

Phison Electronics Corporation Handbook for 2024 Annual Shareholders' Meeting (Translation)

Convention Method : Physical shareholders meeting

Meeting time : May 27, 2024

**Venue : No.1, Qunyi Road, Zhunan Township, Miaoli County
(located in Guangyuan Science and Technology Park)**

Notice to Readers

For the convenience of readers, the Handbook for 2024 Annual Shareholders' Meeting have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese version of the Handbook for 2024 Annual Shareholders' Meeting shall prevail.

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Phison Electronics Corporation
Meeting Procedure of 2024 Annual Shareholders’
Meeting

1. Call the Meeting to order
2. Chairman's Remarks
3. Report Items
4. Proposals to accept
5. Election Item
6. Discussion Proposals
7. Extemporaneous Motions
8. Adjournment

Phison Electronics Corporation

Agenda of 2024 Annual Shareholders' Meeting

(Translation)

Convention Method: Physical shareholders' meeting

Meeting time: 9 a.m., Monday, May 27, 2024

Venue: No. 1 Qunyi Road, Zhunan Township, Miaoli County, Taiwan (located in Guangyuan Technology Park)

Meeting chairman: Mr. Wee Kuan Gan, Chairman of the Board

1. Meeting Chairman's Remarks

2. Report Items

Case No. 1: The Company's 2023 Business Report.

Case No. 2: The Company's Audit Committee's Review Report.

Case No. 3: Report on 2023 Employees' compensation and Directors' remuneration Distribution.

Case No. 4: Report on 2023 earnings distribution.

Case No. 5: Report on the issuance of domestic unsecured convertible corporate bonds.

Case No. 6: Report on the actual handling situation of the private placement of common shares approved by 2023 annual shareholders' meeting.

Case No. 7: Report on the execution status of the Company's treasury shares.

Case No. 8: Report of the Company's Investment in Mainland China.

3. Proposals to accept

Case No. 1: To accept the Company's 2023 Business Report and Financial Statements.

Case No. 2: To accept the Company's 2023 earning distribution.

4. Election Item

Case No. 1: Proposal of by-election of one director of the Company.

5. Discussion Proposals

Case No. 1: The Company propose to conduct the private placement of common shares.

Case No. 2: To release the non-compete restrictions on the Company's Directors.

6. Extemporany Motions

7. Adjournment

Report Items

Case No. 1: (Proposed by the Board)

Note: The Company's 2023 Business Report.

Explanation: For the Company's 2023 business report, please refer to Attachment 1 on page 18 to 24 of this handbook.

Case No. 2: (Proposed by the Board)

Note: The Company's Audit Committee's Review Report.

Explanation: For the Audit Committee's Review Report of 2023 Financial Statements, please refer to Attachment 2 on page 25 of this handbook.

Case No. 3: (Proposed by the Board)

Note: Report on 2023 Employees' compensation and Directors' remuneration Distribution.

Explanation: 1. According to Article 19 of the Articles of Incorporation of the Company, "If the Company makes profits in the year, it shall appropriate 8% to 19% for employees' compensation and no more than 1.5% for directors' remuneration".

2. In the year of 2023, the Company earned NT\$4,992,965,109 (the amount represents the pre-tax profit before deducting of employees' compensation and directors' remuneration), and it intends to distribute NT\$930,000,000 from 2023's profits for employees' compensation (about 18.63% of the profits for the year 2023) and NT\$23,000,000 for directors' remuneration (about 0.46% of the profits for the year 2023), all in cash.

Case No. 4: (Proposed by the Board)

Note: Report on 2023 earnings distribution.

Explanation: Pursuant to the Company Act and the Articles of Incorporation of the Company, the surplus earning distribution of the Company may be proposed at the close of each half fiscal year. If the surplus earning distribution is distributed in cash, the Board of Directors is authorized to adopt a resolution to distribute the surplus earning. The implementation of the Company's surplus earning distribution in the form of cash dividends of 2023:

2023	Date of the resolution of the Board (month/day/year)	Date of distribution (month/day/year)	Cash dividend per share (NT\$)	Total amount of cash dividend (NT\$)
H1	08/04/2023	01/19/2024	4.42484464 (Note 2)	887,555,219
H2	03/08/2024	Not yet decided	8.84 (Note 3)	1,773,262,169
Total				2,660,817,388

Note 1: Cash dividends were approved by the Board of Directors and to be reported at the Annual Shareholders' Meeting.

Note 2: The actual cash dividend per share was adjusted, as authorized by the Board of Directors, based on the number of actual total shares outstanding on the Base Day for cash dividend distribution.

Note 3: The amount distributed was based on the Company's actual total number of 200,595,268 outstanding shares as of Jan 31, 2024, and the proposed cash dividend per share is NT\$8.84. The actual cash dividend per share shall be subject to adjustment based on the number of actual total shares outstanding on the Base Day for cash dividend distribution. The cash dividends are calculated up to NT\$1. Decimal points are rounded down and the uncounted shares in fractions of NT\$1 shall be transferred to the Company's Employee Benefits Committee.

Case No. 5: (Proposed by the Board)

Note: Report on the issuance of domestic unsecured convertible corporate bonds.

Explanation: The implementation of the Domestic Unsecured Convertible Corporate Bonds of the Company are as follows:

Name	Phison Electronics Corporation First Domestic Unsecured Convertible Corporate Bonds	Phison Electronics Corporation Second Domestic Unsecured Convertible Corporate Bonds
Date of approval	September 8, 2021	December 28, 2023
Reason of issuance	Purchase real estate, plant and equipment, replenition of working capital	Repletion of working capital
Date of issuance	December 17, 2021	January 23, 2024
Total amount of issuance	NT\$3,500,000,000	NT\$6,000,000,000
Par value of issuance	NT\$100,000	NT\$100,000
Price of issuance	Issued at 100.5% of face value	Issued at 101% of face value
Duration of issuance	Three years. From December 17, 2021 to December 17, 2024	Five years. From January 23, 2024 to January 23, 2029
Coupon rate	0.00%	0.00%
Current conversion price	NT\$510.4	NT\$588.0
Repayment method	Unless the bondholder has converted the bonds into the common stock of the Company in accordance with Article 10 of the Regulations for the Issuance and Conversion of the First Domestic Unsecured Convertible Corporate Bonds, or the Company has redeemed the bonds in advance in accordance with Article 18 of the Regulation, or the Company has repurchased and canceled the convertible corporate bonds at the business offices of securities firms, the Company shall repay the convertible corporate bonds in cash in one lump sum according to the face value of the bonds upon maturity. The payment will be made in ten business days (including the tenth business day) after the date of maturity.	Unless the bondholder has converted the bonds into the common stock of the Company in accordance with Article 10 of the Regulations for the Issuance and Conversion of the Second Domestic Unsecured Convertible Bonds, or has exercised the right to sell the bonds in accordance with Article 19 of the Regulations, or has been redeemed by the Company in advance in accordance with Article 18 of the Regulations, or has been repurchased and cancelled by the Company from securities dealers, the Company will repay the bonds in cash at face value in one lump sum within ten business days (including the tenth business day) from the day following the maturity date of the bonds. If the aforementioned date falls on a day when the Taipei Exchange is closed for business, it will be postponed to the next business day.
Conversion situation (As of March 29, 2024 the suspended conversion date of the Company Bond)	A total of 55 convertible bonds have been accepted for conversion, amounting to NT\$5.5 million in total, which have been converted into a total of 10,775 common shares.	No conversion situation of this convertible corporate bond.

Case No. 6 (Proposed by the Board)

Note: Report on the actual handling situation of the private placement of common shares approved by 2023 annual shareholders' meeting.

Explanation: The motion of conducting the private placement of 18,000,000 common shares and will be carried out in 1~2 times in installments within one year since the date of the resolution of the shareholders' meeting was approved by 2023 annual shareholders' meeting on May 31, 2023. Since the deadline of the aforementioned private placement of common shares is about to expire and no issuance has been carried out, and the Company currently has no plans to continue the private placement of common shares during the remaining period. Therefore, it is proposed to approve that this private placement of 18,000,000 common shares will not continue to be raised and issued.

Case No. 7 (Proposed by the Board)

Note: Report on the execution status of the Company's treasury shares.

Explanation: Please refer to Attachment 3 on page 26 of this handbook for the execution status of the Company's treasury shares.

Case No. 8 (Proposed by the Board)

Note: Report of the Company's Investment in Mainland China.

Explanation: Please refer to Attachment 4 on page 27 to 28 of this handbook for information on the Company's investment in Mainland China in 2023.

Proposals to accept

Case No. 1 (Proposed by the Board)

Note: To accept the Company's 2023 Business Report and Financial Statements.

Explanation: 1. The Individual Financial Statements of the Company for the year of 2023 (including Individual Balance Sheets, Individual Statements of Comprehensive Income, Individual Statements of Changes in Equity, Individual Statement of Cash Flows) and Consolidated Financial Statements (including Consolidated Balance Sheets, Consolidated Statements of Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Statements of Cash Flows) have been compiled and audited by independent auditors, Ms. Qian Hui Lu and Mr. Cheng, An Chih, of KPMG and Audit Committee. Please refer to the aforementioned Financial Statements and Independent Auditors' Review Report together with the Business Report.

2. For the 2023 Business Report, Consolidated Financial Statements and Individual Financial Statements, please refer to Attachment 1 on page 18 to 24 and Attachment 5 on page 29 to 46, of this handbook respectively.

Resolution:

Case No. 2 (Proposed by the Board)

Note: To accept the Company's 2023 earning distribution.

Explanation: The net profit after tax in 2023 was NT\$3,624,427,816. The company prepared a statement of profit distribution for the year ended December 31, 2023, in accordance with the Article of Incorporation of the company as follow:

Phison Electronics Corporation
PROFIT DISTRIBUTION TABLE
Year 2023

(Unit: NTDS)

Retained earnings at the beginning of the period	21,372,645,004
Net profit after tax of Year 2023	3,624,427,816
Less: Change in re-measurement of defined benefit plans in Year 2023	777,520
Add: Disposal of equity instruments at fair value through other comprehensive income	14,632,580
The total of, the net profit after tax of the period plus the else items of the period be included in the undistributed earnings.	3,609,017,716
Less: 10% Legal Reserve	360,901,772
Reserved for first half of 2023	66,593,116
The balance of Legal Reserve	294,308,656
Less: Special Reserve based on regulations	145,963,730
Reserved for first half of 2023	5,917,893
The balance of Special Reserve based on regulations	140,045,837
Distributed earnings as of December 31, 2023	24,474,797,218
Distributable items:	
Dividend to shareholders-Cash (Distributed NT\$13.26484464 per share)	2,660,817,388
First cash dividends distributed of the year (NT\$4.42484464 per share ^{Note 2})	887,555,219
Second cash dividends distribution (NT\$8.84per share ^{Note 3})	1,773,262,169
Unappropriated retained earnings by the end of the period.	21,813,979,830

Note 1: Cash dividends were approved by the Board of Directors and to be reported at the Annual Shareholders' Meeting.

Note 2: The actual cash dividend per share was adjusted, as authorized by the Board of Directors, based on the number of actual total shares outstanding on the Base Day for cash dividend distribution.

Note 3: The amount distributed was based on the Company's actual total number of 200,595,268 outstanding shares as of Jan 31, 2024, and the proposed cash dividend per share is NT\$8.84. The actual cash dividend per share shall be subject to adjustment based on the number of actual total shares outstanding on the Base Day for cash dividend distribution.

Chairman: Wee Kuan Gan President: Zhong Xun Ma Accounting Supervisor: Pao Feng Chen
Resolution:

Election Item

Case No. 1 (Proposed by the Board)

Note: Proposal of by-election of one director of the Company.

- Explanation: 1. Due to personal career planning, Director Mr. Aw Yong Chee Kong resigned as the Director of the Company, therefore it is submitted a proposal for by-election of one director at the 2024 annual shareholders' meeting. The newly elected director will take office immediately after the adjournment of the 2024 annual shareholders' meeting and will serve until the expiration of the term of the current directors on May 30, 2026.
2. The company's directors shall be elected by adopting candidate nomination system, and the shareholders shall select the director from the list of director candidates. For the list of director candidates approved by the board of directors, please refer to the following table.
3. Submitted for election.

