

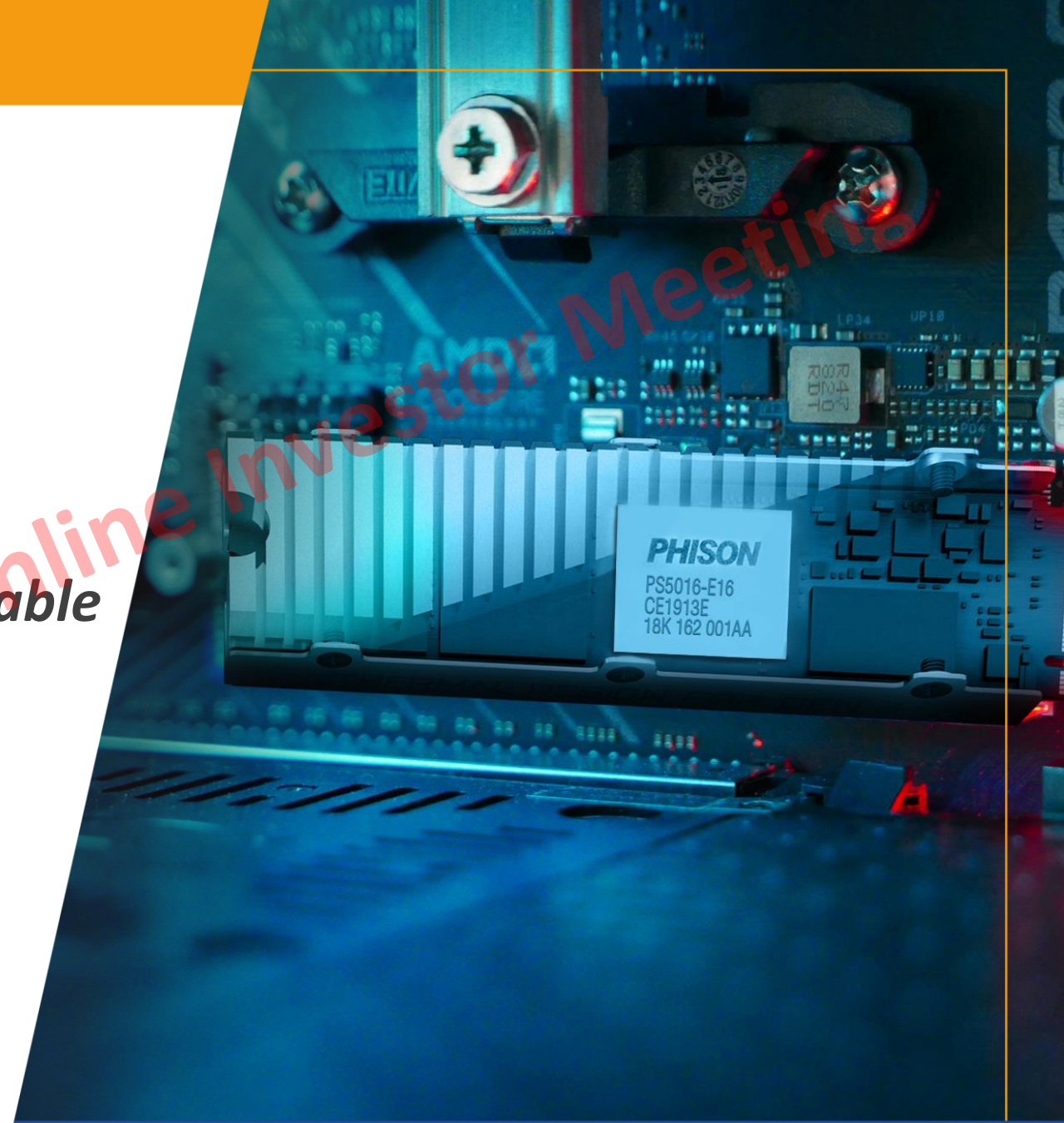
PHISON

Knows What You Need

PCIe Gen 4 Jump Starts Our Sustainable Technology Leadership

KS Pua | Chairman and CEO of Phison Electronics

08/13/2020



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Enhanced Value for Shareholders

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1.

