

**Phison Electronics Corp.**  
**Parent Company Only Financial Statements**  
**With Independent Auditors' Report**  
**For the Years Ended December 31, 2022 and 2021**

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

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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, 2022 and 2021, the parent company only statements of comprehensive income, changes in equity and cash flows for the year 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, 2022 and 2021, 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 Auditing and Attestation of Financial Statements by 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 Wan Yuan Yu.

KPMG

Taipei, Taiwan (Republic of China)  
March 15, 2023

#### **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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2022		December 31, 2021		Liabilities and Equity		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(1))	\$ 15,212,590	26	17,675,707	28	2100	Short-term borrowings (note 6(13))	\$ -	-	379,216	1
1110	Financial assets at fair value through profit or loss— current (note 6(2))	674,253	1	1,096,736	2	2130	Contract liabilities— current	146,323	-	203,044	-
1136	Financial assets at amortized cost— current (notes 6(3) and 8)	40,499	-	568,694	1	2170	Accounts payable	5,292,802	9	5,832,288	9
1170	Accounts receivable, net (note 6(5))	5,837,553	10	5,914,769	9	2180	Accounts payable— related parties (note 7)	681,993	1	3,299,584	5
1180	Accounts receivable— related parties, net (notes 6(5) and 7)	1,269,856	2	2,813,524	4	2200	Other payables (note 6(14))	8,650,018	15	9,698,997	15
1200	Other receivables (notes 6(6) and 7)	251,506	-	543,778	1	2230	Tax payable	471,859	1	1,196,588	2
130X	Inventories (note 6(7))	20,284,315	35	19,491,118	31	2280	Lease liabilities— current (note 6(11))	35,145	-	26,271	-
1410	Prepayments	62,288	-	18,213	-	2399	Other current liabilities (notes 6(15), 7 and 9(3))	<u>1,776,836</u>	<u>3</u>	<u>1,079,909</u>	<u>2</u>
1479	Other current assets	<u>869</u>	<u>-</u>	<u>1,822</u>	<u>-</u>			<u>17,054,976</u>	<u>29</u>	<u>21,715,897</u>	<u>34</u>
		<u>43,633,729</u>	<u>74</u>	<u>48,124,361</u>	<u>76</u>						
<b>Non-current assets:</b>						<b>Non-Current liabilities:</b>					
1510	Financial assets at fair value through profit or loss— non-current (note 6(2))	214,952	-	358,649	1	2530	Bonds payable (note 6(16))	3,442,031	6	3,412,855	6
1517	Financial assets at fair value through other comprehensive income— non-current (note 6(4))	290,784	-	438,944	1	2570	Deferred tax liabilities (note 6(18))	56,181	-	183,178	-
1550	Investments accounted for using the equity method (note 6(8))	6,363,641	11	6,502,466	10	2580	Lease liabilities— non-current (note 6(11))	78,561	-	31,678	-
1600	Property, plant and equipment (notes 6(10) and 7)	6,841,301	12	5,885,272	9	2640	Net defined benefit liabilities (note 6(17))	114,798	-	104,897	-
1755	Right-of-use assets (note 6(11))	113,124	-	57,174	-	2645	Guarantee deposits received (note 9(3))	<u>923,000</u>	<u>2</u>	<u>628</u>	<u>-</u>
1780	Intangible assets (note 6(12))	363,191	1	311,911	1			<u>4,614,571</u>	<u>8</u>	<u>3,733,236</u>	<u>6</u>
1840	Deferred tax assets (note 6(18))	844,136	1	495,176	1		<b>Total liabilities</b>	<u>21,669,547</u>	<u>37</u>	<u>25,449,133</u>	<u>40</u>
1900	Other non-current assets (note 9(2))	<u>636,511</u>	<u>1</u>	<u>583,614</u>	<u>1</u>		<b>Equity (notes 6(19) and (20)):</b>				
		<u>15,667,640</u>	<u>26</u>	<u>14,633,206</u>	<u>24</u>	3100	Common shares	1,986,745	3	1,970,740	3
						3200	Capital surplus	8,970,438	15	7,238,436	12
						3300	Retained earnings	28,952,665	49	27,995,974	45
						3400	Other equity interest	(216,810)	-	103,284	-
						3500	Treasury shares	<u>(2,061,216)</u>	<u>(4)</u>	<u>-</u>	<u>-</u>
							<b>Total equity</b>	<u>37,631,822</u>	<u>63</u>	<u>37,308,434</u>	<u>60</u>
<b>Total assets</b>		<u>\$ 59,301,369</u>	<u>100</u>	<u>62,757,567</u>	<u>100</u>		<b>Total liabilities and equity</b>	<u>\$ 59,301,369</u>	<u>100</u>	<u>62,757,567</u>	<u>100</u>

See accompanying notes to parent company only financial statements.

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

**Statements of Comprehensive Income**

**For the years ended December 31, 2022 and 2021**

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

		<u>2022</u>		<u>2021</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Operating revenue</b> (notes 6(22) and 7)	\$ 59,571,015	100	62,552,823	100
5000	<b>Operating costs</b> (notes 6(7), (23) and 7)	42,678,103	72	43,504,064	70
	<b>Gross profit from operations</b>	16,892,912	28	19,048,759	30
5910	Unrealized profit on transactions with associates	17,277	-	(54,596)	-
5950	<b>Realized gross profit</b>	16,910,189	28	18,994,163	30
	<b>Operating expenses</b> (notes 6(23) and 7):				
6100	Marketing expenses	1,176,667	2	1,045,844	2
6200	General and administrative expenses	894,714	1	779,391	1
6300	Research and development expenses	8,131,687	14	8,128,771	13
6450	Expected credit loss (note 6(5))	63,035	-	6,600	-
	<b>Total operating expenses</b>	10,266,103	17	9,960,606	16
	<b>Net operating income</b>	6,644,086	11	9,033,557	14
	<b>Non-operating income and expenses:</b>				
7010	Other income (notes 6(9), (24) and 7)	169,715	-	93,092	-
7020	Other gains and losses (notes 6(9) and (24))	473,611	1	152,293	-
7050	Finance costs (note 6(24))	(31,625)	-	(15,359)	-
7100	Interest income (note 6(24))	83,945	-	27,869	-
7060	Shares of profit (loss) of subsidiaries and associates accounted for using the equity method (note 6(8))	(1,107,108)	(2)	297,189	1
		(411,462)	(1)	555,084	1
7900	<b>Profit before tax</b>	6,232,624	10	9,588,641	15
7950	<b>Income tax expenses</b> (note 6(18))	831,478	1	1,441,426	2
8200	<b>Net profit for the year</b>	5,401,146	9	8,147,215	13
	<b>Other comprehensive income (loss):</b>				
8310	<b>Items that will not be reclassified subsequently to profit or loss</b>				
8311	Remeasurements of defined benefit plans	(8,356)	-	(354)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(25))	(62,878)	-	134,692	-
8330	Shares of other comprehensive income of subsidiaries and associates accounted for using the equity method	(333,118)	-	251,977	-
8349	Income tax related to items that will not be reclassified subsequently (note 6(18))	1,671	-	71	-
	<b>Total items that will not be reclassified subsequently to profit or loss</b>	(402,681)	-	386,386	-
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	177,651	-	(106,472)	-
8399	Income tax related to items that may be reclassified subsequently (note 6(18))	(6,817)	-	-	-
	<b>Total items that may be reclassified subsequently to profit or loss</b>	170,834	-	(106,472)	-
8300	<b>Other comprehensive income</b>	(231,847)	-	279,914	-
8500	<b>Total comprehensive income</b>	\$ 5,169,299	9	8,427,129	13
	<b>Earnings per share (New Taiwan Dollars)</b> (note 6(21)):				
9750	Basic earnings per share	\$ 27.71		41.34	
9850	Diluted earnings per share	\$ 26.06		40.09	

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, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Share capital			Retained earnings				Exchange differences on translation of foreign financial statements	Total other equity interest		Treasury shares	Total equity	
	Common shares	Advance receipts for share capital	Total share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings		Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total			
							Total						Total
<b>Balance at January 1, 2021</b>	\$ 1,970,740	-	1,970,740	6,586,173	4,306,531	176,125	22,281,239	26,763,895	(37,091)	(128,250)	(165,341)	-	35,155,467
Net profit for the year	-	-	-	-	-	-	8,147,215	8,147,215	-	-	-	-	8,147,215
Other comprehensive income (loss) for the year	-	-	-	-	-	-	(283)	(283)	(106,472)	386,669	280,197	-	279,914
Total comprehensive income (loss) for the year	-	-	-	-	-	-	8,146,932	8,146,932	(106,472)	386,669	280,197	-	8,427,129
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	-	-	1,223,777	-	(1,223,777)	-	-	-	-	-	-
Cash dividends of common shares	-	-	-	-	-	-	(6,503,442)	(6,503,442)	-	-	-	-	(6,503,442)
Reversal of special reserve	-	-	-	-	-	(20,557)	20,557	-	-	-	-	-	-
Changes in equity of associates accounted for using the equity method	-	-	-	268,525	-	-	(422,983)	(422,983)	-	-	-	-	(154,458)
Share-based payments	-	-	-	281,369	-	-	-	-	-	-	-	-	281,369
Due to recognition of equity component of convertible bonds issued	-	-	-	102,369	-	-	-	-	-	-	-	-	102,369
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	11,572	11,572	-	(11,572)	(11,572)	-	-
<b>Balance at December 31, 2021</b>	<u>1,970,740</u>	<u>-</u>	<u>1,970,740</u>	<u>7,238,436</u>	<u>5,530,308</u>	<u>155,568</u>	<u>22,310,098</u>	<u>27,995,974</u>	<u>(143,563)</u>	<u>246,847</u>	<u>103,284</u>	<u>-</u>	<u>37,308,434</u>
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)	170,834	(395,996)	(225,162)	-	(231,847)
Total comprehensive income for the year	-	-	-	-	-	-	5,394,461	5,394,461	170,834	(395,996)	(225,162)	-	5,169,299
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	-	-	817,193	-	(817,193)	-	-	-	-	-	-
Cash dividends of common shares	-	-	-	-	-	-	(4,532,702)	(4,532,702)	-	-	-	-	(4,532,702)
Reversal of special reserve	-	-	-	-	-	(155,568)	155,568	-	-	-	-	-	-
Changes in equity of associates accounted for using the equity method	-	-	-	1,012,124	-	-	-	-	-	-	-	-	1,012,124
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	(2,061,216)	(2,061,216)
Share-based payments	-	-	-	360,211	-	-	-	-	-	-	-	-	360,211
Exercise of employee share options	-	16,005	16,005	359,667	-	-	-	-	-	-	-	-	375,672
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	94,932	94,932	-	(94,932)	(94,932)	-	-
<b>Balance at December 31, 2022</b>	<u>\$ 1,970,740</u>	<u>16,005</u>	<u>1,986,745</u>	<u>8,970,438</u>	<u>6,347,501</u>	<u>-</u>	<u>22,605,164</u>	<u>28,952,665</u>	<u>27,271</u>	<u>(244,081)</u>	<u>(216,810)</u>	<u>(2,061,216)</u>	<u>37,631,822</u>

See accompanying notes to parent company only financial statements.

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

**Statements of Cash Flows**

**For the years ended December 31, 2022 and 2021**

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

	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
<b>Profit before income tax</b>	\$ 6,232,624	9,588,641
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	547,323	396,316
Amortization expense	392,465	270,812
Expected credit loss	63,035	6,600
Net loss (gain) on financial assets at fair value through profit or loss	282,398	(239,154)
Finance costs	31,625	15,359
Interest income	(83,945)	(27,869)
Dividend income	(90,937)	(61,691)
Share-based payments	355,849	278,593
Shares of loss (profit) of subsidiaries and associates accounted for using the equity method	1,107,108	(297,189)
Loss on disposal of property, plant and equipment	1,480	-
Gain on disposal of investments accounted for using the equity method	(30,426)	-
Unrealized profit (loss) on transactions with associates	(17,277)	54,596
Unrealized foreign exchange gain	(228,781)	(63,048)
Inventory obsolescence loss	1,671,654	135,858
Recognition (reversal) of refund liabilities	(111,852)	555,242
Profit from lease modification	(396)	(6)
Gain recognized in bargain purchase transaction	(16,289)	-
<b>Total adjustments to reconcile profit (loss)</b>	<b>3,873,034</b>	<b>1,024,419</b>
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable (including related parties)	1,461,291	(2,748,924)
Other receivables	294,218	(264,803)
Inventories	(2,464,851)	(9,490,109)
Prepayments	(44,075)	24,708
Other current assets	953	30,951
Contract liabilities	(56,721)	167,491
Accounts payable (including related parties)	(3,128,004)	5,655,017
Other payables	(1,059,915)	1,788,741
Other current liabilities	(112,521)	(108,676)
Net defined benefit liability	1,545	1,015
<b>Total changes in operating assets and liabilities</b>	<b>(5,108,080)</b>	<b>(4,944,589)</b>
Cash inflow generated from operations	4,997,578	5,668,471
Interest paid	(2,837)	(14,350)
Income taxes paid	(2,037,310)	(590,006)
<b>Net cash flows from operating activities</b>	<b>2,957,431</b>	<b>5,064,115</b>

(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, 2022 and 2021**

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

	<b>2022</b>	<b>2021</b>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(31,500)	(105,005)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	16,150	-
Acquisition of financial assets at amortized cost	(40)	(3,652,682)
Proceeds from disposal of financial assets at amortized cost	547,960	3,407,878
Proceeds from disposal of financial assets at fair value through profit or loss	377,473	4,337,537
Proceeds from capital reduction of financial assets at fair value through profit and loss	7,245	21,450
Acquisition of investments accounted for using the equity method	(147,251)	(44,750)
Proceeds from disposal of investments accounted for using the equity method	7,099	-
Proceeds from capital reduction of investments accounted for using the equity method	-	54,457
Acquisition of property, plant and equipment	(1,467,124)	(2,286,464)
Proceeds from disposal of property, plant and equipment	216	-
Increase in refundable deposits	(12,470)	(515,401)
Acquisition of intangible assets	(443,745)	(272,454)
Decrease (increase) in prepayments for equipment	8,417	(53,197)
Interest received	82,009	28,427
Dividends received	187,817	1,783,503
<b>Net cash flows from (used in) investing activities</b>	<b>(867,744)</b>	<b>2,703,299</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term loans	1,967,656	7,732,390
Decrease in short-term loans	(2,350,651)	(8,808,888)
Proceeds from issuing bonds (excluding issuance costs)	-	3,511,309
Increase in guarantee deposits received	1,659,592	141
Payment of lease liabilities	(36,160)	(21,098)
Cash dividends paid	(4,532,702)	(4,532,702)
Exercise of employee share options	375,672	-
Payments to acquire treasury shares	(2,061,216)	-
<b>Net cash flows used in financing activities</b>	<b>(4,977,809)</b>	<b>(2,118,848)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>425,005</b>	<b>23,458</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,463,117)</b>	<b>5,672,024</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>17,675,707</b>	<b>12,003,683</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 15,212,590</b>	<b>17,675,707</b>

See accompanying notes to parent company only financial statements.