Name of Director Candidates (Gender)	Education	Major Past Positions	Current Positions	Current shareholding as of March 29, 2024 (shares)
Chih Jen Hsu (Male)	Department of Information and Computer Engineering, Chung Yuan Christian University	Winbond Electronics Corporation Assistant Manager Founder of Phison Electronics Corp.	Vice President of Technology, Phison Electronics Corp.	1,040,301

Election results:

Discussion Proposals

Case No. 1 (Proposed by the Board)

Note: The Company propose to conduct the private placement of common shares.

Explanation: 1. In order to bring in strategic investors and to strengthen long-term cooperative relationships with the strategic partners for the Company's long-term operation and business development, the Company propose to conduct the private placements of new common shares for capital increase in cash in accordance with the Article 43-6 of Securities and Exchange Act (hereinafter referred to as "this private placement of common shares"). The total issuance number of new shares for this private placement of common shares will be not more than 18,000,000 shares, which will be new common shares with a face value of NT\$10 per share, and the increased capital of the Company will be not more than NT\$180,000,000.

2. In accordance with the Article 43-6 of Securities and Exchange Act and the provisions of Directions for Public Companies Conducting Private Placements of Securities, the explanations are as follows:

(1) The basis and reasonableness of the private placement pricing:

A. For setting the offering price of privately placed shares, the offering price shall be not lower than 85% of the higher price of the following two calculations:

a. The simple average closing price of the common shares of the Company for either the 1, 3, or 5 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction.

b. The simple average closing price of the common shares of the Company for the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction.

B. The actual price determination date and the actual offering price of private placement shall be within a range that is no less than the resolution of the shareholders' meeting, and the

board of directors is authorized to decide based on the aforementioned pricing basis and based on the consideration of the actual specific subscribers and market conditions in the future.

- C. The determination of the private placement price shall be based on the regulations of Directions for Public Companies Conducting Private Placements of Securities. Additionally, and considering the Company's future development prospects and the strict restrictions on the transfer time, objects and quantity of private placement shares, and the Taipei Exchange listing is not allowed within three years, poor liquidity and other factors, the setting of this private placement price should be reasonable and will not have a significant impact on shareholders' rights and interests.

(2) The method of selecting the specific subscribers:

- A. The method of selecting the specific subscribers is in accordance with the provisions of Article 43-6 of the Securities and issued per 12 September 2023 Letter No. Financial-Supervisory-Securities-Corporate-1120383220 of the Financial Supervisory Commission; and the specific subscribers of this private placement of common shares will be limited to strategic investors.
- B. The subscribers will be limited to the strategic investors:
 - a. The method and objectives of selecting the subscribers: Due to the Company's long-term operation and business development needs, priority will be given to selecting the strategic investors that can directly or indirectly benefit the Company's future operations, and can help the Company expand its business and product markets, strengthen customer relationships, or can help to enhance integrated benefits of product development, or to improve technology, and the strategic investors can recognize the Company's business strategy.
 - b. Necessity: The purpose of selecting the subscribers of this private placement of common shares is to bring in strategic

investors and strengthen long-term cooperative relationships with strategic partners. Through strategic investors, the Company can enhance long-term business competitiveness and operating efficiency, so it has its necessity.

- c. Estimated benefits: It is expected to help the Company reduce operating costs, upgrade product technology, and expand sales markets to improve the company's future operating performance by leveraging the strategic investors' business experience, product technology, knowledge, brand reputation and market access, and through strategic cooperation, joint product development, market integration or business development cooperation with the strategic investors.

C. There are currently no confirmed subscribers.

- (3) Necessary reasons for conducting this private placement of common shares:

- A. Reasons for not using public offering: Considering factors such as capital market conditions, issuance costs, the timeliness and feasibility of private placement method, and the restriction that private placement shares cannot be freely transferred within three years, it is better to ensure and strengthen the closer long-term cooperative relationship with strategic partners. So this time the Company decide to conduct the method of private placement instead of the public offering to increase cash capital and issue new shares.

- B. The total issuance number of the private placement: The total issuance number of new shares for this private placement of common shares will be not more than 18,000,000 shares. It will be processed in one or two times within one year from the date of resolution of the shareholders' meeting.

- C. The use of funds and expected benefits for each time of this private placement of common shares are as follows:

Number of times processed	The use of funds	Expected Benefits
Process it in one time	Funds raised from private placement of common shares will be used to seek opportunities for product technology cooperation, market business cooperation or strategic alliances with domestic and foreign customers and suppliers, and at the same time, to increase the Company's operation working capital and meet the Company's long-term operation development needs.	It is expected to help the Company to reduce the Company's operating risks, strengthen the financial structure, and enhance the Company's future operation performance benefits.
Process it in two times	If process it in two times, each time of funds raised from private placement of common shares will be used to seek opportunities for product technology cooperation, market business cooperation or strategic alliances with domestic and foreign customers and suppliers, and at the same time, to increase the Company's operation working capital and meet the Company's long-term operation development needs.	Each time is expected to help the Company to reduce the Company's operating risks, strengthen the financial structure, and enhance the Company's future operation performance benefits.

(4) There were no significant change in management control in one year before the board of directors resolved to conduct this private placement of common shares plan. And the subscribers will be limited to the strategic investors, that will have a positive contribution to the Company's business development.

(5) Other matters to be stated:

A. In principle, the rights and obligations of the common shares in this private placement are the same as those of the Company's issued common shares. However, in accordance with Article 43-8 of the Securities and Exchange Act, except

for the transfer objects and conditions stipulated in this article, in principle, the common shares of private placement shall not be freely transferred within three years from the date of delivery of the shares. After three years from the date of delivery of the shares, the Company will apply for obtaining a approval letter issued by the Taipei Exchange that meets the Taipei Exchange listing standards in accordance with the Securities and Exchange Act and other relevant regulations, and then apply with the competent authorities for public issuance and the Taipei Exchange listing of such common shares in this private placement.

- B. The main contents of this private placement of common shares plan, including the actual issuance number of private placement shares, actual private placement price, selection of subscribers, base date, issuance terms, planned items, fund use and progress, expected benefits and other related matters etc., as well as all other matters related to the issuance plan of this private placement of common shares, are proposed to be submitted to the shareholders' meeting to authorize the board of directors with full power and authority to adjust, decide and handle it based on market conditions. In the future, if there are any changes in laws or requirements of the competent authorities, or based on operational assessments, or changes due to objective environmental needs, it is also proposed to authorize the board of directors to handle all related matters with full power and authority.
- C. In addition to the scope of authorization mentioned above, it is proposed that the shareholders' meeting authorize the chairman to sign, negotiate and change all contracts and documents related to the private placement of common shares on behalf of the Company, and to handle all matters related to the issuance of private placement of common shares for the Company.

Resolution:

Case No. 2 (Proposed by the Board)

Note: To release the non-compete restrictions on the Company's Directors.

Explanation: 1. According to paragraph 1 of Article 209 of the Company Act, "A director who does anything for himself/herself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval".

2. Due to the fact that the directors of the Company may invest in or operate other companies within the same or similar scope of the Company's business and served as directors, in order to meet the needs of the facts and without damaging the interests of the Company, we hereby request the Shareholders' Meeting to approve to release the non-compete restrictions on the Company's Directors in accordance with the law.

3. For the details of release the non-compete restrictions on the Company's Directors, please refer to Attachment 6 on page 47 of this handbook.

Resolution:

Extemporary Motions

Adjournment

Attachments

PHISON Electronics Corporation

2023 Business Report

1. Operating Strategy and Execution Overview :

Reviewing the overall economic environment of Taiwan in 2023, it was fraught with variables and challenges due to geopolitical tensions, high inventory levels in upstream and downstream supply chains, and lack of confidence among businesses and consumers. However, Phison Electronics managed to maintain relatively stable operational results for the year thanks to its industry-leading position in NAND controllers and high-speed transmission interface technology, as well as its continued investment in research and development of cutting-edge technologies in a highly competitive and dynamic operating environment. With the relentless efforts of all Phison employees, the consolidated total revenue for 2023 was approximately NT\$48.222 billion, with consolidated net profit after tax of about NT\$3.624 billion, resulting in earnings per share of NT\$18.48.

In 2023, SSD products and related controllers for embedded applications accounted for approximately 71% of the company's total revenue, with a continued focus on developing UFS for next-generation mobile devices and PCIe SSD controllers and NAND storage solutions to meet the demand for high-performance data transmission and customized high-speed storage devices. Furthermore, Phison continued its expansion into markets such as servers, data centers, AI high-speed computing, and automotive storage systems to capture future growth opportunities driven by high-speed transmission and AI artificial intelligence.

Recent developments, including the demand for AI servers driven by generative AI, have led to the flourishing of technologies such as cloud computing, big data, metaverse, and IoT, increasing the need for high-speed data access. Additionally, upgrades in gaming software and console specifications have fueled demand for ultra-high-speed solid-state drives (SSDs), contributing to rapid and robust growth in SSD penetration rates. Phison has responded to these diverse market demands by introducing various

NAND controllers, including PCIe Gen4 NVMe SSD controllers, and the world's first PCIe Gen5 flagship Client SSD controllers, catering to different application markets.

In terms of embedded and mobile device applications, our company, as one of the few in the world to offer complete eMMC and UFS controllers, continues to focus on research and development of technologies with lower power consumption and lower heat generation. We are also continuing to elevate BGA SSDs to PCIe NVMe standards. This effort not only makes us the best choice for embedded systems and mobile device applications requiring high-speed, lightweight, and compact data storage but also drives mobile storage devices into a new generation of higher speed and energy efficiency.

In the realm of SD memory cards, our company has planned to release SD/microSD controllers compliant with the SD 9.0 specification, which will then become the optimal mobile storage solution for content creators capturing high-resolution images. Additionally, in the USB product series, we are set to introduce the world's first SoC USB 4.0 NAND controllers, expected to bring a fresh perspective to the mobile storage market.

Looking ahead to 2024, Phison will continue to expand its research and development investment and pursue a comprehensive strategy to advance NAND storage applications in embedded applications, automotive application systems, and enterprise server markets. Building upon its technological leadership in PCIe Gen4 SSD controllers, Phison will introduce industry-leading PCIe Gen5 SSD controllers and potentially next-generation PCIe Gen6 SSD controllers and signal enhancement Redriver/Retimer ICs, demonstrating its commitment to innovation and customer satisfaction. Phison will remain focused on its core business, strengthening its research and development capabilities, and continuing to create value for shareholders, employees, and customers.

2. 2023 Business Results

(1) Description of business results:

① Consolidated operating revenue:

The consolidated net operating revenue of the company for the year 2023 was NT\$48,221,630 thousand, which was slightly lower than the year of 2022 of NT\$60,256,142 thousand by 19.97%.

② Consolidated net profit after tax:

The consolidated net profit after tax of the company for the year 2023 was NT\$3,624,428 thousand, which was a decrease of 32.9% compared with the year of 2022 of NT\$5,401,146 thousand.

(2) Budget implementation: The Company did not disclose its financial forecasts of the year of 2023, so it is not necessary to publicly disclose the implementation of the budget.

