

3Q24 Consolidated Financial Report and October Revenue Announcement

Phison discloses Taiwan-International Financial Reporting Standards (TIFRS) financial measures and also provides Non-Taiwan-International Financial Reporting Standards (Non-TIFRS)^{Note1} financial measures as supplemental information. Non-TIFRS financial information should be considered in addition to, not as a substitute for, TIFRS financial information. Earnings distribution is made in accordance with financial statements based on TIFRS.

3Q24: Taiwan-International Financial Reporting Standards (TIFRS) Financial Measures

- ◆ The consolidated operating revenue for this quarter was NT\$13.943 billion, a decrease of 12.3% from the previous quarter and an increase of 12.5% compared to the same period last year.
- ◆ The consolidated gross margin rate for this quarter was 29.2%, a decrease of 5.7% from the previous quarter and a decrease of 3.0% compared to the same period last year.
- ◆ The consolidated operating income for this quarter was NT\$1.222 billion, a decrease of 38.8% from the previous quarter and an increase of 132.8% compared to the same period last year.
- ◆ The consolidated net income for this quarter was NT\$0.691 billion, with earnings per share of NT\$3.37.

Consolidated Revenue

Phison Electronics announced financial results of third-quarter ended September 30, 2024. The consolidated operating revenue for the third quarter of 2024 was NT\$13.943 billion, representing a decrease of 12.3% compared to the previous quarter and an increase of 12.5% compared to the same period last year.

Consolidated Gross Profit and Gross Margin

The consolidated gross profit for this quarter was NT\$4.076 billion, reflecting a 26.4% decrease from the previous quarter and a 2.2% increase from the same period last year.

The consolidated gross margin for this quarter was 29.2%, marking a 5.7% decrease from the previous quarter and a 3.0% decrease from the same period last year.

Consolidated Operating Expenses

The operating expenses for this quarter amounted to NT\$2.854 billion (20.5% of operating revenue), compared to NT\$3.544 billion (22.3% of operating revenue) in the previous quarter, and NT\$3.464 billion (28.0% of operating revenue) for the same period last year.

Operating expenses for the quarter included:

- ◆ R&D expenses totaled NT\$2.161 billion (15.5% of operating revenue), which is lower than the previous quarter's NT\$2.853 billion (18.0% of operating revenue) and lower than the same period last year's NT\$2.896 billion (23.4% of operating revenue).
- ◆ Marketing expenses amounted to NT\$0.375 billion (2.7% of operating revenue), lower than the previous quarter's NT\$0.4 billion (2.5% of operating revenue) and higher than the same period last year's NT\$0.325 billion (2.6% of operating revenue).
- ◆ General and administrative expenses amounted NT\$0.214 billion (1.5% of operating revenue), lower than the previous quarter's NT\$0.269 billion (1.7% of operating revenue) and lower than the same period last year's NT\$0.238 billion (1.9% of operating revenue).

Consolidated Operating Income and Operating Margin

The operating income for this quarter was NT\$1.222 billion, which was a decrease of 38.8% from the previous quarter and an increase of 132.8% from the same period last year.

The operating profit margin for this quarter was 8.8%, lower than the previous quarter's 12.6% and higher than the same period last year's 4.2%.

Consolidated Non-Operating Income (loss) and Income Tax

The non-operating losses for the quarter was NT\$0.477 billion, or 3.4% of revenue. This was mainly due to the net foreign exchange losses and gains and losses on financial assets at fair value through profit or loss. The income tax expense for the quarter was NT\$0.054 billion.

Consolidated Net Income, Net Profit Margin and EPS

The net income for this quarter was NT\$0.691 billion, a decrease of 71.8% from the previous quarter and a decrease of 19.4% from the same period last year.

The net profit margin for this quarter was 5.0%, lower than the previous quarter's 15.4% and lower than the same period last year's 6.9%.

Earnings per share (EPS) for this quarter was NT\$3.37, lower than the previous quarter's NT\$11.97, and lower than the same period last year's NT\$4.32.

Consolidated Cash and Financial Assets-Current

Cash and Financial assets at fair value-current at the end of the quarter was NT\$15.762billion, which presents 21.8% of total assets. Cash and Financial assets at fair value-current was NT\$16.583billion and NT\$15.329billion at the end of the previous quarter and the year-ago quarter, respectively. Financial assets-current portfolio includes funds, domestic listed stocks and derivatives and so on.

Consolidated Accounts Receivable

The net accounts receivable for this quarter totaled NT\$8.961 billion, with an average accounts receivable turnover of 55 days (calculated based on the average net accounts receivable for this quarter and the annualized current sales revenue), which is lower than the 57 days of the previous quarter and lower than the 67 days of the same period last year.

Consolidated Inventory

The net inventory for this quarter amounts to NT\$28.504 billion. The company's inventory is mostly applied to the Non-Retail market. The company will continue to closely monitor market demand and adjust inventory according to its strategies.

The average inventory turnover days for this quarter is 232 days (calculated based on the average net inventory for this quarter and the annualized cost of goods sold), which is lower than the 235 days of the previous quarter and lower than the 259 days of the same period last year.

Note1: Non-TIFRS financial information should be considered in addition to, not as a substitute for, TIFRS financial information. Reconciliations between TIFRS and Non-TIFRS results include share-based compensation, tax effect and other items. Further information is included in supplemental information.