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

**Notes to the Parent Company Only Financial Statements**

**For the years ended December 31, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**1. Company history**

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

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

The parent company only financial statements were approved and authorized for issue by the Board of Directors on March 15, 2023.

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

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent company only financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its parent company only financial statements:

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

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

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

**Phison Electronics Corp.**  
**Notes to the Parent Company Only Financial Statements**

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

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

**4. Summary of significant accounting policies**

The significant accounting policies presented in the parent company only financial statements are summarized as follows. Except for those described individually, the significant accounting policies have been applied consistently to all the periods presented in the parent company only financial statements.

(1) Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

(2) Basis of preparation

A. Basis of measurement

The parent company only financial statements have been prepared on a historical cost basis except for the following material items in the balance sheets:

- (a) Financial assets measured at fair value through profit or loss are measured at fair value;
- (b) Financial assets measured at fair value through other comprehensive income are measured at fair value;
- (c) The defined benefit liabilities (assets) are measured at the fair value of the plan assets less the present value of the defined benefit obligation.

**Phison Electronics Corp.**  
**Notes to the Parent Company Only Financial Statements**

B. Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The parent company only financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. Unless otherwise noted, all financial information presented in NTD has been rounded to the nearest thousand.

(3) Foreign currencies

A. Foreign currency transactions

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, and in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries and associates in other countries that use currencies different from the currency of the Company) are translated into the presentation currency, the NTD, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

B. Foreign operations

The assets and liabilities of foreign operations are translated to NTD using the exchange rates at the reporting date, which is translated at historical cost rates, and income and expenses, which are translated to NTD at the average rate for the period. Foreign currency differences are recognized in other comprehensive income.

**Phison Electronics Corp.**  
**Notes to the Parent Company Only Financial Statements**

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

(4) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is expected to be realized within twelve months after the reporting period; or
- D. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

- A. It is expected to be settled in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is due to be settled within twelve months after the reporting period; or
- D. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(5) Cash and cash equivalents

Cash comprises cash on hand, check deposits and demand deposits. Cash equivalents are short term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and held for the purpose of meeting short term cash commitments rather than for investment or other purposes are classified as cash equivalents.

(6) Financial instruments

Accounts receivable and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

**Phison Electronics Corp.**  
**Notes to the Parent Company Only Financial Statements**

A. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

The Company classifies financial assets into the following categories: financial assets at amortized cost, investments in equity instruments at financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. Only when the Company changes its business model for managing financial assets it shall reclassify all affected financial assets.

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are initially recognized at fair value, plus any directly attributable transaction costs. Subsequently, these assets are measured at amortized cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses, and recognition (reversal) of impairment losses, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. Purchases or sales of financial assets in trade practice are recognized and derecognized on a trade date basis.

(b) Financial assets measured at fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income. When an investment is derecognized, the cumulative gain or loss in equity will not be reclassified to profit or loss, instead, is reclassified to retained earnings.

Dividend income derived from equity investments is recognized in profit or loss on the date which the Company's right to receive payment is established.

(c) Financial assets measured at fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets.



**Phison Electronics Corp.**  
**Notes to the Parent Company Only Financial Statements**

On initial recognition, these assets are measured at fair value. Net gains and losses, including any interest or dividend income and gains and losses of remeasurement, are recognized in profit or loss.

(d) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including accounts receivable).

The loss allowance for accounts receivable is measured at an amount equal to lifetime expected credit losses. For other financial assets, when the credit risk has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to the expected credit losses resulting from possible default events of the financial instruments within 12 months after the reporting date. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to the expected credit losses resulting from possible default events over the expected life of the financial instruments.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. The portion of expected credit losses that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date are 12-month expected credit losses. Lifetime expected credit losses are the expected credit losses that arise if debtors default on their obligations at some time during the life of a financial instrument.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- (i) Internal or external information shows that the debtor is unlikely to pay its creditors.
- (ii) When a financial asset is overdue unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

(e) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

**Phison Electronics Corp.**  
**Notes to the Parent Company Only Financial Statements**

(b) Equity instruments

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(c) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

(d) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(e) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(f) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(7) Inventories

The cost of inventories includes all necessary expenditures and charges for bringing the inventory to a stable, useable, and marketable condition and location. The production overhead is allocated to inventories based on the normal capacity of the production. Inventories are substantially measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**Phison Electronics Corp.**  
**Notes to the Parent Company Only Financial Statements**

(8) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method. Under the equity method, investments in associates are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of equity of associates.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus-changes in the Company's share of the equity of associates. If the Company's ownership interest is reduced due to the additional subscription of new shares of an associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

When the Company determines impairment loss, the entire carrying amount of an investment in an associate is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities.

Profits and losses resulting from the transactions between the Company and associates are recognized in the parent company only financial statements only to the extent of interests in the associate that are not related to Company.

**Phison Electronics Corp.**  
**Notes to the Parent Company Only Financial Statements**

(9) Investments in subsidiaries

When preparing the parent company only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, profit, other comprehensive income and equity in the parent company only financial statements are equivalent to those of the profit, other comprehensive income and equity which are contributed to the owners of the parent in the parent company only financial statements.

The changes in the parent's ownership interest in its subsidiaries that do not result in a loss of control are accounted as equity transactions.

(10) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

B. Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Except for land is not depreciated, the estimated useful lives of the other property, plant and equipment are as follows:

- (a) Land improvements: 7 years
- (b) Building—building cost: 20 to 50 years
- (c) Building—electrical engineering: 20 years
- (d) Testing equipment: 3 years
- (e) Office equipment: 3 years
- (f) Mechanical equipment: 3 years
- (g) Other equipment: 2 to 5 years

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Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(11) Leases

A. Identifying a lease

A contract is, or contains, a lease when all the following conditions are satisfied:

- (a) the contract involves the use of an identified asset, and the supplier does not have a substantive right to substitute the asset; and
- (b) the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use; and
- (c) the Company has the right to direct the use of the identified asset throughout the period of use.

B. As a lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

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Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss on the partial or full termination of the lease; making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

C. As a lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

(12) Intangible assets

A. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized using the straight-line method based on the following estimated useful lives: Technology license fees – the estimated life of the technology or the term of the technology transfer contract; software and system design costs – 3 years or contract period; patent and others – the economic life or contract period. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

B. Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(13) Impairment of non-financial assets

Other than inventories and deferred tax assets, the carrying amounts of the Company's property, plant and equipment, right-of-use assets and other intangible assets with finite useful lives are reviewed at the reporting date to determine whether there is any indication of impairment. When there is an indication of impairment exists for the aforementioned assets, the recoverable amount of the asset is estimated. If it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset has been allocated to.

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In performing an impairment test for other long-term non-financial assets, the estimated recoverable amount is evaluated in terms of an asset or a CGU. Any excess of the carrying amount of the asset or its related CGU over its recoverable amount is recognized as an impairment loss. The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value in use. If there is evidence that the accumulated impairment loss of an asset in prior years no longer exists or has decreased, the amount previously recognized as an impairment loss is reversed, and the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount. The increased carrying amount shall not exceed the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years.

For intangible assets with indefinite useful lives or that are not yet available for use, are required to be tested for impairment at least annually. Any excess of the carrying amount of the asset over its recoverable amount is recognized as an impairment loss.

(14) Revenue recognition

A. Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

(a) Sale of goods

The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company offers volume discounts and sale discounts to its customers based on aggregate sales of goods. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts and sale discounts. Historical experience and deal-way with customers is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional. The consideration received in advance from the customer but without delivery of goods is recognized as a contract liability, for which revenue is recognized when the control over the goods is transferred to the customer.

**Phison Electronics Corp.**  
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The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of the materials' ownership.

(b) Rendering of services

The Company progressively recognizes service revenue based on the progress towards complete satisfaction of contract, and only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

If there are changes in circumstances, the estimates of revenue, cost, and the progress towards complete satisfaction of contract will be amended. Any changes therein are recognized in profit or loss during the period in which the changes and amendments are made.

(c) Financing components

The Company does not expect to have any contracts where the period between the transfer of the services to the customer and payment by the customer, exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(15) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

B. Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Defined benefit costs (including service costs, net interest and remeasurement) under the defined benefit retirement plans are determined using the projected unit credit method. Service costs and net interest on net defined benefit liabilities (assets) are recognized as employee benefits expenses in the period that they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.



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When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

C. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(16) Share-based payment

The fair value at the grant date of employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately. The grant date is the date when both parties of the Company and the employees reach an agreement on the subscription price and the number of shares to be subscribed.

At the end of each reporting period, the Company revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

The grant by the Company of its equity instruments to the employees of a subsidiary under options is treated as a capital contribution. The fair value of employee services received under the arrangement is measured by referring to the grant-date fair value and is recognized over the vesting period as an addition to the investment in the subsidiary, with a corresponding credit to capital surplus—employee share options.

Providing that the Company grants new equity instruments as a replacement for cancelled equity instruments, the Company shall recognize new equity instruments in the same way as a modification of original equity instruments. The incremental fair value is the difference between the fair value of new equity instruments and the net fair value of cancelled equity instruments at the date when new equity instruments are granted.

(17) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for items related to business combinations or items recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

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A. Current taxes

Current taxes comprise the expected tax payables or receivables on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using the statutory tax rate or the actual legislative tax rate at the reporting date. In accordance with the ROC Income Tax Act, undistributed earnings from the companies located in the Republic of China is subject to an additional surtax. The surtax on unappropriated earnings is expensed in the year the shareholders approved the distributions.

B. Deferred taxes

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred tax liabilities are recognized for temporary difference of future taxable income. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and that they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which a liability is settled or an asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset only if the specific criteria are met.

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

(18) Business combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

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All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Company measures any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

(19) Earnings per share

Basic earnings per share is computed by dividing profit or loss of the period by the weighted average number of common shares outstanding during the period. In computing diluted earnings per share, profit or loss of the period and the weighted average number of common shares outstanding during the period are adjusted for the effects of dilutive potential common stock, assuming dilutive share equivalents had been issued. The effects of dilutive potential common stock include estimated employee compensation, employee stock options and convertible bonds.

(20) Operating segments

The Company has disclosed its operating segment information in the consolidated financial statements; hence, it need not to be disclosed in the parent company only financial statements.

**5. Critical Accounting Judgments and Key Sources of Estimations and Assumptions Uncertainty**

In preparing these parent company only financial statements in conformity with the Regulations, the management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the parent company only financial statements is as follows:

Inventories:

Inventories are measured at the lower of cost or net realizable value. The Company uses judgement and estimates to determine the net realizable value of inventory at each reporting date. The estimation of net realizable value is determined based on current market conditions and historical experience with product sales of a similar nature. However, rapid industrial transformation and the change of marketing conditions may result in a significant influence on the estimation. Please refer note 6(7) for further description of the valuation of inventories.

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**6. Description of significant accounts**

(1) Cash and cash equivalent

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash	\$ 115	200
Demand deposits and check deposits	10,617,941	12,817,945
Cash equivalents – time deposits	<u>4,594,534</u>	<u>4,857,562</u>
	<u><u>\$ 15,212,590</u></u>	<u><u>17,675,707</u></u>

Please refer to note 6(25) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets at fair value through profit or loss – current :		
Beneficiary certificates – open-end funds	\$ -	363,760
Domestic listed stock (note)	674,253	728,076
Derivative instruments – convertible bonds (note 6(16))	<u>-</u>	<u>4,900</u>
	<u><u>\$ 674,253</u></u>	<u><u>1,096,736</u></u>
Financial assets at fair value through profit or loss – non-current :		
Domestic private equity funds	\$ 34,444	39,909
Domestic unlisted stocks	174,012	302,867
Foreign unlisted stocks	<u>6,496</u>	<u>15,873</u>
	<u><u>\$ 214,952</u></u>	<u><u>358,649</u></u>

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

None of financial assets mentioned above were pledged as collateral.

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(3) Financial assets at amortized cost—current

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Segregated foreign exchange deposit account for Offshore Funds	\$ -	528,235
Pledged time deposits	40,499	40,459
	<b>\$ 40,499</b>	<b>568,694</b>

- A. The Company obtained approvals from the Ministry of Finance in August 2020, January 2021 and March 2021, respectively, to repatriate offshore funds in accordance with “ The Management, Utilization, and Taxation of Repatriated Offshore Funds Act” (the Act). The repatriated amount, net of tax, was deposited into segregated foreign exchange deposit account (segregated account). The deposit in segregated account is subject to restrictions based on the Act.
- B. The Company estimated that the expected credit risk of the above financial assets is limited and the credit risk of original recognition has not increased.
- C. The financial assets mentioned above were pledged as collateral. Please refer to note 8.