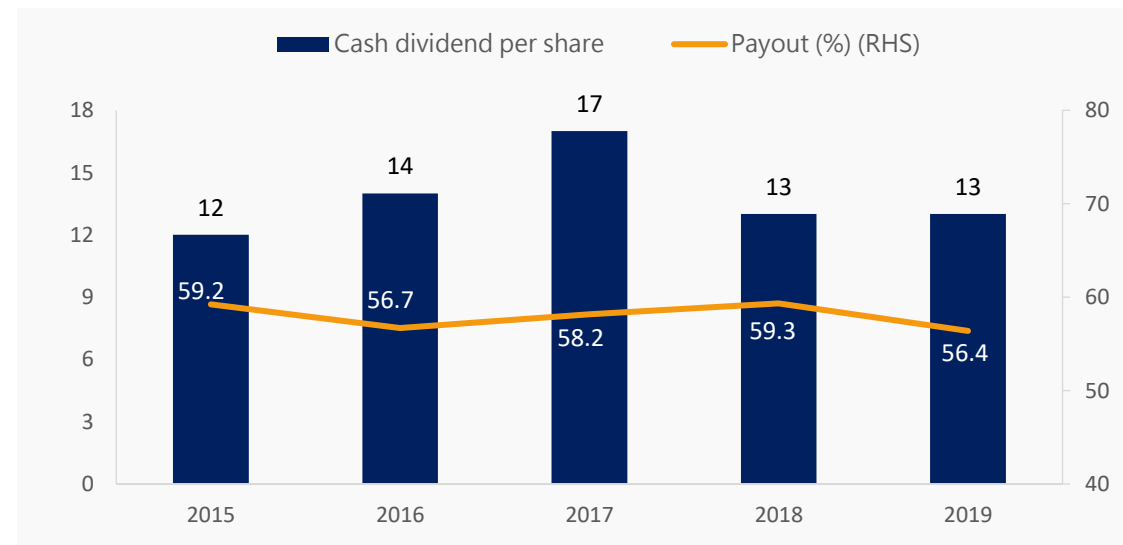
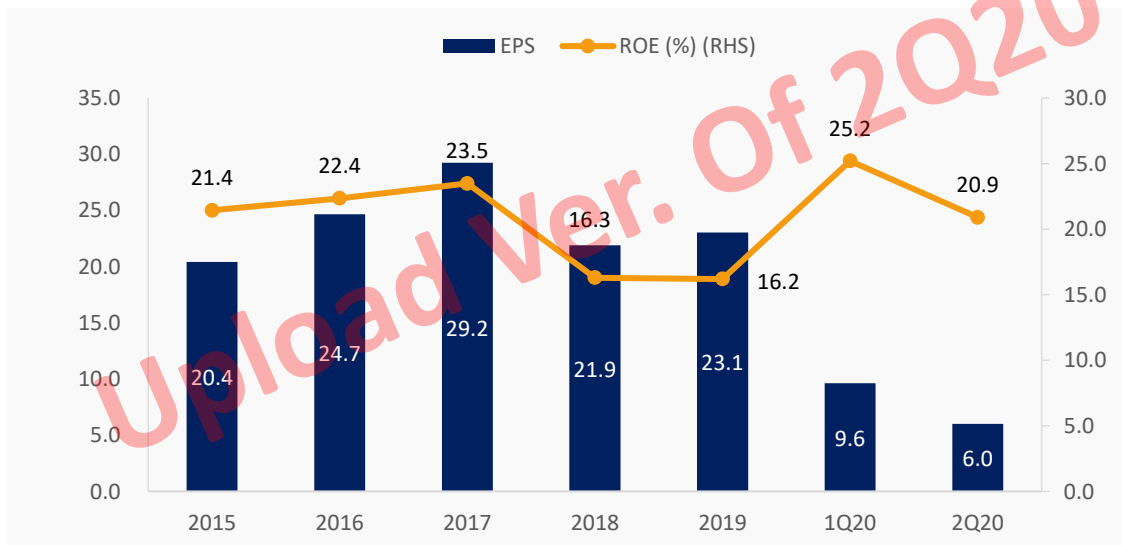
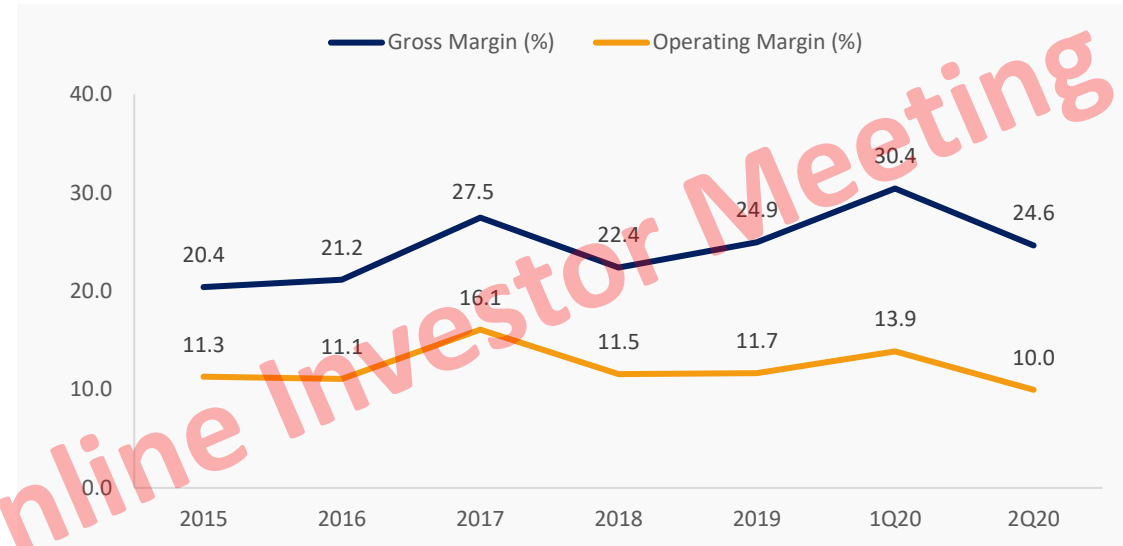
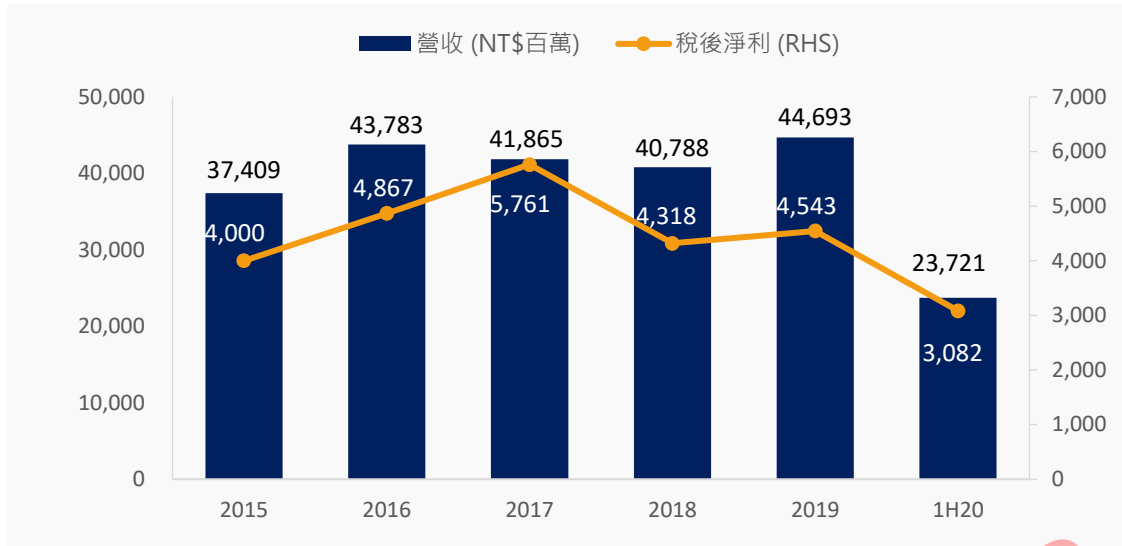
2Q20 Financial Performance and Business Update

