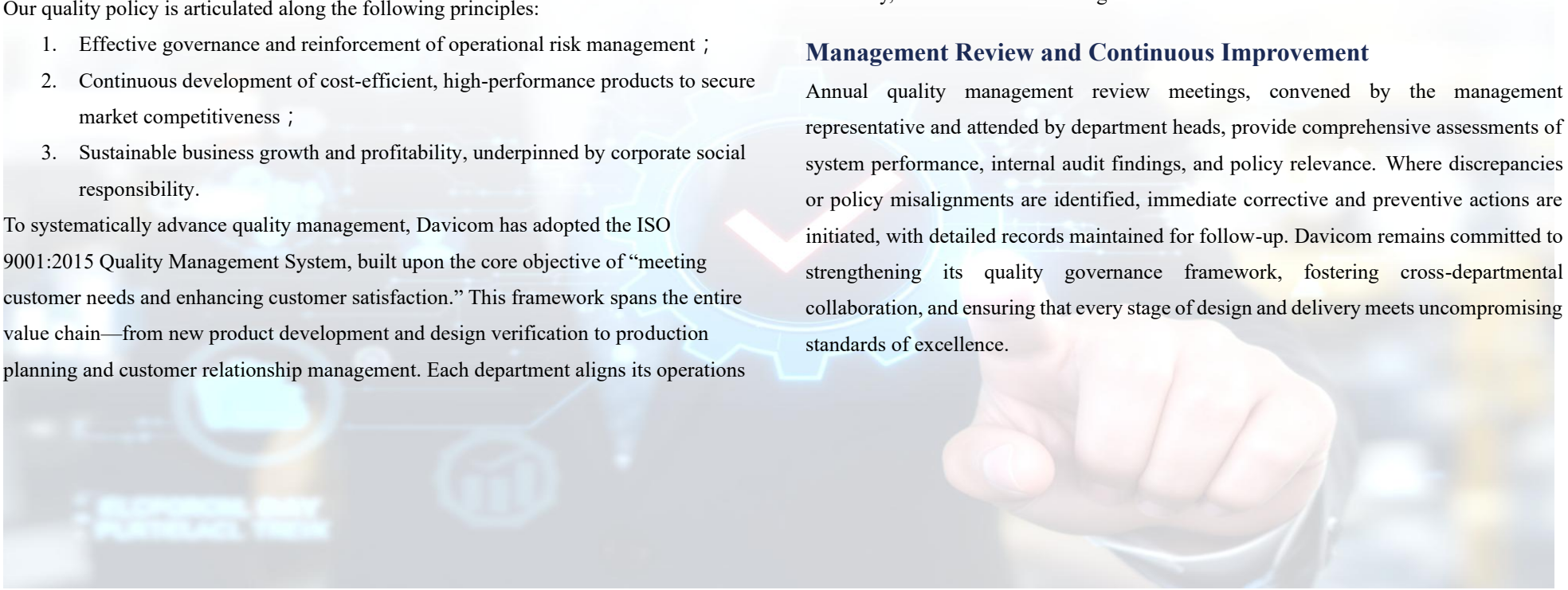
To systematically advance quality management, Davicom has adopted the ISO 9001:2015 Quality Management System, built upon the core objective of "meeting customer needs and enhancing customer satisfaction." This framework spans the entire value chain—from new product development and design verification to production planning and customer relationship management. Each department aligns its operations with quality policy directives to ensure stringent standards are upheld across every stage of the product lifecycle.

Quality Objectives and Annual Planning

In the fourth quarter of each year, all relevant departments establish quality objectives and annual plans targeting key performance factors. Upon review and approval, these measures are rigorously implemented to reduce quality losses, improve management efficiency, and achieve defined targets.

Management Review and Continuous Improvement

Annual quality management review meetings, convened by the management representative and attended by department heads, provide comprehensive assessments of system performance, internal audit findings, and policy relevance. Where discrepancies or policy misalignments are identified, immediate corrective and preventive actions are initiated, with detailed records maintained for follow-up. Davicom remains committed to strengthening its quality governance framework, fostering cross-departmental collaboration, and ensuring that every stage of design and delivery meets uncompromising standards of excellence.



