

Phison's Growth Formula

EXECUTIVE SUMMARY

- Phison has successfully created a sustainable growth formula through reinvesting our profits into technology development to increase our shareholder's return. Such growth-enhancing business model is the growth formula enabling Phison's long-term profitability.
- Phison'll continue to invest in controller IC R&D in order to sharpen our technology leadership and replicate our outstanding PCIe Gen 4 SSD experience. These would be Phison's sustainable fuels to drive our scalable controller IC and module business at full throttle."

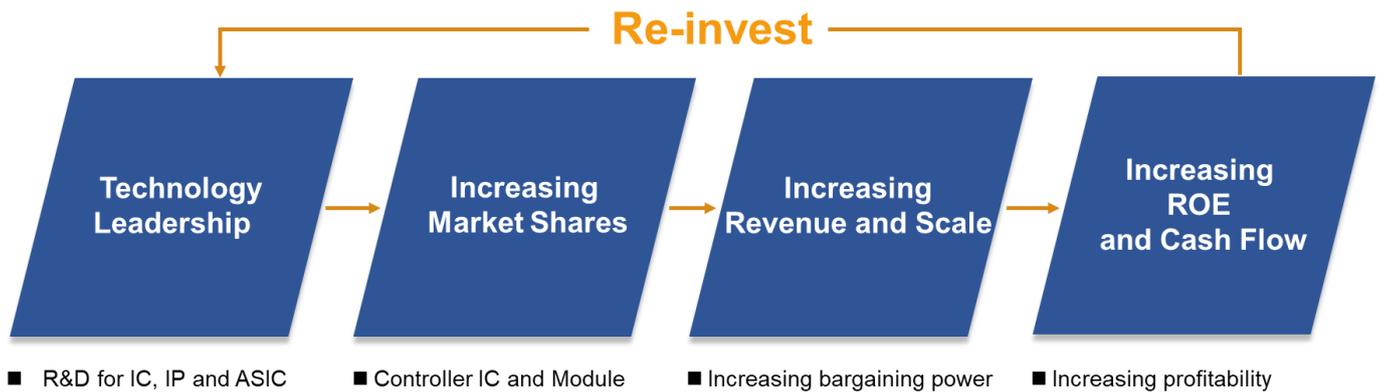
During the past twenty years, NAND Flash industry has gone through many cycles. Investors have been curious about how Phison achieved its growing top-line from US\$4.3mn in 2001, to US\$1.6bn in 2020 while delivering stellar bottom line results every year. One of the main reasons is Phison's sustainable "Growth Formula", which is Phison's unique and scalable business model: combining our own NAND flash controller IC and modules.

"GROWTH FORMULA": SUSTAINABLE PROFITABILITY THROUGH TECHNOLOGY LEADERSHIP

Phison's continuous growth story can be compared to a tree. We believe that technology is our root, applications are branches, while products are leaves and fruits. As we deem R&D investment as plant nutrients, Phison has invested more than US\$1bn in R&D since 2009, accumulating more than 1,900 global patents as the foundation of our technology leadership. Through diversified applications across consumer, embedded ODM, gaming, automotive, industrial, server and data center, Phison offers IP license, customized controller IC, ASIC services, storage modules and ODM turnkey solutions to increase our overall market share.

When our revenue continues to grow, we are able to strengthen our long-term partnerships with NAND Flash makers, downstream brand customers and system integrators across multiple applications. Our

capabilities to customize controller IC and NAND Flash storage systems along with precise inventory management for various applications has become increasingly important. By doing so, we are able to not only increase our revenue scale and bargaining power but also allows Phison to efficiently manage our profitability and cash flow. In addition, based on increasing revenue and market share, Phison continues to strengthen our sourcing capabilities and collaborations with key supply chain partners, building our solid and value-added supply chain management services for global clients. As a result, from 2010 to 2020, Phison’s revenue grew by a CAGR of 4%, while net profit grew by 19 %, and an average ROE of 20% during the same period. Phison has successfully created a sustainable growth formula through reinvesting our profits into technology development to increase our shareholder’s return. Such growth-enhancing business model is the growth formula enabling Phison’s long-term profitability.

