

Phison Electronics Corp. and Subsidiaries
Consolidated Financial Statements
With Independent Auditors' Review Report
For the Three Months Ended March 31, 2025 and 2024

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The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

To the Board of Directors of Phison Electronics Corp.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Phison Electronics Corp. and its subsidiaries ("the Group") as of March 31, 2025 and 2024, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2025 and 2024, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard ("IASs") 34, "Interim Financial Reporting", endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(2), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$6,910,524 thousand and \$4,051,768 thousand, each constituting 10% and 5% of the consolidated total assets as of March 31, 2025 and 2024, respectively, total liabilities amounting to \$730,542 thousand and \$676,170 thousand, each constituting 3% and 2% of the consolidated total liabilities as of March 31, 2025 and 2024, respectively, and total comprehensive income (loss) amounting to \$196,042 thousand and \$211,675 thousand, constituting 17% and 8% of the consolidated total comprehensive income (loss) for the three months ended March 31, 2025 and 2024, respectively.



Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Phison Electronics Corp. and its subsidiaries as of March 31, 2025 and 2024, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2025 and 2024 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting”, endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are An-Chih Cheng and Chun-Yuan Wu.

KPMG

Taipei, Taiwan (Republic of China)
May 7, 2025

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors’ review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors’ review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Phison Electronics Corp. and subsidiaries
Consolidated Balance Sheets
March 31, 2025, December 31, 2024, and March 31, 2024
(Expressed in Thousands of New Taiwan Dollars)

Assets		March 31, 2025		December 31, 2024		March 31, 2024		Liabilities and Equity		March 31, 2025		December 31, 2024		March 31, 2024	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(1))	\$ 17,783,224	25	19,982,162	29	14,142,086	19	2100	Short-term borrowings (note 6(11))	\$ -	-	813,068	1	3,737,600	5
1110	Financial assets at fair value through profit or loss— current (notes 6(2) and 6(15))	754,750	1	743,512	1	1,119,520	1	2130	Contract liabilities—current	441,717	1	168,577	-	176,275	-
1136	Financial assets at amortized cost—current (note 8)	41,014	-	40,807	-	40,739	-	2170	Accounts payable	4,316,131	6	1,309,205	2	4,768,184	6
1170	Accounts receivable, net (note 6(4))	7,751,103	11	7,406,796	11	8,146,274	11	2180	Accounts payable—related parties (note 7)	2,976,802	4	-	-	2,047,309	3
1180	Accounts receivable—related parties, net (notes 6(4) and 7)	1,169,630	2	604,095	1	1,770,647	2	2200	Other payables (note 6(12))	8,139,385	11	10,051,558	15	6,862,242	9
1200	Other receivables (notes 6(5) and 7)	480,556	1	152,010	-	751,506	1	2230	Tax payable	1,136,421	2	931,598	2	864,781	1
1220	Tax assets	7,193	-	6,864	-	10,968	-	2280	Lease liabilities—current (note 6(9))	102,519	-	100,516	-	66,535	-
130X	Inventories (note 6(6))	28,175,906	39	24,614,049	35	30,157,606	40	2320	Long-term borrowings, current portion (notes 6(14), 6(15) and 8)	18,585	-	28,043	-	3,500,857	5
1410	Prepayments (note 7)	371,271	-	488,005	1	3,067,690	4	2399	Other current liabilities (notes 6(13) and 7)	524,692	1	816,958	1	1,255,115	2
1479	Other current assets	2,210	-	2,531	-	208,032	-			17,656,252	25	14,219,523	21	23,278,898	31
		56,536,857	79	54,040,831	78	59,415,068	78	Non-Current liabilities:							
	Non-current assets:							2500	Financial liabilities at fair value through profit or loss—non-current (notes 6(2) and 6(15))	32,400	-	40,800	-	23,400	-
1510	Financial assets at fair value through profit or loss— non-current (note 6(2))	213,790	-	219,544	-	233,043	-	2530	Bonds payable (note 6(15))	5,634,622	8	5,611,070	8	5,541,003	8
1517	Financial assets at fair value through other comprehensive income—non-current (note 6(3))	422,130	1	431,750	1	490,030	1	2540	Long-term borrowings (notes 6(14) and 8)	33,776	-	60,511	-	81,603	-
1550	Investments accounted for using the equity method (note 6(7))	3,867,567	5	3,717,895	5	5,207,612	7	2570	Deferred tax liabilities	125,728	-	100,431	-	76,737	-
1600	Property, plant and equipment (notes 6(8) and 8)	7,696,916	11	7,745,010	11	7,324,270	10	2580	Lease liabilities—non-current (note 6(9))	93,871	-	109,071	-	84,859	-
1755	Right-of-use assets (note 6(9))	143,256	-	157,711	-	97,689	-	2640	Net defined benefit liabilities	125,469	-	125,339	-	118,862	-
1780	Intangible assets (note 6(10))	423,855	1	400,827	1	327,235	-	2645	Guarantee deposits received	6,349	-	6,359	-	6,359	-
1840	Deferred tax assets	703,019	1	700,574	1	826,519	1			6,052,215	8	6,053,581	8	5,932,823	8
1900	Other non-current assets (note 9(2))	1,928,400	2	1,925,025	3	1,831,153	3		Total liabilities	23,708,467	33	20,273,104	29	29,211,721	39
		15,398,933	21	15,298,336	22	16,337,551	22		Equity (notes 6(18) and 6(19)):						
									Equity attributable to the shareholders of the parent company:						
								3100	Common shares	2,065,663	3	2,058,178	3	2,047,798	3
								3200	Capital surplus	13,495,107	19	13,053,610	19	13,326,144	17
								3300	Retained earnings	32,952,658	45	34,283,152	49	31,454,522	41
								3400	Other equity interest	(296,237)	-	(338,243)	-	(290,787)	-
									Total equity attributable to owners of the parent:	48,217,191	67	49,056,697	71	46,537,677	61
								36XX	Non-controlling interests	10,132	-	9,366	-	3,221	-
									Total equity	48,227,323	67	49,066,063	71	46,540,898	61
Total assets		\$ 71,935,790	100	69,339,167	100	75,752,619	100	Total liabilities and equity		\$ 71,935,790	100	69,339,167	100	75,752,619	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Phison Electronics Corp. and subsidiaries