(3) Financial balance and profitability analysis:

① Consolidated operating revenue and expenditure:

Unit: Thousands of New Taiwan Dollars

Item	2023	2022	Increases (decreases)	Proportion of the changes (%)
Operating revenue	48,221,630	60,256,142	(12,034,512)	(19.97)
Gross profit	16,114,244	17,349,892	(1,235,648)	(7.12)
Net Operating Income	3,621,868	6,843,922	(3,222,054)	(47.08)
Non-operating income and expenses	477,574	(547,002)	1,024,576	187.31
Net profit after tax	3,624,428	5,401,146	(1,776,718)	(32.90)

② Financial profitability of consolidated operation

Item		2023	2022
Financial structure	Liability to asset ratio (%)	34.13	37.27
	Long-term asset to real estate, plant and equipment ratio (%)	579.52	557.94
Debt-paying ability	Current ratio (%)	228.52	260.78
	Quick ratio (%)	116.02	144.52
	Interest coverage ratio (times)	76.98	176.98
Operation performance	Receivables turnover ratio (times)	5.72	7.55
	Average days of receipt (days)	63.81	48.34
	Inventory turnover ratio (times)	1.43	2.15
	Average sales days (days)	255.24	169.76
	Payables turnover ratio (times)	5.05	5.64
	PP&E turnover ratio (times)	6.41	8.46
	Total asset turnover ratio (times)	0.77	0.98
Profitability	Return on assets (%)	5.87	8.83
	Return on equity attributable to owners of parent company (%)	9.01	14.41
	Ratio of operating income to paid-in capital (%)	176.88	344.48
	Ratio of pre-tax income to paid-in capital (%)	200.20	316.95
	Net income ratio (%)	7.52	8.96
	Basic earnings per share (NTD)	18.48	27.71
Cash flow	Cash flow ratio (%)	0.00	20.41
	Cash flow adequacy ratio (%)	35.98	51.47
	Cash re-investment ratio (%)	(10.05)	(2.14)
Leverage	Degree of operating leverage (DOL)	1.35	1.15
	Degree of financial leverage (DFL)	1.02	1.01

(4) Overview of R&D

① Research and development costs in 2023 and the most recent two years:

The consolidated R&D expenses for 2023, 2022 and 2021 are NT\$10,305,558 thousand, NT\$8,130,501 thousand and NT\$8,127,841 thousand respectively, accounting for 21.37%, 13.49% and 12.99% of the consolidated operating revenue for each period. And as of the end of December 2023, the company has obtained 2,014 patents approvals from various countries.

② R & D results:

In 2023, the following products have been successfully developed and launched, including:

- a. PCIe 4.0 PS5022-E22T storage solution tailored for the automotive storage market, achieving read/write speeds of up to 7000MB/s and operating temperatures ranging from -40°C to 95°C, receiving the honor of the 2024 Taiwan Excellence Award
- b. Introduction of PCIe 5.0 Redriver PS7102/PS7103 and Retimer PS7201/PS7202 ICs specifically designed for AI data computing architectures, providing excellent signal adjustment functions for high-speed computing frameworks and data centers.
- c. The world's first PCIe 4.0 DRAM-Less controller PS5027-E27T supporting 3600MT/s and 2400MT/s NAND Flash, offering outstanding performance and power efficiency ratio for PC OEMs and mobile devices.
- d. Release of the E18 pSLC PCIe 4.0 SSD storage solution, ideal for applications requiring intensive writing such as workstations, servers, NAS, and RAID systems, providing optimal durability.
- e. Introduction of the exclusive aiDAPTIV+ service solution, integrating Phison's exclusive AI computing architecture for SSDs to structurally partition large AI models and dynamically run model parameters in synergy with SSDs over time, maximizing executable AI models under limited GPU and DRAM resources, thus effectively reducing hardware construction costs for providing AI services.

- f. Launch of the world's first and only NAND controllers and storage module development resource sharing and ASIC design service platform (IMAGIN+ Platform), empowering global partners and customers to create ASIC (Application-Specific Integrated Circuit) chips and NAND storage value-added solutions for various emerging applications.
- ③ Based on market demand trends, industry competition, and new product launch schedules, the company currently plans to develop or continuously upgrade product lines in 2024 as follows:
- a. Introducing the world's first PCIe 5.0 DRAM-less client SSD controller PS5031-E31T, with maximum read/write performance of up to 14GB/s. It is a PCIe 5.0 SSD storage solution that combines performance and power efficiency, ideal for high-end PC OEM applications and the mainstream SSD market.
 - b. PS5027-E27T PCIe Gen4 SSD controller, featuring a DRAM-Less design with speeds of up to 7400MB/s. It will be a low-power, high-performance PCIe 4.0 SSD storage solution designed specifically for handheld gaming consoles (such as Steam Deck, Ally, or Legion Go), offering the compact M.2 2230 form factor.
 - c. Introducing a full range of UFS controllers, including UFS 2.2 PS8327, UFS 3.1 PS8325, UFS 3.1 PS8329, and UFS 4.0 PS8361, covering entry-level, mid-range, and flagship smartphones, to deliver ultimate performance in mobile storage.
 - d. Launching the world's first single-chip (SoC) native USB 4.0 controller PS2251-21 (U21), with maximum performance of up to 4GB/s. It will be the optimal storage solution for content creators and mobile storage applications.
 - e. Continuing the development of high-end enterprise-grade SSD storage solutions, supporting higher capacities, faster speeds, and interface fault tolerance, in collaboration with strategic partners to meet the demands of the enterprise storage market.
 - f. Continuing the development of smaller, higher-capacity, and more power-efficient controller solutions, including eMMC, UFS, and BGA SSD tailored for the automotive storage market to meet the future high-speed storage needs of mobile devices..
 - g. Continuing the development of smaller, higher-capacity, and more power-efficient controller solutions, including eMMC, UFS, and BGA SSD tailored for the automotive storage market to meet the future high-speed storage needs of mobile devices.

- h. Continuing to introduce Redriver/Retimer ICs tailored for PC, server, and automotive systems to provide the best signal stability solutions for high-speed transmission platforms.

Chairman:
Wee Kuan Gan

President:
Zhong Xun Ma

Accounting Supervisor:
Pao Feng Chen

Audit Committee's Review Report

The board of directors prepared the Company's 2023 Business Report, Financial Statements and profit distribution, etc. The CPA firm of KPMG audited the Financial Statements and have issued an audit report. Above Business Reports, Financial Statements and profit distribution were audited by Audit Committee and found no discrepancy, as reported in accordance with the Securities and Exchange Act and Company Act, please check.

To

2024 Annual General Meeting of Shareholders

Phison Electronics Corp.

Audit Committee Convener :

Huei Ming Wang

March 8, 2024

Attachment 3: Execution status of the Company's treasury shares

Phison Electronics Corporation
Execution status of Treasury Shares

Sessions of share repurchase	The 3th time (first time of 2022)
Purpose of share repurchase	Transfer shares to employees
Share repurchase period	Scheduled : 2022/07/18~2022/09/16 Actual : 2022/08/01~2022/09/16
Share repurchase price range	NT\$200 to NT\$325
Scheduled repurchase quantity	10,000,000 shares of common shares
Type and actual number of shares repurchase	6,860,000 shares of common shares
Total amount of share repurchase	NT\$2,062,085,190
Average price per share of share repurchase	NT\$300.60
The ratio of repurchased quantity in scheduled repurchase quantity	68.60%
Number of shares retired and transferred	The Company has transferred 6,860,000 shares to employees at a price of NT\$300.6 per share.
Cumulative number of shares held by the Company	0 shares
Percentage of cumulative number of shares held in total number of issued shares	0.00%

Attachment 4: 2023 Investment in Mainland China

Phison Electronics Corp. and Subsidiaries
Information on Investment in Mainland China
For the year ended December 31, 2023

(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 Taiwan as of December 31, 2023	Net Income (Losses) of the Investee	Percentage of Ownership (%)	Highest percentage of ownership during the year (%)	Investment Income (Losses)	Book Value	Accumulated Remittance of Earnings in as of December 31, 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	(54,967)	100.00	100.00	(54,967)	124,542	-	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)	-	-	-	-	(226,654)	24.23	24.23	(54,923)	118,508	-	-
Hosin Global Electronics Co., Ltd. (SZ)	R&D and sale of electronic product and technical service and rendering of related services	1,958,329	2(1) and 2(2)	442,780	-	-	442,780	911,461	35.83	39.04	(197,411)	3,568,743	-	-

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 Taiwan as of December 31, 2023	Net Income (Losses) of the Investee	Percentage of Ownership (%)	Highest percentage of ownership during the year (%)	Investment Income (Losses)	Book Value	Accumulated Remittance of Earnings in as of December 31, 2023	Note
					Outflow	Inflow								
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)	1,892	100.00	100.00	1,892	45,539	-	Note 3

(2) Limitation on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 2)
669,125	1,380,908	25,672,892

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.

Attachment 5: 2023 Financial Statements



安侯建業聯合會計師事務所

KPMG

新竹市300091新竹科學園區展業一路11號
No. 11, Prosperity Road I, Hsinchu Science Park,
Hsinchu City 300091, Taiwan (R.O.C.)

電話 Tel + 886 3 579 9955
傳真 Fax + 886 3 563 2277
網址 Web home.kpmg/tw

Independent Auditors' Report

To the Board of Directors of Phison Electronics Corp.:

Opinion

We have audited the consolidated financial statements of Phison Electronics Corp. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) and the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters that should be disclosed in this report are as follows:

1. Revenue recognition

Please refer to Note 4(14) “Summary of significant accounting policies – Revenue recognition” , Note 6(23)) “Description of significant accounts – Operating revenue” to the consolidated financial statements.



Description of key audit matter:

The Group engaged primarily in the sale of flash memory controllers and peripheral system applications. Revenue is recognized depending on the various trade terms agreed with customers. This exposes the Group to the risk that the sales transactions made close to the balance sheet date may not be recorded in the appropriate period. In addition, the Group operates in an industry in which sales revenue is easily influenced by various external factors such as supply and demand of the market, and this may impact the recognition of revenue. Consequently, this is one of the key areas that our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding and evaluating the effectiveness of the design and performing internal controls over the timing of revenue recognition; sample testing on sales transaction that took place before and after the balance sheet date to assess the accuracy of the timing of revenue recognition; and assessing the adequacy of the Group's disclosures of its revenue recognition policy and other related disclosures.

2. Valuation of inventories

Please refer to Note 4(8) "Summary of significant accounting policies—Inventories", Note 5 "Critical Accounting Judgments and Key Sources of Estimations and Assumptions Uncertainty", and Note 6(7) "Description of significant accounts—Inventories" to the consolidated financial statements.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to the rapid technological innovations and highly competitive environment in the industry of the Group, the life cycles of products of the Group are short and the prices fluctuate rapidly, which could possibly result in a price decline and obsolescence of inventory, wherein the inventory cost may exceed its net realizable value. Consequently, this is one of the key areas that our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included reviewing the aging report of inventory and analyzing the fluctuation of inventory aging; on a sample basis, verifying the accuracy of the net realizable value of inventories and the inventory aging report; assessing the historical reasonableness of management's estimates on inventory provisions; and evaluating whether valuation of inventories was accounted in accordance with the Group's accounting policies and assessing the adequacy of the Group's disclosures of its policy and other related disclosures.

Other Matter

Phison Electronics Corp. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unqualified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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 with the IFRSs, IASs, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chien-Hui Lu and An-Chih Cheng.