Income Statement Highlight

NT\$m	2015	2016	2017	2018	2019	1Q20	2Q20	YoY (%)					
								2016	2017	2018	2019	1Q20	2Q20
Revenue	37,409	43,783	41,865	40,788	44,693	12,867	10,855	17.0	-4.4	-2.6	9.6	37.7	11
Gross Profit	7,627	9,264	11,500	9,132	11,149	3,866	2,673	21.5	24.1	-20.6	22.1	84.5	22.8
Operating Expenses	- 3,401	- 4,421	- 4,768	- 4,422	- 5,939	- 2,083	-1,593	30.0	7.8	-7.3	34.3	102.8	43.5
Operating Profit	4,227	4,843	6,732	4,710	5,210	1,783	1,080	14.6	39.0	-30.0	10.6	67.0	1.3
Pretax Income	4,473	5,477	6,718	5,005	5,351	2,238	1,123	22.4	22.7	-25.5	6.9	115.0	15.1
Tax Expenses	- 577	- 675	- 957	- 687	- 805	- 340	62	17.1	41.7	-28.2	17.2	113.6	-131.6
Net Income to Parent	3,896	4,802	5,761	4,318	4,546	1,898	1,185	23.3	20.0	25.0	5.2	115.2	51.7
Basic EPS (NT\$)	20.41	24.67	29.23	21.91	23.05	9.63	6.00	20.9	18.5	-25.0	5.2	115.4	51.5
Key Financial Ratios (%)													
Gross Margin	20.4	21.2	27.5	22.4	24.9	30.4	24.6						
Operating Expense Ratio	9.1	10.1	11.4	10.8	13.3	16.2	14.7						
Operating Margin	11.3	11.1	16.1	11.5	11.7	13.9	10.0						
Effect Tax Rate	12.9	12.3	14.2	13.7	15.0	15.2	-5.5						
Net Margin	10.4	11.0	13.8	10.6	10.2	14.8	10.9						

Balance Sheet Highlight

NT\$mn	2015	2016	2017	2018	2019	1Q20	2Q20	YoY (%)					
								2016	2017	2018	2019	1Q20	2Q20
Total Assets	28,419	31,976	35,127	36,439	38,637	41,921	41,310	12.5	9.9	3.7	6.0	7.1	9.2
Cash	12,406	14,958	14,142	14,176	10,205	10,259	11,468	20.6	-5.5	0.2	-28.0	-27.7	-2.3
AR & NR	4,434	4,801	5,731	5,244	5,934	6,968	5,151	8.3	19.4	-8.5	13.2	54.3	3.5
Inventories	5,251	5,222	7,192	7,577	11,533	13,172	13,062	-0.6	37.7	5.3	52.2	24.9	19.2
Fixed Assets	1,637	2,426	2,823	2,990	3,283	3,391	3,714	48.2	16.3	5.9	9.8	13.1	24.1
Total Liabilities	7,869	8,977	9,069	9,527	9,448	10,793	11,461	14.1	1.0	5.1	-0.8	-3.8	-1.8
AP & NP	4,256	3,857	3,647	4,806	3,643	3,734	2,498	-9.4	-5.4	31.8	-24.2	-42.3	-47.7
Total Equity	20,550	22,998	26,058	26,912	29,189	31,128	29,849	11.9	13.3	3.3	8.5	11.5	14.1
Key Financial Ratios													
A/R Turnover Days	41.4	38.5	45.9	48.4	45.6	45.7	42.6						
Inventory Turnover Days	66.1	55.4	74.6	85.1	104.0	125.9	131.3						
A/P Turnover Days	50.9	42.9	45.1	48.7	46.0	37.6	32.7						
Cash Conversion Days	56.6	51.0	75.4	84.8	103.6	134.0	141.2						
ROE (%)	20.9	22.1	23.5	16.3	16.2	25.2	20.9						
ROA (%)	15.0	15.9	17.2	12.1	12.1	18.9	15.4						



Annual Cumulative Total Bit Shipment: 17.3% YoY

**SSD + eMMC Controller Shipment 38% YoY
PCIe SSD Controller Shipment 111% YoY**



Controller IC

- Record-high 1H SSD controller IC sales assisted by strong Gen 4 demand
- Expect sequential PCIe sales growth in 2H20 as our Gen 4 technology leadership continues



IP Licensing

- First company to deliver Gen 4 IP to customers
- Licensing world's leading Gen 4 IP with more than 90% gross margin
- Expect more ASIC design services



