

**Phison Electronics Corp. and Subsidiaries**  
**Consolidated Financial Statements**  
**With Independent Auditors' Review Report**  
**For the Six Months Ended June 30, 2023 and 2022**

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The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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## Independent Auditors' Review Report

To the Board of Directors of Phison Electronics Corp.:

### Introduction

We have reviewed the accompanying consolidated balance sheets of Phison Electronics Corp. and its subsidiaries (“the Group”) as of June 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2023 and 2022, as well as the changes in equity and cash flows for the six months ended June 30, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard (“IASs”) 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Basis for Qualified Conclusion

As stated in Note 4(2), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$3,646,283 thousand and \$3,398,937 thousand, constituting 7% and 5% of the consolidated total assets as of June 30, 2023 and 2022, respectively, total liabilities amounting to \$752,365 thousand and \$706,308 thousand, constituting 5% and 3% of the consolidated total liabilities as of June 30, 2023 and 2022, respectively, and total comprehensive income(loss) amounting to \$(61,672) thousand, \$63,207 thousand, \$(1,985) thousand and \$214,798 thousand, constituting 19%, 4%, 0.3% and 5% of absolute value of the consolidated total comprehensive income (loss) for the three months and six months ended June 30, 2023 and 2022, respectively.



Furthermore, as stated in Note 6(8), the other equity accounted investments of Phison Electronics Corp. and its subsidiaries in its investee companies of \$4,072,164 thousand as of June 30, 2022, and its equity in net earnings on these investee companies of \$4,839 thousand and \$1,133 thousand for the three months and six months ended June 30, 2022, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

### **Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Phison Electronics Corp. and its subsidiaries as of June 30, 2023 and 2022, and of its consolidated financial performance for the three months and six months ended June 30, 2023 and 2022, as well as its consolidated cash flows for the six months ended June 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Chien-Hui Lu and Wan-Yuan Yu.

KPMG

Taipei, Taiwan (Republic of China)  
August 4, 2023

### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors’ review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors’ review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
Phison Electronics Corp. and subsidiaries

Consolidated Balance Sheets

June 30, 2023, December 31, 2022, and June 30, 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets		June 30, 2023		December 31, 2022		June 30, 2022		Liabilities and Equity		June 30, 2023		December 31, 2022		June 30, 2022	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
<b>Current assets:</b>								<b>Current liabilities:</b>							
1100	Cash and cash equivalents (note 6(1))	\$ 12,305,693	23	17,033,769	29	15,835,973	25	2100	Short-term borrowings (notes 6(13) and 8)	\$ -	-	-	-	30,000	-
1110	Financial assets at fair value through profit or loss – current (note 6(2))	1,060,356	2	785,022	1	988,599	2	2130	Contract liabilities – current	93,498	-	146,323	-	242,868	-
1136	Financial assets at amortized cost – current (notes 6(3) and 8)	40,530	-	40,499	-	42,198	-	2170	Accounts payable	2,540,287	5	5,600,107	9	2,378,720	4
1170	Accounts receivable, net (note 6(5))	5,738,465	11	6,037,722	10	6,429,935	10	2180	Accounts payable – related parties (note 7)	885,639	2	578,866	1	2,684,584	4
1180	Accounts receivable – related parties, net (notes 6(5) and 7)	770,202	1	1,199,073	2	2,093,411	3	2200	Other payables (note 6(14))	5,584,399	10	8,939,128	15	10,461,033	16
1200	Other receivables (notes 6(6) and 7)	289,778	-	333,902	1	422,754	1	2230	Tax payable	386,903	1	530,960	1	956,255	2
1220	Tax assets	3,747	-	3,497	-	574	-	2280	Lease liabilities – current (note 6(11))	44,199	-	46,250	-	41,662	-
130X	Inventories (note 6(7))	20,590,202	39	20,390,375	34	23,300,795	36	2320	Long-term borrowings, current portion (notes 6(16) and 8)	31,321	-	31,050	-	30,991	-
1410	Prepayments	90,831	-	69,271	-	37,654	-	2399	Other current liabilities (notes 6(15), 7 and 9(3))	1,138,203	2	1,726,407	3	1,877,103	3
1479	Other current assets	2,429	-	1,455	-	2,785	-			10,704,449	20	17,599,091	29	18,703,216	29
		40,892,233	76	45,894,585	77	49,154,678	77	<b>Non-Current liabilities:</b>							
<b>Non-current assets:</b>								2530	Bonds payable (note 6(17))	3,456,566	7	3,442,031	6	3,427,289	5
1510	Financial assets at fair value through profit or loss – non-current (note 6(2))	309,921	1	317,347	-	399,987	1	2540	Long-term borrowings (notes 6(16) and 8)	118,196	-	133,882	-	149,295	1
1517	Financial assets at fair value through other comprehensive income – non-current (note 6(4))	496,498	1	431,697	1	638,034	1	2570	Deferred tax liabilities	49,363	-	56,206	-	183,177	1
1550	Investments accounted for using the equity method (note 6(8))	2,847,255	5	3,693,963	6	4,072,164	6	2580	Lease liabilities – non-current (note 6(11))	76,470	-	85,526	-	92,480	-
1600	Property, plant and equipment (notes 6(10) and 8)	7,553,008	14	7,597,761	13	7,481,798	12	2640	Net defined benefit liabilities	116,039	-	114,798	-	105,708	-
1755	Right-of-use assets (note 6(11))	118,663	-	130,076	-	133,471	-	2645	Guarantee deposits received (note 9(3))	940,146	2	926,480	2	1,788,281	3
1780	Intangible assets (note 6(12))	301,046	-	375,336	1	323,205	1			4,756,780	9	4,758,923	8	5,746,230	10
1840	Deferred tax assets	905,294	2	889,157	1	548,639	1	<b>Total liabilities</b>							
1900	Other non-current assets (note 9(2))	625,382	1	659,914	1	685,192	1			15,461,229	29	22,358,014	37	24,449,446	39
		13,157,067	24	14,095,251	23	14,282,490	23	<b>Equity (notes 6(20) and (21)):</b>							
<b>Total assets</b>		<b>\$ 54,049,300</b>	<b>100</b>	<b>59,989,836</b>	<b>100</b>	<b>63,437,168</b>	<b>100</b>	3100	Common shares	2,014,185	4	1,986,745	3	1,970,740	3
								3200	Capital surplus	10,105,196	18	8,970,438	15	7,459,095	12
								3300	Retained earnings	28,752,634	53	28,952,665	48	29,425,927	46
								3400	Other equity interest	(222,728)	-	(216,810)	-	131,960	-
								3500	Treasury shares	(2,061,216)	(4)	(2,061,216)	(3)	-	-
										38,588,071	71	37,631,822	63	38,987,722	61
								<b>Total equity</b>							
								<b>Total liabilities and equity</b>							
										<b>\$ 54,049,300</b>	<b>100</b>	<b>59,989,836</b>	<b>100</b>	<b>63,437,168</b>	<b>100</b>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Phison Electronics Corp. and subsidiaries

**Consolidated Statements of Comprehensive Income**

**For the three and six months ended June 30, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)**

	For the three months ended June 30,				For the six months ended June 30,				
	2023		2022		2023		2022		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	<b>Operating revenue</b> (notes 6(23) and 7)	\$ 10,006,644	100	16,285,415	100	20,085,065	100	33,391,274	100
5000	<b>Operating costs</b> (notes 6(7), (24) and 7)	<u>6,758,821</u>	<u>68</u>	<u>11,294,357</u>	<u>69</u>	<u>13,624,132</u>	<u>68</u>	<u>23,010,717</u>	<u>69</u>
	<b>Gross profit from operations</b>	3,247,823	32	4,991,058	31	6,460,933	32	10,380,557	31
5910	Unrealized profit on transactions with associates	<u>2,558</u>	-	<u>(44,443)</u>	-	<u>(8,033)</u>	-	<u>(38,740)</u>	-
5950	<b>Realized gross profit</b>	<u>3,250,381</u>	<u>32</u>	<u>4,946,615</u>	<u>31</u>	<u>6,452,900</u>	<u>32</u>	<u>10,341,817</u>	<u>31</u>
	<b>Operating expenses</b> (notes 6(24) and 7):								
6100	Marketing expenses	300,299	3	316,916	2	561,822	2	612,159	2
6200	General and administrative expenses	189,808	2	329,428	2	367,582	2	630,599	2
6300	Research and development expenses	1,983,399	20	2,389,665	15	3,983,742	20	4,701,423	14
6450	Expected credit loss (reversal gain) (note 6(5))	<u>59,389</u>	-	<u>(9,247)</u>	-	<u>(16,112)</u>	-	<u>18,245</u>	-
	<b>Total operating expenses</b>	<u>2,532,895</u>	<u>25</u>	<u>3,026,762</u>	<u>19</u>	<u>4,897,034</u>	<u>24</u>	<u>5,962,426</u>	<u>18</u>
	<b>Net operating income</b>	<u>717,486</u>	<u>7</u>	<u>1,919,853</u>	<u>12</u>	<u>1,555,866</u>	<u>8</u>	<u>4,379,391</u>	<u>13</u>
	<b>Non-operating income and expenses:</b>								
7010	Other income (notes 6(25) and 7)	118,791	1	74,647	-	139,877	1	112,823	-
7020	Other gains and losses (notes 6(9) and (25))	255,520	3	171,831	1	352,429	2	302,095	1
7050	Finance costs (note 6(25))	(8,554)	-	(8,742)	-	(16,951)	-	(18,492)	-
7100	Interest income	59,331	-	15,021	-	103,282	-	23,137	-
7060	Shares of profit (loss) of associates accounted for using the equity method (note 6(8))	<u>(492,158)</u>	<u>(5)</u>	<u>4,839</u>	-	<u>(1,169,979)</u>	<u>(6)</u>	<u>1,133</u>	-
		<u>(67,070)</u>	<u>(1)</u>	<u>257,596</u>	<u>1</u>	<u>(591,342)</u>	<u>(3)</u>	<u>420,696</u>	<u>1</u>
7900	<b>Profit before tax</b>	650,416	6	2,177,449	13	964,524	5	4,800,087	14
7950	<b>Income tax expenses</b> (note 6(19))	<u>209,728</u>	<u>2</u>	<u>370,595</u>	<u>2</u>	<u>281,733</u>	<u>2</u>	<u>808,172</u>	<u>2</u>
8200	<b>Net profit for the period</b>	<u>440,688</u>	<u>4</u>	<u>1,806,854</u>	<u>11</u>	<u>682,791</u>	<u>3</u>	<u>3,991,915</u>	<u>12</u>
8300	<b>Other comprehensive income (loss):</b>								
	<b>Items that will not be reclassified subsequently to profit or loss</b>								
8310									
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(26))	14,076	-	(112,267)	(1)	52,055	-	(11,713)	-
8320	Shares of other comprehensive income of associates accounted for using the equity method	<u>(30,060)</u>	-	<u>(86,504)</u>	<u>(1)</u>	<u>24,590</u>	-	<u>(86,504)</u>	-
		<u>(15,984)</u>	-	<u>(198,771)</u>	<u>(2)</u>	<u>76,645</u>	-	<u>(98,217)</u>	-
8360	<b>Items that may be reclassified subsequently to profit or loss</b>								
8361	Exchange differences on translation of foreign financial statements	(131,554)	(1)	(29,343)	-	(124,278)	-	122,726	-
8399	Income tax related to items that may be reclassified subsequently (note 6(19))	<u>26,310</u>	-	<u>5,868</u>	-	<u>24,855</u>	-	<u>4,167</u>	-
		<u>(105,244)</u>	<u>(1)</u>	<u>(23,475)</u>	-	<u>(99,423)</u>	-	<u>126,893</u>	-
8300	<b>Other comprehensive income</b>	<u>(121,228)</u>	<u>(1)</u>	<u>(222,246)</u>	<u>(2)</u>	<u>(22,778)</u>	-	<u>28,676</u>	-
8500	<b>Total comprehensive income</b>	<u>\$ 319,460</u>	<u>3</u>	<u>1,584,608</u>	<u>9</u>	<u>660,013</u>	<u>3</u>	<u>4,020,591</u>	<u>12</u>
	<b>Earnings per share (New Taiwan Dollars)</b> (note 6(22)):								
9750	Basic earnings per share	<u>\$ 2.28</u>		<u>9.17</u>		<u>3.54</u>		<u>20.26</u>	
9850	Diluted earnings per share	<u>\$ 2.20</u>		<u>8.72</u>		<u>3.41</u>		<u>19.10</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Phison Electronics Corp. and subsidiaries

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Share capital			Retained earnings				Total other equity interest			Treasury shares	Total equity	
	Common shares	Advance receipts for share capital	Total share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income			Total
<b>Balance at January 1, 2022</b>	\$ 1,970,740	-	1,970,740	7,238,436	5,530,308	155,568	22,310,098	27,995,974	(143,563)	246,847	103,284	-	37,308,434
Net profit for the period	-	-	-	-	-	-	3,991,915	3,991,915	-	-	-	-	3,991,915
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	-	126,893	(98,217)	28,676	-	28,676
Total comprehensive income (loss) for the period	-	-	-	-	-	-	3,991,915	3,991,915	126,893	(98,217)	28,676	-	4,020,591
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	-	-	418,001	-	(418,001)	-	-	-	-	-	-
Cash dividends of common shares	-	-	-	-	-	-	(2,561,962)	(2,561,962)	-	-	-	-	(2,561,962)
Reversal of special reserve	-	-	-	-	-	(155,568)	155,568	-	-	-	-	-	-
Changes in equity of associates accounted for using the equity method	-	-	-	19,582	-	-	-	-	-	-	-	-	19,582
Share-based payments	-	-	-	201,077	-	-	-	-	-	-	-	-	201,077
<b>Balance at June 30, 2022</b>	\$ 1,970,740	-	1,970,740	7,459,095	5,948,309	-	23,477,618	29,425,927	(16,670)	148,630	131,960	-	38,987,722
<b>Balance at January 1, 2023</b>	\$ 1,970,740	16,005	1,986,745	8,970,438	6,347,501	-	22,605,164	28,952,665	27,271	(244,081)	(216,810)	(2,061,216)	37,631,822
Net profit for the period	-	-	-	-	-	-	682,791	682,791	-	-	-	-	682,791
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	-	(99,423)	76,645	(22,778)	-	(22,778)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	682,791	682,791	(99,423)	76,645	(22,778)	-	660,013
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	-	-	149,748	-	(149,748)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	216,810	(216,810)	-	-	-	-	-	-
Cash dividends of common shares	-	-	-	-	-	-	(865,962)	(865,962)	-	-	-	-	(865,962)
Changes in equity of associates accounted for using the equity method	-	-	-	397,338	-	-	-	-	-	-	-	-	397,338
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	(16,860)	(16,860)	-	16,860	16,860	-	-
Share-based payments	-	-	-	140,052	-	-	-	-	-	-	-	-	140,052
Exercise of employee stock options	25,355	2,085	27,440	597,368	-	-	-	-	-	-	-	-	624,808
<b>Balance at June 30, 2023</b>	\$ 1,996,095	18,090	2,014,185	10,105,196	6,497,249	216,810	22,038,575	28,752,634	(72,152)	(150,576)	(222,728)	(2,061,216)	38,588,071