KPMG

Taipei, Taiwan (Republic of China)
March 8, 2024

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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit 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' audit 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

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
Assets				
Current assets:				
1100 Cash and cash equivalents (note 6(1))	\$ 14,220,367	22	17,033,769	29
1110 Financial assets at fair value through profit or loss—current (note 6(2))	980,757	2	785,022	1
1136 Financial assets at amortized cost—current (notes 6(3) and 8)	40,568	-	40,499	-
1170 Accounts receivable, net (note 6(5))	7,814,027	12	6,037,722	10
1180 Accounts receivable—related parties, net (notes 6(5) and 7)	1,807,764	3	1,199,073	2
1200 Other receivables (notes 6(6) and 7)	418,775	1	333,902	1
1220 Tax assets	10,345	-	3,497	-
130X Inventories (note 6(7))	24,410,405	37	20,390,375	34
1410 Prepayments	115,036	-	69,271	-
1479 Other current assets	1,627	-	1,455	-
	<u>49,819,671</u>	<u>77</u>	<u>45,894,585</u>	<u>77</u>
Non-current assets:				
1510 Financial assets at fair value through profit or loss—non-current (note 6(2))	242,257	-	317,347	-
1517 Financial assets at fair value through other comprehensive income—non-current (note 6(4))	457,457	1	431,697	1
1550 Investments accounted for using the equity method (note 6(8))	4,062,871	6	3,693,963	6
1600 Property, plant and equipment (notes 6(10), 7 and 8)	7,447,729	12	7,597,761	13
1755 Right-of-use assets (note 6(11))	95,345	-	130,076	-
1780 Intangible assets (note 6(12))	234,303	-	375,336	1
1840 Deferred tax assets (note 6(19))	843,711	1	889,157	1
1900 Other non-current assets (note 9(2))	1,759,180	3	659,914	1
	<u>15,142,853</u>	<u>23</u>	<u>14,095,251</u>	<u>23</u>
Total assets	<u>\$ 64,962,524</u>	<u>100</u>	<u>\$ 59,989,836</u>	<u>100</u>
Liabilities and Equity				
Current liabilities:				
2100 Short-term borrowings (notes 6(13) and 8)				
2130 Contract liabilities—current	2,106,363	3	-	-
2170 Accounts payable	132,965	-	146,323	-
2180 Accounts payable—related parties (note 7)	5,478,643	8	5,600,107	9
2200 Other payables (note 6(14))	1,028,950	2	578,866	1
2230 Tax payable	7,563,165	12	8,939,128	15
2280 Lease liabilities—current (note 6(11))	499,194	1	530,960	1
2320 Long-term borrowings, current portion (notes 6(16), (17) and 8)	64,400	-	46,250	-
2399 Other current liabilities (notes 6(15), 7 and 9(3))	3,498,863	5	31,050	-
	<u>14,258,880</u>	<u>3</u>	<u>17,266,407</u>	<u>3</u>
	<u>21,801,423</u>	<u>34</u>	<u>17,899,091</u>	<u>29</u>
Non-current liabilities:				
2530 Bonds payable (note 6(17))	-	-	3,442,031	6
2540 Long-term borrowings (notes 6(19) and 8)	88,513	-	133,882	-
2570 Deferred tax liabilities (note 6(19))	76,736	-	56,206	-
2580 Lease liabilities—non-current (note 6(11))	83,731	-	85,526	-
2640 Net defined benefit liabilities (note 6(18))	118,222	-	114,798	-
2645 Guarantee deposits received (note 9(3))	5,746	-	926,480	2
	<u>372,948</u>	<u>-</u>	<u>4,758,923</u>	<u>8</u>
	<u>22,174,371</u>	<u>34</u>	<u>22,358,014</u>	<u>37</u>
Total liabilities				
Equity (notes 6(20) and (21)):				
3100 Common shares	2,047,690	3	1,986,745	3
3200 Capital surplus	11,552,379	18	8,970,438	15
3300 Retained earnings	30,808,166	47	28,952,665	48
3400 Other equity interest	(362,774)	-	(216,810)	-
3500 Treasury shares	(1,257,308)	(2)	(2,061,216)	(3)
	<u>42,788,153</u>	<u>66</u>	<u>37,631,822</u>	<u>63</u>
Total equity	<u>64,962,524</u>	<u>100</u>	<u>59,989,836</u>	<u>100</u>
Total liabilities and equity				

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 years ended December 31, 2023 and 2022

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

		<u>2023</u>		<u>2022</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (notes 6(23) and 7)	\$ 48,221,630	100	60,256,142	100
5000	Operating costs (notes 6(7), (24) and 7)	<u>32,057,192</u>	<u>67</u>	<u>42,923,527</u>	<u>71</u>
	Gross profit from operations	16,164,438	33	17,332,615	29
5910	Unrealized profit on transactions with associates	<u>(50,194)</u>	<u>-</u>	<u>17,277</u>	<u>-</u>
5950	Realized gross profit	<u>16,114,244</u>	<u>33</u>	<u>17,349,892</u>	<u>29</u>
	Operating expenses (notes 6(24) and 7):				
6100	Marketing expenses	1,277,484	3	1,268,136	2
6200	General and administrative expenses	959,935	2	1,044,298	2
6300	Research and development expenses	10,305,558	21	8,130,501	14
6450	Expected credit loss (reversal gain) (note 6(5))	<u>(50,601)</u>	<u>-</u>	<u>63,035</u>	<u>-</u>
	Total operating expenses	<u>12,492,376</u>	<u>26</u>	<u>10,505,970</u>	<u>18</u>
	Net operating income	<u>3,621,868</u>	<u>7</u>	<u>6,843,922</u>	<u>11</u>
	Non-operating income and expenses:				
7010	Other income (notes 6(25) and 7)	295,717	1	201,479	-
7020	Other gains and losses (notes 6(9) and (25))	258,980	1	509,327	1
7050	Finance costs (note 6(25))	(53,957)	-	(35,783)	-
7100	Interest income (note 6(25))	207,981	-	97,143	-
7060	Shares of profit (loss) of associates accounted for using the equity method (note 6(8))	<u>(231,147)</u>	<u>-</u>	<u>(1,319,168)</u>	<u>(2)</u>
		<u>477,574</u>	<u>2</u>	<u>(547,002)</u>	<u>(1)</u>
7900	Profit before tax	4,099,442	9	6,296,920	10
7950	Income tax expenses (note 6(19))	<u>475,014</u>	<u>1</u>	<u>895,774</u>	<u>1</u>
8200	Net profit for the year	<u>3,624,428</u>	<u>8</u>	<u>5,401,146</u>	<u>9</u>
8300	Other comprehensive income (loss):				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurements of defined benefit plans	(972)	-	(8,356)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(26))	(56,570)	-	(181,391)	-
8320	Shares of other comprehensive income of associates accounted for using the equity method	(4,775)	-	(214,605)	-
8349	Income tax related to items that will not be reclassified subsequently (note 6(19))	<u>194</u>	<u>-</u>	<u>1,671</u>	<u>-</u>
	Total items that will not be reclassified subsequently to profit or loss	<u>(62,123)</u>	<u>-</u>	<u>(402,681)</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(124,063)	(1)	177,651	-
8399	Income tax related to items that may be reclassified subsequently (note 6(19))	<u>24,812</u>	<u>-</u>	<u>(6,817)</u>	<u>-</u>
	Total items that may be reclassified subsequently to profit or loss	<u>(99,251)</u>	<u>(1)</u>	<u>170,834</u>	<u>-</u>
8300	Other comprehensive income	<u>(161,374)</u>	<u>(1)</u>	<u>(231,847)</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 3,463,054</u>	<u>7</u>	<u>\$ 5,169,299</u>	<u>9</u>
	Earnings per share (New Taiwan Dollars) (note 6(22)):				
9750	Basic earnings per share	<u>\$ 18.48</u>		<u>27.71</u>	
9850	Diluted earnings per share	<u>\$ 17.57</u>		<u>26.06</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 years ended December 31, 2023 and 2022
 (Expressed in Thousands of New Taiwan Dollars)

	Share capital				Retained earnings			Total other equity interest		Total equity
	Common shares	Additional paid-in capital	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through comprehensive income	Treasury shares	
Balance at January 1, 2022	1,970,740	1,970,740	7,238,436	5,530,308	-	2,310,098	(143,563)	103,284	-	37,088,434
Net profit for the year	-	-	-	-	-	5,401,146	5,401,146	-	-	5,401,146
Other comprehensive income (loss) for the year	-	-	-	-	-	(6,685)	1,708,334	(395,996)	-	(231,847)
Total comprehensive income (loss) for the year	-	-	-	-	-	5,394,461	5,394,461	(395,996)	-	5,029,292
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	-	817,193	-	(817,193)	-	-	-	-
Cash dividends of common shares	-	-	-	-	-	(4,532,702)	-	-	-	(4,532,702)
Reversal of special reserve	-	-	-	-	(155,568)	155,568	-	-	-	-
Changes in equity of associates accounted for using the equity method	-	-	1,012,124	-	-	-	-	-	-	1,012,124
Purchase of treasury shares	-	-	360,211	-	-	-	-	-	(2,061,216)	360,211
Share-based payments	-	-	359,667	-	-	-	-	-	-	359,667
Exercise of employee stock options	-	16,005	-	-	-	-	-	-	-	-
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	94,932	-	94,932	-	-
Balance at December 31, 2022	1,970,740	1,986,745	8,970,438	6,347,501	-	22,605,164	27,271	(244,081)	(216,810)	37,631,822
Net profit for the year	-	-	-	-	-	3,624,428	3,624,428	-	-	3,624,428
Other comprehensive income (loss) for the year	-	-	-	-	-	(778)	(99,251)	(61,345)	-	(161,374)
Total comprehensive income (loss) for the year	-	-	-	-	-	3,623,650	3,623,650	(61,345)	-	3,562,305
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	-	216,340	-	(216,340)	-	-	-	-
Special reserve appropriated	-	-	-	-	222,728	(222,728)	-	-	-	-
Cash dividends of common shares	-	-	-	-	-	(1,753,517)	-	-	-	(1,753,517)
Changes in equity of associates accounted for using the equity method	-	-	746,357	-	-	-	-	-	-	746,357
The transfer of treasury share to employees	-	-	274,982	-	-	-	-	-	803,908	1,078,890
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	(14,632)	-	14,632	-	-
Share-based payments	-	60,945	241,871	-	-	-	-	-	-	241,871
Exercise of employee stock options	-	13,005	1,318,731	-	-	-	-	-	-	1,379,676
Balance at December 31, 2023	2,044,690	2,047,690	11,452,379	6,563,841	222,728	24,021,897	(71,980)	(290,794)	(1,257,308)	42,788,153

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 years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from operating activities:		
Profit before income tax	\$ 4,099,442	6,296,920
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	685,682	650,774
Amortization expense	519,158	395,794
Expected credit loss (reversal gain)	(50,601)	63,035
Net loss (gain) on financial assets at fair value through profit or loss	(429,756)	276,636
Finance costs	53,957	35,783
Loss (profit) on disposal of property, plant and equipment	184	(136)
Interest income	(207,981)	(97,143)
Dividend income	(86,966)	(90,937)
Share-based payments	518,918	360,211
Shares of loss of associates accounted for using the equity method	231,147	1,319,168
Gain on disposal of investments accounted for using the equity method	-	(30,426)
Unrealized (realized) profit on transactions with associates	50,194	(17,277)
Unrealized foreign exchange loss (gain)	141,958	(249,124)
Inventory obsolescence loss (reversal gain)	(379,317)	1,711,889
Reversal of refund liabilities	(191,265)	(111,852)
Profit from lease modification	(30)	(191)
Gain recognized in bargain purchase transaction	-	(16,289)
Total adjustments to reconcile profit	855,282	4,199,915
Changes in operating assets and liabilities:		
Accounts receivable (including related parties)	(2,652,148)	1,786,146
Other receivables	(84,828)	332,124
Inventories	(3,640,713)	(2,497,889)
Prepayments	(45,765)	(44,304)
Other current assets	(172)	1,759
Contract liabilities	(13,358)	(56,721)
Accounts payable (including related parties)	456,891	(3,197,533)
Other payables	(291,580)	(1,041,547)
Other current liabilities	59,197	(121,388)
Net defined benefit liabilities	2,452	1,545
Total changes in operating assets and liabilities	(6,210,024)	(4,837,808)
Cash inflow (outflow) generated from operations	(1,255,300)	5,659,027
Interest paid	(18,271)	(6,980)
Income taxes paid	(422,646)	(2,060,606)
Net cash flows from (used in) operating activities	(1,696,217)	3,591,441

(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 years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	<u>2023</u>	<u>2022</u>
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(91,330)	(95,113)
Proceeds from disposal of financial assets at fair value through other comprehensive income	9,000	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	16,150
Acquisition of financial assets at amortized cost	(69)	(40)
Acquisition of financial assets at fair value through profit or loss	(500,938)	(4,265)
Proceeds from disposal of financial assets at fair value through profit or loss	801,049	377,473
Proceeds from capital reduction of financial assets at fair value through profit or loss	9,000	7,245
Net cash flow from acquisition of subsidiaries	-	(24,547)
Acquisition of property, plant and equipment	(390,749)	(1,528,412)
Proceeds from disposal of property, plant and equipment	300	5,040
Increase in refundable deposits	(1,117,665)	(14,550)
Acquisition of intangible assets	(377,763)	(451,643)
Decrease in prepayments for land and equipment	-	1,177
Interest received	207,864	96,089
Dividends received	86,966	90,937
Net cash flows used in investing activities	<u>(1,364,335)</u>	<u>(1,524,459)</u>
Cash flows from financing activities:		
Increase in short-term loans	2,561,756	1,967,656
Decrease in short-term loans	(384,462)	(2,410,651)
Repayments of long-term borrowings	(48,949)	(30,704)
Increase (decrease) in guarantee deposits received	(1,150,954)	1,659,591
Payment of lease liabilities	(63,905)	(47,989)
Cash dividends paid	(2,836,702)	(4,532,738)
Exercise of employee stock options	1,379,676	375,672
Payments to acquire treasury shares	-	(2,061,216)
Treasury shares sold to employees	801,843	-
Net cash flows from (used in) financing activities	<u>258,303</u>	<u>(5,080,379)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(11,153)</u>	<u>477,984</u>
Net decrease in cash and cash equivalents	<u>(2,813,402)</u>	<u>(2,535,413)</u>
Cash and cash equivalents at beginning of period	<u>17,033,769</u>	<u>19,569,182</u>
Cash and cash equivalents at end of period	<u>\$ 14,220,367</u>	<u>17,033,769</u>



安侯建業聯合會計師事務所
KPMG

新竹市300091新竹科學園區展業一路11號
No. 11, Prosperity Road I, Hsinchu Science Park,
Hsinchu City 300091, Taiwan (R.O.C.)

