

Notice to Readers

For the convenience of readers, the Meeting Minutes of 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 Meeting Minutes of 2024 Annual Shareholders' Meeting shall prevail.

PHISON ELECTRONICS CORP.
2024 ANNUAL SHAREHOLDERS' MEETING
MEETING MINUTES
(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)

Attending shareholders: Attending shareholders and proxy represented 163,432,186 shares (including 125,993,486 shares which attended through electronic voting) accounting for 79.80% of 204,779,768 shares, the Company's total outstanding shares.

Attendants' directors: Chairman Wee Kuan Gan, Director Tzung Horng Kuang, Director Jiunn Yeong Yang, Independent Director Huei Ming Wang (Convener of Audit Committee), Independent Director Yu Lun Huang.

Attendants as guest or observer: Accountants Chien Hui Lu of KPMG, Yu-Ning Chen, Attorney-at-Law of HL & Partners.

Chairman: Wee Kuan Gan, the chairman of the Board of Directors

Recorder: Angela Lee

I. Call Meeting to Order :

The aggregate shareholding of the shareholders present in person or by proxy constituted a quorum. The Chairman called the meeting to order.

II. Chairman's Address (Omitted)

III. Matters to Report (Proposed by Board of Directors)

Case No. 1: The Company's 2023 Business Report, please refer to Attachment 1.

Case No. 2: The Company's Audit Committee's Review Report, please refer to Attachment 2.

Case No. 3: 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: 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: 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, repletion 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	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,

Name	Phison Electronics Corporation First Domestic Unsecured Convertible Corporate Bonds	Phison Electronics Corporation Second Domestic Unsecured Convertible Corporate Bonds
	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.	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: 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: Report on the execution status of the Company's treasury shares, please refer to Attachment 3.

Case No. 8: Report of the Company's Investment in Mainland China, please refer to Attachment 4.

IV. Proposals

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 and Attachment 5.

Resolution : The result is as follows :

Shares represented at the time of voting : 162,633,686 Votes

Voting Results*	% of the total represented share present
Votes in favor : 146,439,596 Votes (109,851,030 Votes)	90.04%
Votes against : 4,194 Votes (4,194 Votes)	0.00%
Votes invalid : 0 Votes	0.00%
Votes abstained : 16,189,896 Votes (16,138,262 Votes)	9.95%

*including votes casted electronically (number in brackets)

RESOLVED, that the above proposal be and hereby was approved as proposed.

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: NTD\$)

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 : The result is as follows :

Shares represented at the time of voting : 162,633,686 Votes

Voting Results*	% of the total represented share present
Votes in favor : 146,714,132 Votes (110,125,566 Votes)	90.21%
Votes against : 97,681 Votes (97,681 Votes)	0.00%
Votes invalid : 0 Votes	0.00%
Votes abstained : 15,821,873 Votes (15,770,239 Votes)	9.72%

*including votes casted electronically (number in brackets)

RESOLVED, that the above proposal be and hereby was approved as proposed.

V. Election

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:

PHISON ELECTRONICS CORP.

The list of director with votes received of the 2024 shareholders' meeting

No.	Title	Account name or Name	Votes Received
1	Director	Chih Jen Hsu	127,301,516 Votes

VI. Discussions

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 : The result is as follows :

Shares represented at the time of voting : 162,633,686 Votes

Voting Results*	% of the total represented share present
Votes in favor : 145,903,376 Votes (109,314,810 Votes)	89.71%
Votes against : 214,955 Votes (214,955 Votes)	0.13%
Votes invalid : 0 Votes	0.00%
Votes abstained : 16,515,355 Votes (16,463,721 Votes)	10.15%

*including votes casted electronically (number in brackets)

RESOLVED, that the above proposal be and hereby was approved as proposed.

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.