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Phison Electronics Corp. and subsidiaries

**Consolidated Statements of Cash Flows**

**For the six months ended June 30, 2023 and 2022**

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30,	
	2023	2022
<b>Cash flows from operating activities:</b>		
<b>Profit before income tax</b>	\$ 964,524	4,800,087
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	346,984	307,720
Amortization expense	260,566	171,507
Expected credit loss (reversal gain)	(16,112)	18,245
Net loss (gain) on financial assets at fair value through profit or loss	(307,494)	249,721
Finance costs	16,951	18,492
Loss (gain) on disposal of property, plant and equipment	185	(23)
Interest income	(103,282)	(23,137)
Dividend income	(64,779)	(72,501)
Share-based payments	140,052	201,077
Shares of loss (profit) of associates accounted for using the equity method	1,169,979	(1,133)
Gain on disposal of investments accounted for using the equity method	-	(27,689)
Unrealized profit (loss) on transactions with associates	8,033	38,740
Unrealized foreign exchange gain	(34,178)	(242,128)
Inventory obsolescence loss (reversal gain)	(61,530)	354,507
Reversal of refund liabilities	(138,335)	(963)
Profit from lease modification	(5)	(190)
Gain recognized in bargain purchase transaction	-	(16,289)
<b>Total adjustments to reconcile profit (loss)</b>	<b>1,217,035</b>	<b>975,956</b>
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable (including related parties)	839,695	707,941
Other receivables	92,313	243,023
Inventories	(138,297)	(4,050,927)
Prepayments	(21,560)	(12,687)
Other current assets	(974)	429
Contract liabilities	(52,825)	39,824
Accounts payable (including related parties)	(2,777,267)	(4,353,798)
Other payables	(2,263,805)	(116,875)
Other current liabilities	84,914	(34,541)
Net defined benefit liabilities	1,241	811
<b>Total changes in operating assets and liabilities</b>	<b>(4,236,565)</b>	<b>(7,576,800)</b>
Cash outflow generated from operations	(2,055,006)	(1,800,757)
Interest paid	(2,431)	(3,838)
Income taxes paid	(424,165)	(1,067,984)
<b>Net cash flows used in operating activities</b>	<b>(2,481,602)</b>	<b>(2,872,579)</b>

(Continued)

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Phison Electronics Corp. and subsidiaries

**Consolidated Statements of Cash Flows (Continued)**

**For the six months ended June 30, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(12,746)	(14,990)
Acquisition of financial assets at amortized cost	(31)	(30)
Proceeds from disposal of financial assets at amortized cost	-	545,606
Proceeds from disposal of financial assets at fair value through profit or loss	39,586	12,971
Proceeds from capital reduction of financial assets at fair value through profit or loss	-	7,245
Net cash flow from acquisition of subsidiaries	-	(24,547)
Acquisition of property, plant and equipment	(320,501)	(1,110,016)
Proceeds from disposal of property, plant and equipment	300	56
Decrease (increase) in refundable deposits	51,164	(12,251)
Acquisition of intangible assets	(185,944)	(177,981)
Increase in prepayments for land and equipment	-	(42,486)
Interest received	103,751	23,082
Dividends received	17,113	71,714
<b>Net cash flows used in investing activities</b>	<b>(307,308)</b>	<b>(721,627)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term loans	-	1,967,656
Decrease in short-term loans	-	(2,380,651)
Repayments of long-term borrowings	(15,415)	(15,350)
Increase (decrease) in guarantee deposits received	(597,243)	2,488,752
Payment of lease liabilities	(23,947)	(24,421)
Cash dividends paid	(1,970,740)	(1,970,740)
Exercise of employee stock options	624,808	-
<b>Net cash flows from (used in) financing activities</b>	<b>(1,982,537)</b>	<b>65,246</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>43,371</b>	<b>323,986</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,728,076)</b>	<b>(3,204,974)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>17,033,769</b>	<b>19,040,947</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 12,305,693</b>	<b>15,835,973</b>

See accompanying notes to consolidated financial statements.

**(English Translation of Consolidated Financial Statements Originally Issued in Chinese)**  
**Phison Electronics Corp. and subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2023 and 2022**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**1. Company history**

Phison Electronics Corp. (the “Company”) was incorporated on November 8, 2000, with the approval of the Ministry of Economic Affairs, R.O.C. The major business activities of the Company and its subsidiaries (the “Group”) are the design and manufacturing of flash memory controllers and peripheral system applications. The Company’s shares have been trading on the Taipei Exchange (over-the-counter exchange in Taiwan) since December 6, 2004.

**2. Approval date and procedures of the consolidated financial statements**

The consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on August 4, 2023.

**3. New standards, amendments and interpretations adopted**

- (1) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

- (2) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards have been issued by the International Accounting Standards Board (“IASB”), but have yet to be endorsed by the FSC:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IFRS16 “Requirements for Sale and Leaseback Transactions”
- Amendments to IAS12 “International Tax Reform – Pillar Two Model Rules”

**Phison Electronics Corp. and subsidiaries**  
**Notes to the Consolidated Financial Statements**

As of the date the consolidated financial statements were authorized for issue, except for IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts” is not relevant to the Group, the Group is evaluating the impact of its initial adoption of the remaining abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

**4. Summary of significant accounting policies**

(1) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2022. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2022.

(2) Basis of consolidation

Principles of preparation of the consolidated financial statements were the same as those of the consolidated financial statements for the year ended December 31, 2022. For the related information, please refer to note 4(3) of the consolidated financial statements for the year ended December 31, 2022.

A. List of subsidiaries in the consolidated financial statements

The subsidiaries included in the consolidated financial statements are as follows:

Name investor	Name of subsidiary	Principal activity	Shareholding (%)			Note
			June 30, 2023	December 31, 2022	June 30, 2022	
The Company	Lian Xu Dong Investment Corporation	Investment	100	100	100	
The Company	Phison Electronics Japan Corp.	Sales and service office	100	100	100	
The Company	Emtops Electronics Corp.	Investment	100	100	100	
The Company	Phisontech Electronics Taiwan Corp.	Investment and trade	100	100	100	
The Company	Global Flash Limited	Investment and trade	100	100	100	
The Company	Power Flash (Samoa) Limited	Investment and trade	100	100	100	

**Phison Electronics Corp. and subsidiaries**  
**Notes to the Consolidated Financial Statements**

Name investor	Name of subsidiary	Principal activity	Shareholding (%)			Note
			June 30, 2023	December 31, 2022	June 30, 2022	
The Company	Everspeed Technology Limited	Trade of electronic components	-	-	100	Note 1
The Company	Regis Investment (Samoa) Limited	Investment	100	100	100	
The Company	Nextorage Corporation	R&D, design, manufacture and sale of flash memory application products	100	100	100	Note 2
The Company	Phison Technology India Private Limited	Design, R&D, import and export of storage devices and electronic components	100	100	-	Note 3
Global Flash Limited	Core Storage Electronic (Samoa) Limited	Investment and trade	100	100	100	
Lian Xu Dong Investment Corporation	Ostek Corporation	Manufacture and trade of electronic components	100	100	100	
Power Flash (Samoa) Limited	Power Flash (HK) Limited	Sale of electronic products	100	100	100	
Power Flash (Samoa) Limited	Power Storage Technology (Shenzhen) Limited	Design, R&D, import and export of storage devices and electronic components	100	100	100	Note 4
Everspeed Technology Limited	Memoryexchange Corporation	Manufacture and sale of flash memory related products	-	-	-	Note 5
Regis Investment (Samoa) Limited	RealYou Investment Limited	Investment	100	100	100	
RealYou Investment Limited	Hefei Ruhan Electronic Technology Limited	Design, R&D and sale of electronic products and technical support service and rendering of related services and investment	100	100	100	
Emtops Electronics Corp.	Phison Technology Inc.	Sales and service office	100	100	100	

**Phison Electronics Corp. and subsidiaries**  
**Notes to the Consolidated Financial Statements**

<u>Name investor</u>	<u>Name of subsidiary</u>	<u>Principal activity</u>	<u>Shareholding (%)</u>			<u>Note</u>
			<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>	
Phisontech Electronics Taiwan Corp.	Super Storage Technology Corporation	Manufacture and trade of electronic components	100	100	100	

Note 1: Everspeed Technology Limited was liquidated in July 2022.

Note 2: Since January 1, 2022, Nextorage Corporation has become a 100%-held subsidiary of the Company. Please refer to note 6(9) for related information.

Note 3: For operation needs, the Company set up Phison Technology India Private Limited in India in December 2022, wherein the Company and Emtops Electronics Corp. held 2,299,990 shares and 10 shares, respectively, in it.

Note 4: For operation needs, the Company set up Power Storage Technology (Shenzhen) Limited in Shenzhen, Mainland China, in January 2022.

Note 5: Memoryexchange Corporation ended its operations in March 2021, and was liquidated in March 2022.

Note 6: The abovementioned subsidiaries are all non-significant subsidiaries, the financial statements of which have not been reviewed by independent auditors.

B. Subsidiaries excluded from the consolidated financial statements: None.

(3) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year.

(4) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

**5. Critical accounting judgments and key sources of estimations and assumptions uncertainty**

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2022. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2022.

**Phison Electronics Corp. and subsidiaries**  
**Notes to the Consolidated Financial Statements**

**6. Description of significant accounts**

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the consolidated financial statements for the year ended December 31, 2022. Please refer to Note 6 of consolidated financial statements for the year ended December 31, 2022.

(1) Cash and cash equivalent

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Cash	\$ 145	145	158
Demand deposits and check deposits	8,569,842	11,507,034	9,762,610
Cash equivalents – time deposits	<u>3,735,706</u>	<u>5,526,590</u>	<u>6,073,205</u>
	<u><b>\$ 12,305,693</b></u>	<u><b>17,033,769</b></u>	<u><b>15,835,973</b></u>

Please refer to note 6(26) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

(2) Financial assets at fair value through profit or loss

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Financial assets at fair value through profit or loss – current:			
Beneficiary certificates – open-end funds	\$ 111,396	110,769	474,700
Domestic listed stock (note)	948,610	674,253	513,899
Derivative instruments – convertible bonds (note 6(17))	<u>350</u>	<u>-</u>	<u>-</u>
	<u><b>\$ 1,060,356</b></u>	<u><b>785,022</b></u>	<u><b>988,599</b></u>
Financial assets at fair value through profit or loss – non-current:			
Domestic private equity funds	\$ 37,900	34,444	83,714
Domestic unlisted stocks	166,191	174,012	196,158
Foreign unlisted stocks	<u>105,830</u>	<u>108,891</u>	<u>120,115</u>
	<u><b>\$ 309,921</b></u>	<u><b>317,347</b></u>	<u><b>399,987</b></u>

Note: In August 2022, Apacer Technology Inc. issued additional ordinary shares in exchange for the common stock of UD INFO Corp., resulting in the Company to acquire 2,505 thousand shares of newly issued common stock of Apacer Technology Inc. in exchange for the previously held 1,252 thousand shares of UD INFO Corp., with the base date set on August 1, 2022. Due to the aforementioned transaction, the cumulative gain in equity recognized during the period in which the Company held UD INFO Corp.'s shares amounting to \$94,932 thousand had been reclassified from FVOCI to retained earnings.

None of financial assets mentioned above were pledged as collateral.

**Phison Electronics Corp. and subsidiaries**  
**Notes to the Consolidated Financial Statements**

(3) Financial assets at amortized cost—current

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Segregated foreign exchange deposit account for Offshore Funds	\$ -	-	1,709
Pledged time deposits	<u>40,530</u>	<u>40,499</u>	<u>40,489</u>
	<u>\$ 40,530</u>	<u>40,499</u>	<u>42,198</u>

A. The Group obtained approvals from the Ministry of Finance in August 2020, January 2021, and March 2021, respectively, to repatriate offshore funds in accordance with “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act” (the Act). The repatriated amount, net of tax, was deposited into segregated foreign exchange deposit account (segregated account). The deposit in segregated account is subject to restrictions based on the Act.

B. The Group estimated that the expected credit risk of the above financial assets is limited and the credit risk of original recognition has not increased.

C. The financial assets mentioned above were pledged as collateral. Please refer to note 8.

(4) Financial assets at fair value through other comprehensive income—non-current

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Domestic unlisted stocks	\$ 235,741	235,752	298,242
Foreign unlisted stocks	<u>260,757</u>	<u>195,945</u>	<u>339,792</u>
	<u>\$ 496,498</u>	<u>431,697</u>	<u>638,034</u>

The Group held the abovementioned equity investment for long-term strategic purpose, but rather than for trading purpose. Therefore, those equity investments have been designated as financial assets at fair value through other comprehensive income. None of the above financial assets mentioned above were pledge as collateral.

(5) Accounts receivable, net (including related and non-related parties)

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Accounts receivable	\$ 5,827,737	6,126,356	6,491,062
Accounts receivable—related parties	<u>775,569</u>	<u>1,221,183</u>	<u>2,098,238</u>
	6,603,306	7,347,539	8,589,300
Less: loss allowance	<u>(94,639)</u>	<u>(110,744)</u>	<u>(65,954)</u>
Accounts receivable, net	<u>\$ 6,508,667</u>	<u>7,236,795</u>	<u>8,523,346</u>

**Phison Electronics Corp. and subsidiaries**  
**Notes to the Consolidated Financial Statements**

The Group measures the loss allowance for accounts receivable at an amount equal to lifetime expected credit losses. The expected credit losses on accounts receivable are estimated using an allowance matrix by reference to past default experience with the respective debtors and an analysis of each debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit losses experience does not show significantly different loss patterns for different customer segments, the loss allowance, which is based on the past due status of receivables, is not further distinguished according to different segments of the Group's customer base.