電話 Tel + 886 3 579 9955
傳真 Fax + 886 3 563 2277
網址 Web home.kpmg/tw

Independent Auditors' Report

To the Board of Directors of Phison Electronics Corp.:

Opinion

We have audited the parent company only financial statements of Phison Electronics Corp. (“the Company”), which comprise the parent company only balance sheets as of December 31, 2023 and 2022, the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2023 and 2022, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountant and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters that should be disclosed in this report are as follows:

1. Revenue recognition

Please refer to Note 4(14) “Summary of significant accounting policies—Revenue recognition”, Note 6(22) “Description of significant accounts—Operating revenue” to the parent company only financial statements.

Description of key audit matter:

The Company engaged primarily in the sale of flash memory controllers and peripheral system applications. Revenue is recognized depending on the various trade terms agreed with customers. This exposes the Company to the risk that the sales transactions made close to the balance sheet date may not be recorded in the appropriate period. In addition, the Company operates in an industry in which sales revenue is easily influenced by various external factors such as supply and demand of the market, and this may impact the recognition of revenue. Consequently, this is one of the key areas that our audit focused on.



How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding and evaluating the effectiveness of the design and performing internal controls over the timing of revenue recognition; sample testing on sales transaction that took place before and after the balance sheet date to assess the accuracy of the timing of revenue recognition; and assessing the adequacy of the Group' s disclosures of its revenue recognition policy and other related disclosures.

2. Valuation of inventories

Please refer to Note 4(7) "Summary of significant accounting policies—Inventories" , Note 5 "Critical Accounting Judgments and Key Sources of Estimations and Assumptions Uncertainty" , and Note 6(7) "Description of significant accounts—Inventories" to the parent company only financial statements.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to the rapid technological innovations and highly competitive environment in the industry of the Company, the life cycles of products of the Company are short and the prices fluctuate rapidly, which could possibly result in a price decline and obsolescence of inventory, wherein the inventory cost may exceed its net realizable value. Consequently, this is one of the key areas that our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included reviewing the aging report of inventory and analyzing the fluctuation of inventory aging; on a sample basis, verifying the accuracy of the net realizable value of inventories and the inventory aging report; assessing the historical reasonableness of management' s estimates on inventory provisions; and evaluating whether valuation of inventories was accounted in accordance with the Company' s accounting policies and assessing the adequacy of the Company' s disclosures of its policy and other related disclosures.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company' s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing the Company' s financial reporting process.



Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chien Hui Lu and An-Chih Cheng.

KPMG

Taipei, Taiwan (Republic of China)

March 8, 2024

Notes to Readers

The accompanying parent company only financial statements are intended only to present the 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 audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying parent company only 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' audit report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
Phison Electronics Corp.

Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
Assets				
Current assets:				
1100 Cash and cash equivalents (note 6(1))	\$ 12,205,330	19	15,212,590	26
1110 Financial assets at fair value through profit or loss – current (note 6(2))	868,663	1	674,253	1
1136 Financial assets at amortized cost – current (notes 6(3) and 8)	40,568	-	40,499	-
1170 Accounts receivable, net (note 6(5))	7,579,693	12	5,837,553	10
1180 Accounts receivable – related parties, net (notes 6(5) and 7)	2,067,256	3	1,269,856	2
1200 Other receivables (notes 6(6) and 7)	377,463	1	251,806	-
130X Inventories (note 6(7))	24,231,726	38	20,284,315	35
1410 Prepayments	104,603	-	62,288	-
1479 Other current assets	839	-	869	-
	<u>47,476,141</u>	<u>74</u>	<u>43,633,729</u>	<u>74</u>
Non-current assets:				
1510 Financial assets at fair value through profit or loss – non-current (note 6(2))	163,624	-	214,952	-
1517 Financial assets at fair value through other comprehensive income – non-current (note 6(4))	296,098	1	290,784	-
1550 Investments accounted for using the equity method (note 6(8))	6,898,032	11	6,363,641	11
1600 Property, plant and equipment (notes 6(10) and 7)	6,733,056	10	6,841,301	12
1755 Right-of-use assets (note 6(11))	77,613	-	113,124	-
1780 Intangible assets (note 6(12))	224,236	-	363,191	1
1840 Deferred tax assets (note 6(18))	787,266	1	844,136	1
1900 Other non-current assets (note 9(2))	1,733,547	3	636,511	1
	<u>16,913,472</u>	<u>26</u>	<u>15,667,640</u>	<u>26</u>
Total assets	<u>\$ 64,389,613</u>	<u>100</u>	<u>\$ 59,301,569</u>	<u>100</u>
Liabilities and Equity				
Current liabilities:				
2100 Short-term borrowings (note 6(13))	\$ 2,106,363	3	-	-
2130 Contract liabilities – current	132,960	-	146,323	-
2170 Accounts payable	5,312,630	8	5,292,802	9
2180 Accounts payable – related parties (note 7)	1,148,482	2	681,993	1
2200 Other payables (note 6(14))	7,186,521	11	8,650,018	15
2230 Tax payable	435,245	1	471,859	1
2280 Lease liabilities – current (note 6(11))	54,593	-	35,145	-
2320 Long-term borrowings, current portion (note 6(16))	3,471,393	6	-	-
2399 Other current liabilities (notes 6(15), 7 and 9(3))	1,482,844	3	1,776,836	3
	<u>21,331,031</u>	<u>34</u>	<u>17,054,976</u>	<u>29</u>
Non-Current liabilities:				
2530 Bonds payable (note 6(16))	-	-	3,442,031	6
2570 Deferred tax liabilities (note 6(18))	76,685	-	56,181	-
2580 Lease liabilities – non-current (note 6(11))	72,768	-	78,561	-
2640 Net defined benefit liabilities (note 6(17))	118,222	-	114,798	-
2645 Guarantee deposits received (note 9(3))	2,754	-	923,008	2
	<u>270,429</u>	<u>-</u>	<u>4,614,571</u>	<u>8</u>
Total liabilities	<u>21,601,460</u>	<u>34</u>	<u>21,669,547</u>	<u>37</u>
Equity (notes 6(19) and (20)):				
Common shares	2,047,690	3	1,986,745	3
Capital surplus	11,552,379	18	8,970,438	15
Retained earnings	30,808,166	48	28,932,665	49
Other equity interest	(362,774)	(1)	(216,810)	-
Treasury shares	(1,257,308)	(2)	(2,061,216)	(4)
Total equity	<u>42,788,153</u>	<u>66</u>	<u>37,631,822</u>	<u>63</u>
Total liabilities and equity	<u>\$ 64,389,613</u>	<u>100</u>	<u>\$ 59,301,569</u>	<u>100</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
Phison Electronics Corp.

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

	2023		2022	
	Amount	%	Amount	%
4000 Operating revenue (notes 6(22) and 7)	\$ 47,513,008	100	59,571,015	100
5000 Operating costs (notes 6(7), (23) and 7)	31,886,845	67	42,678,103	72
Gross profit from operations	15,626,163	33	16,892,912	28
5910 Unrealized profit on transactions with associates	(50,194)	-	17,277	-
5950 Realized gross profit	15,575,969	33	16,910,189	28
Operating expenses (notes 6(23) and 7):				
6100 Marketing expenses	1,158,506	2	1,176,667	2
6200 General and administrative expenses	821,294	2	894,714	1
6300 Research and development expenses	10,309,104	22	8,131,687	14
6450 Expected credit loss (reversal gain) (note 6(5))	(50,759)	-	63,035	-
Total operating expenses	12,238,145	26	10,266,103	17
Net operating income	3,337,824	7	6,644,086	11
Non-operating income and expenses:				
7010 Other income (notes 6(9), (24) and 7)	252,959	1	169,715	-
7020 Other gains and losses (notes 6(9) and (24))	363,490	1	473,611	1
7050 Finance costs (note 6(24))	(49,465)	-	(31,625)	-
7100 Interest income (note 6(24))	187,371	-	83,945	-
7060 Shares of profit (loss) of subsidiaries and associates accounted for using the equity method (note 6(8))	(52,214)	-	(1,107,108)	(2)
	702,141	2	(411,462)	(1)
7900 Profit before tax	4,039,965	9	6,232,624	10
7950 Income tax expenses (note 6(18))	415,537	1	831,478	1
8200 Net profit for the year	3,624,428	8	5,401,146	9
8300 Other comprehensive income (loss):				
8310 Items that will not be reclassified subsequently to profit or loss				
8311 Remeasurements of defined benefit plans	(972)	-	(8,356)	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(25))	(70,986)	-	(62,878)	-
8330 Shares of other comprehensive income of subsidiaries and associates accounted for using the equity method	9,641	-	(333,118)	-
8349 Income tax related to items that will not be reclassified subsequently (note 6(18))	194	-	1,671	-
Total items that will not be reclassified subsequently to profit or loss	(62,123)	-	(402,681)	-
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(124,063)	(1)	177,651	-
8399 Income tax related to items that may be reclassified subsequently (note 6(18))	24,812	-	(6,817)	-
Total items that may be reclassified subsequently to profit or loss	(99,251)	(1)	170,834	-
8300 Other comprehensive income	(161,374)	(1)	(231,847)	-
8500 Total comprehensive income	\$ 3,463,054	7	5,169,299	9
Earnings per share (New Taiwan Dollars) (note 6(21)):				
9750 Basic earnings per share	\$ 18.48		27.71	
9850 Diluted earnings per share	\$ 17.57		26.06	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
Phison Electronics Corp.