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2025 and 2024

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

		For the three months ended March 31,			
		2025		2024	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(21) and 7)	\$ 13,838,565	100	16,525,877	100
5000	Operating costs (notes 6(6)、6(22) and 7)	9,525,629	69	10,918,002	66
	Gross profit from operations	4,312,936	31	5,607,875	34
5910	Unrealized profit on transactions with associates (note 7)	(32,211)	-	(1,155)	-
5950	Realized gross profit	4,280,725	31	5,606,720	34
	Operating expenses (notes 6(22) and 7):				
6100	Marketing expenses	347,226	3	409,117	2
6200	General and administrative expenses	243,602	2	449,058	3
6300	Research and development expenses	2,566,370	18	3,536,209	21
6450	Expected credit loss reversal gain (note 6(4))	(38,118)	-	(39,169)	-
	Total operating expenses	3,119,080	23	4,355,215	26
	Net operating income	1,161,645	8	1,251,505	8
	Non-operating income and expenses:				
7010	Other income (notes 6(23) and 7)	26,090	-	28,657	-
7020	Other gains and losses (note 6(23))	223,206	2	505,741	3
7050	Finance costs (note 6(23))	(29,299)	-	(78,956)	-
7100	Interest income (note 6(23))	71,907	1	37,771	-
7060	Shares of profit (loss) of associates accounted for using the equity method (note 6(7))	(102,995)	(1)	1,089,434	7
		188,909	2	1,582,647	10
7900	Profit before tax	1,350,554	10	2,834,152	18
7950	Income tax expenses (note 6(17))	209,797	2	414,344	3
8200	Net profit for the period	1,140,757	8	2,419,808	15
8300	Other comprehensive income (loss):				
8310	Items that will not be reclassified subsequently to profit or loss				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(24))	(27,120)	-	32,573	-
8320	Shares of other comprehensive income of associates accounted for using the equity method	(32,810)	-	(28,142)	-
	Total items that will not be reclassified subsequently to profit or loss	(59,930)	-	4,431	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	127,997	1	84,437	-
8399	Income tax related to items that may be reclassified subsequently (note 6(17))	(25,484)	-	(16,889)	-
	Total items that may be reclassified subsequently to profit or loss	102,513	1	67,548	-
8300	Other comprehensive income	42,583	1	71,979	-
8500	Total comprehensive income	\$ 1,183,340	9	2,491,787	15
	Net profit attributable to:				
8610	Shareholders of the parent Company	\$ 1,140,568	8	2,419,618	15
8620	Non-controlling interests	189	-	190	-
		\$ 1,140,757	8	2,419,808	15
	Total comprehensive income attributable to:				
8710	Shareholders of the parent Company	\$ 1,182,574	9	2,491,605	15
8720	Non-controlling interests	766	-	182	-
		\$ 1,183,340	9	2,491,787	15
	Earnings per share (New Taiwan Dollars) (note 6(20)):				
9750	Basic earnings per share	\$ 5.53		12.02	
9850	Diluted earnings per share	\$ 5.22		11.34	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Phison Electronics Corp. and subsidiaries
Consolidated Statements of Changes in Equity
For the three months ended March 31, 2025 and 2024
(Expressed in Thousands of New Taiwan Dollars)