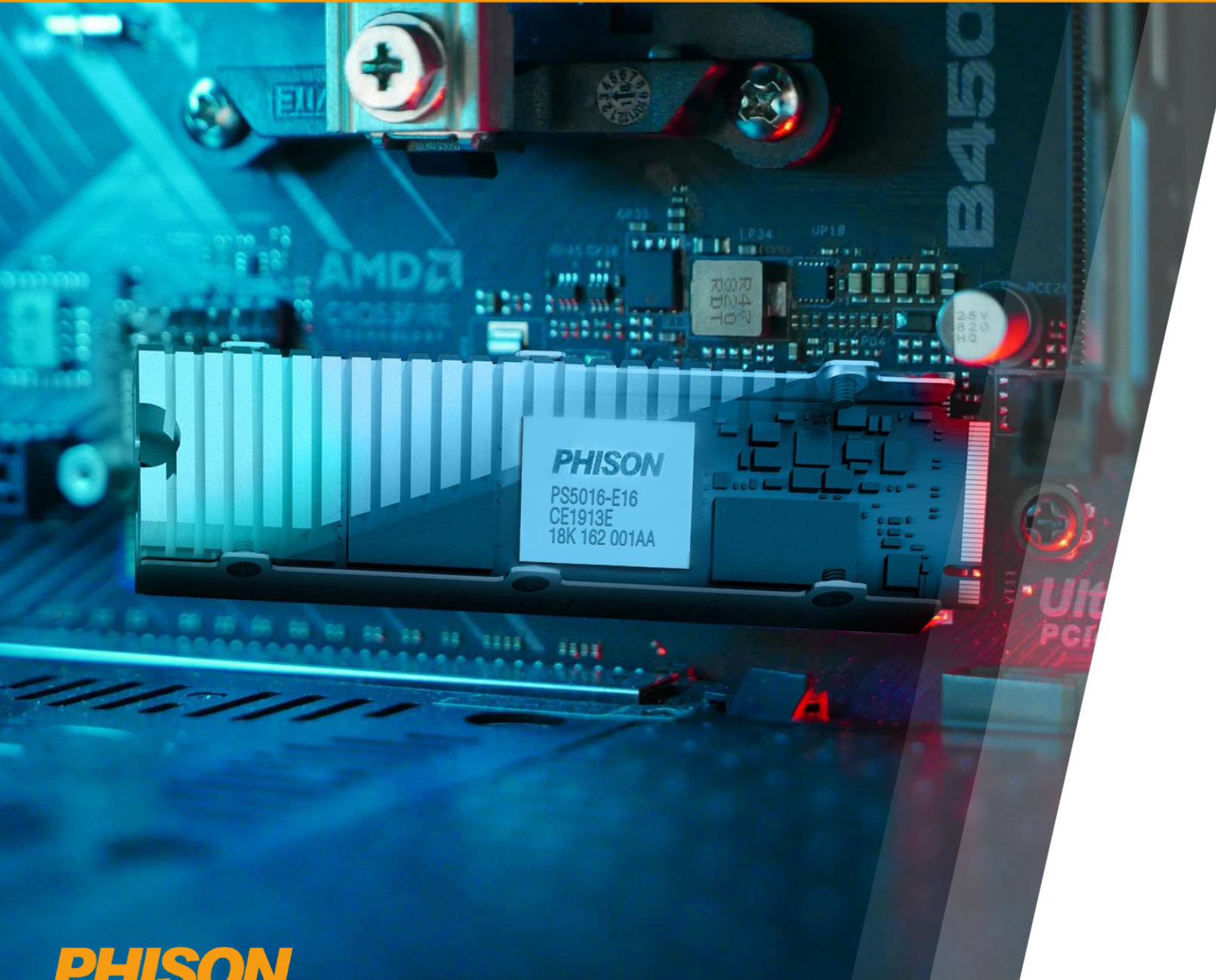
Industrial & Embedded

- Industrial: strong demand from medical device makers
- Automotive: expect Strong demand from EV infrastructure customers
- Data Center: focus on legacy enterprise applications



Consumer

- eMMC and UFS: expect new growth in 5G mobile devices
- Expect new gaming console demand in 2H20 led by Gen 4 technology
- Expect sequential gaming PC sales growth in 2H20



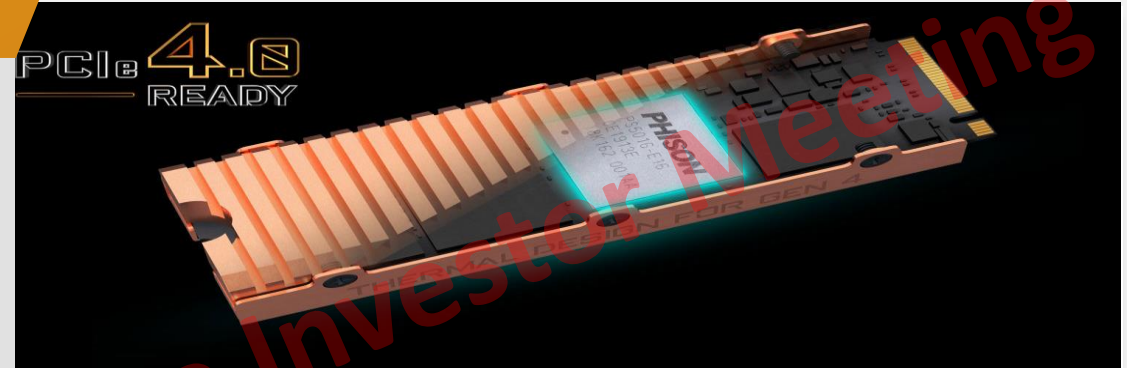
2.

PCIe Gen 4 Breakthrough Expands Our Addressable Market

We Are The World Leader of PCIe Gen 4 Solution

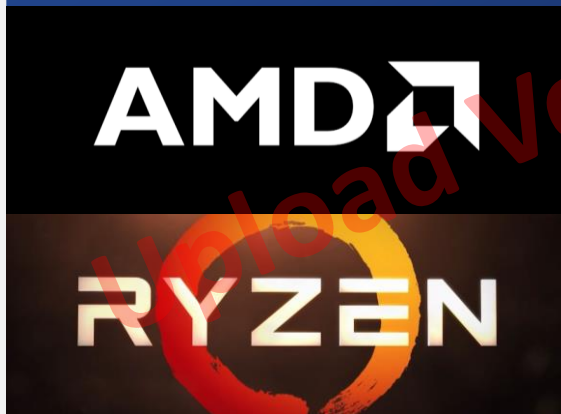


And more...