The Group writes off an accounts receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation, or when the accounts receivable are over two years past due, whichever occurs earlier. For accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable (including related and non-related parties) based on the Group's allowance matrix.

	<b>June 30, 2023</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate (%)</b>	<b>Loss allowance</b>
Current	\$ 5,798,951	0.16	9,551
1~60 days past due	792,924	9.36	74,240
61~90 days past due	1,221	52.25	638
More than 151 days past due	<u>10,210</u>	100.00	<u>10,210</u>
	<b><u>\$ 6,603,306</u></b>		<b><u>94,639</u></b>
	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate (%)</b>	<b>Loss allowance</b>
Current	\$ 6,344,599	0.31	19,831
1~60 days past due	975,376	6.49	63,349
121~150 days past due	708	100.00	708
More than 151 days past due	<u>26,856</u>	100.00	<u>26,856</u>
	<b><u>\$ 7,347,539</u></b>		<b><u>110,744</u></b>



**Phison Electronics Corp. and subsidiaries**  
**Notes to the Consolidated Financial Statements**

	<b>June 30, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate (%)</b>	<b>Loss allowance</b>
Current	\$ 8,392,727	0.23	18,901
1~60 days past due	145,807	3.85	5,608
61~90 days past due	22,374	58.39	13,064
91~120 days past due	39	71.79	28
121~150 days past due	56	100.00	56
More than 151 days past due	28,297	100.00	28,297
	<b>\$ 8,589,300</b>		<b>65,954</b>

The movement in the loss allowance for accounts receivable (including related and non-related parties) was as follows:

	<b>For the six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
Balance, beginning of the period	\$ 110,744	47,709
Impairment losses recognized (reversed)	(16,112)	18,245
Effect of movements in exchange rates	7	-
Balance, end of the period	<b>\$ 94,639</b>	<b>65,954</b>

None of the accounts receivable mentioned above were pledged as collateral. As the average credit term of 30~90 days is similar with the practical in the industry, there are no finance elements included.

The Group entered into an un-recourse factoring agreement with the factor to sell its accounts receivable. Under the agreement, except necessary agreed expenses, the Group does not have the responsibility to assume the default risk of the transferred accounts receivable. The Group derecognized the above accounts receivable, because it has transferred substantially all of the risks and rewards of their ownership, and it does not have any continuing involvement in them. The amounts receivable from the factor were recognized as “other receivables” upon the derecognition of those accounts receivable. The outstanding sold accounts receivable at the end of the period were as follows:

(Unit: USD in Thousands)

<b>June 30, 2023</b>				
<b>Factor</b>	<b>Factor Amount</b>	<b>Amount Recognized in Other Receivables</b>	<b>Range of Handling Fees Rate (%)</b>	<b>Transferring Terms</b>
HSBC Bank (Taiwan) Limited	\$ <b>1,216</b>	<b>1,051</b>	0.22~0.65	Note 1~4

**Phison Electronics Corp. and subsidiaries**  
**Notes to the Consolidated Financial Statements**

<b>December 31, 2022</b>				
<b>Factor</b>	<b>Factor Amount</b>	<b>Amount Recognized in Other Receivables</b>	<b>Range of Handling Fees Rate (%)</b>	<b>Transferring Terms</b>
HSBC Bank (Taiwan) Limited	\$ <u>2,166</u>	<u>1,714</u>	0.22~0.65	Note 1~4

<b>June 30, 2022</b>				
<b>Factor</b>	<b>Factor Amount</b>	<b>Amount Recognized in Other Receivables</b>	<b>Range of Handling Fees Rate (%)</b>	<b>Transferring Terms</b>
HSBC Bank (Taiwan) Limited	\$ <u>1,961</u>	<u>1,615</u>	0.55~0.65	Note 1~4

Note 1: The accounts receivable transferred to the factoring bank are subjected to the consents of agreement between the Group and the bank and credit decision advices without recourse. No financing from the factoring bank agreement is within the factored accounts receivable.

Note 2: The Group informed its customers to make payment directly to the factoring bank.

Note 3: As of June 30, 2023, December 31, 2022, and June 30, 2022, the outstanding receivables after the above transactions, net of fees charged by the factoring bank, of \$32,737 thousand, \$52,651 thousand and \$47,993 thousand, respectively, were recognized under other receivables.

Note 4: To the extent of the amount transferred to the factor, risks of non-collection or potential payment default by customers in the event of insolvency are borne by the factor. The Group is not responsible for the collection of receivables subject to these facilities, or for any legal proceedings and costs thereof in collecting these receivables. No collaterals were provided by the Group.

(6) Other receivables

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Tax refunds receivable	\$ 105,413	193,916	323,305
Factored accounts receivable	32,737	52,651	47,993
Dividend receivable	47,666	-	787
Others	103,962	87,335	50,669
Less: loss allowance	-	-	-
	<b>\$ 289,778</b>	<b>333,902</b>	<b>422,754</b>

**Phison Electronics Corp. and subsidiaries**  
**Notes to the Consolidated Financial Statements**

(7) Inventories

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Raw materials	\$ 15,065,336	14,763,313	15,571,245
Work in process	2,540,509	2,427,948	3,668,165
Semi-finished goods	2,668,520	2,972,532	3,852,231
Finished goods	315,837	226,582	209,154
	<b><u>\$ 20,590,202</u></b>	<b><u>20,390,375</u></b>	<b><u>23,300,795</u></b>

The costs of inventories recognized as costs of goods sold for the three months and six months ended June 30, 2023 and 2022 were \$6,758,821 thousand, \$11,294,357 thousand, \$13,624,132 thousand and \$23,010,717 thousand, respectively.

The costs of goods sold for the three months and six months ended June 30, 2023 and 2022 included inventory obsolescence loss (reversal gain) of \$50,977 thousand, \$584,045 thousand, \$(61,530) thousand and \$354,507 thousand, respectively.

None of the inventories mentioned above were pledged as collateral.

(8) Investments accounted for using the equity method

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
HOSIN Global Electronics Co., Ltd. (SZ)	\$ 2,312,493	3,252,782	3,496,042
EpoStar Electronics (BVI) Corporation	230,979	206,796	334,767
Hefei Xinpeng Technology Co., Ltd.	143,063	81,685	103,365
ProGrade Digital Inc.	134,575	126,981	113,398
Microtops Design Corporation	26,145	25,719	24,592
	<b><u>\$ 2,847,255</u></b>	<b><u>3,693,963</u></b>	<b><u>4,072,164</u></b>

A. Associates which are material to the Group consisted of the followings:

<b>Name of Associates</b>	<b>Principal Activity</b>	<b>Main Operating Location/ Registered Country</b>	<b>Ownership interest (%)</b>		
			<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
HOSIN Global Electronics Co., Ltd. (SZ)	R&D and sale of electronic product and technical service and rendering of related services	China	37.87	39.04	42.63

**Phison Electronics Corp. and subsidiaries**  
**Notes to the Consolidated Financial Statements**

The following consolidated financial information of significant associates has been adjusted according to individually prepared IFRS financial statements of these associates to express the adjustment due to the change in fair value when the Group obtained the ownership of the associates and the effect of different accounting polices:

HOSIN Global Electronics Co., Ltd. (SZ) and its subsidiaries

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Current assets	\$ 15,813,969	14,392,735	12,376,232
Non-current assets	4,728,884	4,912,374	5,045,768
Current liabilities	(13,230,106)	(9,820,783)	(8,597,444)
Non-current liabilities	(1,110,810)	(1,117,050)	(437,829)
Net assets	<u>\$ 6,201,937</u>	<u>8,367,276</u>	<u>8,386,727</u>
	<b>For the three months ended June 30,</b>	<b>For the six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>
	<b>2022</b>	<b>2023</b>	<b>2022</b>
Operating revenue	<u>\$ 8,921,218</u>	<u>5,558,025</u>	<u>15,033,519</u>
Net profit (loss)	\$ (1,266,368)	(835)	(2,932,838)
Other comprehensive income (loss)	(49,424)	109,367	(52,908)
Total comprehensive income (loss)	<u>\$ (1,315,792)</u>	<u>108,532</u>	<u>(2,985,746)</u>
	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Summarized information of the carrying amount of significant associates	<u>\$ 2,312,493</u>	<u>3,252,782</u>	<u>3,496,042</u>
	<b>For the three months ended June 30,</b>	<b>For the six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>
	<b>2022</b>	<b>2023</b>	<b>2022</b>
Attributable to the Group:			
Net profit (loss)	\$ (489,397)	19,157	(1,160,565)
Other comprehensive income (loss)	(123,080)	(51,074)	(97,556)
Total comprehensive income (loss)	<u>\$ (612,477)</u>	<u>(31,917)</u>	<u>(1,258,121)</u>
	<u>52,493</u>		

**Phison Electronics Corp. and subsidiaries**  
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The Group did not participate in the subscription of the cash capital increase of Hosin Global Electronics Co., Ltd. in the second quarter of 2023, therefore, the changes in equity of associate recognized in the capital surplus by the Group amounted to \$318,119 thousand for the six months ended June 30, 2023.

- B. The Group's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>	
Summarized information of the carrying amount of associates that were not individually material	\$ <b>534,762</b>	<b>441,181</b>	<b>576,122</b>	
	<b>For the three months ended June 30, 2023</b>	<b>For the six months ended June 30, 2022</b>	<b>For the three months ended June 30, 2023</b>	<b>For the six months ended June 30, 2022</b>
Attributable to the Group:				
Net loss	\$ (2,761)	(14,318)	(9,414)	(16,312)
Other comprehensive income (loss)	(27,867)	(83,620)	26,036	(81,352)
Total comprehensive income (loss)	\$ <b>(30,628)</b>	<b>(97,938)</b>	<b>16,622</b>	<b>(97,664)</b>

- C. Pledged

None of the investments accounted for using the equity method mentioned above were pledged as collateral.

- D. The unreviewed financial statements of investments accounted for using the equity method

Investments accounted for using the equity method and its share of profit or loss and other comprehensive income in the second quarter of 2022 were calculated based on the financial statements that have not been reviewed by independent auditors.

- (9) Business Combinations

For the purpose of improving advanced customized storage devices to meet the demand of Japan and global market, the Company acquired 6,120 common shares of Nextorage Corporation in cash amounting to JPY578,217 thousand. Therefore, since January 1, 2022, Nextorage was no longer a 49%-held investee accounted for using the equity method, and became a 100%-held subsidiary of the Company.

**Phison Electronics Corp. and subsidiaries**  
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A. Acquired identifiable assets and assumed liabilities at the date of acquisition

Current assets:	
Cash and cash equivalents	\$ 113,936
Accounts receivable, net	452,438
Other receivables	41,050
Inventories	107,841
Other current assets	801
Non-current assets:	
Property, plant and equipment	36,137
Intangible assets	2,401
Other non-current assets	68,313
Current liabilities:	
Accounts payable	(368,896)
Other payables	(148,709)
Other current liabilities	(1,837)
	<u><u>\$ 303,475</u></u>

B. Net cash outflow of the acquisition of subsidiaries

Consideration paid in cash	\$ 138,483
Less: cash and cash equivalent acquired	<u>(113,936)</u>
	<u><u>\$ 24,547</u></u>

Gain on a bargain purchase from acquisition was as follows:

Consideration transferred	\$ 138,483
Plus: fair value of pre-existing interest in Nextorage	148,703
Less: fair value of identifiable assets	<u>303,475</u>
Gain on a bargain purchase (recognized as other income)	<u><u>\$ (16,289)</u></u>

The Group re-measured the fair value of its existing equity interest of 49% in Nextorage before the acquisition date, and the deemed gain on disposal of investments accounted for using the equity method of \$27,689 thousand was recognized as “other gains and losses” on the consolidated statement of comprehensive income for the six months ended June 30, 2022.

**Phison Electronics Corp. and subsidiaries**  
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(10) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Mechanical and testing equipment</u>	<u>Office and other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost:						
Balance at January 1, 2023	\$ 2,149,285	5,069,347	1,559,637	397,475	46,491	9,222,235
Additions for the period	-	90,524	159,680	17,948	12,533	280,685
Disposal for the period	-	-	(69,888)	(9,174)	-	(79,062)
Reclassification	-	56,265	381	-	(56,837)	(191)
Effect of movements in exchange rates	(23)	(876)	(162)	(2,154)	(16)	(3,231)
Balance at June 30, 2023	<u>\$ 2,149,262</u>	<u>5,215,260</u>	<u>1,649,648</u>	<u>404,095</u>	<u>2,171</u>	<u>9,420,436</u>
Balance at January 1, 2022	\$ 1,762,820	2,626,517	1,371,564	274,718	1,982,139	8,017,758
Additions for the period	386,283	218,154	208,138	51,918	215,997	1,080,490
Acquisitions through business combinations	189	10,841	1,519	23,376	212	36,137
Disposal for the period	-	-	(98,305)	(17,807)	-	(116,112)
Reclassification	-	2,158,507	17,374	12,632	(2,189,389)	(876)
Effect of movements in exchange rates	(26)	(1,090)	1,071	(839)	(20)	(904)
Balance at June 30, 2022	<u>\$ 2,149,266</u>	<u>5,012,929</u>	<u>1,501,361</u>	<u>343,998</u>	<u>8,939</u>	<u>9,016,493</u>
Depreciation:						
Balance at January 1, 2023	\$ -	723,512	730,222	170,740	-	1,624,474
Depreciation for the period	-	76,254	198,964	47,477	-	322,695
Disposal for the period	-	-	(69,403)	(9,174)	-	(78,577)
Effect of movements in exchange rates	-	(70)	(428)	(666)	-	(1,164)
Balance at June 30, 2023	<u>\$ -</u>	<u>799,696</u>	<u>859,355</u>	<u>208,377</u>	<u>-</u>	<u>1,867,428</u>
Balance at January 1, 2022	\$ -	596,723	634,894	135,579	-	1,367,196
Depreciation for the period	-	52,266	191,829	39,102	-	283,197
Disposal for the period	-	-	(98,286)	(17,793)	-	(116,079)
Effect of movements in exchange rates	-	(24)	(6)	411	-	381
Balance at June 30, 2022	<u>\$ -</u>	<u>648,965</u>	<u>728,431</u>	<u>157,299</u>	<u>-</u>	<u>1,534,695</u>
Carrying amounts:						
Balance at January 1, 2023	<u>\$ 2,149,285</u>	<u>4,345,835</u>	<u>829,415</u>	<u>226,735</u>	<u>46,491</u>	<u>7,597,761</u>
Balance at June 30, 2023	<u>\$ 2,149,262</u>	<u>4,415,564</u>	<u>790,293</u>	<u>195,718</u>	<u>2,171</u>	<u>7,553,008</u>
Balance at January 1, 2022	<u>\$ 1,762,820</u>	<u>2,029,794</u>	<u>736,670</u>	<u>139,139</u>	<u>1,982,139</u>	<u>6,650,562</u>
Balance at June 30, 2022	<u>\$ 2,149,266</u>	<u>4,363,964</u>	<u>772,930</u>	<u>186,699</u>	<u>8,939</u>	<u>7,481,798</u>

Part of the property, plant and equipment mentioned above was pledged as collateral for bank loans. Please refer to note 8.