Equity attributable to the shareholders of the parent company

								Total other equity interest						
	Share capital			Retained earnings				Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total	Treasury shares	Subtotal of equity attributable to the shareholders of the parent	Non-controlling interests	Total equity
	Common shares	Advance receipts for share capital	Total share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings							
Balance at January 1, 2024	\$ 2,044,690	3,000	2,047,690	11,552,379	6,563,841	222,728	24,021,597	(71,980)	(290,794)	(362,774)	(1,257,308)	42,788,153	-	42,788,153
Net profit for the period	-	-	-	-	-	-	2,419,618	-	-	-	-	2,419,618	190	2,419,808
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	67,556	4,431	71,987	-	71,987	(8)	71,979
Total comprehensive income (loss) for the period	-	-	-	-	-	-	2,419,618	67,556	4,431	71,987	-	2,491,605	182	2,491,787
Appropriation and distribution of retained earnings:														
Cash dividends of common shares	-	-	-	-	-	-	(1,773,262)	-	-	-	-	(1,773,262)	-	(1,773,262)
Changes in equity of associates accounted for using the equity method	-	-	-	418	-	-	-	-	-	-	-	418	-	418
Changes in ownership interests of subsidiaries	-	-	-	(270)	-	-	-	-	-	-	-	(270)	270	-
The transfer of treasury share to employees	-	-	-	1,241,794	-	-	-	-	-	-	1,257,308	2,499,102	-	2,499,102
Share-based payments-stock options	-	-	-	26,483	-	-	-	-	-	-	-	26,483	-	26,483
Exercise of employee stock options	3,000	(3,000)	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of convertible bonds	-	108	108	5,344	-	-	-	-	-	-	-	5,452	-	5,452
Due to recognition of equity component of convertible bonds	-	-	-	499,996	-	-	-	-	-	-	-	499,996	-	499,996
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	2,769	2,769
Balance at March 31, 2024	\$ 2,047,690	108	2,047,798	13,326,144	6,563,841	222,728	24,667,953	(4,424)	(286,363)	(290,787)	-	46,537,677	3,221	46,540,898
Balance at January 1, 2025	\$ 2,053,341	4,837	2,058,178	13,053,610	7,345,209	288,419	26,649,524	32,547	(370,790)	(338,243)	-	49,056,697	9,366	49,066,063
Net profit for the period	-	-	-	-	-	-	1,140,568	-	-	-	-	1,140,568	189	1,140,757
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	101,936	(59,930)	42,006	-	42,006	577	42,583
Total comprehensive income (loss) for the period	-	-	-	-	-	-	1,140,568	101,936	(59,930)	42,006	-	1,182,574	766	1,183,340
Appropriation and distribution of retained earnings:														
Cash dividends of common shares	-	-	-	-	-	-	(2,471,062)	-	-	-	-	(2,471,062)	-	(2,471,062)
Changes in equity of associates accounted for using the equity method	-	-	-	252,082	-	-	-	-	-	-	-	252,082	-	252,082
Share-based payments-stock options	-	-	-	(2,950)	-	-	-	-	-	-	-	(2,950)	-	(2,950)
Exercise of employee stock options	4,835	2,650	7,485	192,365	-	-	-	-	-	-	-	199,850	-	199,850
Conversion of convertible bonds	2	(2)	-	-	-	-	-	-	-	-	-	-	-	-
Balance at March 31, 2025	\$ 2,058,178	7,485	2,065,663	13,495,107	7,345,209	288,419	25,319,030	134,483	(430,720)	(296,237)	-	48,217,191	10,132	48,227,323