- 12 months lead in technology
- 18 months break even period

Design-Win for AMD PCIe Gen 4



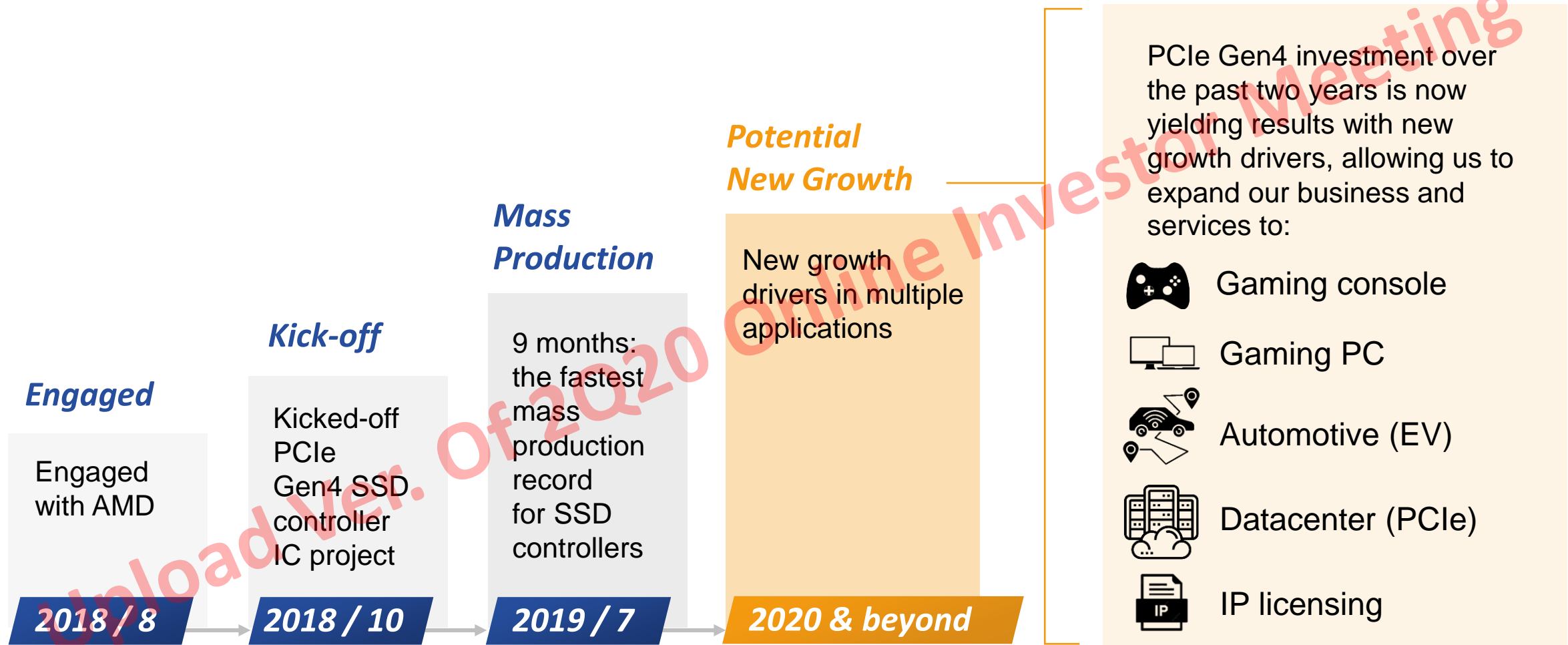
RYZEN CPU & Motherboard
The world's first PC platform to support PCIe Gen 4 connectivity.