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Domestic unlisted stocks (note)	\$ 123,098	205,867
Foreign unlisted stocks	167,686	233,077
	<b>\$ 290,784</b>	<b>438,944</b>

Note: Please refer to note 6(2) for related information.

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

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Accounts receivable	\$ 5,926,187	5,954,959
Accounts receivable—related parties	1,291,966	2,821,043
	7,218,153	8,776,002
Less: loss allowance	(110,744)	(47,709)
Accounts receivable, net	<b>\$ 7,107,409</b>	<b>8,728,293</b>

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As of January 1, 2021, the ending balance of accounts receivable, net (including related parties) was \$6,016,174 thousand.

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

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

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

	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate (%)</b>	<b>Loss allowance</b>
Current	\$ 6,215,213	0.32	19,831
1~60 days past due	975,376	6.49	63,349
121~150 days past due	708	100.00	708
More than 151 days past due	26,856	100.00	26,856
	<b>\$ 7,218,153</b>		<b>110,744</b>
	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate (%)</b>	<b>Loss allowance</b>
Current	\$ 8,372,068	0.21	17,670
1~60 days past due	384,532	4.47	17,192
61~90 days past due	1,145	36.59	419
91~120 days past due	10,521	45.26	4,762
121~150 days past due	518	86.48	448
More than 151 days past due	7,218	100.00	7,218
	<b>\$ 8,776,002</b>		<b>47,709</b>

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

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Balance, beginning of the period	\$ 47,709	41,109
Impairment losses recognized	<u>63,035</u>	<u>6,600</u>
Balance, end of the period	<u>\$ 110,744</u>	<u>47,709</u>

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

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

The outstanding sold accounts receivable at the end of the period were as follows:

(Unit: USD in Thousands)

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

<u>December 31, 2021</u>				
<u>Factor</u>	<u>Factor Amount</u>	<u>Amount Recognized in Other Receivables</u>	<u>Range of Handling Fees Rate (%)</u>	<u>Transferring Terms</u>
HSBC Bank (Taiwan) Limited	\$ <u>1,748</u>	<u>1,528</u>	0.55~0.65	Note 1~4

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

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

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Note 3: As of December 31, 2022 and 2021, the outstanding receivables after the above transactions, net of fees charged by the factoring bank, of \$52,651 thousand and \$42,292 thousand, respectively, were recognized under other receivables.

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

(6) Other receivables

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Tax refund receivable	\$ 193,830	470,060
Factored accounts receivable	52,651	42,292
Other receivables—related parties (note 7)	201	26,700
Others	4,824	4,726
Less: loss allowance	<u>-</u>	<u>-</u>
	<b><u>\$ 251,506</u></b>	<b><u>543,778</u></b>

(7) Inventories

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Raw materials	\$ 14,757,068	11,809,699
Work in process	2,423,833	4,642,900
Semi-finished goods	2,972,532	2,902,052
Finished goods	<u>130,882</u>	<u>136,467</u>
	<b><u>\$ 20,284,315</u></b>	<b><u>19,491,118</u></b>

The costs of inventories recognized as costs of goods sold for the years ended December 31, 2022 and 2021 were \$42,678,103 thousand and \$43,504,064 thousand, respectively.

The costs of goods sold for the years ended December 31, 2022 and 2021 included inventory obsolescence loss of \$1,671,654 thousand and \$135,858 thousand, respectively.

None of the inventories mentioned above were pledged as collateral.



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(8) Investments accounted for using the equity method

Summarizations of the Company investments accounted for using the equity method at the reporting date were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Subsidiaries	\$ 6,004,145	5,885,825
Associates	359,496	616,641
	<b>\$ 6,363,641</b>	<b>6,502,466</b>

A. Subsidiaries:

Due to operational strategy, the Company increased its investment in Power Flash (Samoa) Limited's common shares with a total of \$44,750 thousand in 2021.

The Company's subsidiary subscribed 54,095 thousand shares from the capital increase of Hosin Global Electronics Co., Ltd. (SZ) with consideration of residual 24.41% ownership (the amount of contribution was CN\$54,095 thousand) in Hefei Core Storage Electronic Limited in February 2021.

Besides the abovementioned stock transfer, the Company's subsidiary did not participate in the subscription of the cash capital increase of Hosin Global Electronics Co., Ltd. (SZ) in 2021, therefore, the changes in equity of associate recognized by the Company amounted to \$(145,046) thousand for the year ended December 31, 2021, reversed retained earnings of \$416,037 thousand and recognized in the capital surplus \$270,991 thousand, respectively.

The Company acquired 6,120 common shares of Nextorage Corporation in cash amounting to JPY578,217 thousand. Therefore, since January 1, 2022, Nextorage was no longer a 49%-held investee accounted for using the equity method, and became a 100%-held subsidiary of the Company. Please refer to note 6(9) for related information.

For the purpose of operation, the Company set up Phison Technology India Private Limited in India, in December 2022. The investment amounted to \$8,768 thousand.

The Company's subsidiary did not participate in the subscription of the cash capital increase of Hosin Global Electronics Co., Ltd. (SZ) in 2022, therefore, the changes in equity of associate recognized in the capital surplus by the Company amounted to \$1,015,832 thousand for the year ended December 31, 2022.

As of December 31, 2022 and 2021, the Company's percentage of ownership interest in HOSIN Global Electronics Co., Ltd. (SZ) was 39.04% and 42.63%, respectively.

Please refer to consolidated financial statements for the years ended December 31, 2022 and 2021 for subsidiaries information.

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B. Associates

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
EpoStar Electronics (BVI) Corporation	\$ 206,796	421,077
ProGrade Digital Inc.	126,981	98,019
Nextorage Corporation (note)	-	74,263
Microtops Design Corporation	<u>25,719</u>	<u>23,282</u>
	<u>\$ 359,496</u>	<u>616,641</u>

Note: Please refer to note 6(9) for related information.

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

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Attributable to the Company:		
Net profit	\$ 23,919	51,782
Other comprehensive income	<u>(214,605)</u>	<u>287,188</u>
Total comprehensive income	<u>\$ (190,686)</u>	<u>338,970</u>

In 2021, the capital reduction of EpoStar Electronics (BVI) Corporation amounting to \$54,457 thousand and the change in percentage of ownership interests in ProGrade Digital, Inc., resulted in the changes in equity of associate amounting to \$(9,412) thousand, including the reversals of capital surplus and retained earnings of \$2,466 thousand and \$6,946 thousand, respectively, to be recognized.

In 2022, the change in percentage of ownership interests in ProGrade Digital, Inc. resulted in the changes in equity of associate, including the reversal of capital surplus amounting to \$3,708 thousand.

C. Pledged

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

(9) Business Combinations

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

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A. Acquired identifiable assets and assumed liabilities at the date of acquisition

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

B. Net cash outflow of the acquisition of subsidiaries

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

Gain on a bargain purchase from acquisition was as follows:

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

The Company re-measured the fair value of its existing equity interest of 49% in Nextorage before the acquisition date, and the deemed gain on disposal of investments accounted for using the equity method of \$27,689 thousand was recognized as “other gains and losses” on the parent company only statement of comprehensive income for the year ended December 31, 2022.

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(10) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Mechanical and testing equipment</u>	<u>Office and other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost:						
Balance at January 1, 2022	\$ 1,576,890	2,128,231	1,201,694	177,038	1,951,257	7,035,110
Additions for the period	386,160	272,610	430,538	126,833	250,983	1,467,124
Disposal for the period	-	-	(282,903)	(27,050)	-	(309,953)
Reclassification	-	2,158,507	-	1,561	(2,158,507)	1,561
Balance at December 31, 2022	<u>\$ 1,963,050</u>	<u>4,559,348</u>	<u>1,349,329</u>	<u>278,382</u>	<u>43,733</u>	<u>8,193,842</u>
Balance at January 1, 2021	\$ 958,807	2,105,353	983,815	137,390	712,397	4,897,762
Additions for the period	618,083	19,844	358,799	50,878	1,238,860	2,286,464
Disposal for the period	-	-	(151,416)	(16,386)	-	(167,802)
Reclassification	-	3,034	10,496	5,156	-	18,686
Balance at December 31, 2021	<u>\$ 1,576,890</u>	<u>2,128,231</u>	<u>1,201,694</u>	<u>177,038</u>	<u>1,951,257</u>	<u>7,035,110</u>
Depreciation:						
Balance at January 1, 2022	\$ -	482,071	581,497	86,270	-	1,149,838
Depreciation for the period	-	113,308	346,209	51,443	-	510,960
Disposal for the period	-	-	(282,710)	(25,547)	-	(308,257)
Balance at December 31, 2022	<u>\$ -</u>	<u>595,379</u>	<u>644,996</u>	<u>112,166</u>	<u>-</u>	<u>1,352,541</u>
Balance at January 1, 2021	\$ -	416,663	458,732	67,535	-	942,930
Depreciation for the period	-	65,408	274,181	35,121	-	374,710
Disposal for the period	-	-	(151,416)	(16,386)	-	(167,802)
Balance at December 31, 2021	<u>\$ -</u>	<u>482,071</u>	<u>581,497</u>	<u>86,270</u>	<u>-</u>	<u>1,149,838</u>
Carrying amounts:						
Balance at December 31, 2022	<u>\$ 1,963,050</u>	<u>3,963,969</u>	<u>704,333</u>	<u>166,216</u>	<u>43,733</u>	<u>6,841,301</u>
Balance at December 31, 2021	<u>\$ 1,576,890</u>	<u>1,646,160</u>	<u>620,197</u>	<u>90,768</u>	<u>1,951,257</u>	<u>5,885,272</u>
Balance at January 1, 2021	<u>\$ 958,807</u>	<u>1,688,690</u>	<u>525,083</u>	<u>69,855</u>	<u>712,397</u>	<u>3,954,832</u>

None of the property, plant and equipment mentioned above were pledged as collateral.

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

On May 27, 2021, the Company's Board of Directors resolved to purchase the land with buildings for the Company to expand operations in the future. The total amount without V.A.T of the purchase was \$607,865 thousand.

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

(11) Lease arrangements

A. Right-of-use assets

The Company leases assets including buildings, transportation equipment and other assets. The cost and depreciation of right-of-use assets were as follows:

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Others</u>	<u>Total</u>
Cost:				
Balance at January 1, 2022	\$ 84,461	992	6,574	92,027
Additions for the period	111,693	528	-	112,221
Deduction for the period and others	<u>(47,479)</u>	<u>(224)</u>	<u>(6,574)</u>	<u>(54,277)</u>
Balance at December 31, 2022	<u>\$ 148,675</u>	<u>1,296</u>	<u>-</u>	<u>149,971</u>
Balance at January 1, 2021	\$ 40,674	2,401	6,574	49,649
Additions for the period	45,900	-	-	45,900
Deduction for the period and others	<u>(2,113)</u>	<u>(1,409)</u>	<u>-</u>	<u>(3,522)</u>
Balance at December 31, 2021	<u>\$ 84,461</u>	<u>992</u>	<u>6,574</u>	<u>92,027</u>
Depreciation:				
Balance at January 1, 2022	\$ 28,629	472	5,752	34,853
Depreciation for the period	35,132	409	822	36,363
Deduction for the period and others	<u>(27,571)</u>	<u>(224)</u>	<u>(6,574)</u>	<u>(34,369)</u>
Balance at December 31, 2022	<u>\$ 36,190</u>	<u>657</u>	<u>-</u>	<u>36,847</u>
Balance at January 1, 2021	\$ 12,669	1,294	2,465	16,428
Depreciation for the period	17,732	587	3,287	21,606
Deduction for the period and others	<u>(1,772)</u>	<u>(1,409)</u>	<u>-</u>	<u>(3,181)</u>
Balance at December 31, 2021	<u>\$ 28,629</u>	<u>472</u>	<u>5,752</u>	<u>34,853</u>
Carrying amounts:				
Balance at December 31, 2022	<u>\$ 112,485</u>	<u>639</u>	<u>-</u>	<u>113,124</u>
Balance at December 31, 2021	<u>\$ 55,832</u>	<u>520</u>	<u>822</u>	<u>57,174</u>
Balance at January 1, 2021	<u>\$ 28,005</u>	<u>1,107</u>	<u>4,109</u>	<u>33,221</u>

**Phison Electronics Corp.**  
**Notes to the Parent Company Only Financial Statements**

B. Lease liabilities

The carrying amounts of lease liabilities of the Company were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Current	<u>\$ 35,145</u>	<u>26,271</u>
Non-current	<u>\$ 78,561</u>	<u>31,678</u>

For the maturity analysis, please refer to note 6(25) "Financial instruments".

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

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Interest expenses relating to lease liabilities	<u>\$ 826</u>	<u>803</u>
Expenses relating to short-term lease	<u>\$ 4,165</u>	<u>3,665</u>
Expenses relating to lease of low-value assets, excluding short-term lease of low-value assets	<u>\$ 1,100</u>	<u>848</u>

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

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Total cash outflow for leases	<u>\$ 42,251</u>	<u>26,414</u>

C. Other information about leases

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

(12) Intangible assets

The cost and amortization of intangible assets of the Company were as follows:

	<b>Computer software</b>	<b>Technology License Fees</b>	<b>Total</b>
Cost:			
Balance at January 1, 2022	\$ 1,209,922	403,695	1,613,617
Additions for the period	<u>389,132</u>	<u>54,613</u>	<u>443,745</u>
Balance at December 31, 2022	<u>\$ 1,599,054</u>	<u>458,308</u>	<u>2,057,362</u>
Balance at January 1, 2021	\$ 973,187	367,976	1,341,163
Additions for the period	<u>236,735</u>	<u>35,719</u>	<u>272,454</u>
Balance at December 31, 2021	<u>\$ 1,209,922</u>	<u>403,695</u>	<u>1,613,617</u>

**Phison Electronics Corp.**  
**Notes to the Parent Company Only Financial Statements**

	<u>Computer software</u>	<u>Technology License Fees</u>	<u>Total</u>
Amortization:			
Balance at January 1, 2022	\$ 956,486	345,220	1,301,706
Amortization for the period	<u>336,177</u>	<u>56,288</u>	<u>392,465</u>
Balance at December 31, 2022	<u>\$ 1,292,663</u>	<u>401,508</u>	<u>1,694,171</u>
Balance at January 1, 2021	\$ 729,982	300,912	1,030,894
Amortization for the period	<u>226,504</u>	<u>44,308</u>	<u>270,812</u>
Balance at December 31, 2021	<u>\$ 956,486</u>	<u>345,220</u>	<u>1,301,706</u>
Carrying amounts:			
Balance at December 31, 2022	<u>\$ 306,391</u>	<u>56,800</u>	<u>363,191</u>
Balance at December 31, 2021	<u>\$ 253,436</u>	<u>58,475</u>	<u>311,911</u>
Balance at January 1, 2021	<u>\$ 243,205</u>	<u>67,064</u>	<u>310,269</u>

None of the intangible assets mentioned above were pledged as collateral.