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Phison Electronics Corp. and subsidiaries

Consolidated Statements of Cash Flows

For the three months ended March 31, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31,	
	2025	2024
Cash flows from operating activities:		
Profit before income tax	\$ 1,350,554	2,834,152
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	185,076	170,571
Amortization expense	158,788	125,304
Expected credit loss reversal gain	(38,118)	(39,169)
Net gain on financial assets at fair value through profit or loss	(19,323)	(142,379)
Finance costs	29,299	78,956
Interest income	(71,907)	(37,771)
Share-based payments	(2,950)	1,271,497
Shares of loss (profit) of associates accounted for using the equity method	102,995	(1,089,434)
Unrealized profit on transactions with associates	32,211	1,155
Unrealized foreign exchange gain	(255,723)	(191,529)
Inventory obsolescence reversal gain	(337,384)	(20,255)
Recognition (reversal) of refund liabilities	(11,663)	4,300
Total adjustments to reconcile profit (loss)	(228,699)	131,246
Changes in operating assets and liabilities:		
Accounts receivable (including related parties)	(768,060)	(91,369)
Other receivables	(325,712)	(324,996)
Inventories	(3,224,473)	(5,726,946)
Prepayments	116,734	(2,952,654)
Other current assets	321	(206,405)
Contract liabilities	273,140	43,310
Accounts payable (including related parties)	5,939,094	258,678
Other payables	(1,680,543)	(1,631,903)
Other current liabilities	(81,681)	(155,081)
Net defined benefit liabilities	130	640
Total changes in operating assets and liabilities	248,950	(10,786,726)
Cash inflow (outflow) generated from operations	1,370,805	(7,821,328)
Interest paid	(13,940)	(27,122)
Income taxes paid	(7,935)	(49,076)
Net cash flows from (used in) operating activities	1,348,930	(7,897,526)

(Continued)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Phison Electronics Corp. and subsidiaries

Consolidated Statements of Cash Flows (Continued)

For the three months ended March 31, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31,	
	2025	2024
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(17,500)	-
Acquisition of financial assets at amortized cost	(207)	(171)
Proceeds from disposal of financial assets at fair value through profit or loss	5,438	-
Acquisition of property, plant and equipment	(129,176)	(92,260)
Decrease in refundable deposits	140,396	29,676
Acquisition of intangible assets	(181,596)	(218,293)
Interest received	69,076	30,037
Net cash flows used in investing activities	(113,569)	(251,011)
Cash flows from financing activities:		
Increase in short-term loans	-	4,627,704
Decrease in short-term loans	(801,626)	(3,119,000)
Repayments of long-term borrowings	(36,193)	(6,813)
Proceeds from issuing bonds (excluding issuance costs)	-	6,054,065
Decrease in guarantee deposits received	(163,935)	(75,932)
Payment of lease liabilities	(15,545)	(10,701)
Cash dividends paid	(2,701,063)	(887,555)
Exercise of employee stock options	199,850	-
Treasury shares sold to employees	-	1,254,088
Increase in non-controlling interests	-	2,769
Net cash flows from (used in) financing activities	(3,518,512)	7,838,625
Effect of exchange rate changes on cash and cash equivalents	84,213	231,631
Net decrease in cash and cash equivalents	(2,198,938)	(78,281)
Cash and cash equivalents at beginning of period	19,982,162	14,220,367
Cash and cash equivalents at end of period	\$ 17,783,224	14,142,086

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Phison Electronics Corp. and subsidiaries
Notes to the Consolidated Financial Statements
March 31, 2025 and 2024
(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, R.O.C. The major business activities of the Company and its subsidiaries (the “Group”) 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 consolidated financial statements

The consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on May 7, 2025.