Resolution : The result is as follows :

Shares represented at the time of voting : 162,633,686 Votes

Voting Results*	% of the total represented share present
Votes in favor : 138,900,608 Votes (102,312,042 Votes)	85.40%
Votes against : 725,461 Votes (725,461 Votes)	0.44%
Votes invalid : 0 Votes	0.00%
Votes abstained : 23,007,617 Votes (22,955,983 Votes)	14.14%

*including votes casted electronically (number in brackets)

RESOLVED, that the above proposal be and hereby was approved as proposed.

VII. Extraordinary Motions: None.

Shareholders' Questions and Company Responses:

A shareholder's inquiry: The company had a financial statement controversy a few years ago, do you have any prevention mechanisms in place for future control?

Designated person appointed by the chairman responded briefly as follows:

Subsequently, Phison implemented a series of corresponding measures. Through these efforts in recent years, Phison achieved excellent performance in the ninth Corporate Governance Evaluation released by Taipei Exchange in 2023, ranking within the top 5% of all listed companies on Taipei Exchange's mainboard. In the realm of corporate governance, Phison aims to continually improve and lay the foundation for sustainable development.

VIII. The meeting was adjourned at 09:45 AM on May 27, 2024 (Monday).

The minutes of this shareholder's meeting only provide a summary of the meeting key highlights. The actual content and proceedings of the meeting are subject to the recorded audiovisual documentation of the meeting.

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 January 1, 2023	Investment Flows		Accumulated Outflow of Investment from 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 January 1, 2023	Investment Flows		Accumulated Outflow of Investment from 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

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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			December 31, 2023		December 31, 2022	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets									
Current assets:									
1100 Cash and cash equivalents (note 6(1))	\$ 14,220,367	22	17,033,769	29	2100 Short-term borrowings (notes 6(13) and 8)	\$ 2,106,363	3	-	-
1110 Financial assets at fair value through profit or loss—current (note 6(2))	980,757	2	785,022	1	2130 Contract liabilities—current	132,965	-	146,323	-
1136 Financial assets at amortized cost—current (notes 6(3) and 8)	40,568	-	40,499	-	2170 Accounts payable	5,478,643	8	5,600,107	9
1170 Accounts receivable, net (note 6(5))	7,814,027	12	6,037,722	10	2180 Accounts payable—related parties (note 7)	1,028,950	2	578,866	1
1180 Accounts receivable—related parties, net (notes 6(5) and 7)	1,807,764	3	1,199,073	2	2200 Other payables (note 6(14))	7,563,165	12	8,391,128	15
1200 Other receivables (notes 6(6) and 7)	418,775	1	333,902	1	2230 Tax payable	499,194	1	530,960	1
1220 Tax assets	10,345	-	3,497	-	2280 Lease liabilities—current (note 6(11))	64,400	-	46,250	-
130X Inventories (note 6(7))	24,410,405	37	20,390,375	34	2320 Long-term borrowings, current portion (notes 6(16), (17) and 8)	3,498,863	5	31,050	-
1410 Prepayments	115,036	-	69,271	-	2399 Other current liabilities (notes 6(15), 7 and 9(3))	1,428,880	3	1,726,407	3
1479 Other current assets	1,627	-	1,455	-		21,801,423	34	17,599,091	29
	49,819,671	77	45,894,585	77					
Non-current assets:									
1510 Financial assets at fair value through profit or loss—non-current (note 6(2))	242,257	-	317,347	-	2530 Bonds payable (note 6(17))	-	-	3,442,031	6
1517 Financial assets at fair value through other comprehensive income—non-current (note 6(4))	457,457	1	431,697	1	2540 Long-term borrowings (notes 6(16) and 8)	88,513	-	133,882	-
1550 Investments accounted for using the equity method (note 6(8))	4,062,871	6	3,693,963	6	2570 Deferred tax liabilities (note 6(19))	76,736	-	56,206	-
1600 Property, plant and equipment (notes 6(10), 7 and 8)	7,447,729	12	7,597,761	13	2580 Lease liabilities—non-current (note 6(11))	83,731	-	85,526	-
1755 Right-of-use assets (note 6(11))	95,345	-	130,076	-	2640 Net defined benefit liabilities (note 6(18))	118,222	-	114,798	-
1780 Intangible assets (note 6(12))	234,303	-	375,336	1	2645 Guarantee deposits received (note 9(3))	5,746	-	926,480	2
1840 Deferred tax assets (note 6(19))	843,711	1	889,157	1		372,948	-	4,758,923	8
1900 Other non-current assets (note 9(2))	1,759,180	3	659,914	1		22,174,371	34	22,358,014	37
	15,145,853	23	14,095,251	23					
Total assets	\$ 64,962,524	100	\$ 59,989,836	100	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)
					Total equity	42,788,153	66	37,631,822	63
					Total liabilities and equity	\$ 64,962,524	100	\$ 59,989,836	100