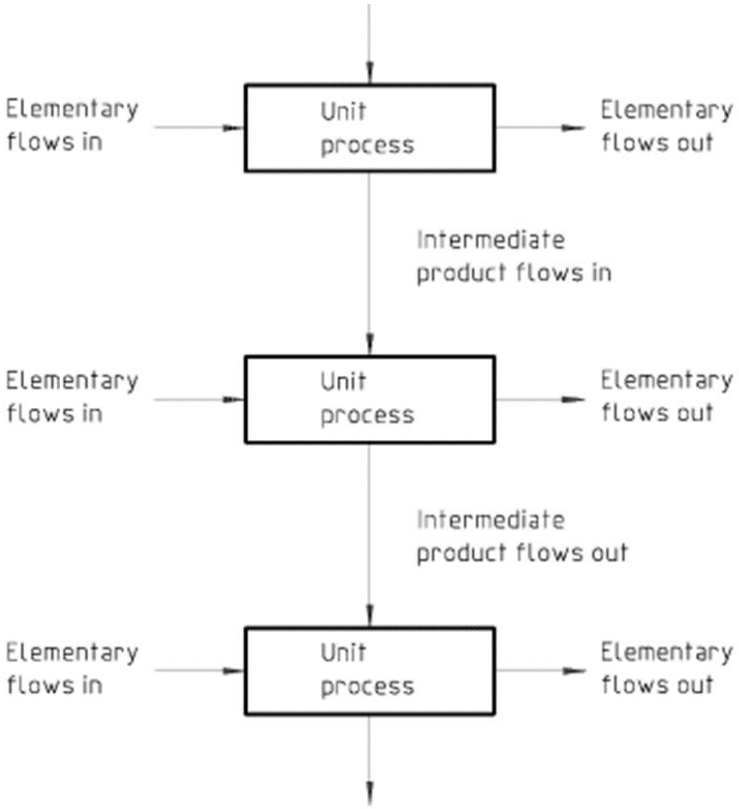
4.3 Environmental Product Declaration

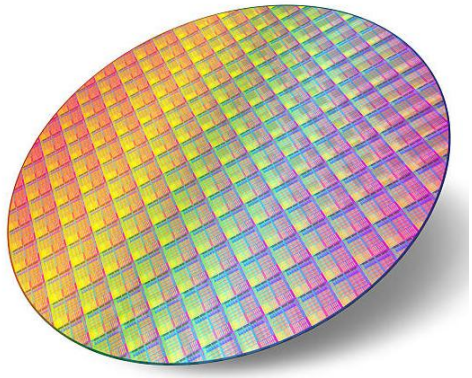
Material Topic	Significance to the Company	Policy/Commitment	Short-term Goal	Mid- to Long-term Goals	1. Resources Invested / 2. Achievements	Responsible Department / Grievance Mechanism	Evaluation Mechanism / Outcomes
Environmental Product Declaration	Davicom seeks to elevate its corporate reputation, attract sustainability-minded investors and clients, and strengthen competitiveness in the global marketplace.	By providing accurate and reliable environmental information, the Company fosters environmental awareness, ultimately advancing the protection and improvement of the natural environment.	Standardized processes are employed to evaluate product life cycle assessments (LCA) and their environmental impacts, supporting the long-term goal of ecological sustainability.		1. Wafer manufacturing, packing, and testing 2. Annual resources allocated: NT$55,791 thousand	Sustainability Task Force contact: aurora_lo@Davicom.com.tw	Suppliers are required to provide impartial third-party testing reports demonstrating compliance with EU RoHS Directive (2011/65/EU).

As an IC design company, Davicom completes circuit design in-house and entrusts wafer fabrication, assembly, and testing processes to qualified suppliers.

Category	Controller	Phy	Switch	USB	SPI	Serial port	EPD、VD AI Soc
Item	9000	9161、9162、9119	8203、8603、8606C、8806	9621、9620	9051	9625	