3. New standards, amendments and interpretations adopted

- (1) 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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2025:

- Amendments to IAS 21 “Lack of Exchangeability”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” regarding the application guidance requirements for Section 4.1 of IFRS 9 and the related disclosure requirements of IFRS 7

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.	January 1, 2027

Phison Electronics Corp. and subsidiaries
Notes to the Consolidated Financial Statements

Standards or Interpretations	Content of amendment	Effective date per IASB
	<ul style="list-style-type: none"> • A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. • Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. • Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes. 	

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” regarding the application guidance requirements for Sections 3.1 and 3.3 of IFRS 9 and the related disclosure requirements of IFRS 7
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”
- 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”

Phison Electronics Corp. and subsidiaries
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- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Annual Improvements to IFRS Accounting Standards

4. Summary of material accounting policies

(1) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2024. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2024.

(2) Basis of consolidation

Principles of preparation of the consolidated financial statements were the same as those of the consolidated financial statements for the year ended December 31, 2024. For the related information, please refer to note 4(3) of the consolidated financial statements for the year ended December 31, 2024.

A. List of subsidiaries in the consolidated financial statements

The subsidiaries included in the consolidated financial statements are as follows:

Name investor	Name of subsidiary	Principal activity	Shareholding (%)			Note
			March 31, 2025	December 31, 2024	March 31, 2024	
The Company	Lian Xu Dong Investment Corporation	Investment	100.00	100.00	100.00	
The Company	Phison Electronics Japan Corp.	Sales and service office	100.00	100.00	100.00	
The Company	Emtops Electronics Corp.	Investment	100.00	100.00	100.00	
The Company	Phisontech Electronics Taiwan Corp.	Investment and trade	100.00	100.00	100.00	
The Company	Global Flash Limited	Investment and trade	100.00	100.00	100.00	
The Company	Power Flash (Samoa) Limited	Investment and trade	100.00	100.00	100.00	

Phison Electronics Corp. and subsidiaries
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Name investor	Name of subsidiary	Principal activity	Shareholding (%)			Note
			March 31, 2025	December 31, 2024	March 31, 2024	
The Company	Regis Investment (Samoa) Limited	Investment	100.00	100.00	100.00	
The Company	Nextorage Corporation	R&D, design, manufacture and sale of flash memory application products	98.31	98.31	99.38	Note 1
The Company	Phison Technology India Private Limited	Design, R&D, import and export of storage devices and electronic components	100.00	100.00	100.00	Note 2
The Company	Great Storage Investment Corporation	Investment	100.00	100.00	-	Note 3
The Company	Gorich Investment Corporation	Investment	100.00	-	-	Note 4
Global Flash Limited	Core Storage Electronic (Samoa) Limited	Investment and trade	100.00	100.00	100.00	
Lian Xu Dong Investment Corporation	Ostek Corporation	Manufacture and trade of electronic components	100.00	100.00	100.00	
Power Flash (Samoa) Limited	Power Flash (HK) Limited	Sale of electronic products	100.00	100.00	100.00	
Power Flash (Samoa) Limited	Power Storage Technology (Shenzhen) Limited	Design, R&D, import and export of storage devices and electronic components	100.00	100.00	100.00	
Power Flash (Samoa) Limited	Power Storage Electronics Limited	Design, R&D, production and sales of integrated circuits, systems and electronics hardware and software and rendering of related services	100.00	100.00	-	Note 5
Regis Investment (Samoa) Limited	RealYou Investment Limited	Investment	100.00	100.00	100.00	
RealYou Investment Limited	Hefei Ruhan Electronic Technology Limited	Design, R&D and sale of electronic products and technical support service and rendering of related services and investment	100.00	100.00	100.00	