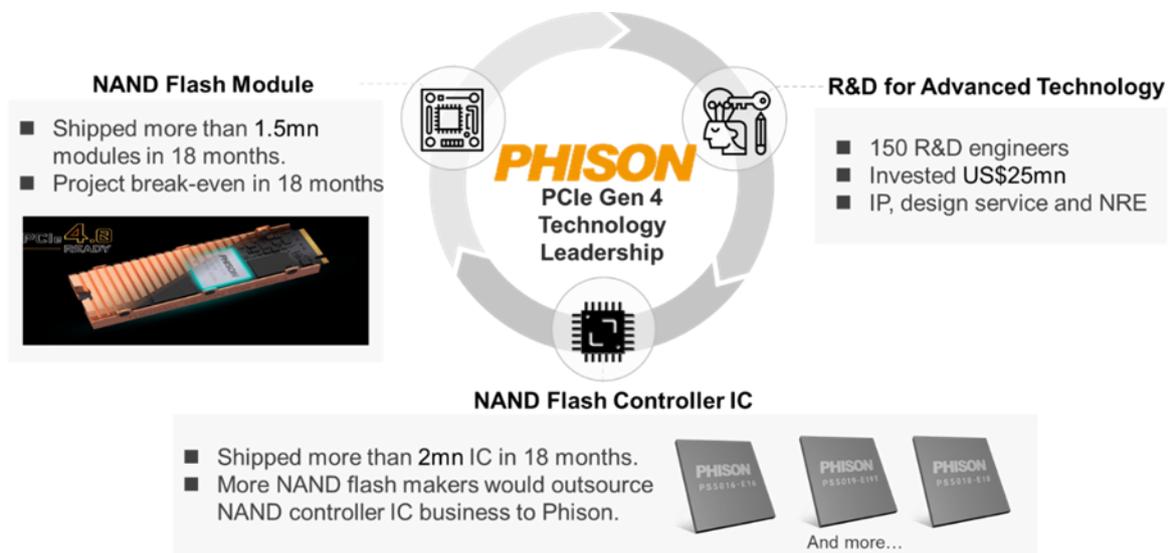


Phison’s Growth Formula

OUR SCALABLE CONTROLLER IC AND MODULE BUSINESS:

With the virtuous cycle of our “Growth Formula”, we’ve used continuous R&D investment to achieve remarkable results, the best example of which is our PCIe Gen 4 SSD controller IC and module solution collaboration with AMD. Beginning in October 2018, we invested US\$25 million in R&D and assigned 150 R&D engineers, achieving mass production of our proprietary Gen 4 SSD controller IC, PS5016-E16, within nine months. Our design optimizes performance, power consumption and manufacturing cost, and we have a 12-month technology leadership over our peers in terms of excellent IC speed performance,

superior thermal management and competitive price. Within 18 months since the launch of E16, our Gen 4 controller IC has achieved shipments in excess of 2 million while we shipped more than 1.5 million Gen 4 modules, contributing to the shortest breakeven time among our successful R&D projects. As Phison is built on the concept of a virtuous cycle focused on technology leadership, we'll continue to invest in Gen 4 technologies for multiple applications and new Gen 5 SSD controller IC R&D in order to sharpen our technology leadership and replicate our outstanding PCIe Gen 4 SSD experience. These would be Phison's sustainable fuels to drive our scalable controller IC and module business at full throttle."



Phison's Growth Formula: Taking PS5016-E16 PCIe Gen4 SSD Controller as an Example

CONCLUSION - REPLICATING GEN 4 WINNING STRATEGY

In conclusion, Phison's PCIe Gen 4 SSD success is only the beginning, and we have confidence in replicating Gen 4 winning strategy. Our 1,500 engineers are busy with new Gen 4 projects every day, and the visibility on some of these projects goes all the way to 2023-2025. Within the next five years, Phison would recruit 1,000 more engineers to meet the increasing demand from various storage applications, including embedded OEM, server, data center, gaming, automotive and industrial. We believe Phison's sustainable Growth Formula will continue to drive our unique and scalable business model.

PHISON IR DISTRIBUTION LIST APPLICATION FORM

If you would like to receive PHISON press release or announcement, please register our IR distribution application form from the link: [Phison IR Distribution List](#)

PHISON FACTS

- Over 20 years of experience in NAND controller IC design and module integration
- Over 2,000 employees globally, with more than 75% in engineering
- Over 1900 memory-related patents globally
- 3 major priorities: enterprise, embedded, and consumer markets
- 600M average annual controller shipments
- \$1.64B USD sales revenue in 2020
- Confidence that our [unique business model](#) can produce consistently strong cashflows and profits over the long-term amidst NAND memory market cycles
- Maintain long-term partnerships with our global NAND flash suppliers and with our valued module customers

ABOUT PHISON

Phison Electronics Corp. (TPEX:8299) is a global leader in NAND Flash controller IC and storage solutions. We provide a variety of services from controller design, system integration, IP licensing to total turnkey solutions, covering applications across SSD (PCIe/SATA/PATA), eMMC, UFS, SD and USB interfaces, reaching out to consumer, industrial and enterprise markets. As an active member of industry associations, Phison is on the Board of Directors for SDA, ONFI, UFSA and a contributor for JEDEC, PCI-SIG, MIPI, NVMe and IEEE-SA.

To know more about Phison, please visit [Phison Website](#) or [Phison Q&A](#) for details.

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FORWARD-LOOKING STATEMENTS

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