

2Q24 Consolidated Financial Report Announcement

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

2Q24: Taiwan-International Financial Reporting Standards (TIFRS) Financial Measures

- ◆ **The consolidated operating revenue for this quarter was NT\$15.895 billion, a decrease of 3.8% from the previous quarter and an increase of 58.8% compared to the same period last year.**
- ◆ **The consolidated gross margin rate for this quarter was 34.9%, an increase of 1.0% from the previous quarter and an increase of 2.4% compared to the same period last year.**
- ◆ **The consolidated operating income for this quarter was NT\$1.997 billion, an increase of 59.6% from the previous quarter and an increase of 178.3% compared to the same period last year.**
- ◆ **The consolidated net income for this quarter was NT\$2.451 billion, with earnings per share of NT\$11.97.**

Consolidated Revenue

Phison Electronics announced financial results of second-quarter ended June 30, 2024. The consolidated operating revenue for the second quarter of 2024 was NT\$15.895 billion, representing a decrease of 3.8% compared to the previous quarter and an increase of 58.8% compared to the same period last year.

Consolidated Gross Profit and Gross Margin

The consolidated gross profit for this quarter was NT\$5.541 billion, reflecting a 1.2% decrease from the previous quarter and a 70.5% increase from the same period last year.

The consolidated gross margin for this quarter was 34.9%, marking a 1.0% increase from the previous quarter and a 2.4% increase from the same period last year.

Consolidated Operating Expenses

The operating expenses for this quarter amounted to NT\$3.544 billion (22.3% of operating revenue), compared to NT\$4.355 billion (26.4% of operating revenue) in the previous quarter, and NT\$2.533 billion (25.3% of operating revenue) for the same period last year.

Operating expenses for the quarter included:

- ◆ R&D expenses totaled NT\$2.853 billion (18.0% of operating revenue), which is lower than the previous quarter's NT\$3.536 billion (21.4% of operating revenue) and higher than the same period last year's NT\$1.983 billion (19.8% of operating revenue).
- ◆ Marketing expenses amounted to NT\$0.4 billion (2.5% of operating revenue), lower than the previous quarter's NT\$0.409 billion (2.5% of operating revenue) and higher than the same period last year's NT\$0.3 billion (3.0% of operating revenue).
- ◆ General and administrative expenses amounted NT\$0.269 billion (1.7% of operating revenue), lower than the previous quarter's NT\$0.449 billion (2.7% of operating revenue) and higher than the same period last year's NT\$0.19 billion (1.9% of operating revenue).

Consolidated Operating Income and Operating Margin

The operating income for this quarter was NT\$1.997 billion, which was an increase of 59.6% from the previous quarter and an increase of 178.3% from the same period last year.

The operating profit margin for this quarter was 12.6%, higher than the previous quarter's 7.6% and higher than the same period last year's 7.2%.

Consolidated Non-Operating Income (loss) and Income Tax

The non-operating incomes for the quarter was NT\$0.893 billion, or 5.6% of revenue. This was mainly due to the gains of investments for using the equity, the net foreign exchange gains and gains and losses on financial assets at fair value through profit or loss. The income tax expense for the quarter was NT\$0.439 billion.

Consolidated Net Income, Net Profit Margin and EPS

The net income for this quarter was NT\$2.451 billion, an increase of 1.3% from the previous quarter and an increase of 456.2% from the same period last year.

The net profit margin for this quarter was 15.4%, higher than the previous quarter's 14.6% and higher than the same period last year's 4.4%.

Earnings per share (EPS) for this quarter was NT\$11.97, lower than the previous quarter's NT\$12.02, and higher than the same period last year's NT\$2.28.

Consolidated Cash and Financial Assets-Current

Cash and Financial assets at fair value-current at the end of the quarter was NT\$16.583billion, which presents 21.4% of total assets. Cash and Financial assets at fair value-current was NT\$15.262billion and NT\$13.366billion at the end of the previous quarter and the year-ago quarter, respectively. Financial assets-current portfolio includes funds, domestic listed stocks and derivatives and so on.