Statements of Changes in Equity
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings		Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translation of financial statements	Total other equity interest	Total equity
	Common shares	Total share capital	Capital surplus	Special reserve								
Balance at January 1, 2022	1,970,740	1,970,740	7,238,436	155,568	22,310,098	5,401,146	27,995,974	103,284	37,308,334	-	-	37,308,334
Net profit for the year	-	-	-	-	5,401,146	-	5,401,146	-	5,401,146	-	-	5,401,146
Other comprehensive income (loss) for the year	-	-	-	-	(6,685)	-	(6,685)	170,834	(395,996)	(225,162)	-	(231,847)
Total comprehensive income (loss) for the year	-	-	-	-	5,394,461	-	5,394,461	170,834	(395,996)	(225,162)	-	5,169,299
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	-	-	817,193	-	(817,193)	-	-	-	-
Cash dividends of common shares	-	-	-	-	-	-	(4,552,702)	-	-	-	-	(4,552,702)
Reversal of special reserve	-	-	-	(155,568)	155,568	-	-	-	-	-	-	-
Changes in equity of associates accounted for using the equity method	-	-	1,012,124	-	-	-	-	-	-	-	-	1,012,124
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	(2,061,216)	(2,061,216)
Share-based payments	-	-	360,211	-	-	-	-	-	-	-	-	360,211
Exercise of employee stock options	-	16,005	359,667	-	-	-	-	-	-	-	-	375,672
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	-	94,932	94,932	-	(94,932)	-
Balance at December 31, 2022	1,970,740	1,986,745	8,970,438	6,347,501	22,605,164	216,340	28,952,665	27,271	37,631,822	(216,810)	(2,061,216)	37,631,822
Net profit for the year	-	-	-	-	3,624,428	-	3,624,428	-	3,624,428	-	-	3,624,428
Other comprehensive income (loss) for the year	-	-	-	-	(7,788)	-	(7,788)	(99,251)	(106,174)	(99,251)	(61,345)	(1,061,774)
Total comprehensive income (loss) for the year	-	-	-	-	3,623,650	-	3,623,650	(99,251)	3,623,650	(99,251)	(61,345)	3,623,650
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	-	-	216,340	-	(216,340)	-	-	-	-
Special reserve appropriated	-	-	-	222,728	(222,728)	-	-	-	-	-	-	-
Cash dividends of common shares	-	-	-	-	-	-	-	(1,753,517)	-	-	-	(1,753,517)
Changes in equity of associates accounted for using the equity method	-	-	746,357	-	-	-	-	-	-	-	-	746,357
The transfer of treasury share to employees	-	-	-	-	-	-	-	-	-	-	-	-
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	-	(14,632)	(14,632)	14,632	-	-
Share-based payments	-	-	241,871	-	-	-	-	-	-	-	-	241,871
Exercise of employee stock options	73,950	(13,005)	60,945	-	-	-	-	-	-	-	-	1,379,676
Balance at December 31, 2023	2,044,690	3,000	11,559,379	6,568,841	24,021,597	222,728	30,808,166	(71,980)	49,788,153	(567,774)	(1,257,398)	49,788,153

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
Phison Electronics Corp.

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from operating activities:		
Profit before income tax	\$ 4,039,965	6,232,624
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	587,921	547,323
Amortization expense	514,923	392,465
Expected credit loss (reversal gain)	(50,759)	63,035
Net loss (gain) on financial assets at fair value through profit or loss	(453,131)	282,398
Finance costs	49,465	31,625
Interest income	(187,371)	(83,945)
Dividend income	(81,717)	(90,937)
Share-based payments	514,054	355,849
Shares of loss of subsidiaries and associates accounted for using the equity method	52,214	1,107,108
Loss on disposal of property, plant and equipment	-	1,480
Gain on disposal of investments accounted for using the equity method	-	(30,426)
Unrealized (realized) profit on transactions with associates	50,194	(17,277)
Unrealized foreign exchange loss (gain)	178,399	(209,056)
Inventory obsolescence loss (reversal gain)	(380,542)	1,671,654
Reversal of refund liabilities	(191,265)	(111,852)
Profit from lease modification	(30)	(396)
Gain recognized in bargain purchase transaction	-	(16,289)
Total adjustments to reconcile profit (loss)	602,355	3,892,759
Changes in operating assets and liabilities:		
Accounts receivable (including related parties)	(2,816,549)	1,461,291
Other receivables	(127,184)	294,218
Inventories	(3,566,869)	(2,464,851)
Prepayments	(42,315)	(44,075)
Other current assets	30	953
Contract liabilities	(13,363)	(56,721)
Accounts payable (including related parties)	614,588	(3,128,004)
Other payables	(377,861)	(1,059,915)
Other current liabilities	(102,727)	(112,521)
Net defined benefit liabilities	2,452	1,545
Total changes in operating assets and liabilities	(6,429,798)	(5,108,080)
Cash inflow (outflow) generated from operations	(1,787,478)	5,017,303
Interest paid	(13,717)	(2,837)
Income taxes paid	(349,771)	(2,037,310)
Net cash flows from (used in) operating activities	(2,150,966)	2,977,156

(Continued)

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
Phison Electronics Corp.

Statements of Cash Flows (Continued)

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(85,300)	(31,500)
Proceeds from disposal of financial assets at fair value through other comprehensive income	9,000	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	16,150
Acquisition of financial assets at amortized cost	(69)	(40)
Proceeds from disposal of financial assets at fair value through profit or loss	801,049	377,473
Acquisition of financial assets at fair value through profit or loss	(500,000)	-
Proceeds from capital reduction of financial assets at fair value through profit and loss	9,000	7,245
Acquisition of investments accounted for using the equity method	-	(147,251)
Proceeds from disposal of investments accounted for using the equity method	-	7,099
Acquisition of property, plant and equipment	(376,767)	(1,467,124)
Proceeds from disposal of property, plant and equipment	-	216
Increase in refundable deposits	(1,118,228)	(12,470)
Acquisition of intangible assets	(375,968)	(443,745)
Decrease in prepayments for land and equipment	48,053	8,417
Interest received	188,526	82,009
Dividends received	81,717	187,817
Net cash flows used in investing activities	(1,318,987)	(1,415,704)
Cash flows from financing activities:		
Increase in short-term loans	2,561,756	1,967,656
Decrease in short-term loans	(384,462)	(2,350,651)
Increase (decrease) in guarantee deposits received	(996,803)	1,659,592
Payment of lease liabilities	(53,713)	(36,160)
Cash dividends paid	(2,836,702)	(4,532,702)
Exercise of employee stock options	1,379,676	375,672
Payments to acquire treasury shares	-	(2,061,216)
Treasury shares sold to employees	801,843	-
Net cash flows from (used in) financing activities	471,595	(4,977,809)
Effect of exchange rate changes on cash and cash equivalents	(8,902)	425,005
Net decrease in cash and cash equivalents	(3,007,260)	(2,991,352)
Cash and cash equivalents at beginning of period	15,212,590	18,203,942
Cash and cash equivalents at end of period	\$ 12,205,330	15,212,590

Phison Electronics Corporation

Details for Release of the Directors from Non-Competition Restrictions

Name of Juristic Person Shareholder	Main Scope of Business of the Juristic Person Shareholder	Other Concurrent Company Name and Position Held	Main Scope of Business
Trusted Investment Account of Kioxia Corporation by First Bank (Kioxia Corporation)	Development, manufacturing and sales of flash memory and related products, and related business	Solid State System Co., Ltd. Director	NAND Flash controller IC MEMS microphone and Audio IC Intellectual Property and Design Services

Name of Director	Other Concurrent Company Name and Position Held	Main Scope of Business
Trusted Investment Account of Kioxia Corporation by First Bank (Kioxia Corporation) Representative Hiroshi Miyauchi	Meiko Electronics Co., Ltd. Outside Auditor	Design and manufacturing and sales of PCBs and auxiliary electronics business
Tzung Horng Kuang	Legal Representative Director Microtops Design Corp.	Design and development of flash memory controller chips for peripheral applications
	Nextorage Corporation Director	R&D, design, manufacture and sale of flash memory application products
Huei Ming Wang	GIGA-BYTE TECHNOLOGY CO., LTD. Independent director	Manufacturing, processing and trading of computer hardware peripherals, buying and selling business

Appendices

Phison Electronics Corporation
Rules of Procedure for Shareholders' Meeting

Article 1: The Company's shareholder's meeting shall be conducted in accordance with the Rules. The items which are not regulated in the Rules shall be processed in accordance with the relevant provisions of the Company Act and the Articles of Incorporation of the Company.

Article 1-1: The shareholders' meetings of the Company may be convened by means of physical meeting, visual communication network or other methods promulgated by the central competent authority.

If the shareholders' meeting is held through visual communication, shareholders, an issuer's proxy solicitors, and proxy agents (hereinafter referred to as "shareholders") who wish to attend the meeting online shall register with the Company two days before the meeting date. The shareholders taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.

Article 2: Attending shareholders or their agents are required to wear an attendance card and to submit attendance cards in lieu of signing in. The number of shares represented by shareholders attending the meeting shall be calculated in accordance with the number of attendance cards submitted by shareholders and the attending number of shares on the platform of the visual communication network, and the number of shares held by shareholders who are permitted to exercise voting rights in electronic form.

Article 3: Shareholders' meeting shall convene at the Company's registered office or a place convenient to attend and suitable for meeting, the meeting shall be called no earlier than 9 a.m. and no later than 3 p.m. The restrictions on the place of the meeting shall not apply when the Company convenes a virtual-only shareholders meeting.

Article 4: The Company may appoint its attorneys, certified public accountants, or related persons to attend the shareholders' Meeting.

Staff handling administrative affairs of a Shareholders' Meeting shall wear identification cards or arm bands.

Article 5: Entire proceedings of shareholders' meeting shall be recorded on audio or video tape and preserved for at least 1 year.

Where a shareholders meeting is held online, the Company shall keep records of shareholder registration, sign-in, check-in, questions raised, votes cast and results of votes counted by the Company, and continuously audio and video record, without interruption, the proceedings of the virtual meeting from beginning to end.

The information and audio and video recording in the preceding paragraph shall be properly kept by the Company during the entirety of its existence, and copies of the audio and video recording shall be provided to and kept by the party appointed to handle matters of the virtual meeting.

In case of a virtual shareholders meeting, the Company is advised to audio and video record the back-end operation interface of the virtual meeting platform.

Article 6: When a majority of the shareholders present, who represent more than one-half of the total number of voting shares, the meeting Chairman shall call the meeting. If the number of shares represented by the attending shareholders has not yet constituted the quorum at the time scheduled for the general meeting, the meeting Chairman may postpone the time for the meeting. But the number of postponements shall be limited to two and the total delay time shall not exceed one hour. If the quorum is still not met after two postponements but shareholders representing more than one-third of the total issued shares are present, or by proxy and entitled to vote, a tentative resolution may be passed in accordance with Article of 175 of the Company Act. During the execution of a tentative resolution, if the number of Shares represented by the attending Shareholders has already constituted more than an aggregate of one-half (1/2) of all shares in issue, the meeting Chairman may put the tentative resolutions already passed to the Shareholders' resolution again in accordance with Article 174 of the Company Act. If the shareholders' meeting is held through visual communication, shareholders who wish to attend the meeting online shall re-register with the Company two days before the meeting date.

Article 7: If a shareholder meeting is convened by the board of directors, the board of directors shall decide the proceedings and the meeting shall be conducted accordingly, no changes may be made except with the resolution of the shareholder meeting.

Changes to how the Company convenes its shareholders' meeting shall be resolved by the board of directors, and shall be made no later than mailing of the shareholders' meeting notice.

The preceding paragraph applies to circumstances where the shareholder's meeting is convened by any person, who is outside the board of directors but having the convening right.

Prior to conclusion of the preceding two agenda items (including extraordinary motions), the chairman shall not declare the meeting closed unless a resolution is passed.

After a meeting closed, shareholders may not elect another meeting Chairman to continue the proceeding of the meeting at the same or a new place, provided that, if the meeting Chairman declares the adjournment of the meeting in a manner in violation of rules governing the proceedings of meetings, a new meeting Chairman may be elected by a resolution to be adopted by a majority of the voting rights represented by the shareholders attending the said meeting to continue the proceeding of the meeting.

Article 7-1: Shareholders holding 1% or more of the total number of outstanding shares of the Company may submit a written proposal to the Company for discussion at annual shareholders' meeting.

Prior to the book closure date before annual shareholders' meeting is held, the Company shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

If the proposal of a shareholder is approved by the board of directors and that it is not involved in any following circumstances, it shall be listed in the meeting notice of the annual shareholders' meeting:

1. Where the subject (the issue) of the said proposal cannot be settled or resolved by a resolution to be adopted at a meeting of shareholders.

2. Where the number of shares of held by shareholders making the said proposal is less than one percent (1%) of the total number of outstanding shares at the time when the share transfer registration is suspended in the general shareholder's meeting.
3. Where the said proposal is submitted on the day beyond the deadline fixed and announced by the Company.
4. The proposals submitted by the proposing shareholders exceed one item, or more than 300 words (including punctuation), or were not submitted in a writing format.

The Company shall, prior to preparing and delivering the shareholders' meeting notice, inform the shareholders who have raised proposals the result of the evaluation. The board of directors shall list the proposals which are not included in the agenda, on the annual shareholders' meeting's handbook and explain the reasons for excluding those proposals from the agenda. These reasons are not included in the agenda or in the meeting minutes.