To increase the scale of operations, the Company's Board of Directors resolved on January 17, 2020, to build a factory in Zhunan Guangyuan Science and Technology Park by contracting third parties to construct on the land owned by the Company. The total price of the project was approximately \$1,398,000 thousand. The Company financed the construction with its own funds. In addition, the Company's Board of Directors resolved on November 12, 2020, to build a factory with loading and unloading parking space in Zhunan Guangyuan Science and Technology Park by contracting third parties to construct on the land owned by the Company. The total price of the project was approximately \$829,000 thousand. The aforementioned construction project completed and accepted in June 2022.

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On January 21, 2022, the Company's Board of Directors resolved to participate the land auction for acquiring the land located on Datong Section, Zhunan Township, Miaoli County from the Miaoli County Government to set up a compound leisure club or similar real estate for employees' entertainment needs. The Company won the bid on January 25, 2022. The total transaction amount was \$346,660 thousand.

(11) Lease arrangements

A. Right-of-use assets

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Others</u>	<u>Total</u>
Carrying amounts:				
Balance January 1, 2023	\$ <u>129,437</u>	<u>639</u>	-	<u>130,076</u>
Balance at June 30, 2023	\$ <u>118,240</u>	<u>423</u>	-	<u>118,663</u>
Balance at June 30, 2022	\$ <u>132,617</u>	<u>854</u>	-	<u>133,471</u>

The Group has leased offices in Taipei for operation needs since the first quarter of 2022, therefore, right-of-use assets and lease liabilities of the Group both increased \$100,116 thousand. Except for the aforementioned additions, there was no significant addition, disposal, or recognition and reversal of impairment losses of right-of-use assets of the Group for the six months ended June 30, 2023 and 2022. Please refer to note 6(11) of the consolidated financial statements for the year ended December 31, 2022, for other related information.

The depreciation expenses arising from leased land, buildings, transportation equipment and office equipment were as follows:

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Others</u>	<u>Total</u>
For the three months ended June 30, 2023	\$ <u>11,802</u>	<u>108</u>	-	<u>11,910</u>
For the three months ended June 30, 2022	\$ <u>10,631</u>	<u>100</u>	-	<u>10,731</u>
For the six months ended June 30, 2023	\$ <u>24,073</u>	<u>216</u>	-	<u>24,289</u>
For the six months ended June 30, 2022	\$ <u>23,507</u>	<u>194</u>	<u>822</u>	<u>24,523</u>

B. Lease liabilities

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Current	\$ <u>44,199</u>	<u>46,250</u>	<u>41,662</u>
Non-current	\$ <u>76,470</u>	<u>85,526</u>	<u>92,480</u>

For the maturity analysis, please refer to note 6(26) "Financial instruments".



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The amounts recognized in profit or loss during the lease term were as follows:

	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Interest expenses relating to lease liabilities	\$ <u>376</u>	<u>252</u>	<u>677</u>	<u>605</u>
Expenses relating to short-term lease	\$ <u>2,740</u>	<u>974</u>	<u>5,179</u>	<u>3,599</u>
Expenses relating to lease of low-value assets, excluding short-term lease of low-value assets	\$ <u>327</u>	<u>282</u>	<u>572</u>	<u>453</u>

The amounts relating to lease recognized in the statement of cash flows for were as follows:

	<b>For the six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
Total cash outflow for leases	\$ <u>30,375</u>	<u>29,078</u>

C. Other information about leases

The Group leases certain transportation equipment, office and dormitory which qualify as short-term leases and certain office equipment which qualify as low-value asset leases. The Group had elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

(12) Intangible assets

	<b>Computer software</b>	<b>Technology License Fees</b>	<b>Total</b>
Carrying amounts:			
Balance at January 1, 2023	\$ <u>318,536</u>	<u>56,800</u>	<u>375,336</u>
Balance at June 30, 2023	\$ <u>256,588</u>	<u>44,458</u>	<u>301,046</u>
Balance at June 30, 2022	\$ <u>288,696</u>	<u>34,509</u>	<u>323,205</u>

There was no significant addition or disposal of intangible assets of the Group for the six months ended June 30, 2023 and 2022. Please refer to note 12 for the amount of amortization for the period. Please refer to note 6(12) of the consolidated financial statements for the year ended December 31, 2022 for the other related information.

**Phison Electronics Corp. and subsidiaries**  
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(13) Short-term borrowings

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Secured bank loans	\$ -	-	<b>30,000</b>
Range of interest rates at the end of period (%)	-	-	<b>1.19</b>

Part of the property, plant and equipment mentioned above was pledged as collateral for bank loans. Please refer to note 8.

(14) Other payables

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Salaries and bonus payable	\$ 4,026,894	6,066,671	6,582,777
Dividend payable (note 6(20))	866,185	1,970,963	2,561,962
Others	691,320	901,494	1,316,294
	<b><u>\$ 5,584,399</u></b>	<b><u>8,939,128</u></b>	<b><u>10,461,033</u></b>

(15) Other current liabilities

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Refund liabilities	\$ 458,552	620,776	770,857
Guarantee deposits received (note 9(3))	467,771	921,300	891,600
Receipts under custody	165,078	87,669	83,816
Payables for purchases of equipment	7,165	88,419	71,079
Others	39,637	8,243	59,751
	<b><u>\$ 1,138,203</u></b>	<b><u>1,726,407</u></b>	<b><u>1,877,103</u></b>

(16) Long-term borrowings

	<u>June 30, 2023</u>		
	<u>Rate of interest rates at the end of period (%)</u>	<u>Year of maturity</u>	<u>Amount</u>
Secured bank loans	2.250	January, 2028	\$ 149,517
Less: current portion			<u>(31,321)</u>
			<b><u>\$ 118,196</u></b>

**Phison Electronics Corp. and subsidiaries**  
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	<b>December 31, 2022</b>		
	<b>Rate of interest rates at the end of period (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Secured bank loans	2.125	January, 2028	\$ 164,932
Less: current portion			<u>(31,050)</u>
			<b><u>\$ 133,882</u></b>

	<b>June 30, 2022</b>		
	<b>Rate of interest rates at the end of period (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Secured bank loans	1.88	January, 2028	\$ 180,286
Less: current portion			<u>(30,991)</u>
			<b><u>\$ 149,295</u></b>

For the collateral for long-term borrowings, please refer to note 8.

(17) Bonds payable

On August 6, 2021, the Company's Board of Directors resolved the issuance of domestic 1st unsecured convertible bonds for purchasing properties, plants and equipment, and replenishing working capital. The issuance was approved by FSC on September 8, 2021. The issuance period is 3 years from December 17, 2021 to December 17, 2024. The total face value of the bonds issued is \$3,500,000 thousand and the coupon rate is 0%.

The details of unsecured convertible bonds were as follows:

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Total convertible corporate bonds issued	\$ 3,500,000	3,500,000	3,500,000
Unamortized discounted corporate bonds payable	<u>(43,434)</u>	<u>(57,969)</u>	<u>(72,711)</u>
Bonds payable at the end of period	<b><u>\$ 3,456,566</u></b>	<b><u>3,442,031</u></b>	<b><u>3,427,289</u></b>
Embedded derivative instruments—call and conversion options, included in financial assets at fair value through profit or loss—current	<u>\$ 350</u>	<u>-</u>	<u>-</u>
Embedded derivative instruments—Equity component—conversion options, included in capital surplus—stock options	<b><u>\$ 102,369</u></b>	<b><u>102,369</u></b>	<b><u>102,369</u></b>

**Phison Electronics Corp. and subsidiaries**  
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	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Embedded derivative instruments – net gains and losses of call and conversion options remeasured at fair value, included in other gains and losses	\$ -	(3,500)	(350)	(4,900)
Interest expense	\$ 7,309	7,267	14,535	14,434

The conversion price per share at the time of issuance of NTD570 is calculated by multiplying the closing price of the Company's ordinary shares traded on Taipei Exchange at one business day before the reference date for determining the conversion price, which is December 9, 2021, of NTD475 by the conversion premium rate of 120%. The number of convertible shares of the bonds is calculated by dividing the issued face value of the bonds by the conversion price. After the issuance of corporate bonds, the conversion price shall be adjusted in accordance with the article related to anti-dilution in the terms of issuance and conversion. Due to the distribution of cash dividends to shareholders, the conversion price shall be adjusted in accordance with the aforementioned terms. The conversion price adjusted was as follows:

	(Amount in Dollars)	
<b>Ex-dividend date</b>	<b>Conversion price before adjustment</b>	<b>Conversion price after adjustment</b>
December 27, 2021	570.0	556.3
July 4, 2022	556.3	537.3
December 19, 2022	537.3	520.6
July 10, 2023	520.6	515.1

The unsecured convertible bonds mentioned above included liability and equity components. The equity component is included in capital surplus– stock options. The effective interest rate originally recognized for the liability component was 1.005%.

(18) Employee benefits

A. Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2022 and 2021.

The expenses recognized in profit or loss for the Group were as follows:

	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Pension	\$ 1,233	960	2,467	1,920

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B. Defined contribution plans

- (a) The pension costs of the Group's domestic subsidiaries under the defined contribution method were as follows and payment was made to the Bureau of Labor Insurance.

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Pension	\$ 67,291	52,069	133,376	99,984

- (b) The pension costs of the Group's overseas subsidiaries under the defined contribution method were as follows:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Pension	\$ 1,890	1,451	4,261	2,617

(19) Income tax

- A. The income tax expense of the Group is calculated by the profit before tax of interim reporting period multiply by the best estimated measurement of the expected effective tax rate by the management in all the year.

- B. The amounts of income tax expense were as follows:

	For the three months		For the six months	
	ended June 30,		ended June 30,	
	2023	2022	2023	2022
Current tax expense	\$ 209,728	370,595	281,733	808,172

- C. The amounts of income tax benefit recognized in other comprehensive income were as follows:

	For the three months		For the six months	
	ended June 30,		ended June 30,	
	2023	2022	2023	2022
Exchange differences on translation of foreign financial statements	\$ 26,310	5,868	24,855	4,167

D. Examination and approval

The income tax returns of the Company had been examined and assessed by the tax authority through 2020. Furthermore, the income tax returns of other domestic subsidiaries had been examined and assessed by the tax authority through 2021.

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(20) Equity

A. Common shares

As of June 30, 2023, December 31, 2022, and June 30, 2022, the Company's authorized common shares amounted to \$3,000,000 thousand, of which \$290,000 thousand was reserved for employee share options. The registered issued common shares amounted to \$1,996,095 thousand, \$1,970,740 thousand and \$1,970,740 thousand, respectively, with par value of NTD10 per share.

As of June 30, 2023, the Company issued 2,536 thousand new common shares, with a par value of \$10 per share, as employee stock options. As of June 30, 2023 and December 31, 2022, the registration procedures for the amounts of \$18,090 thousand and \$16,005 thousand, respectively, recognized as advance receipts for share capital, has yet to be completed.

The reconciliation of number of outstanding shares of the Company for the six months ended June 30, 2023 and 2022, respectively were as follows:

(Unit: Shares in Thousands)

	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2023</b>	<b>2022</b>
Balance, beginning of the period	191,815	197,074
Employee share options exercised	2,744	-
Balance, end of the period	<u>194,559</u>	<u>197,074</u>

B. Capital surplus

	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
	<b>2023</b>	<b>2022</b>	<b>2022</b>
Additional paid-in capital	\$ 7,362,429	6,597,101	6,237,434
Changes in equities of associates accounted for using the equity method	1,677,987	1,280,649	288,107
Difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	148,758	148,758	148,758
Changes in ownships interest in subsidiaries	1,944	1,944	1,944
Employee share options	811,482	839,390	680,256
Due to recognition of equity component of convertible bonds	102,369	102,369	102,369
Expired employee stock options	227	227	227
	<u>\$ 10,105,196</u>	<u>8,970,438</u>	<u>7,459,095</u>

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In accordance with the R.O.C. Company Act, realized capital surplus can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned realized capital surplus included share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to be reclassified under share capital shall not exceed 10 % of the actual share capital amount.

C. Retained earnings and dividend policy

The amendments to the Company's Articles of Incorporation (the "Articles") were approved by the Company's shareholders' meeting on July 26, 2021, which stipulated that earnings distribution or offsetting of losses may be proposed at each half fiscal year.

Under the dividend policy as set forth in the Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, estimating and retaining the employees' and directors' remuneration, setting aside as legal reserve 10% of the remaining profit until the accumulated legal capital reserve equals to the paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with the beginning balance of undistributed retained earnings shall be used by the Company's Board of Directors as the basis for proposing a distribution plan. Where the aforementioned earnings, legal reserves, and capital reserves are distributed in cash, the Company's Board of Directors is authorized to approve the distribution by a resolution approved by a majority vote of the directors at a meeting attended by over two-thirds of the Company's Board of Directors and report to the shareholders' meeting. Where they are distributed by issuing new shares, it shall be resolved at the shareholders' meeting.

The Company's dividend policy complies with the laws, regulations and the Articles and takes into account the current and future competitions of the Company with domestic and foreign companies, investment environment, capital demand, capital budget, and shareholders' interests to strike a balance between dividends and the long-term financial planning of the Company, so as to foster sustainable operation and stable development. The dividend distribution of the shareholders of the Company can be distributed in cash dividends or share dividends, in which the proportion of shareholders' cash dividend distribution shall be no less than 10% of the total dividends of the shareholders.

The Company appropriates or reverses a special reserve in accordance with Rule No. 1010012865 issued by the Financial Supervisory Commission. Distributions can be made out of any subsequent reversal of the debit to other equity items.