Investment for Technology Leadership



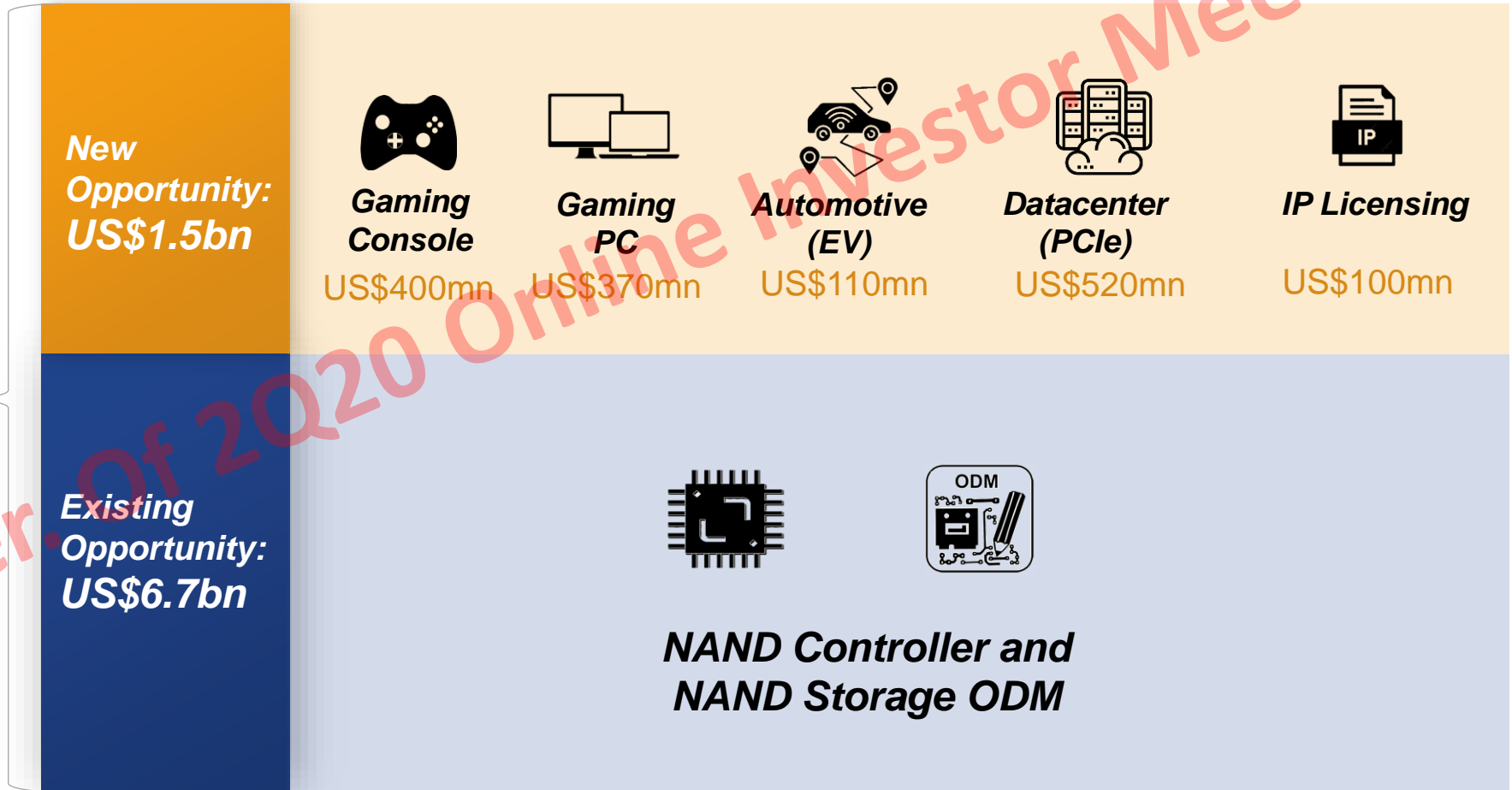
US\$25mn
R&D investment
for AMD PCIe Gen 4

150 R&D engineers
for AMD PCIe Gen 4



PCIe Gen 4 expands our current SSD serviceable addressable market (SAM) from US\$6.7bn to US\$8.2bn. Our new market opportunity is US\$1.5bn, including gaming, PC OEM, automotive, datacenter and IP licensing.

Our current SSD SAM:
US\$8.2bn



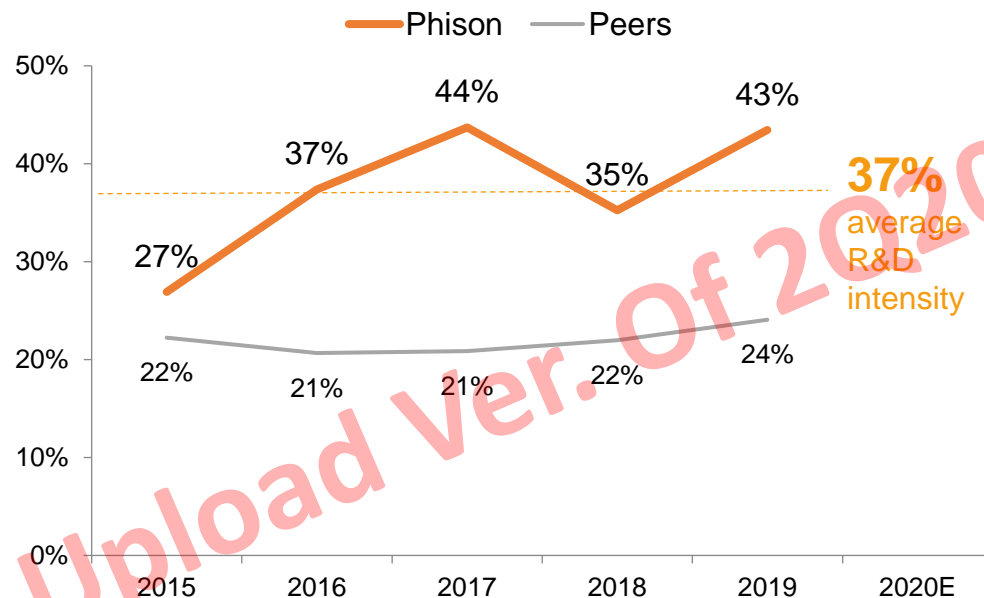
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3.

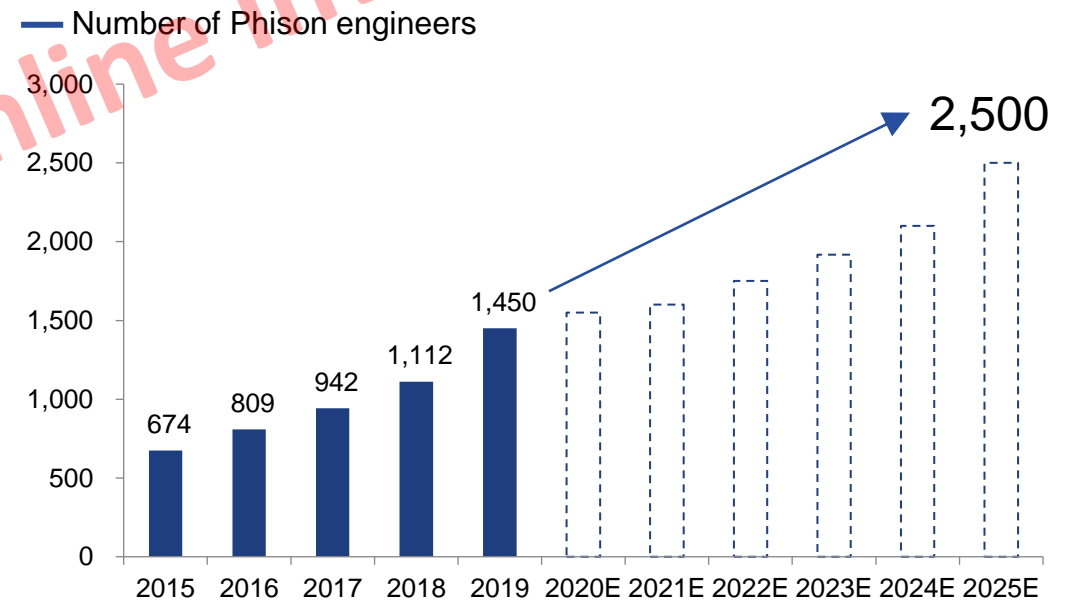
Current and Future Technology Leadership