(13) Short-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured loans	\$ -	<u>379,216</u>
Range of interest rates at the end of period (%)	-	<u>0.50~0.51</u>

(14) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Salaries and bonus payable	\$ 5,929,795	6,639,544
Dividend payable (note 6(19))	1,970,740	1,970,740
Others	<u>749,483</u>	<u>1,088,713</u>
	<u>\$ 8,650,018</u>	<u>9,698,997</u>

(15) Other current liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Guarantee deposits received (note 9(3))	\$ 921,300	-
Refund liabilities	620,776	828,962
Payables for purchases of equipment	85,181	96,208
Receipts under custody	83,698	61,664
Others	<u>65,881</u>	<u>93,075</u>
	<u>\$ 1,776,836</u>	<u>1,079,909</u>

**Phison Electronics Corp.**  
**Notes to the Parent Company Only Financial Statements**

(16) Bonds payable

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

The details of unsecured convertible bonds were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Total convertible corporate bonds issued	\$ 3,500,000	3,500,000
Unamortized discounted corporate bonds payable	(57,969)	(87,145)
Bonds payable	<b><u>\$ 3,442,031</u></b>	<b><u>3,412,855</u></b>
Embedded derivative instruments – call and conversion options, included in financial assets at fair value through profit or loss–current	<b><u>\$ -</u></b>	<b><u>4,900</u></b>
Embedded derivative instruments –Equity component – conversion options, included in capital surplus–stock options	<b><u>\$ 102,369</u></b>	<b><u>102,369</u></b>
	<b><u>For the years ended December 31,</u></b>	
	<b><u>2022</u></b>	<b><u>2021</u></b>
Embedded derivative instruments – net gains and losses of call and conversion options remeasured at fair value, included in other gains and losses	<b><u>\$ (4,900)</u></b>	<b><u>2,105</u></b>
Interest expense	<b><u>\$ 29,176</u></b>	<b><u>1,120</u></b>

The conversion price per share at the time of issuance of NT\$570 is calculated by multiplying the closing price of the Company's ordinary shares traded on Taipei Exchange at one business day before the reference date for determining the conversion price, which is December 9, 2021, of NT\$475 by the conversion premium rate of 120%. The number of convertible shares of the bonds is calculated by dividing the issued face value of the bonds by the conversion price. After the issuance of corporate bonds, the conversion price shall be adjusted in accordance with the article related to anti-dilution in the terms of issuance and conversion. Due to the distribution of cash dividends to shareholders, the conversion price shall be adjusted in accordance with the aforementioned terms. Starting from December 27, 2021, July 4, 2022, and December 19, 2022, the conversion prices were adjusted from NT\$570 to NT\$556.3, NT\$556.3 to NT\$537.3 and NT\$537.3 to NT\$520.6, respectively.

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



**Phison Electronics Corp.**  
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(17) Employee benefits

A. Defined benefit plans

According to the Labor Standards Law, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to certain percentage of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. By the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

Reconciliations of the present value of defined benefit obligation and the fair value of plan asset were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Present value of defined benefit obligations	\$ 164,193	149,156
Fair value of plan assets	<u>(49,395)</u>	<u>(44,259)</u>
Net defined benefit liabilities	<b><u>\$ 114,798</u></b>	<b><u>104,897</u></b>

(a) Composition of plan assets

The Company contributes pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

Bank of Taiwan labor pension reserve account balance of the Company amounted to \$49,395 thousand as of December 31, 2022. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

**Phison Electronics Corp.**  
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(b) Movements in present value change of defined benefit obligation

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Defined benefit obligation at January 1	\$ 149,156	144,989
Current service cost	3,000	2,656
Current interest cost	1,193	580
Remeasurements of the net defined benefit liabilities (assets)		
– Actuarial losses (gains) arising from changes in demographic assumptions	-	240
– Actuarial losses (gains) arising from changes in experience adjustment	28,422	11,385
– Actuarial losses (gains) arising from changes in financial assumptions	(16,862)	(10,694)
Benefits paid	(716)	-
Defined benefit obligation at December 31	<u>\$ 164,193</u>	<u>149,156</u>

(c) Movements of defined benefit plan assets

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Fair value of plan assets at January 1	\$ 44,259	41,461
Interest income	354	166
Remeasurements of the net defined benefit liabilities (assets)		
– Return on plan assets (excluding current interest)	3,204	577
Contribution to the plan	2,294	2,055
Benefits paid	(716)	-
Fair value of plan assets at December 31	<u>\$ 49,395</u>	<u>44,259</u>

(d) Expenses recognized in profit or loss

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Current service cost	\$ 3,000	2,656
Net interest on the net defined benefit liabilities (assets)	839	414
	<u>\$ 3,839</u>	<u>3,070</u>

**Phison Electronics Corp.**  
**Notes to the Parent Company Only Financial Statements**

- (e) Remeasurements of net defined benefit liabilities (assets) recognized in other comprehensive income

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Accumulated amount at January 1	\$ (48,513)	(48,230)
Recognized during the period	(6,685)	(283)
Accumulated amount at December 31	<b>\$ (55,198)</b>	<b>(48,513)</b>

- (f) Actuarial assumptions

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Discount rate (%)	1.40	0.80
Future salary increase rate (%)	3.00	3.00

The Company is expecting a contribution of \$2,431 thousand to its defined benefit plans in the following year after the reporting date.

The weighted-average duration of the defined benefit obligation is 17 years.

- (g) Sensitivity analysis

If there was a change in the actuarial assumptions the impact on the present value of the defined benefit obligation would be as follows:

	<b>Impact on present value of defined benefit obligations</b>	
	<b>Increase 0.25%</b>	<b>Decrease 0.25%</b>
December 31, 2022		
Discount rate	\$ (6,465)	6,786
Future salary increase rate	6,248	(5,998)
December 31, 2021		
Discount rate	\$ (6,121)	6,435
Future salary increase rate	5,902	(5,660)

Reasonably possible changes at the reporting date in one of the relevant actuarial assumptions, assuming all other variables remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the parent company only balance sheets.

There were no changes in the method and assumptions used in calculating the sensitivity analysis for the years of 2022 and 2021.

**Phison Electronics Corp.**  
**Notes to the Parent Company Only Financial Statements**

B. Defined contribution plans

The Company allocate 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs of the Company under the defined contribution method were \$211,835 thousand and \$146,042 thousand for 2022 and 2021, respectively. Payment was made to the Bureau of Labor Insurance.

(18) Income tax

A. Income tax recognized in profit or loss

The amounts of income tax expense were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Current tax expense		
Current period	\$ 1,214,290	1,536,851
Income tax expense of unappropriated earnings	<u>98,291</u>	<u>166,016</u>
	<u>1,312,581</u>	<u>1,702,867</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>(481,103)</u>	<u>(261,441)</u>
Income tax expense	<b><u>\$ 831,478</u></b>	<b><u>1,441,426</u></b>

Reconciliations of income tax expense and profit before income tax expense were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Profit before income tax	<b><u>\$ 6,232,624</u></b>	<b><u>9,588,641</u></b>
Income tax using the Company's domestic tax rate	\$ 1,246,525	1,917,728
Permanent difference	19,548	(83,000)
Investment tax incentives	(569,593)	(566,219)
Effect of unrecognized deferred tax liabilities	50,798	-
Income tax expense of unappropriated earnings	98,291	166,016
Others	<u>(14,091)</u>	<u>6,901</u>
Income tax expense	<b><u>\$ 831,478</u></b>	<b><u>1,441,426</u></b>

**Phison Electronics Corp.**  
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B. Income tax recognized in other comprehensive income

The amounts of income tax expense (benefit) recognized in other comprehensive income were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Remeasurements from defined benefit plans	\$ (1,671)	(71)
Exchange differences on translation of foreign financial statements	6,817	-
	<b><u>\$ 5,146</u></b>	<b><u>(71)</u></b>

C. Deferred tax assets and liabilities

(a) Unrecognized deferred tax liabilities

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2022 and 2021. Also, it is probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Unrecognized deferred tax liabilities	<b><u>\$ 360,239</u></b>	<b><u>411,037</u></b>

(b) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities were as follows:

	<b>January 1, 2022</b>	<b>Recognized in profit or loss</b>	<b>Recognized in other comprehensive income</b>	<b>December 31, 2022</b>
Deferred tax assets				
Inventory write-downs	\$ 134,074	334,331	-	468,405
Unrealized exchange losses	133,659	2,403	-	136,062
Refund liabilities	165,792	(41,637)	-	124,155
Loss on foreign investment accounted for using the equity method	-	49,825	-	49,825
Impairment loss on financial assets	25,258	(2,142)	-	23,116
Net defined benefit liabilities	20,980	308	1,671	22,959
Others	15,413	4,201	-	19,614
	<b><u>\$ 495,176</u></b>	<b><u>347,289</u></b>	<b><u>1,671</u></b>	<b><u>844,136</u></b>

**Phison Electronics Corp.**  
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	<u>January 1, 2022</u>	<u>Recognized in income statement</u>	<u>Recognized in other comprehensive income</u>	<u>December 31, 2022</u>
Deferred tax liabilities:				
Gain on foreign investment accounted for using the equity method	\$ 183,178	(133,814)	-	49,364
Exchange differences on translating foreign operations	-	-	6,817	6,817
	<u>\$ 183,178</u>	<u>(133,814)</u>	<u>6,817</u>	<u>56,181</u>
			<b>Recognized in other</b>	
	<u>January 1, 2021</u>	<u>Recognized in profit or loss</u>	<u>comprehensive income</u>	<u>December 31, 2021</u>
Deferred tax assets:				
Refund liabilities	\$ 98,186	67,606	-	165,792
Inventory write-downs	106,902	27,172	-	134,074
Unrealized exchange losses	120,325	13,334	-	133,659
Impairment loss on financial assets	25,258	-	-	25,258
Net defined benefit liabilities	20,706	203	71	20,980
Others	4,550	10,863	-	15,413
	<u>\$ 375,927</u>	<u>119,178</u>	<u>71</u>	<u>495,176</u>
Deferred tax liabilities:				
Share of gains of subsidiaries and associates accounted for using the equity method	<u>\$ 325,441</u>	<u>(142,263)</u>	<u>-</u>	<u>183,178</u>

D. Examination and approval

The income tax returns of the Company had been examined and assessed by the tax authority through 2020.

**Phison Electronics Corp.**  
**Notes to the Parent Company Only Financial Statements**

(19) Equity

A. Common shares

As of December 31, 2022 and 2021, the Company's authorized common shares amounted to \$3,000,000 thousand, of which \$290,000 thousand was reserved for employee share options. The issued common shares amounted to \$1,970,740 thousand with par value of NT\$10 per share.

As of December 31, 2022, because the related registration procedures were still in progress, the new common shares arising from the exercise of employee share options amounting to \$16,005 thousand were recognized as advance receipts for share capital.

The reconciliation of number of outstanding shares of the Company for the years ended December 31, 2022 and 2021, respectively were as follows:

(Unit: Shares in Thousands)

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Balance, beginning of the period	197,074	197,074
Effect of repurchasing treasury shares	(6,860)	-
Employee share options exercised	<u>1,601</u>	<u>-</u>
Balance, end of the period	<u><b>191,815</b></u>	<u><b>197,074</b></u>

B. Capital surplus

The details of the Company's capital surplus were as follows:

	<b>December 31,</b>	<b>December 31,</b>
	<b>2022</b>	<b>2021</b>
Additional paid-in capital	\$ 6,597,101	<u>6,237,434</u>
Changes in equities of associates accounted for using the equity method	1,280,649	268,525
Difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	148,758	148,758
Changes in ownership interests in subsidiaries	1,944	1,944
Employee share options	839,390	479,179
Due to recognition of equity component of convertible bonds	102,369	102,369
Expired employee share options	<u>227</u>	<u>227</u>
	<u><b>\$ 8,970,438</b></u>	<u><b>7,238,436</b></u>

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

C. Retained earnings and dividend policy

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

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

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

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

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



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The appropriation of 2022 earnings were as follows:

	<b>Second Half of 2022</b>	<b>First Half of 2022</b>
Resolution date of the Company's Board of Directors	March 15, 2023	July 29, 2022
Cash dividends to shareholders	\$ 865,962	1,970,740
Cash dividends per share (NTD)	4.50	10
Legal reserve	149,748	399,192
Special reserve	216,810	-

The amount of legal reserve of 2022 will be submitted to the shareholders' meeting for approval on May 31, 2023.

The appropriation of 2021 earnings was as follows:

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

The appropriation of 2020 earnings was as follows:

	<b>For the years ended December 31, 2020</b>
Resolution date of the Company's shareholders' meeting	July 26, 2021
Cash dividends to shareholders	\$ 4,532,702
Cash dividends per share (NTD)	23
Legal reserve	868,226
Reversal of special reserve	(10,784)

The aforementioned appropriation of 2020 earnings was consistent with the proposal made by the Board of Directors on March 11, 2021.