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)

		2023		2022	
		Amount	%	Amount	%
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)	32,057,192	67	42,923,527	71
	Gross profit from operations	16,164,438	33	17,332,615	29
5910	Unrealized profit on transactions with associates	(50,194)	-	17,277	-
5950	Realized gross profit	16,114,244	33	17,349,892	29
	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))	(50,601)	-	63,035	-
	Total operating expenses	12,492,376	26	10,505,970	18
	Net operating income	3,621,868	7	6,843,922	11
	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))	(231,147)	-	(1,319,168)	(2)
		477,574	2	(547,002)	(1)
7900	Profit before tax	4,099,442	9	6,296,920	10
7950	Income tax expenses (note 6(19))	475,014	1	895,774	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(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))	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(19))	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	<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)

	Total other equity interest									
	Share capital			Retained earnings			Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through comprehensive income	Treasury shares	Total equity
	Common shares	Advance payment for share capital	Total share capital	Capital surplus	Legal reserve	Special reserve				
Balance at January 1, 2022	\$ 1,970,740	-	1,970,740	7,238,436	5,530,308	155,568	27,995,974	103,284	-	37,908,434
Net profit for the year	-	-	-	-	-	5,401,146	5,401,146	-	-	5,401,146
Other comprehensive income (loss) for the year	-	-	-	-	-	(6,685)	(6,685)	(395,996)	-	(231,847)
Total comprehensive income (loss) for the year	-	-	-	-	-	-	170,834	(395,996)	-	(225,162)
Appropriation and distribution of retained earnings:	-	-	-	-	-	-	170,834	(395,996)	-	(225,162)
Legal reserve appropriated	-	-	-	-	817,193	-	-	-	-	-
Cash dividends of common shares	-	-	-	-	-	-	(4,532,702)	-	-	(4,532,702)
Reversal of special reserve	-	-	-	-	(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)	(2,061,216)
Share-based payments	-	-	-	359,667	-	-	-	-	-	360,211
Exercise of employee stock options	-	16,005	16,005	-	-	-	-	-	-	375,672
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	16,005	1,986,745	8,970,438	6,347,501	22,605,164	28,952,665	(216,810)	(2,061,216)	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)	(778)	(61,345)	-	(161,374)
Total comprehensive income (loss) for the year	-	-	-	-	-	-	(99,251)	(61,345)	-	(160,596)
Appropriation and distribution of retained earnings:	-	-	-	-	-	-	(99,251)	(61,345)	-	(160,596)
Legal reserve appropriated	-	-	-	-	216,340	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	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
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	(14,632)	14,632	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-
Exercise of employee stock options	73,950	(13,005)	60,945	241,871	-	-	-	-	-	241,871
Balance at December 31, 2023	\$ 2,044,690	3,000	2,047,690	11,452,379	6,563,841	222,728	30,808,166	(71,980)	(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)

	2023	2022
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	(1,364,335)	(1,524,459)
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	258,303	(5,080,379)
Effect of exchange rate changes on cash and cash equivalents	(11,153)	477,984
Net decrease in cash and cash equivalents	(2,813,402)	(2,535,413)
Cash and cash equivalents at beginning of period	17,033,769	19,569,182
Cash and cash equivalents at end of period	\$ 14,220,367	17,033,769