Phison Electronics Corp. and subsidiaries
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Name investor	Name of subsidiary	Principal activity	Shareholding (%)			Note
			March 31, 2025	December 31, 2024	March 31, 2024	
Emtops Electronics Corp.	Phison Technology Inc.	Sale of electronic products and service office	100.00	100.00	100.00	
Phisontech Electronics Taiwan Corp.	Super Storage Technology Corporation	Manufacture and trade of electronic components	100.00	100.00	100.00	
Great Storage Investment Corporation	Maistorage Technology Sdn. Bhd.	R&D, design, manufacture, and sale of flash memory controller chips and storage solutions, along with trade, import and export, software development, and technical support services	100.00	100.00	-	Note 6

Note 1: The Company transferred to align with the employee incentive plan of its subsidiary, resulting in a decrease in its ownership percentage to 98.308%. Hence, the disclosures are presented uniformly with two decimal places.

Note 2: The Company set up Phison Technology India Private Limited in India, wherein the Company and Emtops Electronics Corp. held 2,299,990 shares and 10 shares, respectively, in it.

Note 3: For operation needs, the Company set up Great Storage Investment Corporation in Taiwan in May, 2024.

Note 4: For operation needs, the Company set up Gorich Investment Corporation in Taiwan in March, 2025.

Note 5: For operation needs, the Company set up Power Storage Electronics Limited in Xiamen in June, 2024.

Note 6: For operation needs, the Company set up Maistorage Technology Sdn.Bhd in Malaysia in July, 2024.

Note 7: Since all the above subsidiaries are non-significant, their financial statements have not been reviewed by independent auditors.

B. Subsidiaries excluded from the consolidated financial statements: None.

(3) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year.

(4) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

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Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

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

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC), the management has to made judgments and estimates regarding the following period (including climaterelated risks and opportunities) 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 preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2024. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2024.

6. Description of significant accounts

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the consolidated financial statements for the year ended December 31, 2024. Please refer to Note 6 of consolidated financial statements for the year ended December 31, 2024.

(1) Cash and cash equivalent

	March 31, 2025	December 31, 2024	March 31, 2024
Cash	\$ 120	120	165
Demand deposits and check deposits	9,673,333	9,550,489	9,803,133
Cash equivalents—time deposits	8,109,771	10,431,553	4,338,788
	<u><u>\$ 17,783,224</u></u>	<u><u>19,982,162</u></u>	<u><u>14,142,086</u></u>

Please refer to note 6(24) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

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

	March 31, 2025	December 31, 2024	March 31, 2024
Financial assets at fair value through profit or loss—current:			
Beneficiary certificates—open-end funds	\$ 114,118	113,688	112,463
Domestic listed stock	631,632	620,824	986,015
Derivative instruments—convertible bonds (note 6(15))	9,000	9,000	21,042
	<u><u>\$ 754,750</u></u>	<u><u>743,512</u></u>	<u><u>1,119,520</u></u>

Phison Electronics Corp. and subsidiaries
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	March 31, 2025	December 31, 2024	March 31, 2024
Financial assets at fair value through profit or loss — non-current:			
Domestic private equity funds	\$ 1,703	4,296	19,480
Domestic unlisted stocks	142,131	144,882	131,190
Foreign unlisted stocks	69,956	70,366	82,373
	<u><u>\$ 213,790</u></u>	<u><u>219,544</u></u>	<u><u>233,043</u></u>
Financial liability at fair value through profit or loss — non-current:			
Derivative instruments-convertible bonds (note 6(15))	\$ <u><u>32,400</u></u>	<u><u>40,800</u></u>	<u><u>23,400</u></u>

None of financial assets and liabilities mentioned above were pledged as collateral.