If the Company generates profit for the year, the distribution of the legal reserve, either by new shares or by cash, shall be resolved in the shareholders' meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25% of the paid-in capital.

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The appropriation of earnings and cash dividends per share for the first half of 2023 were as follows:

	<b>First Half of 2023</b>
	<u>August 4, 2023</u>
Resolution date of the Company's Board of Directors	
Legal reserve	\$ 66,593
Special reserve	5,918
Cash dividends to shareholders	887,555
Cash dividends per share (NTD)	4.5

The amount of legal reserve and special reserve for the first half of 2023 will be submitted to the shareholders' meeting for approval in the following year.

The appropriation of 2022 earnings was as follows:

	<b>Second Half of 2022</b>	<b>First Half of 2022</b>
	<u>March 15, 2023</u>	<u>July 29, 2022</u>
Resolution date of the Company's Board of Directors		
Cash dividends to shareholders	\$ 865,962	1,970,740
Cash dividends per share (NTD) (Note)	4.45090808	10.27746561
Approval date of the Company's shareholders' meeting	May 31, 2023	May 31, 2023
Legal reserve	\$ 149,748	399,192
Special reserve	216,810	-

Note: Due to the treasury shares and the exercise of employee stock options, the actual distribution of cash dividends per share in 2022 was adjusted.

The appropriation of 2021 earnings was as follows:

	<b>Second Half of 2021</b>	<b>First Half of 2021</b>
	<u>March 4, 2022</u>	<u>August 6, 2021</u>
Resolution date of the Company's Board of Directors		
Cash dividends to shareholders	\$ 2,561,962	1,970,740
Cash dividends per share (NTD)	13	10
Approval date of the Company's shareholders' meeting	May 24, 2022	May 24, 2022
Legal reserve	\$ 418,001	355,551
Reversal of special reserve	(155,568)	(9,773)

Information on the appropriations of earnings mentioned above is available at the Market Observation Post System website of the Taiwan Stock Exchange.



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D. Treasury shares

On July 15, 2022, the Company's Board of Directors resolved to plan to repurchase 10,000 thousand shares of its issued shares of common shares to its employees at a price not to exceed \$325 per share for the period from July 18 to September 16, 2022, in accordance with the Securities and Exchange Act. Based on the resolution mentioned above, after fully executing, the Company bought back 6,860 thousand treasury shares amounting to \$2,061,216 thousand in total.

E. Other equity (net of tax)

(a) Exchange differences on translation of foreign financial statements

	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 27,271	(143,563)
Foreign exchange differences (net of tax)	(99,423)	126,893
Balance at June 30	<u><u>\$ (72,152)</u></u>	<u><u>(16,670)</u></u>

(b) Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income

	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ (244,081)	246,847
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income (net of tax)	76,645	(98,217)
Disposal for the period	16,860	-
Balance at June 30	<u><u>\$ (150,576)</u></u>	<u><u>148,630</u></u>

(21) Share-based payment

The Company issued employee share options which each unit can be exercised to purchase one share of the Company. The duration of the plan is 3 to 4 years, and the plan was approved by the FSC. As of June 30, 2023, the information related to the employee share options was as follows:

<u>Type</u>	<u>Authorization date</u>	<u>Issue date</u>	<u>Issued units (in thousands)</u>	<u>Grant Period</u>	<u>Exercise price per share (TWD)</u>	<u>Adjusted exercise price per share (TWD)</u>
2022 First employee share options (note)	July 27, 2022	September 7, 2022	6,000	service period between 2~3 years	293.50	284.40

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<u>Type</u>	<u>Authorization date</u>	<u>Issue date</u>	<u>Issued units (in thousands)</u>	<u>Grant Period</u>	<u>Exercise price per share (TWD)</u>	<u>Adjusted exercise price per share (TWD)</u>
2021 First employee share options (note)	October 4, 2021	November 19, 2021	6,000	service period between 2~3 years	414.50	note
2020 First employee share options	April 10, 2020	October 5, 2020	6,000	service period between 2~2.5 years	262.00	227.70
2019 Second employee share options	November 22, 2019	October 5, 2020	2,000	service period between 2~2.5 years	262.00	227.70

The estimated fair values of the options granted were calculated at the date of grant using the Black-Scholes option pricing model. The Group recognized compensation cost amounting to \$140,052 thousand and \$201,077 thousand for the six months ended June 30, 2023 and 2022, respectively.

Weighted-average assumptions were as follows:

	<u>2022 1st</u>	<u>2021 1st</u>	<u>2020 1st</u>	<u>2019 2nd</u>
Grant-date share price (NTD)	\$ 293.50	414.50	262.00	262.00
Exercise price (NTD)	293.50	414.50	262.00	262.00
Expected volatility (%)	38.77~39.50	37.44~37.96	35.27~35.45	35.27~35.45
Expected dividend yield (%)	-	-	-	-
Expected life (year)	4	4	3	3
Risk free interest rate (%)	1.05~1.11	0.40~0.41	0.20~0.22	0.20~0.22
Fair value per option (NTD)	\$ 84.61	112.17	59.63	59.63

Note: The Company retracted and cancelled all employee stock options issued in 2021 and replaced them with employee stock options issued in 2022, with the consent of the share option holders.

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Information related to employee share options was as follows:

A. 2022 First employee share options

<u>Employee share options</u>	<b>For the six months ended June 30, 2023</b>	
	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average exercise price (NTD)</b>
Outstanding at January 1	5,969	\$ 284.40
Granted during the period	-	-
Exercised during the period	-	-
Forfeited during the period	(52)	-
Outstanding at June 30	<u>5,917</u>	284.40
Exercisable at June 30	<u>-</u>	

As of June 30, 2023, the weighted-average remaining contractual life for outstanding option were 3.19 years.

B. 2021 First employee share options

<u>Employee share options</u>	<b>For the six months ended June 30, 2022</b>	
	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average exercise price (NTD)</b>
Outstanding at January 1	5,987	\$ 404.50
Granted during the period	-	-
Exercised during the period	-	-
Forfeited during the period	(87)	-
Outstanding at June 30	<u>5,900</u>	404.50
Exercisable at June 30	<u>-</u>	

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C. 2020 First employee share options

<u>Employee share options</u>	<u>For the six months ended June 30,</u>			
	<u>2023</u>		<u>2022</u>	
	<u>Number of Options (In Thousands of Units)</u>	<u>Weighted- average exercise price (NTD)</u>	<u>Number of Options (In Thousands of Units)</u>	<u>Weighted- average exercise price (NTD)</u>
Outstanding at January 1	4,642	\$ 227.70	5,782	\$ 243.30
Granted during the period	-	-	-	-
Exercised during the period	(2,106)	227.70	-	-
Forfeited during the period	(6)	-	(7)	-
Outstanding at June 30	<u>2,530</u>	227.70	<u>5,775</u>	243.30
Exercisable at June 30	<u>2,530</u>		<u>-</u>	

As of June 30, 2023 and 2022, the weighted-average remaining contractual life for outstanding option were 0.25 and 1.25 years, respectively.

D. 2019 Second employee share options

<u>Employee share options</u>	<u>For the six months ended June 30,</u>			
	<u>2023</u>		<u>2022</u>	
	<u>Number of Options (In Thousands of Units)</u>	<u>Weighted- average exercise price (NTD)</u>	<u>Number of Options (In Thousands of Units)</u>	<u>Weighted- average exercise price (NTD)</u>
Outstanding at January 1	1,480	\$ 227.70	1,940	\$ 243.30
Granted during the period	-	-	-	-
Exercised during the period	(655)	227.70	-	-
Forfeited during the period	-	-	(2)	-
Outstanding at June 30	<u>825</u>	227.70	<u>1,938</u>	243.30
Exercisable at June 30	<u>825</u>		<u>-</u>	

As of June 30, 2023 and 2022, the weighted-average remaining contractual life for outstanding option, were 0.25 and 1.25 years, respectively.

**Phison Electronics Corp. and subsidiaries**  
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(22) Earnings per share

A. Basic earnings per share

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Net profit attributable to ordinary shareholders of the Company	\$ <u>440,688</u>	<u>1,806,854</u>	<u>682,791</u>	<u>3,991,915</u>
Weighted-average number of shares outstanding during the year (in thousands of shares)	<u>193,304</u>	<u>197,074</u>	<u>192,782</u>	<u>197,074</u>
Basic earnings per share (NTD)	\$ <u>2.28</u>	<u>9.17</u>	<u>3.54</u>	<u>20.26</u>

B. Diluted earnings per share

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Net profit attributable to ordinary shareholders of the Company	\$ 440,688	1,806,854	682,791	3,991,915
Effect of dilutive potential ordinary shares				
Convertible bonds	<u>5,848</u>	<u>3,014</u>	<u>11,349</u>	<u>7,627</u>
Net profit attributable to ordinary shareholders of the Company	\$ <u>446,536</u>	<u>1,809,868</u>	<u>694,140</u>	<u>3,999,542</u>
Weighted average number of shares outstanding during the year (in thousands of shares)	193,304	197,074	192,782	197,074
Effect of dilutive potential ordinary shares (in thousands of shares)				
Employee share options	2,659	3,278	2,835	3,281
Employees' compensation	170	974	1,446	2,764
Effect of conversion of convertible bonds	<u>6,723</u>	<u>6,292</u>	<u>6,723</u>	<u>6,292</u>
	<u>202,856</u>	<u>207,618</u>	<u>203,786</u>	<u>209,411</u>
Diluted earnings per share (NTD)	\$ <u>2.20</u>	<u>8.72</u>	<u>3.41</u>	<u>19.10</u>

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(23) Operating revenue

	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Primary geographical markets:				
Asia	\$ 7,096,416	12,615,803	14,351,744	26,751,294
America	2,503,756	2,945,377	4,894,367	5,194,989
Europe	397,104	704,193	817,566	1,400,094
Australia	9,119	20,040	21,139	44,669
Others	249	2	249	228
	<b><u>\$ 10,006,644</u></b>	<b><u>16,285,415</u></b>	<b><u>20,085,065</u></b>	<b><u>33,391,274</u></b>
Major product categories:				
Flash memory module products	\$ 7,685,548	10,864,316	15,216,765	23,368,024
Controllers	1,595,639	4,181,218	3,376,379	7,957,498
Integrated Circuit	135,528	611,108	422,644	1,059,105
Others	589,929	628,773	1,069,277	1,006,647
	<b><u>\$ 10,006,644</u></b>	<b><u>16,285,415</u></b>	<b><u>20,085,065</u></b>	<b><u>33,391,274</u></b>

The Group categorized the operating revenue mainly based on the countries where the customers are located.

(24) Employees' compensation and remuneration of directors

The Company accrued its remunerations to employees and directors, at the rates of 8% to 19% and a maximum rate of 1.5%, of the net profit before income tax which yet the remunerations to employees and directors, respectively. The employees' compensation and remuneration of directors were as follows:

	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Employees' compensation	<b><u>\$ 69,877</u></b>	<b><u>264,061</u></b>	<b><u>104,107</u></b>	<b><u>555,913</u></b>
Remuneration of directors	<b><u>\$ 3,494</u></b>	<b><u>13,203</u></b>	<b><u>5,205</u></b>	<b><u>27,796</u></b>

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The employees' compensation and remuneration of directors for the year ended December 31, 2022, which have been approved by the Company's Board of Directors on March 15, 2023, was as follows:

	<b>2022</b>	
	<b>Cash</b>	<b>Share</b>
Employees' compensation	\$ 1,000,000	-
Remuneration of directors	35,000	-

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the year ended December 31, 2022.

Information on the employees' compensation and remuneration of directors resolved by the Company's Board of Directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

(25) Non-operating income and expenses

A. Other income

	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	Dividend income	\$ 64,169	61,472	64,779
Rent income	6,449	5,380	12,190	11,005
Gain on a bargain purchase (note 6(9))	-	-	-	16,289
Others	48,173	7,795	62,908	13,028
	<b>\$ 118,791</b>	<b>74,647</b>	<b>139,877</b>	<b>112,823</b>

B. Other gains and losses

	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	Gains on disposal of investments accounted for using the equity method (note 6(9))	\$ -	-	-
Net foreign exchange gains	157,731	292,780	81,796	523,969
Gains (Losses) on financial assets at fair value through profit or loss	134,635	(120,894)	307,494	(249,721)
Others	(36,846)	(55)	(36,861)	158
	<b>\$ 255,520</b>	<b>171,831</b>	<b>352,429</b>	<b>302,095</b>

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C. Finance costs

	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Interest on bank loans	\$ 854	1,223	1,708	3,432
Interest on lease liabilities	376	252	677	605
Interest on convertible bond	7,309	7,267	14,535	14,434
Others	15	-	31	21
	<b><u>\$ 8,554</u></b>	<b><u>8,742</u></b>	<b><u>16,951</u></b>	<b><u>18,492</u></b>

(26) Financial instruments

A. Categories of financial instruments

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
<b>Financial assets</b>			
Financial assets at FVTPL (current and non-current)	\$ 1,370,277	1,102,369	1,388,586
Financial assets at amortized cost (Note 1)	19,756,276	25,249,286	25,407,769
Financial assets at FVTOCI	496,498	431,697	638,034
	<b><u>\$ 21,623,051</u></b>	<b><u>26,783,352</u></b>	<b><u>27,434,389</u></b>
<b>Financial liabilities</b>			
Financial liabilities at amortized cost (Note 2)	<b><u>\$ 14,024,325</u></b>	<b><u>20,572,844</u></b>	<b><u>21,841,793</u></b>

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost, accounts receivable (including related parties), other receivables and refundable deposits.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, accounts payable (including related parties), other payables, bonds payable, long-term borrowings (including current portion), and guarantee deposits received.

B. Financial risk management objectives and policies

The Group primarily manages its exposure to foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.



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The Group's plans for material treasury activities must comply with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties and reviewed in accordance with procedures required by relevant regulations or internal controls.

C. Market risk

The Group's activities were exposed primarily to the financial risks of changes in foreign currency rates and interest rates.

(a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. To avoid the decrease in foreign currency assets and adverse fluctuations of future cash flows resulting from changes in foreign currency exchange rates, the Group used foreign currency borrowings to hedge risks of foreign currency exchange rates. The gain or loss caused by changes in foreign currency exchange rates will be offset by profit or loss from the hedge. The Group continues to evaluate future exchange rate movements, and the exposure to foreign currency risk of foreign currency net assets is still within the controllable range.