Article 8 When a shareholder meeting is convened by the board of directors, the Chairman shall preside over the meeting. If the Chairman is on leave or unable to attend the meeting, the vice Chairman shall chair the meeting. If there is no vice Chairman or the vice Chairman is also on leave or unable to attend, the Chairman shall designate a managing director to chair the meeting. If there is no managing director, a director shall be designated. If the Chairman fails to designate a director, directors and the managing director shall elect one person from among them to chair the meeting. When shareholders' meeting is convened by other person who is outside the board of directors but having the convening right, such person shall act as the meeting Chairman at that meeting.

Article 8-1: When the Company convenes a virtual-only shareholders meeting, both the chairman and secretary shall be in the same location, and the chairman shall declare the address of their location when the meeting is called to order.

Article 8-2: When the Company convenes a virtual shareholders meeting, it shall include the items stipulated in the Regulations Governing the Administration of Shareholder Services of Public Companies in the shareholders' meeting notice.

Article 9: During the meeting, the meeting Chairman may declare a break according to his or her judgment.

Article 10: No discussion or vote for non-proposals. During the discussion of proposals, the meeting Chairman may announce that the discussion shall be terminated at an appropriate timing and may, if necessary, make an announcement of the suspension of discussion.

Article 11: When a shareholder attending the shareholders' meeting wishes to speak, a speech note should be filled out with summary of the speech, the shareholder's account number (or the number of attendance card), name of the shareholder and the current shareholding. The sequence of speeches shall be determined by the meeting Chairman.

Article 12: Shareholders' speeches, each person (including natural persons and legal persons) shall be limited to five minutes. However, with the permission of the meeting Chairman, it may be extended once. In the same proposal, each person (including natural persons and legal persons) shall not speak more than twice. When the legal person is appointed to attend as proxy, it may designate only one person to represent the shareholder in the meeting. When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.

Article 13: After an attending shareholder has spoken, the chairman may respond in person or direct relevant personnel to respond.

Article 13-1: Where a virtual shareholders' meeting is convened, shareholders attending the virtual meeting online may raise questions in writing at the virtual meeting platform from the chairman declaring the meeting open until the chairman declaring the meeting adjourned. No more than two questions for the same proposal may be raised. Each question shall contain no more than 200 words. The regulations in Articles 11 and 12 do not apply. As long as questions so raised are not in violation of the regulations or beyond the scope of a proposal, it is advisable that the questions be disclosed to the public on the virtual meeting platform.

- Article 14: When the speech of any shareholder is too long or exceeds the scope of the agenda item, the meeting Chairman may stop their speech. The meeting Chairman may command shareholders who disobey the meeting Chairman's correction and impede the process of the meeting to leave the meeting venue.
- Article 15: As the meeting Chairman announced that the discussed proposal shall be terminated or suspended, the chairman may submit them for a vote.
- Article 16: Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the resolution of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chairman or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.
- Article 17: Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the meeting Chairman, provided that all monitoring personnel shall be shareholders of the Company. The results of the voting shall be announced on-site at the meeting, and the records shall be made.
- Article 18: In the event amendments or substitutions are provided for in the same proposal, the meeting Chairman may decide the order of the vote including the original proposal. When any one among of them is passed, the other proposals are simultaneously rejected and no further voting shall be required. When the written proposal of a shareholder, pursuant to the Article 172-1 of the Company Act, is included in the agenda of the general shareholders' meeting, and if the type of the proposal is similar to the one already proposed by the board of directors, these proposal submissions shall be combined and processed in accordance with the provisions of the preceding paragraph. The order of the discussion of each proposal brought up in extraordinary motion and the order of the vote shall be decided by the meeting Chairman. When the Company convenes a virtual shareholders' meeting, after the chair declares the meeting open, shareholders attending the meeting online shall

cast votes on proposals and elections on the virtual meeting platform before the chairman announces the voting session ends or will be deemed abstained from voting.

In the event of a virtual shareholders' meeting, votes shall be counted one at a time after the chairman announces the voting session ends, and results of votes and elections shall be announced immediately.

Article 18-1: In the event of a virtual shareholders' meeting, the Company shall disclose real-time results of votes and election immediately after the end of the voting session on the virtual meeting platform according to the regulations, and this disclosure shall continue at least 15 minutes after the chairman has announced the meeting adjourned.

Article 18-2: In the event of a virtual shareholders' meeting, when declaring the meeting open, the chairman shall also declare, unless under a circumstance where a meeting is not required to be postponed to or resumed at another time under Article 44-20, paragraph 4 of the Regulations Governing the Administration of Shareholder Services of Public Companies, if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents or other force majeure events before the chairman has announced the meeting adjourned, and the obstruction continues for more than 30 minutes, the meeting shall be postponed to or resumed on another date within five days, in which case Article 182 of the Company Act shall not apply.

For a meeting to be postponed or resumed as described in the preceding paragraph, shareholders who have not registered to participate in the affected shareholders' meeting online shall not attend the postponed or resumed session.

For a meeting to be postponed or resumed under the first paragraph, the number of shares represented by, and voting rights and election rights exercised by the shareholders who have registered to participate in the affected shareholders' meeting and have successfully signed in the meeting, but do not attend the postpone or resumed session, at the affected shareholders' meeting, shall be counted towards the total number of shares,

number of voting rights and number of election rights represented at the postponed or resumed session.

During a postponed or resumed session of a shareholders' meeting held under the first paragraph, no further discussion or resolution is required for proposals for which votes have been cast and counted and results have been announced, or list of elected directors.

When the Company convenes a hybrid shareholders' meeting, and the virtual meeting cannot continue as described in the first paragraph, if the total number of shares represented at the meeting, after deducting those represented by shareholders attending the virtual shareholders' meeting online, still meets the minimum legal requirement for a shareholders' meeting, then the shareholders' meeting shall continue, and not postponement or resumption thereof under the first paragraph is required.

Under the circumstances where a meeting should continue as in the preceding paragraph, the shares represented by shareholders attending the virtual meeting online shall be counted towards the total number of shares represented by shareholders present at the meeting, provided these shareholders shall be deemed abstaining from voting on all proposals on meeting agenda of that shareholders' meeting.

When postponing or resuming a meeting according to the first paragraph, the Company shall handle the preparatory work based on the date of the original shareholders' meeting in accordance with the requirements listed under Article 44-20, paragraph 7 of the Regulations Governing the Administration of Shareholder Services of Public Companies.

Article 18-3: When convening a virtual-only shareholders meeting, the Company shall provide appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders' meeting online.

Article 19: The meeting Chairman may command inspector (or security personnel) to maintain order of meeting place. The inspector (or security officer) shall wear an arm-band with the word "inspector".

Article 20: During the meeting, in the event of an air alarm, the meeting shall be suspended and the evacuation will be conducted. One hour after the alarm is lifted, the meeting will resume.

Article 21: These Rules, and any amendments hereto, shall be implemented after adoption by shareholders' meeting.

Article 22: This rule is made on March 26, 2003.

The first amendment was made on June 14, 2006.

The second amendment was made on June 13, 2017.

The third amendment was made on May 24, 2022.

Phison Electronics Corporation

Procedures for Election of Directors

Article 1: Except as otherwise provided by law and regulation or by this Corporation's articles of incorporation, elections of directors shall be conducted in accordance with these Procedures.

Article 2: The overall composition of the board of directors shall be taken into consideration in the selection of this Corporation's directors. The composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

1. Basic requirements and values: Gender, age, nationality, and culture.
2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:

1. The ability to make judgments about operations.
2. Accounting and financial analysis ability.
3. Business management ability.
4. Crisis management ability.
5. Knowledge of the industry.
6. An international market perspective.
7. Leadership ability.
8. Decision-making ability.

More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.

The board of directors of this Corporation shall consider adjusting its composition based on the results of performance evaluation.

Article 3: The qualifications for the independent directors of this Corporation shall comply with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and Article 24 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

Article 4: Elections of both directors at this Corporation shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act.

When the number of directors falls below five due to the dismissal of a director for any reason, this Corporation shall hold a by-election to fill the vacancy at its next shareholders meeting. When the number of directors falls short by one third of the total number prescribed in this Corporation's articles of incorporation, this Corporation shall call an Extraordinary Shareholders' Meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

When the number of independent directors falls below that required under the proviso of Article 14-2, paragraph 1 of the Securities and Exchange Act, a by-election shall be held at the next shareholders meeting to fill the vacancy. When the independent directors are dismissed, an Extraordinary Shareholders' Meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

- Article 5: The election of the Company's directors adopts a cumulative ballot system. The number of voting rights represented by each share shall be the same as the number of directors to be elected and may be consolidated for the election of one director candidate or split for the election of multiple director candidates.
- Article 6: For the election of the Company's directors, the Board of Directors shall prepare ballots in the same number of the directors to be elected, specify the number of voting rights associated with each ballot, and distribute them to the shareholders attending the shareholders' meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.
- Article 7: The number of Directors will be as specified in the Company's Articles of Incorporation, with voting rights separately calculated for Independent and Non-Independent Director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes received. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the Chairman drawing lots on behalf of any person not in attendance.
- Article 8: Before the beginning of the election, the Chairman shall designate a number of shareholders to supervise the casting of the ballots and count the ballots, each of which shall then respectively perform their relevant functions accordingly. The Board of Directors shall prepare a ballot box for the election of directors, which shall be examined in public by the persons supervising the casting of ballots before the ballots are cast
- Article 9: If a candidate is a shareholder, the person casting the vote shall specify the candidate's account name and number in the "candidate" column of the ballot; if the candidate is not a shareholder, the person casting the vote shall specify the candidate's name and identity card number. However, if the candidate is a governmental entity or corporate shareholder, for the account name, the person casting the vote shall enter the name of the governmental entity or corporate shareholder in the "candidate" column of the ballot, and may in addition specify

the name of the representative of the governmental entity or corporate shareholder. When there are multiple representatives, the name of each representative shall be indicated.

Article 10: A ballot is invalid under any of the following circumstances:

1. The ballot was not prepared by using these procedures.
2. A blank ballot is placed in the ballot box.
3. The writing is unclear and indecipherable or has been altered.
4. In case the candidate whose name is entered in the ballot is a shareholder, but the candidate's name, account name, and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is not a shareholder, and the candidate's name and identity card number do not conform with the director candidate list after a cross-check.
5. Other words or marks are entered in addition to the candidate's account (name) or shareholder account number (or identity card number) and the number of voting rights allotted.
6. No candidate's account (name) or shareholder account number (or identity card number) is entered.

Article 11: The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation, including the list of persons elected as directors the numbers of votes with which they were elected, shall be announced by the chairman on the site.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 12: The board of directors of the Company shall issue notifications to the persons elected as directors.

Article 13: These Procedures, and any amendments hereto, shall be implemented after approval by shareholders' meeting.

Phison Electronics Corporation

Articles of Incorporation

Chapter I General Provisions

Article 1: The Corporation shall be incorporated, as a company limited by shares, under the Company Act the Republic of China, and its name shall be 「群聯電子股份有限公司」 in the Chinese language, and 「Phison Electronics Corp.」 in the English language.

Article 2: The scope of business of the Corporation shall be as follows:

- (i) CC01080 Electronic Parts and Components Manufacturing
- (ii) I301010 Software Design Services
- (iii) F218010 Retail Sale of Computer Software
- (iv) F119010 Wholesale of Electronic Materials
- (v) F219010 Retail Sale of Electronic Materials
- (vi) CE01030 Photographic and Optical Equipment Manufacturing
- (vii) CC01120 Data Storage Media Manufacturing and Duplicating
- (viii) I501010 Product Designing
- (ix) F401010 International Trade
- (x) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 2-1: The Company provides external guarantees for its business needs, and its procedures are in accordance with the Company's Procedures for Endorsement and Guarantee.

Article 2-2: The total amount of the Company's investment shall not exceed 40 percent of its paid-up capital as provided in Article 13 of the Company Act.

Article 3: The Company set up its headquarters in HsinChu County, Taiwan, the Republic of China and if necessary, it may set up branch offices domestically or abroad with a resolution by the board of directors.