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

**Phison Electronics Corp.**  
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D. Treasury shares

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

E. Other equity (net of tax)

(a) Exchange differences on translation of foreign financial statements

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ (143,563)	(37,091)
Foreign exchange differences (net of tax)	170,834	(106,472)
Balance at December 31	<b>\$ 27,271</b>	<b>(143,563)</b>

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

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 246,847	(128,250)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income (net of tax)	(395,996)	386,669
Disposal for the period	(94,932)	(11,572)
Balance at December 31	<b>\$ (244,081)</b>	<b>246,847</b>

(20) Share-based payment

The Company issued employee share options which each unit can be exercised to purchase one share of the Company. The duration of the plan is 3 to 4 years, and the plan was approved by the FSC. As of December 31, 2022, the information related to the employee share options was as follows:

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

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

The estimated fair values of the options granted were calculated at the date of grant using the Black-Scholes option pricing model. The Company recognized compensation cost amounting to \$355,849 thousand and \$278,593 thousand for the years ended December 31, 2022 and 2021, respectively. Furthermore, compensation costs recognized by the Company's subsidiaries for the years of 2022 and 2021, were \$4,362 thousand and \$2,776 thousand, respectively.

Weighted-average assumptions were as follows:

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

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

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Information related to employee share options was as follows:

A. 2022 First employee share options

	<b>For the years ended December 31, 2022</b>	
<b>Employee share options</b>	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average exercise price (NTD)</b>
Outstanding at January 1	-	\$ -
Granted during the period	6,000	293.50
Exercised during the period	-	-
Forfeited during the period	(31)	-
Outstanding at December 31	<b>5,969</b>	<b>284.40</b>
Exercisable at December 31	-	-

As of December 31, 2022, the weighted-average remaining contractual life for outstanding option were 3.69 years.

B. 2021 First employee share options

	<b>For the years ended December 31,</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average exercise price (NTD)</b>	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average exercise price (NTD)</b>
<b>Employee share options</b>				
Outstanding at January 1	5,987	\$ 404.50	-	\$ -
Granted during the period	-	-	6,000	414.50
Exercised during the period	-	-	-	-
Forfeited during the period	(87)	-	(13)	-
Retracted during the period	(5,900)	-	-	-
Outstanding at December 31	-	-	<b>5,987</b>	<b>404.50</b>
Exercisable at December 31	-	-	-	-

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C. 2020 First employee share options

	For the years ended December 31,			
	2022		2021	
<u>Employee share options</u>	<u>Number of Options (In Thousands of Units)</u>	<u>Weighted-average exercise price (NTD)</u>	<u>Number of Options (In Thousands of Units)</u>	<u>Weighted-average exercise price (NTD)</u>
Outstanding at January 1	5,782	\$ 243.30	5,835	\$ 262.00
Granted during the period	-	-	-	-
Exercised during the period	(1,127)	227.7~235.0	-	-
Forfeited during the period	(13)	-	(53)	-
Outstanding at December 31	<u>4,642</u>	227.70	<u>5,782</u>	243.30
Exercisable at December 31	<u>1,760</u>		<u>-</u>	

As of December 31, 2022 and 2021, the weighted-average remaining contractual life for outstanding option were 0.75 and 1.75 years, respectively.

D. 2019 Second employee share options

	For the years ended December 31,			
	2022		2021	
<u>Employee share options</u>	<u>Number of Options (In Thousands of Units)</u>	<u>Weighted-average exercise price (NTD)</u>	<u>Number of Options (In Thousands of Units)</u>	<u>Weighted-average exercise price (NTD)</u>
Outstanding at January 1	1,940	\$ 243.30	1,976	\$ 262.00
Granted during the period	-	-	-	-
Exercised during the period	(457)	227.7~235.0	-	-
Forfeited during the period	(3)	-	(36)	-
Outstanding at December 31	<u>1,480</u>	227.70	<u>1,940</u>	243.30
Exercisable at December 31	<u>512</u>		<u>-</u>	

As of December 31, 2022 and 2021, the weighted-average remaining contractual life for outstanding option, were 0.75 and 1.75 years, respectively.

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(21) Earnings per share

The calculations of basic earnings per share and diluted earnings per share of the Company were as follows:

A. Basic earnings per share

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Net profit attributable to ordinary shareholders of the Company	<b>\$ 5,401,146</b>	<b>8,147,215</b>
Weighted-average number of shares outstanding during the year (in thousands of shares)	<b>194,935</b>	<b>197,074</b>
Basic earnings per share (NTD)	<b>\$ 27.71</b>	<b>41.34</b>

B. Diluted earnings per share

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Net profit attributable to ordinary shareholders of the Company	\$ 5,401,146	8,147,215
Effect of dilutive potential ordinary shares		
Convertible bonds	19,420	(788)
Net profit attributable to ordinary shareholders of the Company	<b>\$ 5,420,566</b>	<b>8,146,427</b>
Weighted average number of shares outstanding during the year (in thousands of shares)	194,935	197,074
Effect of dilutive potential ordinary shares (in thousands of shares)		
Employee share options	3,137	3,315
Employees' compensation	3,529	2,575
Effect of conversion of convertible bonds	6,409	254
	<b>208,010</b>	<b>203,218</b>
Diluted earnings per share (NTD)	<b>\$ 26.06</b>	<b>40.09</b>

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(22) Operating revenue

Disaggregation of revenues from contracts with customers were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Primary geographical markets		
Asia	\$ 46,404,813	47,617,492
America	10,588,924	11,094,866
Europe	2,474,827	3,694,956
Australia	102,224	144,146
Others	227	1,363
	<b>\$ 59,571,015</b>	<b>62,552,823</b>
Major product categories		
Flash memory module products	\$ 41,916,049	50,114,399
Controllers	13,907,161	9,347,429
Integrated Circuit	2,050,788	1,520,615
Others	1,697,017	1,570,380
	<b>\$ 59,571,015</b>	<b>62,552,823</b>

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

(23) Employees' compensation and remuneration of directors

The Company accrued its remunerations to employees and directors, at the rates of 8% to 19% and a maximum rate of 1.5%, of the net profit before income tax which yet the remunerations to employees and directors, respectively. The remunerations to employees and directors for the years ended December 31, 2022 and 2021 had been approved during the Company's board meetings held on March 15, 2023 and March 4, 2022, respectively, as follows:

	<b>For the years ended December 31,</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Cash</b>	<b>Share</b>	<b>Cash</b>	<b>Share</b>
Employees' compensation	\$ 1,000,000	-	1,100,000	-
Remuneration of directors	35,000	-	50,000	-

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the year ended December 31, 2021.

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Information on the employees' compensation and remuneration of directors of 2022 and 2021 resolved by the Company's Board of Directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

(24) Non-operating income and expenses

A. Interest income

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Interest income from bank deposits	\$ 83,944	27,851
Others	<u>1</u>	<u>18</u>
	<b><u>\$ 83,945</u></b>	<b><u>27,869</u></b>

B. Other income

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Rent income	\$ 3,111	2,766
Dividend income	90,937	61,691
Gain on a bargain purchase (note 6(9))	16,289	-
Others	<u>59,378</u>	<u>28,635</u>
	<b><u>\$ 169,715</u></b>	<b><u>93,092</u></b>

C. Other gains and losses

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Gains (Losses) on financial assets at fair value through profit or loss	\$ (282,398)	239,154
Gain on disposal of investments accounted for using the equity method (note 6(9))	30,426	-
Net foreign exchange gains (losses)	726,667	(84,587)
Others	<u>(1,084)</u>	<u>(2,274)</u>
	<b><u>\$ 473,611</u></b>	<b><u>152,293</u></b>



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D. Finance costs

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Interest on bank loans	\$ 1,623	13,436
Interest on lease liabilities	826	803
Interest on convertible bond	29,176	1,120
	<b><u>\$ 31,625</u></b>	<b><u>15,359</u></b>

(25) Financial instruments

A. Categories of financial instruments

	<b>December 31,</b>	<b>December 31,</b>
	<b>2022</b>	<b>2021</b>
Financial assets		
Financial assets at FVTPL (current and non-current)	\$ 889,205	1,455,385
Financial assets at amortized cost (Note 1)	23,200,161	28,041,754
Financial assets at FVTOCI	290,784	438,944
	<b><u>\$ 24,380,150</u></b>	<b><u>29,936,083</u></b>
Financial liabilities		
Financial liabilities at amortized cost (Note 2)	<b><u>\$ 19,911,144</u></b>	<b><u>22,623,568</u></b>

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

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

B. Financial risk management objectives and policies

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

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

C. Market risk

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

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(a) Foreign currency risk

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

(i) Exposure to foreign currency risk

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

	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	417,606	30.710	12,824,683	477,159	27.680	13,207,749
<u>Non-Monetary items</u>						
JPY	1,925,056	0.232	446,613	429,398	0.241	103,485
USD	4,135	30.710	126,981	3,541	27.680	98,019
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	224,194	30.710	6,884,994	304,481	27.680	8,428,022

(ii) Sensitivity analysis

The Company's exposure to foreign currency risk primarily arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, (including related parties), short-term borrowings, and accounts payable (including related parties), that are denominated in USD. A weakening (strengthening) of 5% of the NTD against the USD as of December 31, 2022 and 2021, would have increased or decreased the net profit before income tax by \$296,984 thousand and \$238,986 thousand, respectively. The analysis was performed on the same basis for comparative years.

(iii) Foreign exchange gains and losses on monetary items

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

<u>For the years ended December 31,</u>	
<u>2022</u>	<u>2021</u>
<u>\$ 726,667</u>	<u>(84,587)</u>

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(b) Interest rate risk

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

If interest rates had been 0.25% higher and all other variables were held constant, the Company's net profit before income tax for the years of 2022 and 2021 would have increased by \$26,545 thousand and \$33,365 thousand, respectively. Due to the impact of variable interest rate cash and cash equivalents and short-term borrowings.

(c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 10% higher or lower, net profit before income tax for the years of 2022 and 2021 would have increased or decreased by \$88,921 thousand and \$145,539 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL. If equity prices had been 10% higher or lower, the other comprehensive income before income tax for the years of 2022 and 2021 would have increased or decreased by \$29,078 thousand and \$43,894 thousand, respectively, as a result of the changes in fair value of financial assets at FVOCI.

D. Concentration of credit risk

(a) Accounts receivable

The major customers of the Company are in the electronics industry and the Company usually grants credit limits to customers in accordance with credit policy, therefore, the credit risk of the Company is mainly affected by the electronics industry. However, the Company mostly sells products to customers with good reputation and continuously monitors the financial situation of customers to monitor the significant loss from credit risk. As of December 31, 2022 and 2021, 36% and 40%, respectively, of accounts receivable were from top five customers, so there was no significant concentration of credit risk. In addition, the Company periodically reviews the recoverable amounts of accounts receivable to ensure that an adequate allowance is recognized for possible irrecoverable amounts. In this regard, the management believes there is no expected material credit risk.

(b) Cash and cash equivalents

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

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(c) Receivables and debt securities

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

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

E. Liquidity risk

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

	<u>Carrying amount</u>	<u>Cash flow of contract</u>	<u>Within 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2022</b>					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 16,469,113	(16,469,113)	(15,546,113)	(923,000)	-
Lease liabilities (current and non-current)	113,706	(114,813)	(35,667)	(79,146)	-
Bonds payable	<u>3,442,031</u>	<u>(3,500,000)</u>	<u>-</u>	<u>(3,500,000)</u>	<u>-</u>
	<u>\$ 20,024,850</u>	<u>(20,083,926)</u>	<u>(15,581,780)</u>	<u>(4,502,146)</u>	<u>-</u>
<b>December 31, 2021</b>					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 18,831,497	(18,831,497)	(18,830,869)	(628)	-
Lease liabilities (current and non-current)	57,949	(58,845)	(26,823)	(32,022)	-
Bonds payable	3,412,855	(3,500,000)	-	(3,500,000)	-
Fixed interest rate liabilities	<u>379,216</u>	<u>(379,697)</u>	<u>(379,697)</u>	<u>-</u>	<u>-</u>
	<u>\$ 22,681,517</u>	<u>(22,770,039)</u>	<u>(19,237,389)</u>	<u>(3,532,650)</u>	<u>-</u>

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

F. Fair value of financial instruments

(a) Fair value measurements recognized in the balance sheets

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

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

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

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

Fair value hierarchy

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

	<b>December 31, 2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss				
Domestic listed stocks	\$ 674,253	-	-	674,253
Domestic unlisted stocks	-	-	174,012	174,012
Foreign unlisted stocks	-	-	6,496	6,496
Domestic private equity funds	-	-	34,444	34,444
	<u>\$ 674,253</u>	<u>-</u>	<u>214,952</u>	<u>889,205</u>
Financial assets at fair value through other comprehensive income				
Domestic unlisted stocks	\$ -	-	123,098	123,098
Foreign unlisted stocks	-	-	167,686	167,686
	<u>\$ -</u>	<u>-</u>	<u>290,784</u>	<u>290,784</u>
	<b>December 31, 2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss				
Domestic listed stocks	\$ 728,076	-	-	728,076
Domestic unlisted stocks	-	-	302,867	302,867
Foreign unlisted stocks	-	-	15,873	15,873
Domestic private equity funds	-	-	39,909	39,909
Beneficiary certificates — open-end funds	363,760	-	-	363,760
Derivative instruments — convertible bonds	-	-	4,900	4,900
	<u>\$ 1,091,836</u>	<u>-</u>	<u>363,549</u>	<u>1,455,385</u>
Financial assets at fair value through other comprehensive income				
Domestic unlisted stocks	\$ -	-	205,867	205,867
Foreign unlisted stocks	-	-	233,077	233,077
	<u>\$ -</u>	<u>-</u>	<u>438,944</u>	<u>438,944</u>

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There were no transfers between Levels 1 and 2 for the years ended December 31, 2022 and 2021.