Consolidated Accounts Receivable

The net accounts receivable for this quarter totaled NT\$10.481 billion, with an average accounts receivable turnover of 57 days (calculated based on the average net accounts receivable for this quarter and the annualized current sales revenue), which is higher than the 54 days of the previous quarter and lower than the 63 days of the same period last year.

Consolidated Inventory

The net inventory for this quarter amounts to NT\$30.411 billion. In terms of inventory type analysis for this quarter, more than 75% of the company's inventory is applied to the Non-Retail market, including approximately 17% for controllers, roughly 15% for industrial applications, around 23% for enterprise and server applications, and about 23% for Embedded ODM. Moving forward, the company will continue to closely monitor market demand and adjust inventory according to its strategies.

The average inventory turnover days for this quarter is 235 days (calculated based on the average net inventory for this quarter and the annualized cost of goods sold), which is higher than the 228 days of the previous quarter and lower than the 274 days of the same period last year.

Cash Dividend Distribution

The cash dividend for the first half of 2024, approved by the Board of Directors, is NT\$13.19 per share.

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

Market Overview

The demand for retail DIY upgrades of low-end SSDs has slowed down, primarily because desktop PCs are now pre-installed with SSDs before shipment, leading to a short-term decrease in the need for end-users to purchase SSDs for upgrades (in other words, the demand for low-end SSDs in the retail market may gradually decline). However, in the long term, there is potential for this demand to shift towards large-capacity SSDs and high-end SSD DIY upgrades, particularly in applications such as gaming, content creation, and generative AI.

K.S. Pua, CEO of Phison Electronics, stated that although the demand in the retail low-end SSD DIY upgrade market is slowing down, Phison has been strategically investing in the non-retail and high-end SSD markets for many years. This includes recent revenue gains from enterprise SSDs, the aiDAPTIV+ solution for generative AI on-premises fine-tuning computations, the PC OEM pre-installation market, automotive storage, and high-speed signal transmission solutions like Redriver/Retimer ICs, all of which demonstrate Phison's foresight and strategic deployment.

K.S. Pua further explained that according to market research data, the rise of generative AI applications and AI servers, where SSDs are responsible for storing AI model parameters and large volumes of generated data (including text, photos, videos, etc.), is expected to drive the annual growth rate of AI-related SSD demand to over 60%. Phison's enterprise SSDs and aiDAPTIV+ align perfectly with this trend, and both are expected to positively contribute to the company's future revenue and profitability.

【Supplemental Information】

Reconciliations of TIFRS Results to Non-TIFRS Results

NT\$/million		2Q24	1Q24	2Q23	Q/Q (%)	Y/Y (%)
TIFRS	Operating Profit	1,997	1,252	717	59.5%	178.5%
	Operating Profit Margin (%)	12.56%	7.57%	7.17%		
Reconciliations	Shares-based payment	26	1,271	66		
Non-TIFRS	Operating Profit	2,023	2,523	783	(19.8%)	158.4%
	Operating Profit Margin (%)	12.73%	15.27%	7.82%		

TIFRS	Net Income	2,451	2,420	441	1.3%	455.8%
	Net Income (%)	15.42%	14.64%	4.40%		
	Basic EPS (NT\$)	11.97	12.02	2.28		
Reconciliations	Shares-based payment	26	1,271	66		
	Tax effect	(4)	(182)	(19)		
Non-TIFRS	Net Income	2,473	3,509	488	(29.5%)	406.8%
	Net Income (%)	15.56%	21.23%	4.88%		
	Basic EPS (NT\$)	12.08	17.43	2.52		

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

Note2: Sums may not equal totals due to rounding.

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[PHISON's Quick Facts]

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

[About PHISON]

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

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

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[Forward-looking Statements]

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