(i) Exposure to foreign currency risk

The Group's financial assets and liabilities exposed to significant foreign currency risk were as follows:

	June 30, 2023			December 31, 2022			June 30, 2022		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	343,501	31.140	10,696,623	438,421	30.710	13,463,913	471,415	29.720	14,010,466
<u>Non-Monetary items</u>									
CNY	573,460	4.282	2,455,556	756,458	4.408	3,334,467	810,860	4.439	3,599,407
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	134,305	31.140	4,182,256	231,543	30.710	7,110,673	247,825	29.720	7,365,346

(ii) Sensitivity analysis

The Group's exposure to foreign currency risk primarily arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable (including related parties), short-term borrowings, and accounts payable (including related parties), that are denominated in USD. A weakening (strengthening) of 5% of the NTD against the USD as of June 30, 2023 and 2022, would have increased or decreased the net profit before income tax for the six months ended June 30, 2023 and 2022 by \$325,718 thousand and \$332,256 thousand, respectively. The analysis was performed on the same basis for comparative years.

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(iii) Foreign exchange gains and losses on monetary items

It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group entities. The details of the net foreign currency exchange gains (losses) (including realized and unrealized) were as follows:

<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>\$ 157,731</b>	<b>292,780</b>	<b>81,796</b>	<b>523,969</b>

(b) Interest rate risk

For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date.

If interest rates had been 0.25% basis point higher and all other variables were held constant, the Group's net profit before income tax for the six months ended June 30, 2023 and 2022 would have increased by \$10,368 thousand and \$11,492 thousand, respectively. Due to the impact of variable interest rate cash and cash equivalents, short-term and long-term borrowings.

(c) Other price risk

The Group was exposed to equity price risks through its investments in foreign and domestic listed and unlisted stock, private equity funds and beneficiary certificates.

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to equity price risks at the end of the reporting date.

If equity prices had been 10% higher or lower, net profit before income tax for the six months ended June 30, 2023 and 2022 would have increased or decreased by \$137,028 thousand and \$138,859 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL. If equity prices had been 10% higher or lower, the other comprehensive income before income tax for the six months ended June 30, 2023 and 2022 would have increased or decreased by \$49,650 thousand and \$63,803 thousand, respectively, as a result of the changes in fair value of financial assets at FVOCI.

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D. Concentration of credit risk

(a) Accounts receivable

The major customers of the Group are in the electronics industry and the Group usually grants credit limits to customers in accordance with credit policy, therefore, the credit risk of the Group is mainly affected by the electronics industry. However, the Group mostly sells products to customers with good reputation and continuously monitors the financial situation of customers to monitor the significant loss from credit risk. As of June 30, 2023, December 31, 2022, and June 30, 2022, 35%, 36% and 32%, respectively, of accounts receivable (including related parties) were from top five customers, so there was no significant concentration of credit risk. In addition, the Group periodically reviews the recoverable amounts of accounts receivable to ensure that an adequate allowance is recognized for possible irrecoverable amounts. In this regard, the management believes there is no expected material credit risk.

(b) Cash and cash equivalents

The Group's cash and cash equivalents are deposited with different financial institutions. The Group controls the credit risk exposure to each financial institution and believes that the Group's cash and cash equivalents do not pose a risk of a significant concentration of credit risk.

(c) Receivables and debt securities

Please refer to note 6(5) for details on the credit risk exposure of accounts receivable. Please refer to note 6(3) for financial assets at amortized cost including segregated foreign exchange deposit account for Offshore Funds and pledged time deposits. Please refer to notes 6(2) and (4) for details on financial assets at fair value through profit and loss and other comprehensive income including listed stocks, unlisted stocks, open-end funds, and private equity funds.

The financial assets mentioned above were with lower credit risk, so a loss allowance is recognized at an amount equal to the expected credit losses resulting from possible default events of the financial instruments within 12 months after the reporting date.

E. Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

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	<u>Carrying amount</u>	<u>Cash flow of contract</u>	<u>Within 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
<b>June 30, 2023</b>					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 10,418,242	(10,418,242)	(9,478,096)	(938,882)	(1,264)
Lease liabilities (current and non-current)	120,669	(121,584)	(45,704)	(75,880)	-
Bonds payable	3,456,566	(3,500,000)	-	(3,500,000)	-
Floating interest rate liabilities	<u>149,517</u>	<u>(157,498)</u>	<u>(34,363)</u>	<u>(123,135)</u>	<u>-</u>
	<u><b>\$ 14,144,994</b></u>	<u><b>(14,197,324)</b></u>	<u><b>(9,558,163)</b></u>	<u><b>(4,637,897)</b></u>	<u><b>(1,264)</b></u>
<b>December 31, 2022</b>					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 16,965,881	(16,965,881)	(16,040,071)	(924,728)	(1,082)
Lease liabilities (current and non-current)	131,776	(133,584)	(47,229)	(86,355)	-
Bonds payable	3,442,031	(3,500,000)	-	(3,500,000)	-
Floating interest rate liabilities	<u>164,932</u>	<u>(174,143)</u>	<u>(34,250)</u>	<u>(137,038)</u>	<u>(2,855)</u>
	<u><b>\$ 20,704,620</b></u>	<u><b>(20,773,608)</b></u>	<u><b>(16,121,550)</b></u>	<u><b>(4,648,121)</b></u>	<u><b>(3,937)</b></u>
<b>June 30, 2022</b>					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 18,204,218	(18,204,218)	(16,415,937)	(1,788,281)	-
Lease liabilities (current and non-current)	134,142	(135,698)	(42,402)	(93,296)	-
Bonds payable	3,427,289	(3,500,000)	-	(3,500,000)	-
Floating interest rate liabilities	180,286	(190,024)	(34,026)	(136,144)	(19,854)
Fixed interest rate liabilities	<u>30,000</u>	<u>(30,060)</u>	<u>(30,060)</u>	<u>-</u>	<u>-</u>
	<u><b>\$ 21,975,935</b></u>	<u><b>(22,060,000)</b></u>	<u><b>(16,522,425)</b></u>	<u><b>(5,517,721)</b></u>	<u><b>(19,854)</b></u>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

**F. Fair value of financial instruments**

**(a) Fair value measurements recognized in the consolidated balance sheets**

Fair value measurements are grouped into Level 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

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- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(b) Fair value of financial instruments measured at fair value on a recurring basis

Fair value hierarchy

The following table presents the Group's financial assets and liabilities measured at fair value on a recurring basis:

	<b>June 30, 2023</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss				
Domestic listed stocks	\$ 948,610	-	-	948,610
Domestic unlisted stocks	-	-	166,191	166,191
Foreign unlisted stocks	-	-	105,830	105,830
Domestic private equity funds	-	-	37,900	37,900
Beneficiary certificates—open-end funds	111,396	-	-	111,396
Derivative instruments—convertible bonds	-	-	350	350
	<u>\$ 1,060,006</u>	<u>-</u>	<u>310,271</u>	<u>1,370,277</u>
Financial assets at fair value through other comprehensive income				
Domestic unlisted stocks	\$ -	-	235,741	235,741
Foreign unlisted stocks	-	-	260,757	260,757
	<u>\$ -</u>	<u>-</u>	<u>496,498</u>	<u>496,498</u>

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		<b>December 31, 2022</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss					
Domestic listed stocks	\$	674,253	-	-	674,253
Domestic unlisted stocks		-	-	174,012	174,012
Foreign unlisted stocks		-	-	108,891	108,891
Domestic private equity funds		-	-	34,444	34,444
Beneficiary certificates—open-end funds		110,769	-	-	110,769
	<b>\$</b>	<b>785,022</b>	<b>-</b>	<b>317,347</b>	<b>1,102,369</b>
Financial assets at fair value through other comprehensive income					
Domestic unlisted stocks	\$	-	-	235,752	235,752
Foreign unlisted stocks		-	-	195,945	195,945
	<b>\$</b>	<b>-</b>	<b>-</b>	<b>431,697</b>	<b>431,697</b>
		<b>June 30, 2022</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss					
Domestic listed stocks	\$	513,899	-	-	513,899
Domestic unlisted stocks		-	-	196,158	196,158
Foreign unlisted stocks		-	-	120,115	120,115
Domestic private equity funds		-	-	83,714	83,714
Beneficiary certificates—open-end funds		474,700	-	-	474,700
	<b>\$</b>	<b>988,599</b>	<b>-</b>	<b>399,987</b>	<b>1,388,586</b>
Financial assets at fair value through other comprehensive income					
Domestic unlisted stocks	\$	-	-	298,242	298,242
Foreign unlisted stocks		-	-	339,792	339,792
	<b>\$</b>	<b>-</b>	<b>-</b>	<b>638,034</b>	<b>638,034</b>

There were no transfers between Levels 1 and 2 for the six months ended June 30, 2023 and 2022.

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The reconciliations of Level 3 fair value measurements of financial instruments were as follows:

	<u>Financial assets at fair value through profit or loss</u>			<u>Financial assets at fair value through other comprehensive income</u>	<u>Total</u>
	<u>Private equity funds</u>	<u>Derivative instruments-convertible bonds</u>	<u>Equity instruments</u>	<u>Equity instruments</u>	
January 1, 2023	\$ 34,444	-	282,903	431,697	749,044
Recognized in profit or loss	3,456	350	(10,882)	-	(7,076)
Recognized in other comprehensive income	-	-	-	52,055	52,055
Additions for the period	-	-	-	12,746	12,746
June 30, 2023	<u>\$ 37,900</u>	<u>350</u>	<u>272,021</u>	<u>496,498</u>	<u>806,769</u>
January 1, 2022	\$ 39,909	4,900	411,660	634,757	1,091,226
Recognized in profit or loss	43,805	(4,900)	(88,112)	-	(49,207)
Recognized in other comprehensive income	-	-	-	(11,713)	(11,713)
Additions for the period	-	-	-	14,990	14,990
Disposal and proceeds from capital reduction	-	-	(7,275)	-	(7,275)
June 30, 2022	<u>\$ 83,714</u>	<u>-</u>	<u>316,273</u>	<u>638,034</u>	<u>1,038,021</u>

(c) Quantified information on Level 3 used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value mainly include financial assets at fair value through profit or loss— equity investments, derivative financial instruments, private equity funds, and financial assets at fair value through other comprehensive income— equity investments. If the measurement of the fair value requires the use of observable inputs which cannot be objectively observed, the Group will evaluate the most relevant market data carefully for the evaluation item.

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Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income—equity investments without an active market	Market approach	<ul style="list-style-type: none"> <li>· Discount for lack of marketability (June 30, 2023: 14.74%~30%, December 31, 2022: 7.69%~30% and June 30, 2022: 13.21%~30%)</li> </ul>	<ul style="list-style-type: none"> <li>· The higher the discount for lack of marketability, the lower the fair value</li> </ul>
Financial assets at fair value through other comprehensive income—equity investments without an active market	Income approach	<ul style="list-style-type: none"> <li>· Sustainable revenue growth rate (June 30, 2023: 1.6%, December 31, 2022: 1.6% and June 30, 2022: 2.5%)</li> <li>· Weighted-average cost of capital (June 30, 2023: 6.25%~12.11%, December 31, 2022: 6.25%~12.11% and June 30, 2022: 7.02%~9.59%)</li> <li>· Discount for lack of marketability (June 30, 2023, December 31, 2022 and June 30, 2022: 15%)</li> <li>· Discount for non-controlling interest (June 30, 2023, December 31, 2022 and June 30, 2022: 15%),</li> </ul>	<ul style="list-style-type: none"> <li>· The higher the sustainable revenue growth rate, the higher the fair value</li> <li>· The higher the weighted-average cost of capital, the lower the fair value</li> <li>· The higher the discount for lack of marketability, the lower the fair value</li> <li>· The higher the discount for non-controlling interest, the lower the fair value</li> </ul>
Financial assets at fair value through profit or loss—equity investments without an active market and private equity funds	Asset-based approach	<ul style="list-style-type: none"> <li>· Net Asset Value</li> <li>· Discount for lack of marketability (June 30, 2023, December 31, 2022 and June 30, 2022: 10%)</li> <li>· Discount for non-controlling interest (June 30, 2023, December 31, 2022 and June 30, 2022: 10%)</li> </ul>	No applicable



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The fair values of derivatives instruments—convertible bonds is estimated by the binary tree convertible bond evaluation model, and the significant unobservable input value used is the stock price volatility. The stock price volatility adopted on June 30, 2023, December 31, 2022, and June 30, 2022, was 35.00%, 38.59% and 38.36%, respectively.

(27) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2022. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2022. Please refer to Note 6(27) of the consolidated financial statements for the year ended December 31, 2022 for related information.

(28) Investing and financing activities not affecting current cash flow

A. For leased right-of-use assets, please refer to note 6(11).

B. Reconciliations of liabilities arising from financing activities were as follows:

	<b>January 1, 2023</b>	<b>Cash flows</b>	<b>Foreign exchange movement and others</b>	<b>June 30, 2023</b>
Bonds payable	\$ 3,442,031	-	14,535	3,456,566
Long-term borrowings (including current portion)	164,932	(15,415)	-	149,517
Lease liabilities (current and non-current)	131,776	(23,947)	12,840	120,669
Guarantee deposits received (current and non-current)	<u>1,847,780</u>	<u>(597,243)</u>	<u>157,380</u>	<u>1,407,917</u>
Total liabilities from financing activities	<u>\$ 5,586,519</u>	<u>(636,605)</u>	<u>184,755</u>	<u>5,134,669</u>
			<b>Foreign exchange movement and others</b>	
	<b>January 1, 2022</b>	<b>Cash flows</b>	<b>Foreign exchange movement and others</b>	<b>June 30, 2022</b>
Short-term borrowings	\$ 439,216	(412,995)	3,779	30,000
Bonds payable	3,412,855	-	14,434	3,427,289
Long-term borrowings (including current portion)	195,636	(15,350)	-	180,286
Lease liabilities (current and non-current)	40,030	(24,421)	118,533 (Note)	134,142
Guarantee deposits received (current and non-current)	<u>4,109</u>	<u>2,488,752</u>	<u>187,020</u>	<u>2,679,881</u>
Total liabilities from financing activities	<u>\$ 4,091,846</u>	<u>2,035,986</u>	<u>323,766</u>	<u>6,451,598</u>

Note: The Group has leased offices in Taipei for operation needs since the first quarter of 2022, therefore, lease liabilities of the Group increased \$100,116 thousand.