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

	Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income	Total
	Private equity funds	Derivative instruments — convertible bonds	Equity instruments	Equity instruments	
January 1, 2022	\$ 39,909	4,900	318,740	438,944	802,493
Recognized in profit or loss	(5,465)	(4,900)	(130,957)	-	(141,322)
Recognized in other comprehensive income	-	-	-	(62,878)	(62,878)
Additions for the period	-	-	-	31,500	31,500
Disposal and proceeds from capital reduction	-	-	(7,275)	(116,782)	(124,057)
December 31, 2022	<u>\$ 34,444</u>	<u>-</u>	<u>180,508</u>	<u>290,784</u>	<u>505,736</u>
January 1, 2021	\$ 42,033	-	332,564	199,247	573,844
Recognized in profit or loss	(2,124)	2,105	31,126	-	31,107
Recognized in other comprehensive income	-	-	-	134,692	134,692
Additions for the period	-	2,795	-	105,005	107,800
Proceeds from capital reductions	-	-	(25,150)	-	(25,150)
Transfer out of the level 3	-	-	(19,800)	-	(19,800)
December 31, 2021	<u>\$ 39,909</u>	<u>4,900</u>	<u>318,740</u>	<u>438,944</u>	<u>802,493</u>

(c) Valuation techniques and inputs applied for the purpose of Level 3 fair value measurement

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

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Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income—equity investments without an active market	Market approach	<ul style="list-style-type: none"> <li>· Discount for lack of marketability (December 31, 2022: 20.81%~22.11% and December 31, 2021: 15%~28.97%)</li> </ul>	<ul style="list-style-type: none"> <li>· The higher the discount for lack of marketability, the lower the fair value</li> </ul>
Financial assets at fair value through other comprehensive income—equity investments without an active market	Income approach	<ul style="list-style-type: none"> <li>· Sustainable revenue growth rate (December 31, 2022: 1.6% and December 31, 2021: 2.5%)</li> <li>· Weighted-average cost of capital (December 31, 2022: 6.25%~12.11% and December 31, 2021: 7.02%~9.59%)</li> <li>· Discount for lack of marketability (December 31, 2022 and December 31, 2021: 15%)</li> <li>· Discount for non-controlling interest (December 31, 2022 and December 31, 2021: 15%)</li> </ul>	<ul style="list-style-type: none"> <li>· The higher the sustainable revenue growth rate, the higher the fair value</li> <li>· The higher the weighted-average cost of capital, the lower the fair value</li> <li>· The higher the discount for lack of marketability, the lower the fair value</li> <li>· The higher the discount for non-controlling interest, the lower the fair value</li> </ul>
Financial assets at fair value through profit or loss—equity investments without an active market and private equity funds	Asset-based approach	<ul style="list-style-type: none"> <li>· Net Asset Value</li> <li>· Discount for lack of marketability (December 31, 2022 and December 31, 2021: 10%)</li> <li>· Discount for non-controlling interest (December 31, 2022 and December 31, 2021: 10%)</li> </ul>	No applicable

The fair values of derivatives instruments—convertible bonds is estimated by the binary tree convertible bond evaluation model, and the significant unobservable input value used is the stock price volatility. The stock price volatility adopted on December 31, 2022 and 2021, was 38.59% and 43.39%, respectively.

**Phison Electronics Corp.**  
**Notes to the Parent Company Only Financial Statements**

(26) Capital management

The capital structure of the Company consists of net debts (borrowings offset by cash and cash equivalents) and equity (comprising share capital, capital surplus, retained earnings and other equities).

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The Company is not subject to any externally imposed capital requirements.

Key management personnel of the Company review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders and the amount of new debt issued or existing debt redeemed.

The Company's debt-to-equity ratios at December 31, 2022 and 2021, were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Total liabilities	\$ 21,669,547	25,449,133
Total equity	37,631,822	37,308,434
Debt-to-adjusted-capital ratio (%)	58	68

As of December 31, 2022, there is no change in the method of capital management of the Company.

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

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

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

	<b>January 1, 2022</b>	<b>Cash flows</b>	<b>Foreign exchange movement and others</b>	<b>December 31, 2022</b>
Short-term borrowings	\$ 379,216	(382,995)	3,779	-
Lease liabilities (current and non-current)	57,949	(36,160)	91,917	113,706
Bonds payable	3,412,855	-	29,176	3,442,031
Guarantee deposits received (current and non-current)	628	1,659,592	184,080	1,844,300
Total liabilities from financing activities	<u>\$ 3,850,648</u>	<u>1,240,437</u>	<u>308,952</u>	<u>5,400,037</u>



**Phison Electronics Corp.**  
**Notes to the Parent Company Only Financial Statements**

	<b>January 1, 2021</b>	<b>Cash flows</b>	<b>Foreign exchange movement and others</b>	<b>December 31, 2021</b>
Short-term borrowings	\$ 1,452,480	(1,076,498)	3,234	379,216
Lease liabilities (current and non-current)	33,494	(21,098)	45,553	57,949
Bonds payable	-	3,511,309	(98,454)	3,412,855
Guarantee deposits received	487	141	-	628
Total liabilities from financing activities	<b>\$ 1,486,461</b>	<b>2,413,854</b>	<b>(49,667)</b>	<b>3,850,648</b>

**7. Related-party transactions**

(1) Names and relationship with related parties

The followings are subsidiaries and related parties that have had transactions with the Company during the periods covered in the parent company only financial statements:

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

**Phison Electronics Corp.**  
**Notes to the Parent Company Only Financial Statements**

<u>Name of related party</u>	<u>Relationship with the Company</u>
ONE UPON Co. Ltd.	The Company's director is its chairman
LIU, TIAN-PAI	Other related party
Lian Xu Dong Investment Corporation	Subsidiary
Phison Electronics Japan Corp.	Subsidiary
Phison Technology Inc.	Subsidiary
Emtops Electronics Corp.	Subsidiary
Ostek Company	Subsidiary
Phisontech Electronics Taiwan Corp.	Subsidiary
Memoryexchange Corporation	Subsidiary (Note)
Super Storage Technology Corporation	Subsidiary
Power Storage Technology (Shenzhen) Limited	Subsidiary
Phison Technology India Private Limited	Subsidiary

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

(2) Significant transactions with related parties

A. Operating revenues

The amounts of significant sales by the Company to related parties were as follows:

<u>Related Party Category / Name</u>	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Subsidiaries	\$ 526,126	185
Associates	5,761,656	7,183,771
Other related parties	3,215,711	2,961,939
	<u>\$ 9,503,493</u>	<u>10,145,895</u>

The credit terms to related parties were ranged from 7 days after delivery to EOM 60 days and that to non-related parties were ranged from T/T in advance to EOM 90 days. There was no significant difference between the sales price and credit terms of the Company for related parties and that for the third parties.

B. Purchase of goods and Processing costs

(a) Purchase of goods

<u>Related Party Category / Name</u>	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Associates	\$ (3,655)	182,447
Other related parties – Kioxia Taiwan Corporation	11,413,643	14,676,478
Other related parties	-	247
	<u>\$ 11,409,988</u>	<u>14,859,172</u>

**Phison Electronics Corp.**  
**Notes to the Parent Company Only Financial Statements**

(b) Processing costs

<u>Related Party Category / Name</u>	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Subsidiaries	\$ 482,160	452,929
Other related parties	2,071,125	2,433,741
	<b><u>\$ 2,553,285</u></b>	<b><u>2,886,670</u></b>

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

C. Accounts receivable from related parties

<u>Related Party Category / Name</u>	<b>December 31,</b>	<b>December 31,</b>
	<b>2022</b>	<b>2021</b>
Subsidiaries	\$ 70,783	-
Associate – Hosin Global Electronics Co., Ltd. (HK)	235,530	1,614,392
Associates	417,838	553,795
Other related parties	567,815	652,856
	1,291,966	2,821,043
Less: Loss allowance	(22,110)	(7,519)
	<b><u>\$ 1,269,856</u></b>	<b><u>2,813,524</u></b>

The outstanding accounts receivable from related parties are unsecured.

D. Accounts payable to related parties

<u>Related Party Category / Name</u>	<b>December 31,</b>	<b>December 31,</b>
	<b>2022</b>	<b>2021</b>
Subsidiaries	\$ 103,127	99,277
Other related parties – Kioxia Taiwan Corporation	578,866	2,764,162
Other related parties	-	436,145
	<b><u>\$ 681,993</u></b>	<b><u>3,299,584</u></b>

E. Other transactions

<u>Account Name</u>	<u>Related Party Category / Name</u>	<b>For the years ended December 31,</b>	
		<b>2022</b>	<b>2021</b>
Operating Costs	Subsidiaries	\$ 26,934	25,424
	Other related parties	3,812	1,334
		<b><u>\$ 30,746</u></b>	<b><u>26,758</u></b>

**Phison Electronics Corp.**  
**Notes to the Parent Company Only Financial Statements**

<u>Account Name</u>	<u>Related Party Category / Name</u>	<u>For the years ended December 31,</u>	
		<u>2022</u>	<u>2021</u>
Operating Expenses	Subsidiaries	\$ 422,946	322,806
	Associates	256,178	277,377
	Other related parties	6,808	11,955
		<u>\$ 685,932</u>	<u>612,138</u>
Non-operating incomes	Subsidiaries	\$ 1,285	1,837
	Associates	1,228	1,405
	Other related parties	44,296	21,781
		<u>\$ 46,809</u>	<u>25,023</u>

The related parties distributed \$133,261 thousand and \$1,742,114 thousand cash dividend to the Company for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, all the aforementioned dividends had been fully received.

As of December 31, 2022 and 2021, the receivables arising from abovementioned transactions were \$201 thousand and \$26,700 thousand, respectively (recognized as other receivables), and the payables arising from abovementioned transactions were \$65,114 thousand and \$92,543 thousand, respectively (recognized as other current liabilities).

On January 21, 2022, the Company's Board of Directors resolved to purchase the land from the related party, LIU, TIAN-PAI, for the Company to expand operation in the future. The total amount without VAT of the purchase was \$39,500 thousand.

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

(3) Key management personnel compensation

Key management personnel compensation comprised:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 427,924	561,395
Post-employment benefits	1,804	1,988
Share-based payments	39,440	86,679
	<u>\$ 469,168</u>	<u>650,062</u>

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

Please refer to note 6(20) for further explanations related to share-based payment.

**Phison Electronics Corp.**  
**Notes to the Parent Company Only Financial Statements**

**8. Pledged assets**

The carrying amounts of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Pledged time deposits (recognized as financial assets at amortized cost—current)	As collateral for the tariff of imported raw materials	\$ <u>40,499</u>	<u>40,459</u>

**9. Commitments and contingencies**

(1) Significant commitments

A. The Company's unused letters of credit

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unused letters of credit	\$ <u>1,160,000</u>	<u>1,160,000</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	\$ <u>-</u>	<u>373,455</u>

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

	<u>December 31, 2022</u>
	\$ <u>26,400</u>

(2) Purchase commitment

The Company entered into a long-term purchase agreement of material with a supplier. The relative purchase quantity and price of wafers are specified in the agreement. According to the agreement, the Company has to pay partial guarantee deposit before the appointment date. As of December 31, 2022, the Company has paid US\$18,480 thousand of guarantee deposit (recognized as other noncurrent assets).

**Phison Electronics Corp.**  
**Notes to the Parent Company Only Financial Statements**

(3) Long-term supply agreement

The Company entered into a long-term supply agreement with a customer in 2021, and received a guarantee deposit of US\$90,000 thousand as agreed. The Company was required to sell controllers to the customer in the amount agreed upon by both parties during the agreed period. Based on the agreement, the Company repaid US\$30,000 thousand in the fourth quarter of 2022. As of December 31, 2022, the guarantee deposits received were classified as current liabilities of \$921,300 thousand (recognized as other current liabilities) and non-current liabilities of \$921,300 thousand (recognized as guarantee deposits received) based on the expected repayment period.

**10. Losses due to major disasters: None**

**11. Subsequent events: None**

**12. Other**

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

By item	By function	For the year ended December 31,					
		2022			2021		
		Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Employee benefits							
Salary		648,398	6,740,759	7,389,157	334,337	6,949,459	7,283,796
Labor and health insurance		56,899	355,101	412,000	35,181	259,350	294,531
Pension		28,074	187,600	215,674	14,784	134,328	149,112
Remuneration of directors		-	35,000	35,000	-	50,000	50,000
Others		35,140	167,213	202,353	25,754	128,856	154,610
Depreciation		149,439	397,884	547,323	102,640	293,676	396,316
Amortization		507	391,958	392,465	506	270,306	270,812

The following provides information of the number of employees and employee benefits in 2022 and 2021, respectively:

	For the year ended December 31,	
	2022	2021
Number of employees	<u>3,386</u>	<u>2,584</u>
Number of directors who were not employees	<u>5</u>	<u>5</u>
Average employee benefit costs	<u>\$ 2,431</u>	<u>3,056</u>
Average employee salary expenses	<u>\$ 2,186</u>	<u>2,824</u>
Adjustment of average employee salary expenses	<u>(22.59)%</u>	

Note: The Company did not have a supervisor in 2022 and 2021; hence, no remuneration to supervisors had been accrued.