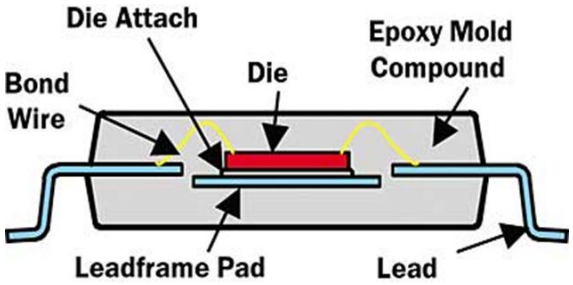
Product Process





Wafer Manufacturing

IC Packaging



Homogeneous Material Analysis for Green Products

Section	Restricted-using Substance Content (PPM)of EU RoHS directives									
	Cr^{+6}	Cd	Hg	Pb	PBB	PBDE	DEHP	BBP	DBP	DIBP
Die	N.D.	N.D.	N.D.	N.D.	N.D.	N.D.	N.D.	N.D.	N.D.	N.D.
Lead & Leadframe pad	N.D.	N.D.	N.D.	○	N.D.	N.D.	N.D.	N.D.	N.D.	N.D.
Epoxy Mold Compound	N.D.	N.D.	N.D.	N.D.	N.D.	N.D.	N.D.	N.D.	N.D.	N.D.
Die Attach Material	N.D.	N.D.	N.D.	N.D.	N.D.	N.D.	N.D.	N.D.	N.D.	N.D.
Bond Wire	N.D.	N.D.	N.D.	N.D.	N.D.	N.D.	N.D.	N.D.	N.D.	N.D.
Plating on Lead	N.D.	N.D.	N.D.	○	N.D.	N.D.	N.D.	N.D.	N.D.	N.D.

"N.D." indicates "Not Detected"

"O" indicates "Below the maximum concentration specified in the EU RoHS Directive"

No.	Content
1	Sony SS00259 (management rules under substance environmental management for components and materials)
2	EU RoHS (2011/65/EU, Restriction of Hazardous Substances in Electrical and Electronic Equipment, RoHS Directive)
3	EU REACH (EC 1907/2006) SVHC (Substance of Very High Concern)
4	PFOS (2006/122/EC, directive to restrict use of PFOS)
5	DMF (2009/251/EC, directive to restrict use of DMF)
6	Halogen (IEC 61249-2-21, directive to restrict use of halogen, only chlorine and bromine)

4.4 Customer Relationship Management

4.4.1 Commitment and Core Values in Customer Relations

Davicom is dedicated to delivering high-quality products and professional services, placing great importance on cultivating long-term trust and collaboration with clients. To help accelerate customer product development, we actively listen to their technical and application needs and provide tailored solutions that enhance supply chain efficiency. Supporting customer success is regarded as a cornerstone of Davicom's sustainable growth, and we remain committed to continuous improvement to secure enduring and stable business results.

4.4.2 Customer Communication and Response Mechanisms

Davicom values ongoing interaction with clients and has established robust mechanisms for product information disclosure and technical service delivery to ensure rapid responses to customer needs. To strengthen customer relationship management, the Company has implemented a comprehensive response and resolution framework encompassing product information sharing, technical support, feedback analysis, and grievance handling.

Product Information and Customer Communication

To ensure timely and complete information delivery, our sales teams conduct regular client visits, building solid communication channels. Face-to-face engagement and technical exchanges allow us to gain deeper insights into customer design requirements and application contexts, providing targeted recommendations and valuable feedback to our R&D teams for continuous product enhancement.

Technical Service and Support Principles

Serving as the primary communication channel, our sales teams coordinate technical support requests during both the design-in stage and subsequent production or application processes. Customers may also directly engage with system application engineers. Relevant departments collaborate closely to analyze and resolve issues, ensuring effective problem resolution.

Customer Feedback and Continuous Improvement

To enhance satisfaction, Davicom consistently gathers and analyzes client feedback, including survey results and practical application insights. The quality management team consolidates findings for review at quality management meetings, where concrete improvement actions and plans are developed. Through cross-departmental collaboration and resource integration, Davicom drives a cycle of continuous improvement, enhancing both service quality and product competitiveness.

Davicom will continue optimizing its customer service framework, building more systematic and professional response mechanisms to address every inquiry and technical concern with diligence, with the goal of becoming a trusted long-term partner for our clients.

4.4.3 Customer Privacy Protection

Operating under a B2B model, Davicom prioritizes the safeguarding of client trade secrets to uphold industry ethics and ensure fair competition. Effective management is achieved through two key dimensions:

For human resource management, employees are required to uphold professional ethics and are strictly prohibited from disclosing client methods, technologies, processes, formulas, programs, designs, or other proprietary information related to production, sales, or operations.

In terms of technology management, a reliable and secure information management system has been established to ensure the integrity and protection of client service records. During the reporting period, Davicom received no substantiated complaints regarding privacy breaches, nor were there any related complaints from regulatory authorities. Furthermore, no incidents of data leakage, theft, or loss occurred. The Company continues to invest in information security to ensure robust protection of client data.