Article 4: (Deleted).

Chapter II Shares

Article 5: The total capital of the company shall be in the amount of 3,000,000,000 New Taiwan Dollars, divided into 300,000,000 shares, at ten New Taiwan Dollars each, of which unissued shares is authorized to board of directors to issue in installments.

In the first total capital, NT\$290 million was reserved, and the shares were divided into 29 million shares at par value of NT\$10 per share, which is for the issuance of employees' share subscription warrants in order to exercise the subscription right. It shall be issued separately based on the resolution of the board of directors.

Article 5-1: The company issues employee stock warrants, the exercise price can be lower than the closing price of the company stocks as of the issuing date which is required to obtain the consent of at least two-thirds of the voting rights represented at a shareholders meeting attended by shareholders representing a majority of the total issued shares and allowed to register multiple issues over a period of 1 year from the date of the shareholders' resolution.

Article 5-2: If the Company plans to repurchase its own shares and transfer them to employees at less than the average actual share repurchase price, it must have obtained the consent of at least two-thirds of the voting rights present at the most recent shareholders meeting attended by shareholders representing a majority of total issued shares, and must have listed the following matters in the notice of reasons for that shareholders meeting, it may not raise the matter by means of an extraordinary motion:

1. The exercise price, the valuation percentage, the bases of calculations, and the reasonableness thereof.
2. The number of shares to be transferred, the purpose, and the reasonableness thereof.
3. Qualification requirements for employees subscribing to shares, and the number of shares they are allowed to subscribe for.
4. Factors affecting shareholders' equity:
 - A. The expendable amount, and dilution of the company's earnings per share.
 - B. Explain what financial burden will be imposed on the company by transferring shares to employees at less than the average actual share repurchase price.

Article 6: (Deleted).

Article 7: The Company's stock are all registered share certificates and shall be signed or stamped by the directors who is authorized, recorded, and issued after it is legally registered. For the new shares to be issued by the Company offering its shares to the public. The Corporation may be exempted from printing any stock certificate for the shares issued. However, the Corporation shall appoint a centralized securities custody enterprise/institution to make registration of such shares.

Article 8: The registration of stock transfer shall be halted within 60 days prior to the convening date of a regular shareholders' meeting, or within 30 days prior to the convening date of a special shareholders' meeting, or within 5 days prior to the record date fixed by the Company for distribution of dividends, bonus or other benefits.

The period of the preceding paragraph shall be counted from the date of the meeting or the record date.

Article 8-1: The Company's shareholder services are performed according to "Regulations Governing the Administration of Shareholder Services of Public Companies" by competent authority.

Chapter III Shareholders' Meeting

Article 9: Shareholders' meeting can be divided into regular meetings and special meetings. Regular meetings are convened once a year and usually within six months of the end of each fiscal year. The regular meeting is convened by the board of directors according to the law. Special meetings may be convened according to the law when necessary.

The shareholders' meeting of the Company may be held by means of visual communication network or other methods promulgated by the central competent authority. In case a shareholders' meeting is proceeded via visual communication network, the shareholders taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.

Article 10: If a shareholder cannot attend a Shareholders Meeting for any reason, it may designate another person to represent it by submitting a proxy that is printed by the Company, specifying the scope of authorization. Shareholders' attendance by designated representatives shall be handled in accordance with Article 177 of the Company Act as well as the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" promulgated by the governing authorities.

Article 11: A shareholder of the Company shall be entitled to one vote for each share held, except in the circumstances set forth in paragraph 3, article 157 and article 179 of the Company Act.

Article 11-1: Shareholders' Meeting shall be convened by the board of directors and chaired by the Chairman of the Board. When the Chairman of the Board is on leave, the Chairman shall appoint one of the directors to act as meeting Chairman, or, if there are no appointment, one of the directors shall be selected from among themselves to act as meeting Chairman. If a shareholders' meeting is convened by a rightful person outside the board of directors, the person convening the meeting shall chair the meeting. When there are two or more conveners, a meeting Chairman shall be elected between them.

Article 12: Unless otherwise stated in the Company Act, any resolution made by the Shareholders Meeting shall be made during a Shareholders Meeting attended by more than half of all shares and passed by the majority of voting rights in attendance.

Chapter IV: Directors and Board of directors

Article 13: The Company appoints seven to eleven directors under candidates' nomination system. The term of directors shall be three years. Directors are elected from the list of candidates and may be eligible for re-election.

The total sum of all registered shares certificates held by all directors shall not be less than that as regulated in "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies" from the regulatory authority.

Article 13-1: In the aforementioned quota of directors of the Company, the number of independent directors shall be at least two and not less than one-fifth, which are elected from the list of candidates of independent directors in the shareholders' meeting under the candidate nomination system.

In accordance with the relevant regulations of the competent authority, the professional qualifications, shareholding, prohibition on positions held at other companies, nomination and selection process and other matters of the Company's Independent Directors, are processed under relevant legal regulations.

Article 13-2: The Company has established the audit committee. Its composition, scope of duties and power, rules of procedure, and other compliance matters shall be in accordance with the relevant regulations of the competent authority.

Article 14: The board of directors is formed by the directors. The Chairman, who is to represent the Company externally, is elected by a majority voting of the directors present at a meeting of its board of directors attended by two-thirds or more of the directors of the Company.

Article 15: In case the Chairman of the board of directors is on leave or absent or cannot exercise his power and authority for any cause, his representative shall be selected according to Article 208 of the Company Act. The board of directors shall be convened by the Chairman of the board of directors. The conduct of the board of directors shall be conducted in accordance with the “Rules of Procedure for Meetings of Board of Directors” of the company.

Directors should attend the board of directors in person. If the board of directors takes the video conference, the director’s participation in the video conference is regarded as personal in person. In case a director cannot attend a Board meeting in person, he/she may appoint another Director to attend on his/her behalf, he/she shall, in each time, issue a written proxy and state the scope of authority with reference to the subjects to be discussed at the meeting. A director may accept the appointment to act as the proxy referred to in the preceding Paragraph of one other Director only.

The Company shall inform each Director seven days prior to a Board meeting, and in case of emergency, the Company may call the board of directors to a meeting at any time. The Company’s board of directors was convened in writing, e-mail, or fax method.

Article 16: Compensations for the Chairman and directors of the Company shall be determined by the board of directors according the involvement and contribution of the Chairman and each director, with reference to the industry standards.

The Company shall purchase liability insurance for its Directors for carrying out the scope of their responsibilities during the terms of office for said Directors.

Chapter V Manager

Article 17: This Company may have managers and their appointment, dismissal and remuneration shall be conducted in accordance with Article 29 of the Company Act.

Chapter VI Accounting

Article 18: At the close of each fiscal year of the Company, the board of directors shall prepare, 1) business report, 2) financial statement and 3) the surplus earning distribution or loss off-setting proposal, etc. subsequently submit them to the meeting of shareholders for its ratification.

Article 19: If the company makes profits in the year, it shall appropriate 8% to 19% for employees' compensation and no more than 1.5% for directors' compensations, but the Company shall reserve a portion of profit to make up for accumulated losses, if any.

Employee's remuneration may be distributed in shares or cash, and the compensation of directors shall be paid in cash.

The term "profit" as mentioned in the first paragraph refers to pre-tax profits before deducting the distributed employees and directors' remuneration.

Employee and director remuneration allocation must be approved by the board of directors in a meeting attended by more than two-thirds of all board members, where half of attending directors approve. The remuneration resolution shall be reported in the annual general meeting.

Employee treasury stocks, employee stock options, new shares purchased by employees, employee restricted stock awards, and employee compensation shall be provided by the Company to controlling or subordinate employees who meet certain conditions. The board of directors is authorized to determine its conditions and allocation method.

Article 19-1: The annual earnings in the financial statements of the Company shall first be allocated to pay income tax and offset the accumulated losses of the preceding years before allocating 10% of the remaining earnings to the legal reserve, which is not applicable where the legal reserve has reached the total paid-in capital of the Company. In accordance with law or the competent authority, the Company shall also appropriate or reverse special reserves. With regard to the earnings and accumulated undistributed earnings, the Board of Directors shall submit an earnings distribution proposal to distribute dividends to shareholders, subject to the approval at the shareholders' meeting.

Where the above earnings, legal reserves, and capital reserves are distributed in cash, the Board of Directors is authorized to approve the distribution by a resolution approved by a majority vote at a meeting attended by over two-thirds of the Directors and report to the shareholders' meeting. Where they are distributed by issuing new shares, it shall be resolved at the shareholders'

meeting.

Profit distribution or loss appropriation of the Company may be made upon the conclusion of every half fiscal year. When distributing earnings, the Company shall first estimate and retain the tax to be made, offset the accumulated losses, estimate and retain the employees' and directors' remuneration pursuant to paragraph, Article 19, before allocating 10% of the remaining earnings to the legal reserve, which is not applicable where the legal reserve has reached the total paid-in capital of the Company. In accordance with law or the competent authority, the Company shall also appropriate or reverse special reserves. With regard to the earnings and accumulated undistributed earnings, the Board of Directors shall submit an earnings distribution proposal. Where the earnings are distributed in cash, the Board of Directors is authorized to approve the distribution by a resolution approved by a majority vote at a meeting attended by over two-thirds of the 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 and regulations and the Articles of Incorporation, 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, striking 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.

Chapter VII Supplementary Provisions

Article 20: Any matters not prescribed in the Articles, if any, shall be conducted in accordance with the provisions of the Company Act.

Article 21: The Articles were established on October 24, 2000.

The first amendment was made on November 21, 2000.

The second amendment was made on September 5, 2001.

The third amendment was made on February 15, 2002.

The fourth amendment was made on April 9, 2002.

The fifth amendment was made on June 25, 2002.
The sixth amendment was made on March 26, 2003.
The seventh amendment was made on November 12, 2003.
The eighth amendment was made on June 15, 2004.
The ninth amendment was made on March 17, 2005.
The tenth amendment was made on June 16, 2005.
The eleventh amendment was made on June 14, 2006.
The twelfth amendment was made on November 1, 2006.
The thirteenth amendment was made on June 13, 2007.
The fourteenth amendment was made on June 13, 2008.
The fifteenth amendment was made on May 8, 2009.
The sixteenth amendment was made on June 15, 2010.
The seventeenth amendment was made on June 15, 2011.
The eighteenth amendment was made on June 11, 2013.
The nineteenth amendment was made on June 17, 2014.
The twentieth amendment was made on June 2, 2015.
The twenty-first amendment was made on June 15, 2016.
The twenty-second amendment was made on June 13, 2017.
The twenty-third amendment was made on June 12, 2019.
The twenty-four amendment was made on June 3, 2020.
The twenty-fifth amendment was made on July 26, 2021.
The twenty-sixth amendment was made on May 24, 2022.

Appendix 4: Shareholdings of ALL Directors

Phison Electronics Corporation
Shareholdings of ALL Directors

1. The statutory shareholding of directors of the Company is as follows:
Types and total number of shares issued by the Company: 204,779,768 common shares.
Statutory minimum number of shares held by all directors is 12,000,000 shares.
As the Company has established the Audit Committee, statutory shares held by supervisors are not applicable.
2. As of March 29, 2024, the book closure date of the annual shareholders' meeting, the number of shares held by all directors:

Record date: March 29, 2024

Position	Name	Current shareholding (shares)	Representative
Chairman	Cheng He Investment Co., Ltd	2,403,000	Wee Kuan Gan
Director	Tzung Horng Kuang	1,449,736	
Director	Jiunn Yeong Yang	4,549,114	
Director	KIOXIA Corporation	19,821,112	Hiroshi Miyauchi
Director	Cheng Shuo Investment Limited	1,223,000	Chiu An Chuang
Independent Director	Huei Ming Wang	0	
Independent Director	Chen Wei Wang	0	
Independent Director	Yu Lun Huang	0	
Number of shares actually held by all directors		29,445,962	
Shareholding ratio of total issued shares (%)		14.37	



PHISON

No. 1, Qun Yi Rd., Jhunan, Miaoli,
Taiwan 350402
TEL : 037-586896
www.phison.com