**Phison Electronics Corp.**  
**Notes to the Parent Company Only Financial Statements**

Remuneration policies for directors, managerial personnel and employee were as follows:

The Company's policy on the remuneration of directors: The policy is provided in the Company's Articles of Incorporation, Article 16 which states that "Remuneration of the chairperson and directors of the Company shall be determined by the Board of Directors based on the value of the involvement and contribution of the chairperson and each director in the operation of the Company and with reference to industry standards." and Article 19 which states that "If the Company makes profit in the year, it shall appropriate 8% to 19% for compensation of employees and no more than 1.5% for remuneration of directors." No other remuneration of whatever kind or nature shall be made to the directors. For the determination of the amount of remuneration, the Board of Directors shall refer to the result of "Self-evaluation or peer-evaluation of the Board of Directors" as well as to the result of the evaluation of the performance of each director and supervisor, including attendance in meetings and continuing education of the Board of Directors. The remuneration committee will review the evaluation of each director and submit recommendation to the Board of Directors. The remuneration system shall be reviewed at any time necessary in the actual operating conditions in accordance with the provisions of relevant laws and regulations, in order to achieve the balance of the Company's sustainable operation and risk control.

The Company's policy on the salary and remuneration of employees: Remuneration of employees is divided into fixed and variable salary items. The fixed salary is based on the salary classification standard of the employee's position; the variable salary is based on the Company's operating results, and is distributed corresponding to the employee's individual performance assessment. The policy is reviewed and modified timely based on actual operating conditions, market trends and relevant laws and regulations.

The Company's policy on the remuneration of managers: The remuneration policy is reviewed regularly by the remuneration committee, and the content and amount of remuneration are determined individually based on the manager's achievement of performance goals; then, recommendations are submitted to the Board of Directors for discussion and decision. The policy is reviewed and modified timely based on actual operating conditions, market trends and relevant laws and regulations.

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

**Phison Electronics Corp.**  
**Notes to the Parent Company Only Financial Statements**

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

**13. Addition disclosures**

(1) Information on significant transactions:

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

A. Loans to other parties: None

B. Guarantees and endorsements for other parties: None

C. Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 1.

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

E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: Please refer to Table 2.

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

G. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock: Please refer to Table 3.

H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 4.

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

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

(3) Information on investment in Mainland China:

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

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



**Phison Electronics Corp.**  
**Notes to the Parent Company Only Financial Statements**

C. Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions”.

(4) Major shareholders:

(in units of shares)

Shareholder's Name	Shareholding	Shares	Percentage
Trust Investment Account of KIOXIA Corporation by First Bank		19,821,112	9.97 %

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

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

**14. Segment information**

Please refer to consolidated financial statements for the year ended December 31, 2022.

**Phison Electronics Corp.**

**Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures)**

**December 31, 2022**

Table 1

(Shares in Thousands /Amounts in Thousands)

Name of Holder	Type and Name of Marketable Securities	Relationship with Company	Account Title	Ending Balance				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
The Company	<u>Common shares</u>							
	Apacer Technology Inc.	-	Financial assets at fair value through profit or loss – current	12,555	519,760	10.23	519,760	
	Orient Semiconductor Electronics, Ltd.	-	Same as above	7,336	128,753	0.89	128,753	
	Acer Synergy Tech Corp.	-	Same as above	600	<u>25,740</u>	3.00	25,740	
					<u>674,253</u>			
	AppWorks Fund II Co., Ltd.	-	Financial assets at fair value through profit or loss – non-current	5,355	122,259	11.11	122,259	
	Taiwania Capital Buffalo Fund CO., Ltd. (formerly known as Taishan Buffalo Investment CO., Ltd.)	-	Same as above	46,300	36,211	1.08	36,211	
	Innorich Venture Capital Corp.	-	Same as above	3,000	15,542	5.61	15,542	
	JAFCO ASIA TECHNOLOGY FUND VI L.P.	-	Same as above	1,000	<u>6,496</u>	0.67	6,496	
					<u>180,508</u>			

Name of Holder	Type and Name of Marketable Securities	Relationship with Company	Account Title	Ending Balance				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
The Company	CAL-COMP INDUSTRIA DE SEMICONDUCTORES S.A.	-	Financial assets at fair value through other comprehensive income – non-current	11,966	150,720	17.16	150,720	
	AppWorks Fund III Co., Ltd.	-	Same as above	8,385	68,769	2.92	68,769	
	AppWorks Fund IV L.P.L	-	Same as above	31,500	31,500	9.86	31,500	
	Adam Elements International Co., Ltd.	-	Same as above	1,710	22,829	19.00	22,829	
	Gomore Inc.	-	Same as above	16,925	11,259	1.86	11,259	
	H3 Platform, Inc.	-	Same as above	18,400	2,178	12.14	2,178	
	Gospal Ltd.	-	Same as above	811,857	3,529	3.19	3,529	
	Aptos Technology Inc.	-	Same as above	212	-	0.35	-	
	THLight Co., Ltd.	-	Same as above	6,388	-	12.66	-	
	GeoThings, Inc.	-	Same as above	150	-	3.13	-	
	Ironyun Incorporated	-	Same as above	5,000	-	3.76	-	
					<u>290,784</u>			
	<u>Private equity funds</u>							
	Fuh Hwa Smart Energy Fund	-	Financial assets at fair value through profit or loss – non-current	6,000	<u>34,444</u>	3.78	34,444	

Name of Holder	Type and Name of Marketable Securities	Relationship with Company	Account Title	Ending Balance				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Lian Xu Dong Investment Corporation	<u>Common shares</u>							
	Translink Capital Partners III L.P.	-	Financial assets at fair value through profit or loss – non-current	1,500	59,807	1.18	59,807	
	Translink Capital Partners IV L.P.	-	Same as above	930	42,588	0.59	42,588	
					<u>102,395</u>			
	Liquid, Inc. (preference shares)	-	Financial assets at fair value through other comprehensive income – non-current	2,111	436	4.75	436	
	Translink Capital Partners V, L.P.	-	Same as above	930	27,823	1.93	27,823	
	Taiwania Capital Buffalo Fund V, LP.	-	Same as above	50,000	45,357	3.19	45,357	
	Cathy Private Equity Smart Technology Limited Partnership	-	Same as above	30,000	24,214	8.20	24,214	
	New Future III Limited Partnership	-	Same as above	25,756	20,376	5.13	20,376	
	Omni Media International Incorporation	-	Same as above	1,714	12,309	2.60	12,309	
UMBO CV INC. (preference shares)	-	Same as above	1,626	-	2.34	-		
					<u>130,515</u>			

Name of Holder	Type and Name of Marketable Securities	Relationship with Company	Account Title	Ending Balance				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Emtops Electronics Corporation	My Digital Discount, Inc.	-	Financial assets at fair value through other comprehensive income – non-current	-	-	19.00	-	
Phisontech Electronics	<u>Beneficiary certificates – open-end funds</u>							
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss – current	167	30,214	-	30,214	
	Franklin Templeton Sinoam Money Market Fund	-	Same as above	1,917	20,133	-	20,133	
	FSITC Taiwan Money Market Fund	-	Same as above	1,295	20,141	-	20,141	
	Mega Diamond Money Market Fund	-	Same as above	1,580	20,142	-	20,142	
	Capital Money Market Fund	-	Same as above	1,229	<u>20,139</u>	-	20,139	
					<u>110,769</u>			
Super Storage Technology Corporation	<u>Common shares</u>							
	Power Research Technology Corp.	-	Financial assets at fair value through other comprehensive income – non-current	833	<u>10,398</u>	12.53	10,398	

**Phison Electronics Corp.**

**Acquisition of Individual Real Estate Properties at Costs of at least NT\$300 Million or 20% of the paid-in capital**

**For the year ended December 31, 2022**

Table 2

(Amounts in Thousands)

Company Name	Types of Property	Transaction Date	Transaction Amount	Status of Payment	Counter-Party	Nature of Relationships	Prior Transaction of Related Counter-Party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship with the Company	Date of Transfer	Amount			
The Company	5th Factory in Zhunan	January 17, 2020 (Note 1)	1,398,000	Full payment	Engaging others to build on its own land (The contractor is Ruentex Engineering & Construction Co., Ltd.)	-	-	-	-	-	No applicable	For operational use	None
	Factory with loading and unloading parking space	November 12, 2020 (Note 1)	829,000	Full payment	Engaging others to build on its own land (The contractor is Ruentex Engineering & Construction Co., Ltd.)	-	-	-	-	-	No applicable	For operational use	None
	Land	January 21, 2022 (Note 2)	346,660	Full payment	Miaoli County Government	-	-	-	-	-	Appraisal report, market value announced, and actual price registration of transactions in the neighborhood	For operational use	None

Note 1: It was approved by the Board of Directors to engage others to build on the Company's own land and completed and accepted in June 2022.

Note 2: It was approved by the Board of Directors, and the Company won the bid on January 25, 2022.

**Phison Electronics Corp.**

**Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock**

**For the year ended December 31, 2022**

Table 3

(Amounts in Thousands)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sales	Amount	Percentage of Total Purchases/Sales (%)	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Receivable (Payable) (%)	
The Company	Kioxia Taiwan Corporation	The subsidiary of KIC	Purchase	11,413,643	32	Net 30 days after monthly closing	None	None	(578,866)	(10)	
	Orient Semiconductor Electronics, Ltd.	The Company had resigned in its position as the director on November 7, 2022; hence it was no longer a related party of the Group since then.	Processing cost	2,071,125	5	Net 30 days after monthly closing	None	None	-	-	
	Super Storage Technology Corporation	Sub-subsidiary	Processing cost	460,701	1	Net 30 days after monthly closing	None	None	(98,846)	(2)	
	Kioxia Corporation	The Company's director	Sales	(1,640,541)	(3)	Net 60 days after monthly closing	None	None	303,443	4	
	Solid State Storage Technology Corporation (including Hsinchu Science Park Branch)	The subsidiary of KIC	Sales	(235,261)	-	Net 45~60 days after monthly closing	None	None	42,789	1	

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sales	Amount	Percentage of Total Purchases/Sales (%)	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Receivable (Payable) (%)	
The Company	Apacer Technology Inc.	The Company is its director	Sales	(1,074,199)	(2)	Net 45 days after monthly closing	None	None	133,949	2	
	UDINFO CORP.	Since August 1, 2022, it became a subsidiary of Apacer Technology Inc.	Sales	(137,330)	-	Net 45 days after monthly closing	None	None	79,687	1	
	Hefei Core Storage Electronic Limited	The subsidiary of Hosin Global (SZ)	Sales	(2,122,032)	(4)	Net 7~45 days after receipt date and Net 45 days after monthly closing	None	None	322,540	5	
	Hefei Datang Storage Technology Co., Ltd.	The subsidiary of Hefei Xinpeng	Sales	(212,385)	-	Net 45 days after receipt date and Net 60 days after receipt date	None	None	67,217	1	
	Hosin Global Electronics Co., Ltd. (HK)	The subsidiary of Hosin Global (SZ)	Sales	(3,044,956)	(5)	Net 45 days after monthly closing	None	None	226,234	3	
	Nextorage Corporation	Subsidiary	Sales	(525,387)	(1)	Net 60 days after monthly closing	None	None	70,559	1	
	ProGrade Digital Inc.	Associate	Sales	(351,991)	(1)	Net 30 days after receipt date	None	None	17,052	-	

Note 1: The payment terms and credit terms to related parties were similar to those offered to non-related.



**Phison Electronics Corp.**  
**Receivables from Related Parties Amounting to at least NT\$100 Million or 20% of the Paid-in Capital**  
**December 31, 2022**

Table 4

(Amounts in Thousands)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note 1)	Allowance for Bad Debts	Note
					Amount	Action Taken			
The Company	Apacer Technology Inc.	The Company is its director	133,949	6.39	-	-	133,949	430	
	Kioxia Corporation	The Company's director	303,443	5.40	-	-	303,443	974	
	Hefei Core Storage Electronic Limited	The subsidiary of Hosin Global (SZ)	322,540	7.04	187,250	-	322,540	10,127	
	Hosin Global Electronics Co., Ltd. (HK)	The subsidiary of Hosin Global (SZ)	226,234	3.31	176,498	-	224,139	9,296	

Note 1: Information as of February 28, 2023.

**Phison Electronics Corp.**  
**Information on Investees (Excluding Information on Investees in Mainland China)**  
**For the year ended December 31, 2022**

Table 5

(Amount in Thousands)

The following is the information on investees for the years ended December 31, 2022 (excluding information on investees in Mainland China):

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of Investee	Share of Profits/Losses of Investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership (%)	Carrying Value			
The Company	Global Flash Limited	Samoa	Investment and trade	726,307	726,307	22,100,000	100.00	2,666,489	(857,194)	(857,194)	Subsidiary
	Regis Investment (Samoa) Limited	Samoa	Investment	655,995	655,995	21,900,000	100.00	1,148,118	(469,967)	(469,967)	Subsidiary
	Phisontech Electronics Taiwan Corp.	Taiwan	Investment and trade	581,363	581,363	55,000,000	100.00	707,425	44,171	44,007	Subsidiary
	Lian Xu Dong Investment Corporation	Taiwan	Investment	650,000	650,000	65,000,000	100.00	486,585	13,991	13,991	Subsidiary
	EpoStar Electronics (BVI) Corporation	British Virgin Islands	Investment	79,531	79,531	6,288,523	30.51	206,796	1,065	324	Investee accounted for using the equity method
	Emtops Electronics Corporation	Taiwan	Investment	380,000	380,000	38,000,000	100.00	392,286	17,524	17,524	Subsidiary
	Nextorage Corporation	Japan	R&D, design, manufacture and sale of flash memory application products	219,715	81,232	12,000	100.00	417,357	121,487	121,487	Subsidiary and note 2
	Power Flash (Samoa) Limited	Samoa	Investment and trade	150,190	150,190	4,800,000	100.00	148,096	2,180	2,180	Subsidiary
	ProGrade Digital Inc.	USA	Flash memory related products and market development	83,439	83,439	2,785,000	28.71	126,981	69,899	21,158	Investee accounted for using the equity method