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

	March 31, 2025	December 31, 2024	March 31, 2024
Domestic unlisted stocks	\$ 327,055	329,678	284,175
Foreign unlisted stocks	95,075	102,072	205,855
	<u><u>\$ 422,130</u></u>	<u><u>431,750</u></u>	<u><u>490,030</u></u>

The Group held the abovementioned equity investment for long-term strategic purpose, 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 above financial assets mentioned above were pledge as collateral.

(4) Accounts receivable, net (including related and non-related parties)

	March 31, 2025	December 31, 2024	March 31, 2024
Accounts receivable	\$ 7,776,929	7,472,132	8,166,276
Accounts receivable — related parties	1,171,419	604,485	1,771,620
	8,948,348	8,076,617	9,937,896
Less: loss allowance	(27,615)	(65,726)	(20,975)
	<u><u>\$ 8,920,733</u></u>	<u><u>8,010,891</u></u>	<u><u>9,916,921</u></u>

Phison Electronics Corp. and subsidiaries
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The Group 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 Group'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 Group's customer base.

The Group 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 Group 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 Group's allowance matrix.

	March 31, 2025		
	Gross carrying amount	Weighted- average loss rate (%)	Loss allowance
Current	\$ 8,805,368	0.14	12,174
1~60 days past due	130,762	3.24	4,232
61~90 days past due	1,425	29.19	416
More than 151 days past due	10,793	100.00	10,793
	\$ 8,948,348		27,615
	December 31, 2024		
	Gross carrying amount	Weighted- average loss rate (%)	Loss allowance
Current	\$ 7,253,362	0.05	3,545
1~60 days past due	768,920	1.20	9,255
61~90 days past due	1,786	21.11	377
More than 151 days past due	52,549	100.00	52,549
	\$ 8,076,617		65,726

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	March 31, 2024		
	Gross carrying amount	Weighted-average loss rate (%)	Loss allowance
Current	\$ 9,098,745	0.05	4,475
1~60 days past due	828,672	0.73	6,024
61~90 days past due	4	25.00	1
More than 151 days past due	10,475	100.00	10,475
	\$ 9,937,896		20,975

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

	For the three months ended March 31,	
	2025	2024
Balance, beginning of the period	\$ 65,726	60,140
Impairment losses reversed	(38,118)	(39,169)
Effect of movements in exchange rates	7	4
Balance, end of the period	\$ 27,615	20,975

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

The Group entered into an un-recourse factoring agreement with the factor to sell its accounts receivable. Under the agreement, except necessary agreed expenses, the Group does not have the responsibility to assume the default risk of the transferred accounts receivable. The Group 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 accounts 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)

	March 31, 2025			
Factor	Factor Amount	Amount Recognized in Other Receivables	Range of Handling Fees Rate (%)	Transferring Terms
-	\$ -	-	-	-

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December 31, 2024				
Factor	Factor Amount	Amount Recognized in Other Receivables	Range of Handling Fees Rate (%)	Transferring Terms
-	\$ -	-	-	-
March 31, 2024				
Factor	Factor Amount	Amount Recognized in Other Receivables	Range of Handling Fees Rate (%)	Transferring Terms
HSBC Bank (Taiwan) Limited	\$ 871	766	0.22~0.65	Note 1~4

Note 1: The accounts receivable transferred to the factoring bank are subjected to the consents of agreement between the Group 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 Group informed its customers to make payment directly to the factoring bank.

Note 3: As of March 31, 2025, December 31, 2024, and March 31, 2024, the outstanding receivables after the above transactions, net of fees charged by the factoring bank, of \$0 thousand, \$0 thousand and \$24,503 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 Group 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 Group.

(5) Other receivables

	March 31, 2025	December 31, 2024	March 31, 2024
Tax refunds receivable	\$ 436,255	66,089	626,570
Factored accounts receivable (note 6(4))	-	-	24,503
Others	44,301	85,921	100,433
Less: loss allowance	-	-	-
	<u>\$ 480,556</u>	<u>152,010</u>	<u>751,506</u>

Phison Electronics Corp. and subsidiaries
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(6) Inventories

	March 31, 2025	December 31, 2024	March 31, 2024
Raw materials	\$ 17,248,753	16,224,028	19,661,237
Work in process	6,805,412	3,333,657	5,022,268
Semi-finished goods	3,814,265	4,753,815	5,100,391
Finished goods	307,476	302,549	373,710
	<u>\$ 28,175,906</u>	<u>24,614,049</u>	<u>30,157,606</u>

The costs of inventories recognized as costs of goods sold for the three month ended March 31, 2025 and 2024 were \$9,525,629 thousand and \$10,918,002 thousand, respectively.