**Phison Electronics Corp. and subsidiaries**  
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**7. Related-party transactions**

(1) Names and relationship with related parties

The followings are subsidiaries and related parties that have had transactions with the Group during the periods covered in the consolidated financial statements:

<u>Name of related party</u>	<u>Relationship with the Group</u>
Microtops Design Corporation	Associate
Hosin Global Electronics Co., Ltd. (SZ) (Hosin Global SZ)	Associate
Hosin Global Electronics Co., Ltd. (HK)	Hosin Global SZ's subsidiary
SiliTai Electronics Co., Limited	Hosin Global SZ's sub-subsidiary
Hefei Core Storage Electronic Limited	Hosin Global SZ's subsidiary
Hefei Kaimeng Technology Co., Ltd.	Hosin Global SZ's sub- subsidiary
Xiamen Hongxinchuang Electronics Co., Ltd.	Hosin Global SZ's subsidiary
Shanghai Hongxinyu Microelectronics Technology Co., Ltd.	Hosin Global SZ's subsidiary
Hefei Xinpeng Technology Co., Ltd. (Hefei Xinpeng)	Associate
Hefei Datang Storage Technology Co., Ltd.	Hefei Xinpeng's subsidiary
ProGrade Digital, Inc.	Associate
Kioxia Corporation (KIC)	The Company's director
Kioxia Taiwan Corporation	KIC's subsidiary
Kioxia Asia, Limited	KIC's subsidiary
Solid State Storage Technology Corporation (including Hsinchu Science Park Branch)	KIC's subsidiary
Toshiba International Procurement HongKong, Ltd.	KIC's associate
Orient Semiconductor Electronics Ltd.	The Company had resigned in its position as the director on November 7, 2022; hence it was no longer a related party of the Group since then
Apacer Technology Inc.	The Company is its director
UD INFO Corp.	Since August 1, 2022, it became a subsidiary of Apacer Technology Inc.
ONE UPON Co. Ltd.	The Company's director is its chairman
LIU, TIAN-PAI	Other related party

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(2) Significant transactions with related parties

A. Operating revenues

<u>Related Party Category / Name</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Associates	\$ 382,585	1,848,025	729,254	3,934,912
Other related parties	459,311	676,604	864,597	1,716,682
	<u>\$ 841,896</u>	<u>2,524,629</u>	<u>1,593,851</u>	<u>5,651,594</u>

The credit terms to related parties were ranged from T/T in advance to EOM 60 days and that to non-related parties were ranged from T/T in advance to EOM 90 days. There was no significant difference between the sales price and credit terms of the Group for related parties and that for the third parties.

B. Purchase of goods and Processing costs

(a) Purchase of goods

<u>Related Party Category / Name</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Other related parties – Kioxia				
Taiwan Corporation	1,320,459	3,473,221	4,678,379	7,926,502
Other related parties	20	-	20	-
	<u>\$ 1,320,479</u>	<u>3,473,221</u>	<u>4,678,399</u>	<u>7,926,502</u>

(b) Processing costs

<u>Related Party Category / Name</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Other related parties	\$ -	682,619	-	1,287,945

The payment terms to related parties were EOM 30 days and that to non-related parties were ranged from T/T in advance to Net 90 days. There was no significant difference between the purchase price and payment terms of the Group from related parties and that from the third parties.

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C. Receivable from related parties

<u>Related Party Category / Name</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Associates — Hosin Global Electronics Co., Ltd. (HK)	\$ 320,426	235,530	1,017,110
Associates	57,290	417,838	563,323
Other related parties	<u>397,853</u>	<u>567,815</u>	<u>517,805</u>
	775,569	1,221,183	2,098,238
Less: Loss allowance	<u>(5,367)</u>	<u>(22,110)</u>	<u>(4,827)</u>
	<u>\$ 770,202</u>	<u>1,199,073</u>	<u>2,093,411</u>

The outstanding accounts receivable from related parties are unsecured.

D. Payables to related parties

<u>Related Party Category / Name</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Other related parties — Kioxia Taiwan Corporation	\$ 885,639	578,866	2,414,074
Other related parties	<u>-</u>	<u>-</u>	<u>270,510</u>
	<u>\$ 885,639</u>	<u>578,866</u>	<u>2,684,584</u>

E. Other transactions

<u>Account Name</u>	<u>Related Party Category / Name</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
		<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Operating costs	Associates	\$ 4,609	-	4,609	-
	Other related parties	<u>159</u>	<u>1,344</u>	<u>385</u>	<u>2,709</u>
		<u>\$ 4,768</u>	<u>1,344</u>	<u>4,994</u>	<u>2,709</u>
Operating Expenses	Associates	\$ 39,962	65,672	128,056	129,738
	Other related parties	<u>616</u>	<u>1,629</u>	<u>996</u>	<u>4,720</u>
		<u>\$ 40,578</u>	<u>67,301</u>	<u>129,052</u>	<u>134,458</u>
Non-operating incomes	Associates	\$ 231	231	462	551
	Other related parties (note)	<u>41,440</u>	<u>30,547</u>	<u>41,450</u>	<u>30,647</u>
		<u>\$ 41,671</u>	<u>30,778</u>	<u>41,912</u>	<u>31,198</u>

Note: The related parties distributed \$41,430 thousand and \$29,045 thousand cash dividend to the Group for the six months ended June 30, 2023 and 2022, respectively.

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As of June 30, 2023, December 31, 2022, and June 30, 2022, the receivables arising from abovementioned transactions were \$41,511 thousand, \$81 thousand and \$81 thousand, respectively (recognized as other receivables), and the payables arising from abovementioned transactions were \$26,215 thousand, \$399 thousand and \$55,450 thousand, respectively (recognized as other current liabilities).

The Group leased the office to related parties with lease terms and prices determined based on mutual agreements. The payment term for rental is 30 days after the end of the month, with the related income being classified under non-operating income. The related party leased the land to the Group with lease terms and prices determined based on mutual agreements. The payment term for rental is T/T in advance, with the related expense being classified under operating expenses.

(3) Key management personnel compensation

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Short-term employee benefits	\$ 35,044	156,768	59,643	294,000
Post-employment benefits	360	670	760	1,121
Share-based payments	2,805	14,534	6,419	28,768
	<b><u>\$ 38,209</u></b>	<b><u>171,972</u></b>	<b><u>66,822</u></b>	<b><u>323,889</u></b>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

Please refer to note 6(21) for further explanations related to share-based payment.

**8. Pledged assets**

The carrying values of pledged assets were as follows:

<b>Pledged assets</b>	<b>Object</b>	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Property, plant and equipment	As collateral for loans and finance facilities	\$ 511,512	517,906	524,300
Pledged time deposits (recognized as financial assets at amortized cost — current)	As collateral for the tariff of imported raw materials	40,530	40,499	40,489
		<b><u>\$ 552,042</u></b>	<b><u>558,405</u></b>	<b><u>564,789</u></b>

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**9. Commitments and contingencies**

(1) Significant commitments

A. The Group's unused letters of credit

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Unused letters of credit	<b>\$ 1,160,000</b>	<b>1,160,000</b>	<b>1,160,000</b>

B. The unpaid amounts of construction, plant and equipment that have been signed or ordered were as follows:

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
	<b>\$ -</b>	<b>-</b>	<b>41,450</b>

C. In order to receive the research project grant, the Group obtain a performance guarantee letter from the bank as follows:

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
	<b>\$ 34,052</b>	<b>26,400</b>	<b>-</b>

D. In order to apply post release duty payment for imported goods, the Group obtain a customs duties guarantee from the bank as follows:

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
	<b>\$ 1,000</b>	<b>1,000</b>	<b>-</b>

(2) Purchase commitment

The Group entered into a long-term purchase agreement of material with a supplier. The relative purchase quantity and price of wafers are specified in the agreement. According to the agreement, the Group has to pay partial guarantee deposit before the appointment date. As of June 30, 2023, the Group has paid US\$18,480 thousand of guarantee deposit (recognized as other non-current assets).

(3) Long-term supply agreement

The Group entered into a long-term supply agreement with a customer in 2021, and received a guarantee deposit of US\$90,000 thousand as agreed. The Group was required to sell controllers to the customer in the amount agreed upon by both parties during the agreed period. As of June 30, 2023, the guarantee deposits received were classified as current liabilities of \$467,100 thousand (recognized as other current liabilities) and non-current liabilities of \$934,200 thousand (recognized as guarantee deposits received) based on the expected repayment period.

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10. Losses due to major disasters: None.

11. Subsequent events: None.

12. Other

- (1) A summary of current-period employee benefits, depreciation, and amortization, by function, was as follows:

By item	By function	For the three months ended June 30,					
		2023			2022		
		Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Employee benefits							
Salary		187,493	1,581,391	1,768,884	250,860	2,217,446	2,468,306
Labor and health insurance		18,550	104,795	123,345	21,445	81,587	103,032
Pension		7,898	62,516	70,414	9,333	45,147	54,480
Others		8,718	42,552	51,270	11,941	39,747	51,688
Depreciation		52,371	122,518	174,889	51,713	110,399	162,112
Amortization		504	128,231	128,735	909	85,857	86,766

By item	By function	For the six months ended June 30,					
		2023			2022		
		Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Employee benefits							
Salary		371,840	3,038,496	3,410,336	469,198	4,168,213	4,637,411
Labor and health insurance		40,022	237,793	277,815	42,938	185,852	228,790
Pension		15,871	124,233	140,104	17,483	87,038	104,521
Others		17,470	83,907	101,377	22,926	77,245	100,171
Depreciation		103,087	243,897	346,984	93,422	214,298	307,720
Amortization		990	259,576	260,566	1,050	170,457	171,507

- (2) The Company was served two complaints from Taiwan Hsinchu District Court on November 8, 2019 and December 13, 2019, that the Securities and Futures Investors Protection Center (“SFIPC”) filed the following two civil actions:
- A. To ask to remove Mr. K.S. Pua from the Company’s Board Director Position (“Removal Action”);
  - B. To claim monetary damage amounting New Taiwan Dollars \$697,389 thousand against the Company, its board of directors and other co-defendants on behalf of certain investors (“Class Action”).

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These two civil actions were derivative litigations from the criminal litigation associated with the Company's financial case occurred on August 05, 2016. The Company has engaged attorneys to answer and ask the court to dismiss SFIPC's allegations. Of which, Taiwan High Court rendered judgment on December 20, 2022, to dismiss the Removal Action. SFIPC disagreed court judgment and filed petition for appeal to Supreme Court. Nevertheless, since Mr. K.S. Pua had resigned from the Company's chairman and board director position on November 18, 2021, the Removal Action's future development has no influence to the Company. With regard to the Class Action, even though its future development and possible consequence could not be assessed by the Company, at current stage it has no significant influence to the Company's finance and operations.

**13. Addition disclosures**

(1) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

A. Loans to other parties: None.

B. Guarantees and endorsements for other parties: None.

C. Securities held as of June 30, 2023 (excluding investment in subsidiaries, associates and joint ventures) : Please refer to Table 1.

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

G. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 2.

H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 3.

I. Trading in derivative instruments: Please refer to Notes 6(2).

J. Business relationships and significant intercompany transactions: Please refer to Table 4.

(2) Information on investees (excluding information on investees in Mainland China): Please refer to Table 5.

(3) Information on investment in Mainland China:

A. The names of investees in Mainland China, the main businesses and products, and other information: Please refer to Table 6.

B. Limitation on investment in Mainland China: Please refer to Table 6.



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C. Significant transactions:

For the six months ended June 30, 2023, the significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions”.

(4) Major shareholders:

(in units of shares)

Shareholder's Name	Shareholding	Shares	Percentage
Trust Investment Account of KIOXIA Corporation by First Bank		19,821,112	9.84 %

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of differences in the basis of preparation.

Note 2: If the aforementioned data contains shares which are held in trust by the shareholders, the data is disclosed as a separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10%, in accordance with the Securities and Exchange Act, the shareholding ratio includes the self-owned shares and shares held in trust, and at the same time, the shareholder has the power to decide how to allocate the trust assets. For the information on the reported share equity of insider, please refer to the Market Observation Post System.

**14. Segment information**

Information is reported to the chief operating decision maker for the purpose of resource allocation, and the assessment of segment performance is focused on operating income generated from flash memory controllers design and the flash peripheral application integration design, manufacturing and sales business. As a result, the Group has only one operating segment. The segment engages mainly in the design and sale of flash memory controllers and the flash peripheral application integration, such as the application design, manufacturing and sale of SSDs (included SATA, PCIe), Embedded Memory (included eMMC, UFS), USB and memory cards, etc.

The basis for the measurement of income from operations is the same as that for the preparation of the financial statements. Refer to the consolidated statements of comprehensive income for the related segment revenue and operating results.