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of Investee	Share of Profits/Losses of Investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership (%)	Carrying Value			
The Company	Everspeed Technology Limited	Samoa	Trade of electronic components	-	-	-	-	-	(4,051)	(4,051)	Subsidiary and note 3
	Phison Technology India Private Limited	India	Design, R&D, import and export of storage devices and electronic components	8,768	-	2,299,990	100.00	8,533	(1)	(1)	Subsidiary
	Phison Electronics Japan Corp.	Japan	Sales and service office	59,508	59,508	2,000	100.00	29,256	997	997	Subsidiary
	Microtops Design Corporation	Taiwan	Development and design of flash memory controllers and related products	22,638	22,638	2,263,800	49.00	<u>25,719</u>	4,972	<u>2,437</u>	Investee accounted for using the equity method
								<u>6,363,641</u>		<u>(1,107,108)</u>	
Lian Xu Dong Investment Corporation	Ostek Corporation	Taiwan	Manufacture and trade of electronic components	9,000	9,000	900,000	100.00	27,119	(1,853)	Note 1	Sub-subsubsidiary
Emtops Electronics Corporation	Phison Technology Inc.	USA	Sales and service office	90,419	90,419	3,000,000	100.00	127,403	14,055	Note 1	Sub-subsubsidiary
	Phison Technology India Private Limited	India	Design, R&D, import and export of storage devices and electronic components	-	-	10	-	-	(1)	Note 1	Subsidiary
Phisontech Electronics Taiwan Corp.	Super Storage Technology Corporation	Taiwan	Manufacture and trade of electronic components	452,954	452,954	34,842,595	100.00	588,141	46,237	Note 1	Sub-subsubsidiary
Global Flash Limited	Core Storage Electronic (Samoa) Limited	Samoa	Investment and trade	636,593	636,593	19,150,000	100.00	2,637,022	(858,978)	Note 1	Sub-subsubsidiary
Power Flash (Samoa) Limited	Power Flash (HK) Limited	Hong Kong	Sales and trade of electronic products	98,754	98,754	3,000,000	100.00	97,139	1,367	Note 1	Sub-subsubsidiary
Regis Investment (Samoa) Limited	RealYou Investment Limited	Hong Kong	Investment	654,726	654,726	21,850,000	100.00	1,159,107	(470,061)	Note 1	Sub-subsubsidiary

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

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

Note 3: The liquidation procedure of Everspeed Technology Limited was completed in July 2022.

**Phison Electronics Corp.**  
**Information on Investment in Mainland China**  
**For the year ended December 31, 2022**

Table 6

(Amounts in Thousands)

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Losses) of the Investee	Percentage of Ownership (%)	Investment Income (Losses)	Book Value	Accumulated Remittance of Earnings in as of December 31, 2022	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	(67,038)	100.00	(67,038)	91,477	-	
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)	-	-	-	-	(276,581)	24.23	(67,021)	81,685	-	
Hosin Global Electronics Co., Ltd. (SZ)	R&D and sale of electronic product and technical service and rendering of related services	1,798,778	2(1) and 2(2)	442,780	-	-	442,780	(3,125,705)	39.04	(1,276,066)	3,252,782	-	

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Losses) of the Investee	Percentage of Ownership (%)	Investment Income (Losses)	Book Value	Accumulated Remittance of Earnings in as of December 31, 2022	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	416	100.00	416	44,494	-	

(2) Limitation on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 2)
669,125	1,380,908	22,579,093

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.

**Phison Electronics Corp.**  
**Statement of Cash and Cash Equivalents**  
**December 31, 2022**  
**(Expressed in Thousands of New Taiwan Dollars,**  
**Unless Otherwise Specified)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash	Petty cash and cash on hand	\$ <u>115</u>
	Demand deposits	7,137,449
	Time deposits	2,957,650
	Foreign demand deposits (USD : 113,217 thousand ; JPY : 12,534 thousand ; CNY : 156 thousand)	3,480,492
	Foreign time deposits (USD : 50,000 thousand ; CNY : 23,000 thousand)	<u>1,636,884</u>
	Subtotal	<u>15,212,475</u>
	Total	<u><u>\$ 15,212,590</u></u>

Note: The exchange rates at the balance sheet date were as follows:

USD to NTD: 30.71

JPY to NTD: 0.232

CNY to NTD: 4.408

**Phison Electronics Corp.**

**Statement of Financial Assets Measured at Fair  
Value through Profit or Loss — Current and Non-  
current**

**December 31, 2022**

Please refer to note 6(2) for further information of financial assets measured at fair value through profit or loss.

**Statement of Financial Assets Measured at Fair  
Value through Other Comprehensive Income — Non-  
current**

Please refer to note 6(4) for further information of financial assets measured at fair value through other comprehensive income — non-current.

**Phison Electronics Corp.**  
**Statement of Accounts Receivable**  
**December 31, 2022**  
**(Expressed in Thousands of New Taiwan Dollars)**

Name of customer	Amount
Related parties	
Company A	\$ 332,668
Company B	304,417
Company C	235,530
Company D	134,379
Company E	79,942
Company F	70,559
Company G	68,031
Others (the amount of individual customer does not exceed 5% of the account balance)	<u>66,440</u>
Subtotal	1,291,966
Less: loss allowance	<u>(22,110)</u>
	<b><u><u>\$ 1,269,856</u></u></b>
Unrelated parties	
Company H	\$ 828,771
Company I	522,091
Company J	486,213
Company K	455,955
Others (the amount of individual customer does not exceed 5% of the account balance)	<u>3,633,157</u>
Subtotal	5,926,187
Less: loss allowance	<u>(88,634)</u>
	<b><u><u>\$ 5,837,553</u></u></b>

Note: Accounts receivable are generated from operating activities.



**Phison Electronics Corp.**

**Statement of Inventories**

**December 31, 2022**

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

<u>Item</u>	<u>Amount</u>	
	<u>Cost</u>	<u>Net realizable value</u>
Raw materials	\$ 14,757,068	17,646,558
Work in process	2,423,833	3,146,063
Semi-finished goods	2,972,532	3,907,501
Finished goods	<u>130,882</u>	<u>152,764</u>
Total	<u>\$ 20,284,315</u>	<u>24,852,886</u>

**Statement of Other Current Assets**

<u>Item</u>	<u>Amount</u>
Temporary payments	\$ <u>869</u>

**Statement of Prepayments**

<u>Item</u>	<u>Amount</u>
Prepaid insurance	\$ 10,836
Prepayment for purchases	11,549
Others (individual amount does not exceed 5% of the account balance)	<u>39,903</u>
Total	<u>\$ 62,288</u>

**Phison Electronics Corp.**  
**Statement of Movements in Investments Accounted for Using the Equity Method**  
**For the year ended December 31, 2022**  
**(Expressed in Thousands of New Taiwan Dollars, in thousands shares)**

Name of investee	Beginning balance		Increase (Decrease)		Share of profits/losses of investee	Cash dividends	Capital surplus	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	Other adjustments	Unrealized gain on transaction	Ending balance		Percentage of ownership	Net assets value	Pledged as collateral
	Shares	Amount	Shares	Amount								Shares	Amount			
ProGrade Digital Inc.	2,785	\$ 98,019	-	-	21,158	-	(3,708)	7,670	-	-	3,842	2,785	126,981	28.71	88,891	None
EpoStar Electronics (BVI) Corporation	6,289	421,077	-	-	324	-	-	-	(214,605)	-	-	6,289	206,796	30.51	206,796	None
Microtops Design Corporation	2,264	23,282	-	-	2,437	-	-	-	-	-	-	2,264	25,719	49.00	25,719	None
Nextorage Corporation	6	74,263	6	138,483	121,487	-	-	13,428	-	43,978 (note 1)	25,718	12	417,357	100.00	417,357	None
Lian Xu Dong Investment Company	65,000	589,527	-	-	13,991	-	35	-	(116,968)	-	-	65,000	486,585	100.00	486,585	None
Emtops Electronics Corp.	38,000	358,981	-	-	17,524	-	4,327	11,454	-	-	-	38,000	392,286	100.00	392,286	None
Phison Electronics Japan Corp.	2	29,222	-	-	997	-	-	(963)	-	-	-	2	29,256	100.00	29,256	None
Phisontech Electronics Taiwan Corp	55,000	664,963	-	-	44,007	-	-	-	(1,545)	-	-	55,000	707,425	100.00	707,374	None
Everspeed Technology Limited	1,000	108,037	(1,000)	(7,099)	(4,051)	(96,880)	-	(2,744)	-	2,737 (note 2)	-	-	-	-	-	-
Power Flash (Samoa) Limited	4,800	135,870	-	-	2,180	-	-	10,046	-	-	-	4,800	148,096	100.00	148,096	None
Regis Investment (Samoa) Limited	21,900	1,246,189	-	-	(469,967)	-	331,248	44,586	-	-	(3,938)	21,900	1,148,118	100.00	1,160,394	None
Global Flash Limited	22,100	2,753,036	-	-	(857,194)	-	684,584	94,408	-	-	(8,345)	22,100	2,666,489	100.00	2,686,468	None
Phison Technology India Private Limited	-	-	2,300	8,768	(1)	-	-	(234)	-	-	-	2,300	8,533	100.00	8,533	None
<b>Total</b>		<b>\$ 6,502,466</b>		<b>140,152</b>	<b>(1,107,108)</b>	<b>(96,880)</b>	<b>1,016,486</b>	<b>177,651</b>	<b>(333,118)</b>	<b>46,715</b>	<b>17,277</b>		<b>6,363,641</b>		<b>6,357,755</b>	

Note 1: The balances include Gain on a bargain purchase \$16,289 thousand and Gain on disposal of investments accounted for using the equity method \$27,689 thousand.

Note 2: The balances included the gain on disposal of investments accounted for using the equity method.

**Phison Electronics Corp.**  
**Statement of Movement in Right-of-Use Assets**  
**For the year ended December 31, 2022**

Please refer to note 6(11) for further information of lease.

**Statement of Movement in Intangible Assets**

Please refer to note 6(12) for further information of intangible assets.

**Statement of Other Non-current Assets**  
**December 31, 2022**  
**(Expressed in Thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Amount</b>
Refundable deposits	\$ 588,157
Prepayments for equipment	<u>48,354</u>
	<u><u>\$ 636,511</u></u>

**Phison Electronics Corp.**  
**Statement of Accounts Payable**  
**December 31, 2022**  
**(Expressed in Thousands of New Taiwan Dollars)**

<b>Vendor name</b>	<b>Amount</b>
Related parties	
Company L	\$ 578,866
Company M	98,846
Others (the amount of individual vendor does not exceed 5% of the account balance)	4,281
	<b>\$ <u>681,993</u></b>
Unrelated parties	
Company I	\$ 1,345,163
Company N	1,028,606
Company O	742,147
Company P	327,867
Others (the amount of individual vendor does not exceed 5% of the account balance)	1,849,019
	<b>\$ <u>5,292,802</u></b>

Note: Accounts payable are generated from operating activities.

**Phison Electronics Corp.**  
**Statement of Other Payables**  
**December 31, 2022**

Please refer to note 6(14) for further information of other payables.

**Statement of Other Current Liabilities**

Please refer to note 6(15) for further information of other current liabilities.

**Statement of Lease Liabilities**

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

<u>Item</u>	<u>Summary</u>	<u>Lease period</u>	<u>Discount rate</u>	<u>Ending balance</u>	<u>Note</u>
Building	Plant and dormitory	May 1, 2021~ December 31, 2026	0.508%~0.810%	\$ 113,065	
Transportation equipment	Company car	November 2, 2020~ May 31, 2025	0.579%~0.810%	<u>641</u>	
				113,706	
Less: lease liabilities, current portion				<u>(35,145)</u>	
				<u><u>\$ 78,561</u></u>	

**Phison Electronics Corp.**  
**Statement of Operating Revenue**  
**For the year ended December 31, 2022**  
**(Expressed in Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>
Operating revenue:		
Flash memory module products	156,779 thousand	\$ 42,202,620
Integrated Circuit	36,219 thousand	2,057,361
Controllers	464,371 thousand	14,274,982
Others		<u>1,813,425</u>
		60,348,388
Less: Sales returns and allowances		<u>(777,373)</u>
Net operating revenue		<u>\$ 59,571,015</u>

**Phison Electronics Corp.**  
**Statement of Operating Costs**  
**For the year ended December 31, 2022**  
**(Expressed in Thousands of New Taiwan Dollars)**

Item	Amount
Raw materials	
Beginning balance of raw materials	\$ 11,809,699
Add: Raw materials purchased	34,919,414
Less: Others	719,063
Ending balance of raw materials	14,757,068
Direct raw material	31,252,982
Direct labor	41,864
Manufacturing overhead	9,456,261
Manufacturing cost	40,751,107
Add: Beginning balance of work-in -process	4,642,900
Beginning balance of semi-finished goods	2,902,052
Work-in-process and semi-finished goods purchased	261,371
Less: Ending balance of work-in -process	2,423,833
Ending balance of semi-finished goods	2,972,532
Others	478,383
Cost of finished goods	42,682,682
Add: Beginning balance of finished goods	136,467
Less: Ending balance of finished goods	130,882
Others	10,164
Cost of finished goods	42,678,103
Total cost of sales	<b>\$ 42,678,103</b>

**Phison Electronics Corp.**  
**Statement of Operating Expenses**  
**For the year ended December 31, 2022**  
**(Expressed in Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Marketing expenses</u>	<u>General and administrative expenses</u>	<u>Research and development expenses</u>	<u>Expected credit loss (gain)</u>
Payroll expense	\$ 307,173	613,259	5,820,327	-
Promotion service	403,044	-	-	-
Royalty expense	142,740	-	23,409	-
Commission expense	108,217	-	-	-
Depreciation	3,491	59,512	334,881	-
Impairment loss	-	-	-	63,035
Others (individual amount does not exceed 5% of the account balance)	<u>212,002</u>	<u>221,943</u>	<u>1,953,070</u>	<u>-</u>
Total	<u>\$ 1,176,667</u>	<u>894,714</u>	<u>8,131,687</u>	<u>63,035</u>