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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			December 31, 2023		December 31, 2022	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets					Liabilities and Equity				
Current assets:					Current liabilities:				
1100 Cash and cash equivalents (note 6(1))	\$ 12,205,330	19	15,212,590	26	2100 Short-term borrowings (note 6(13))	\$ 2,106,363	3	-	-
1110 Financial assets at fair value through profit or loss – current (note 6(2))	868,663	1	674,253	1	2130 Contract liabilities – current	132,960	-	146,323	-
1136 Financial assets at amortized cost – current (notes 6(3) and 8)	40,568	-	40,499	-	2170 Accounts payable	5,312,630	8	5,292,802	9
1170 Accounts receivable, net (note 6(5))	7,579,693	12	5,837,553	10	2180 Accounts payable – related parties (note 7)	1,148,482	2	681,993	1
1180 Accounts receivable – related parties, net (notes 6(5) and 7)	2,067,256	3	1,269,856	2	2200 Other payables (note 6(14))	7,186,521	11	8,650,018	15
1200 Other receivables (notes 6(6) and 7)	377,463	1	251,506	-	2230 Tax payable	435,245	1	471,859	1
130X Inventories (note 6(7))	24,231,726	38	20,284,315	35	2280 Lease liabilities – current (note 6(11))	54,593	-	35,145	-
1410 Prepayments	104,603	-	62,288	-	2320 Long-term borrowings, current portion (note 6(16))	3,471,393	6	-	-
1479 Other current assets	839	-	869	-	2399 Other current liabilities (notes 6(15), 7 and 9(3))	1,482,844	3	1,776,836	3
	47,476,141	74	43,633,729	74		21,331,031	34	17,054,976	29
Non-current assets:					Non-Current liabilities:				
1510 Financial assets at fair value through profit or loss – non-current (note 6(2))	163,624	-	214,952	-	2530 Bonds payable (note 6(16))	-	-	3,442,031	6
1517 Financial assets at fair value through other comprehensive income – non-current (note 6(4))	296,098	1	290,784	-	2570 Deferred tax liabilities (note 6(18))	76,685	-	56,181	-
1550 Investments accounted for using the equity method (note 6(8))	6,898,032	11	6,363,641	11	2580 Lease liabilities – non-current (note 6(11))	72,768	-	78,561	-
1600 Property, plant and equipment (notes 6(10) and 7)	6,733,056	10	6,841,301	12	2640 Net defined benefit liabilities (note 6(17))	118,222	-	114,798	-
1755 Right-of-use assets (note 6(11))	77,613	-	113,124	-	2645 Guarantee deposits received (note 9(3))	2,754	-	923,000	2
1780 Intangible assets (note 6(12))	224,236	-	363,191	1		270,429	-	4,614,571	8
1840 Deferred tax assets (note 6(18))	787,266	1	844,136	1	Total liabilities	21,601,460	34	21,669,547	37
1900 Other non-current assets (note 9(2))	1,733,547	3	636,511	1	Equity (notes 6(19) and (20)):				
	16,913,472	26	15,667,640	26	Common shares	2,047,690	3	1,986,745	3
Total assets	\$ 64,389,613	100	59,301,569	100	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	42,788,153	66	37,631,822	63
					Total liabilities and equity	\$ 64,389,613	100	59,301,569	100

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)