Our average R&D intensity of 37%* is higher than peers average of 22%** . We will continue to allocate resources to technology development by maintaining industry-leading R&D intensity and recruiting high-quality engineers.

Continue to invest in our technology leadership

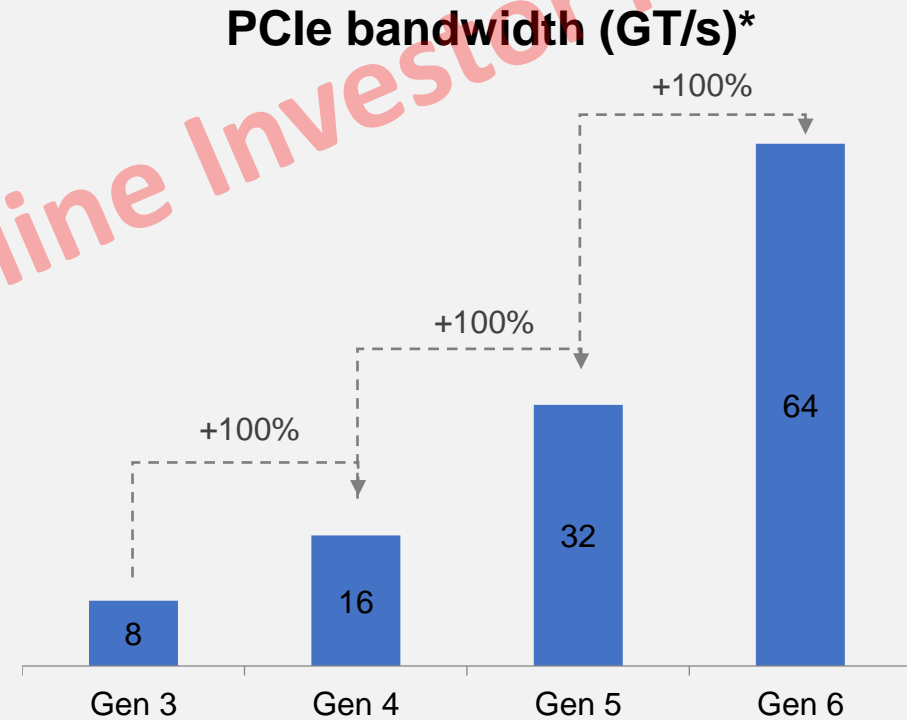
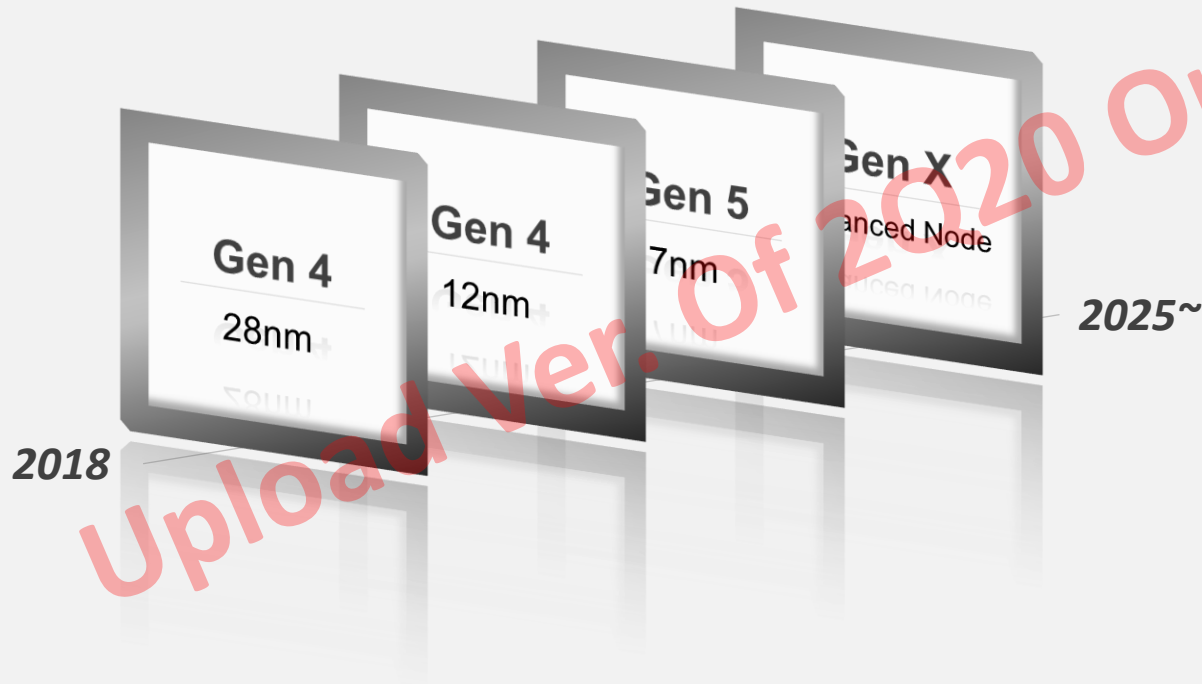


On-going recruitment: 2,500 engineers by 2025



*RD intensity is RD expense/IC related sales. ** Peers include SIMO, Marvell, MediaTek, Realtek, Novatek and Silergy.