Revenue and Shipments for October 2024

October's consolidated revenue reached NT\$3.717 billion, marking a year-over-year (YoY) increase of +27%. Cumulative revenue for the year through October was NT\$50.08 billion, reflecting a YoY growth of 33%, the third highest in the company's history for the same period. Additionally, the cumulative total bit shipments for the year through October grew 20% YoY, setting a record high for this timeframe.

Market Overview

As the desktop PC market increasingly adopts SSDs, demand for entry-level SSDs in retail channels has slowed, indicating broad market recognition of SSDs' performance and reliability. However, with rising expectations for storage performance, retail demand is shifting towards higher-capacity and high-speed SSDs, especially for applications requiring large data handling. This trend aligns well with Phison's product strategy, enabling the company to maintain a competitive edge in the highly competitive retail market.

K.S. Pua, CEO of Phison, highlighted that the third quarter's key operational driver was the substantial storage demand driven by Generative-AI, which further fueled growth in Phison's enterprise SSD PASCARI. Phison's proprietary AI solution, aiDAPTIV+, is also gaining traction with strong customer approval. However, Pua noted that the number of local AI application software developments by software partners has not met expectations, prompting Phison to initiate its own local AI software development to expedite AI adoption. Additionally, observing a global AI talent shortage, Phison has launched the AITPC (AI Training PC) product line and plans to introduce it to schools and vocational centers, aiming to cultivate AI talent to support AI-driven digital transformation in enterprises, educational institutions, and public sectors. This initiative aims to extend the benefits of Phison's on-premises focused, secure, and affordable AI solutions (aiDAPTIV+) to a broader audience.

Phison's Q3 earnings per share (EPS) were impacted by several factors, including a lower-of-cost-or-market (LCM) inventory valuation loss affecting EPS by -NT\$1.97 roughly, net losses from financial assets and liabilities impacting EPS by -NT\$1.09 closely, and a foreign exchange loss affecting EPS by -NT\$0.94 approximately. Excluding these one-time factors, Phison's core earnings for Q3 were roughly consistent with Q2, indicating stable core business operations.

【Supplemental Information】

Reconciliations of TIFRS Results to Non-TIFRS Results

NT\$/million		3Q24	2Q24	3Q23	Q/Q (%)	Y/Y (%)
TIFRS	Operating Profit	1,222	1,997	525	(38.8%)	132.8%
	Operating Profit Margin (%)	8.76%	12.56%	4.24%		
Reconciliations	Shares-based payment	27	26	342		
Non-TIFRS	Operating Profit	1,249	2,023	867	(38.3%)	44.1%
	Operating Profit Margin (%)	8.96%	12.73%	7.00%		

TIFRS	Net Income	691	2,451	858	(71.8%)	(19.5%)
	Net Income (%)	4.96%	15.42%	6.93%		
	Basic EPS (NT\$)	3.37	11.97	4.32		
Reconciliations	Shares-based payment	27	26	342		
	Tax effect	(4)	(4)	(72)		
Non-TIFRS	Net Income	714	2,473	1,128	(71.1%)	(36.7%)
	Net Income (%)	5.12%	15.56%	9.10%		
	Basic EPS (NT\$)	3.49	12.08	5.68		

Note1: Non-TIFRS financial information should be considered in addition to, not as a substitute for, TIFRS financial information. Reconciliations between TIFRS and Non-TIFRS results include share-based compensation, amortization of acquisition related assets, tax effect and other items. Earnings distribution is made in accordance with financial statements based on TIFRS.

Note2: Sums may not equal totals due to rounding.

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[PHISON's Quick Facts]

- Over 23 years experiences in NAND controller IC design and module integration.
- Over 4,000 employees globally, and more than 70% are engineers
- Nearly 2,000 memory-related patents globally.
- Target long-term revenue of NT\$100 billion through the 5+5 growth strategy
- The global market share of SSD controller exceeds 20%
- The global market share of automotive-grade controller exceeds 40%
- Phison, along with NAND makers such as KIOXIA, Micron, Western Digital, Samsung, SK Hynix, and others, are long-term partners.
- Over 70% of Phison's revenue contribution comes from "non-consumer" NAND storage applications, including servers, automotive systems, embedded systems, industrial applications, gaming consoles, and generative AI, allowing Phison to maintain relatively stable revenue and profitability despite fluctuations in the NAND industry.
- Phison's mastery of the entire NAND industry ecosystem, including its relationships with upstream NAND makers, supply chain partners for NAND controllers and storage modules, and downstream NAND storage application customers, represents invaluable and irreplaceable value that Phison brings to its global clients and partners. It is also a key advantage that enables Phison to stand firm in the NAND industry.

[About PHISON]

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

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

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[Forward-looking Statements]

Information included in this press release that are not historical in nature are "forward-looking statements". Phison cautions readers that forward-looking statements are based on Phison's reasonable knowledge and current expectations, and are subject to various risks and uncertainties. Actual results may differ materially from those contained in such forward-looking statements for a variety of reasons including without limitation, risks associated with demand and supply change, manufacturing and supply capacity, design-win, time to market, market competition, industrial cyclicality, customer's financial condition, exchange rate fluctuation, legal actions, amendments of the laws and regulations, global economy change, natural disasters, and other unexpected events which may disrupt Phison's business and operations. Accordingly, readers should not place reliance on any forward-looking statements. Except as required by law, Phison undertakes no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.