	Total other equity interest											
	Unrealized										Treasury shares	
	Common shares	Share capital		Capital surplus	Retained earnings		Total	Exchange differences on translation of foreign financial statements	gains (losses) on financial assets measured at fair value through other comprehensive income	Total		
Advance receipts for share capital		Total share capital	Legal reserve		Special reserve	Unappropriated earnings						
	\$ 1,970,740	-	7,238,436	5,530,308	155,568	22,310,098	2,795,974	(143,563)	246,847	103,284	-	Total equity
	-	-	-	-	-	5,401,146	5,401,146	-	-	-	-	37,308,434
	-	-	-	-	-	(6,685)	(6,685)	170,834	(395,996)	(225,162)	-	5,401,146
	-	-	-	-	-	-	-	170,834	(395,996)	(225,162)	-	(231,847)
	-	-	-	-	-	-	-	170,834	(395,996)	(225,162)	-	5,169,299
Appropriation and distribution of retained earnings:												
	-	-	-	817,193	-	(817,193)	-	-	-	-	-	-
	-	-	-	-	-	(4,532,702)	(4,532,702)	-	-	-	-	(4,532,702)
	-	-	-	-	(155,568)	155,568	-	-	-	-	-	-
Reversal of special reserve												
Changes in equity of associates accounted for using the equity method:												
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	1,012,124	-	-	-	-	-	-	-	-	1,012,124
	-	-	-	-	-	-	-	-	-	-	-	(2,061,216)
	-	-	360,211	-	-	-	-	-	-	-	-	(2,061,216)
	-	16,005	359,667	-	-	-	-	-	-	-	-	360,211
	-	-	-	-	-	-	-	-	-	-	-	375,672
Disposal of investments in equity instruments measured at fair value through other comprehensive income												
	1,970,740	16,005	8,970,438	6,347,501	-	94,932	94,932	-	(94,932)	-	-	-
	-	-	-	-	-	22,605,164	28,952,665	27,271	(244,081)	(216,810)	-	37,631,822
	-	-	-	-	-	3,624,428	3,624,428	-	-	-	-	3,624,428
	-	-	-	-	-	(778)	(778)	(99,251)	(61,345)	(160,596)	-	(161,374)
	-	-	-	-	-	3,623,650	3,623,650	(99,251)	(61,345)	(160,596)	-	3,463,054
Appropriation and distribution of retained earnings:												
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	216,340	-	(216,340)	-	-	-	-	-	-
	-	-	-	222,728	-	(222,728)	-	-	-	-	-	-
	-	-	-	-	-	(1,753,517)	(1,753,517)	-	-	-	-	(1,753,517)
Changes in equity of associates accounted for using the equity method												
	-	-	746,357	-	-	-	-	-	-	-	-	746,357
	-	-	274,982	-	-	-	-	-	-	-	-	1,078,890
Disposal of investments in equity instruments measured at fair value through other comprehensive income												
	-	-	-	-	-	(14,632)	(14,632)	-	14,632	14,632	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	241,871	-	-	-	-	-	-	-	241,871
	73,950	(13,005)	60,945	1,318,731	-	-	-	-	-	-	-	1,379,676
	-	-	-	-	-	-	-	-	-	-	-	-
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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)

	<u>2023</u>	<u>2022</u>
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)	<u>602,355</u>	<u>3,892,759</u>
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	<u>2,452</u>	<u>1,545</u>
Total changes in operating assets and liabilities	<u>(6,429,798)</u>	<u>(5,108,080)</u>
Cash inflow (outflow) generated from operations	(1,787,478)	5,017,303
Interest paid	(13,717)	(2,837)
Income taxes paid	<u>(349,771)</u>	<u>(2,037,310)</u>
Net cash flows from (used in) operating activities	<u>(2,150,966)</u>	<u>2,977,156</u>

(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)

	<u>2023</u>	<u>2022</u>
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	<u>(1,318,987)</u>	<u>(1,415,704)</u>
Cash flows from financing activities:		
Increase in short-term loans	2,561,756	1,967,656
Decrease in short-term loans	(384,462)	(2,350,651)
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	<u>471,595</u>	<u>(4,977,809)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(8,902)</u>	<u>425,005</u>
Net decrease in cash and cash equivalents	<u>(3,007,260)</u>	<u>(2,991,352)</u>
Cash and cash equivalents at beginning of period	<u>15,212,590</u>	<u>18,203,942</u>
Cash and cash equivalents at end of period	<u>\$ 12,205,330</u>	<u>15,212,590</u>

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