During the next 5 years, our SSD Controller IC products will migrate from 28nm to 7nm and below, supporting PCIe Gen 5 and Gen X to achieve superior performance and less power consumption.



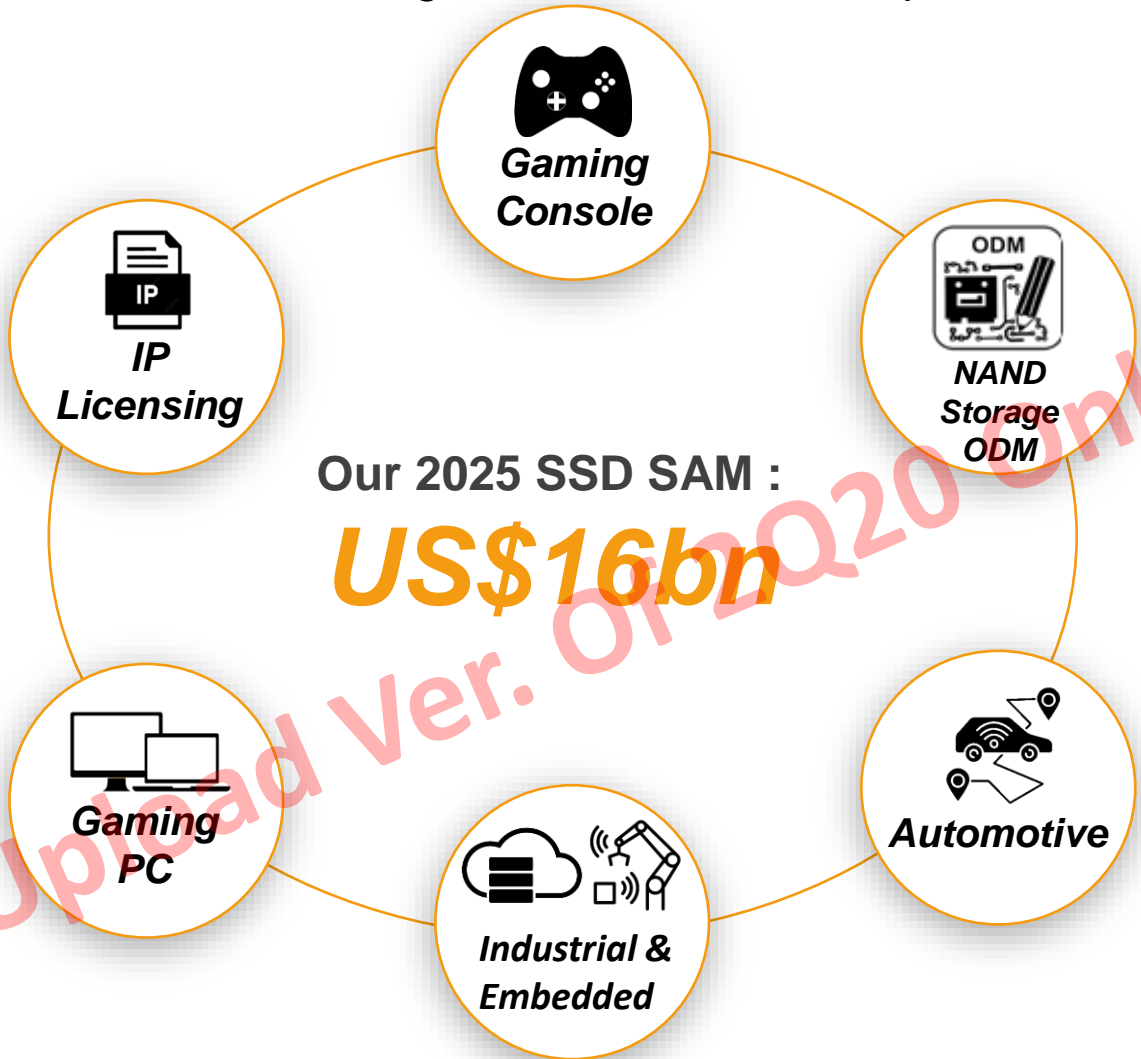
*Source: PCIe SIG

4.

**Our 5-year Vision:
To Become the Largest
SSD Controller IC
Supplier in the World**



As we advance our controller IC competitiveness, we will attract NAND flash makers to outsource more orders. We aim to become the largest SSD controller IC provider in the world with US\$16bn SAM by 2025 and beyond.



Global NAND flash manufacturers:

- KIOXIA**
- YMC**
Yangtze Memory Technologies
- Micron**
- intel**
- Western Digital**
- SK hynix**
- SAMSUNG**

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5.

Enhanced Value for Shareholders

Leading Edge Technology

- Maintain industry leading R&D intensity
- Leading Controller IC roadmap
- Increasing SAM from US\$6.7bn to US\$8.2bn

To become the largest SSD Controller IC Supplier in the World

- Enhancing IC competitiveness
- Increasing LT SAM from US\$8.2bn to US\$16bn

Market Share Gain

- SSD IC shipment share target: 25-30%
- Module Bits to outgrow the industry

Sustainable Margin Expansion

- We aim to achieve 25% \pm 5% LT sustainable GPM

Increase Total Shareholder Return

- 5-year ROE target to reach 20-25%
- At least 50% payout ratio