**Phison Electronics Corp. and Subsidiaries**  
**Securities held as of June 30, 2023 (excluding investment in subsidiaries, associates and joint ventures)**  
**June 30, 2023**

Table 1

(Shares in Thousands / Units in Thousands / Amounts in Thousands)

Name of Holder	Type and Name of Marketable Securities	Relationship with Company	Account Title	Ending Balance				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
The Company	<u>Common shares</u>							
	Apacer Technology Inc.	-	Financial assets at fair value through profit or loss – current	12,555	764,574	10.23	764,574	
	Orient Semiconductor Electronics, Ltd.	-	Same as above	7,336	168,736	0.89	168,736	
	Acer Synergy Tech Corp.	-	Same as above	150	<u>15,300</u>	0.75	15,300	
					<u>948,610</u>			
	AppWorks Fund II Co., Ltd.	-	Financial assets at fair value through profit or loss – non-current	5,355	117,732	11.11	117,732	
	Taiwania Capital Buffalo Fund Co., Ltd. (formerly known as Taishan Buffalo Investment Co., Ltd.)	-	Same as above	46,300	34,525	1.08	34,525	
	Innorich Venture Capital Corp.	-	Same as above	3,000	13,934	5.61	13,934	
	JAFCO ASIA TECHNOLOGY FUND VI L.P.	-	Same as above	1,000	<u>7,867</u>	0.67	7,867	
					<u>174,058</u>			

Name of Holder	Type and Name of Marketable Securities	Relationship with Company	Account Title	Ending Balance				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
The Company	CAL-COMP INDUSTRIA DE SEMICONDUCTORES S.A.	-	Financial assets at fair value through other comprehensive income – non-current	11,966	186,345	17.16	186,345	
	AppWorks Fund III Co., Ltd.	-	Same as above	8,385	62,326	2.92	62,326	
	Adam Elements International Co., Ltd.	-	Same as above	1,710	18,058	19.00	18,058	
	Gomore Inc.	-	Same as above	16,925	11,417	1.86	11,417	
	H3 Platform, Inc.	-	Same as above	18,400	2,209	12.14	2,209	
	Gospal Ltd.	-	Same as above	811,857	3,579	3.19	3,579	
	AppWorks Fund IV L.P.	-	Same as above	-	42,000	9.86	42,000	
	Aptos Technology Inc.	-	Same as above	212	-	0.35	-	
	THLight Co., Ltd.	-	Same as above	6,388	-	12.66	-	
	GeoThings, Inc.	-	Same as above	150	-	3.13	-	
	Ironyun Incorporated	-	Same as above	5,000	-	2.94	-	
					<u>325,934</u>			
	<u>Private equity funds</u>							
	Fuh Hwa Smart Energy Fund	-	Financial assets at fair value through profit or loss – non-current	6,000	<u>37,900</u>	3.78	37,900	

Name of Holder	Type and Name of Marketable Securities	Relationship with Company	Account Title	Ending Balance				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Lian Xu Dong Investment Corporation	<u>Common shares</u>							
	Translink Capital Partners III L.P.	-	Financial assets at fair value through profit or loss – non-current	1,500	54,356	1.18	54,356	
	Translink Capital Partners IV L.P.	-	Same as above	930	43,607	0.59	43,607	
					<u>97,963</u>			
	Liquid, Inc. (preference shares)	-	Financial assets at fair value through other comprehensive income – non-current	2,111	36,854	4.75	36,854	
	Translink Capital Partners V, L.P.	-	Same as above	930	20,353	1.71	20,353	
	Taiwania Capital Buffalo Fund V, LP.	-	Same as above	-	39,622	3.19	39,622	
	Cathy Private Equity Smart Technology Limited Partnership	-	Same as above	-	23,972	7.39	23,972	
	New Future III Limited Partnership	-	Same as above	-	21,644	3.45	21,644	
	Omni Media International Incorporation	-	Same as above	1,714	14,366	2.60	14,366	
					<u>156,811</u>			
Emtops Electronics Corporation	My Digital Discount, Inc.	-	Financial assets at fair value through other comprehensive income – non-current	-	-	19.00	-	

Name of Holder	Type and Name of Marketable Securities	Relationship with Company	Account Title	Ending Balance				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Phisontech Electronics	<u>Beneficiary certificates-open-end funds</u>							
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss – current	167	30,381	-	30,381	
	Franklin Templeton Sinoam Money Market Fund	-	Same as above	1,917	20,241	-	20,241	
	FSITC Taiwan Money Market Fund	-	Same as above	1,295	20,256	-	20,256	
	Mega Diamond Money Market Fund	-	Same as above	1,580	20,259	-	20,259	
	Capital Money Market Fund	-	Same as above	1,229	<u>20,259</u>	-	20,259	
					<u>111,396</u>			
Super Storage Technology Corporation	<u>Common shares</u>							
	Power Research Technology Corp.	-	Financial assets at fair value through other comprehensive income – non-current	833	<u>13,753</u>	12.53	13,753	

**Phison Electronics Corp. and Subsidiaries**

**Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock**

**For the six months ended June 30, 2023**

Table 2

(Amounts in Thousands)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sales	Amount	Percentage of Total Purchases/Sales (%)	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Receivable (Payable) (%)	
The Company	Kioxia Taiwan Corporation	The subsidiary of KIC	Purchase	4,678,379	45	Net 30 days after monthly closing	None	None	(885,639)	(28)	
	Super Storage Technology Corporation	Sub-subsiary	Processing cost	233,338	2	Net 30 days after monthly closing	None	None	(49,590)	(2)	Note 2
	Kioxia Corporation	The Company's director	Sales	(117,506)	(1)	Net 60 days after monthly closing	None	None	79,709	1	
	Solid State Storage Technology Corporation (including Hsinchu Science Park Branch)	The subsidiary of KIC	Sales	(230,580)	(1)	Net 60~90 days after monthly closing	None	None	124,362	2	
	Apacer Technology Inc.	The Company is its director	Sales	(356,590)	(2)	Net 45 days after monthly closing	None	None	127,485	2	
	UD INFO Corp.	The Company is its Parent Company's director	Sales	(133,231)	(1)	Net 45 days after monthly closing	None	None	53,924	1	

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sales	Amount	Percentage of Total Purchases/Sales (%)	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Receivable (Payable) (%)	
The Company	Hosin Global Electronics Co., Ltd. (HK)	The subsidiary of Hosin Global (SZ)	Sales	(426,129)	(2)	Net 45 days after monthly closing	None	None	315,832	5	
	Nextorage Corporation	Subsidiary	Sales	(331,776)	(2)	Net 60 days after monthly closing	None	None	142,155	2	Note 2
	Phison Technology Inc.	Sub-subsidiary	Sales	(149,604)	(1)	Net 45 days after monthly closing	None	None	100,025	2	Note 2
	ProGrade Digital Incorporated	Associate	Sales	(175,222)	(1)	Net 30 days after receipt date	None	None	40,994	1	

Note 1: The sales and purchase prices to related parties were similar to those offered to non-related parties.

Note 2: The inter-company transactions and balance had been eliminated in the consolidated financial statements.

**Phison Electronics Corp. and Subsidiaries**  
**Receivables from Related Parties Amounting to at least NT\$100 Million or 20% of the Paid-in Capital**  
**June 30, 2023**

Table 3

(Amounts in Thousands)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note 1)	Allowance for Bad Debts	Note
					Amount	Action Taken			
The Company	Apacer Technology Inc.	The Company is its director	127,485	5.46	-	-	54,032	217	
	Solid State Storage Technology Corporation (including Hsinchu Science Park Branch)	The subsidiary of KIC	124,362	5.52	-	-	-	212	
	Nextorage Corporation	Subsidiary	142,155	6.24	-	-	-	-	Note 2
	Hosin Global Electronics Co., Ltd. (HK)	The subsidiary of Hosin Global (SZ)	315,832	3.14	-	-	177,240	4,594	
	Phison Technology Inc.	Sub-subsidiary	100,025	5.98	-	-	37,579	-	Note 2

Note 1: Information as of July 26, 2023.

Note 2: The inter-company transactions and balance had been eliminated in the consolidated financial statements.



**Phison Electronics Corp. and Subsidiaries**  
**Business relationships and significant intercompany transactions**  
**For the six months ended June 30, 2023**

Table 4

(Amounts in Thousands)

No.	Name of company	Name of counter-party	Nature of relationship (Note 1)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets (%)
0	The Company	Ostek Corporation	1	Manufacturing cost	14,400	General trading terms	0.07
		Super Storage Technology Corporation	1	Processing cost	233,338	General trading terms	1.16
			1	Accounts payable	49,590	General trading terms	0.09
			1	Right-of-use assets	10,972	General trading terms	0.02
			1	Lease liabilities	11,032	General trading terms	0.02
		Phison Technology Inc.	1	Sales	149,604	General trading terms	0.74
			1	Accounts receivable	100,025	General trading terms	0.19
			1	Marketing expenses	233,967	General trading terms	1.16
			1	Other payables	35,994	General trading terms	0.07
		Nextorage Corporation	1	Sales	331,776	General trading terms	1.65
			1	Accounts receivable	142,155	General trading terms	0.26
		Power Storage Technology (Shenzhen) Limited	1	Marketing expenses	26,986	General trading terms	0.13
			1	Other payables	14,291	General trading terms	0.03

Note 1: 1.Parent Company to its subsidiaries

Note 2: The amount of significant transaction should exceed \$10,000 thousand.

**Phison Electronics Corp. and Subsidiaries**  
**Information on Investees (Excluding Information on Investees in Mainland China)**  
**For the six months ended June 30, 2023**

Table 5

(Amounts in Thousands)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2023			Net Income (Losses) of Investee	Share of Profits/Losses of Investee	Note
				June 30, 2023	December 31, 2022	Shares	Percentage of Ownership (%)	Carrying Value			
The Company	Global Flash Limited	Samoa	Investment and trade	726,307	726,307	22,100,000	100.00	2,014,677	(803,170)	(803,170)	Subsidiary and note 2
	Regis Investment (Samoa) Limited	Samoa	Investment	655,995	655,995	21,900,000	100.00	912,904	(385,686)	(385,686)	Subsidiary and note 2
	Phisontech Electronics Taiwan Corp.	Taiwan	Investment and trade	581,363	581,363	55,000,000	100.00	734,883	24,094	24,103	Subsidiary and note 2
	Lian Xu Dong Investment Corporation	Taiwan	Investment	650,000	650,000	65,000,000	100.00	506,762	(3,874)	(3,874)	Subsidiary and note 2
	EpoStar Electronics (BVI) Corporation	British Virgin Islands	Investment	79,531	79,531	6,288,523	30.51	230,979	(1,335)	(407)	Investee accounted for using the equity method
	Emtops Electronics Corporation	Taiwan	Investment	380,000	380,000	38,000,000	100.00	390,241	(5,694)	(5,694)	Subsidiary and note 2
	Nextorage Corporation	Japan	R&D, design, manufacture and sale of flash memory application products	219,715	219,715	12,000	100.00	433,932	50,469	50,469	Subsidiary and note 2
	Power Flash (Samoa) Limited	Samoa	Investment and trade	150,190	150,190	4,800,000	100.00	151,223	3,025	3,025	Subsidiary and note 2
	ProGrade Digital Inc.	USA	Flash memory related products and market development	83,439	83,439	2,785,000	28.71	134,575	36,324	10,429	Investee accounted for using the equity method

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2023			Net Income (Losses) of Investee	Share of Profits/Losses of Investee	Note
				June 30, 2023	December 31, 2022	Shares	Percentage of Ownership (%)	Carrying Value			
The Company	Phison Electronics Japan Corp.	Japan	Sales and service office	59,508	59,508	2,000	100.00	27,645	611	611	Subsidiary and note 2
	Phison Technology India Private Limited	India	Design, R&D, import and export of storage devices and electronic components	8,768	8,768	2,299,990	100.00	8,951	216	216	Subsidiary and note 2
	Microtops Design Corporation	Taiwan	Development and design of flash memory controllers and related products	22,638	22,638	2,263,800	49.00	<u>26,145</u>	869	<u>426</u>	Investee accounted for using the equity method
								<u>5,572,917</u>		<u>(1,109,552)</u>	
Lian Xu Dong Investment Corporation	Ostek Corporation	Taiwan	Manufacture and trade of electronic components	9,000	9,000	900,000	100.00	25,879	(1,239)	Note 1	Sub-Subsidiary and note 2
Emtops Electronics Corporation	Phison Technology Inc.	USA	Sales and service office	90,419	90,419	3,000,000	100.00	123,929	(7,122)	Note 1	Sub-subsidiary and note 2
	Phison Technology India Private Limited	India	Design, R&D, import and export of storage devices and electronic components	-	-	10	-	-	216	Note 1	Subsidiary and note 2
Phisontech Electronics Taiwan Corp.	Super Storage Technology Corporation	Taiwan	Manufacture and trade of electronic components	452,954	452,954	34,842,595	100.00	615,086	23,590	Note 1	Sub-subsidiary and note 2
Global Flash Limited	Core Storage Electronic (Samoa) Limited	Samoa	Investment and trade	636,593	636,593	19,150,000	100.00	1,990,723	(802,143)	Note 1	Sub-subsidiary and note 2
Power Flash (Samoa) Limited	Power Flash (HK) Limited	Hong Kong	Sales and trade of electronic products	98,754	98,754	3,000,000	100.00	100,581	2,042	Note 1	Sub-subsidiary and note 2
Regis Investment (Samoa) Limited	RealYou Investment Limited	Hong Kong	Investment	654,726	654,726	21,850,000	100.00	923,146	(385,700)	Note 1	Sub-subsidiary and note 2

Note 1: The share of profits/losses of the investee company is not disclosed herein as such amount is already included in the share of profits/losses of the investor company.

Note 2: The aforementioned inter-company transactions and balance have been eliminated in the consolidated financial statements.

**Phison Electronics Corp. and Subsidiaries**  
**Information on Investment in Mainland China**  
**For the six months ended June 30, 2023**

Table 6

(Amounts in Thousands)

(1) The names of investees in Mainland China, the main businesses and products, and other information

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from June 30, 2023	Net Income (Losses) of the Investee	Percentage of Ownership (%)	Investment Income (Losses)	Book Value	Accumulated Remittance of Earnings in as of June 30, 2023	Note
					Outflow	Inflow							
Ruhan Electronic Technology Limited	Design, R&D, sale of electronics product and technical support service and rendering of related services and investment	182,825	2(1)	182,825	-	-	182,825	(19,884)	100.00	(19,884)	148,784	-	Note 3
Hefei Xinpeng Technology Co., Ltd.	R&D, production and sale of electronic product and technical service and rendering of related services and investment	735,136	2(1)	-	-	-	-	(81,966)	24.23	(19,862)	143,063	-	-
Hosin Global Electronics Co., Ltd. (SZ)	R&D and sale of electronic product and technical service and rendering of related services	1,854,295	2(1) and 2(2)	442,780	-	-	442,780	(2,932,838)	37.87	(1,160,565)	2,312,493	-	-
Power Storage Technology (Shenzhen) Limited	Design, R&D, import and export of storage devices and electronic components	43,520	2(3)	43,520	-	-	43,520	865	100.00	865	44,063	-	Note 3

(2) Limitation on investment in Mainland China

Accumulated Investment in Mainland China as of June 30, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 2)
669,125	1,380,908	23,152,843

Note 1: Method of investment.

1. Direct investment in the company in Mainland China.
2. Indirect investment in Mainland China through an existing investee company in a third region.
  - (1) Indirect investment in Mainland China through an existing investee company (Regis Investment (Samoa) Limited) in a third region.
  - (2) Indirect investment in Mainland China through an existing investee company (Global Flash Limited) in a third region.
  - (3) Indirect investment in Mainland China through an existing investee company (Power Flash (Samoa) Limited) in a third region.

Note 2: In accordance with the Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China amended on August 29, 2008, the limitation on investment in Mainland China shall not exceed 60% of the Company's net worth.

Note 3: The aforementioned inter-company transactions and balance have been eliminated in the consolidated financial statements.