The costs of goods sold for the three month ended March 31, 2025 and 2024 included inventory obsolescence loss reversal gain of \$337,384 thousand and \$20,255 thousand, respectively.

None of the inventories mentioned above were pledged as collateral.

(7) Investments accounted for using the equity method

	March 31, 2025		December 31, 2024		March 31, 2024	
	Amount	Ownership interest (%)	Ownership interest (%)	Ownership interest (%)	Amount	Ownership interest (%)
Hosin Global Electronics Co., Ltd. (SZ)	\$ 3,292,411	22.50	3,102,148	23.20	4,740,295	35.83
EpoStar Electronics (BVI) Corporation	166,561	30.51	199,079	30.51	173,654	30.51
Hefei Xinpeng Technology Co., Ltd.	77,190	24.23	81,208	24.23	114,553	24.23
ProGrade Digital Inc.	169,510	28.71	169,130	28.71	151,503	28.71
Microtops Design Corporation	29,100	49.00	29,294	49.00	27,607	49.00
Miphi Semiconductors Private Limited	132,795	45.00	137,036	45.00	-	-
	<u>\$ 3,867,567</u>		<u>3,717,895</u>		<u>5,207,612</u>	

For operation needs and expansion in the Indian market, the Company set up Miphi Semiconductors Private Limited in India in December 2024. The investment amounted to \$143,721 thousand.

The Group did not participate in the subscription of the cash capital increase of Hosin Global Electronics Co., Ltd. for the first quarter of 2025, therefore, the changes in equity of associate recognized in the capital surplus by the Group amounted to \$252,097 thousand for the three month ended March 31, 2025.

- A. The following consolidated financial information of significant associates has been adjusted according to individually prepared IFRS financial statements of these associates to express the adjustment due to the change in fair value when the Group obtained the ownership of the associates and the effect of different accounting policies. Due to the changes in the shareholding ratios and the aforementioned disposals in the fourth quarter of 2024, the previously significant associates were no longer considered significant as of December 31, 2024. Therefore, the amounts as of March 31, 2025 and December 31, 2024 are presented for comparison purposes only.

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	March 31, 2025	December 31, 2024	March 31, 2024
Total assets	\$ 42,272,647	37,317,757	31,658,685
Total liabilities	(26,564,041)	(22,878,779)	(17,628,219)
Net assets	<u>\$ 15,708,606</u>	<u>14,438,978</u>	<u>14,030,466</u>

	For the three months ended March 31,	
	2025	2024
Operating revenue	\$ 11,181,744	11,400,195
Total comprehensive income (loss)	<u>\$ (644,702)</u>	<u>2,984,329</u>

	March 31, 2025	December 31, 2024	March 31, 2024
Summarized information of the carrying amount of associates	<u>\$ 3,458,972</u>	<u>3,301,227</u>	<u>4,913,949</u>

	For the three months ended March 31,	
	2025	2024
Attributable to the Group:		
Net profit (loss)	\$ (99,476)	1,095,997
Other comprehensive income (loss)	8,442	(4,878)
Total comprehensive income (loss)	<u>\$ (91,034)</u>	<u>1,091,119</u>

Note: The aforementioned associates include Hosin Global Electronics Co., Ltd. (SZ) Group and EpoStar Electronics (BVI) Corporation.

- B. Except for those disclosed in Note 6(7)-A, the Group's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	March 31, 2025	December 31, 2024	March 31, 2024
Summarized information of the carrying amount of associates that were not individually material	<u>\$ 408,595</u>	<u>416,668</u>	<u>293,663</u>

	For the three months ended March 31,	
	2025	2024
Attributable to the Group:		
Net loss	\$ (3,519)	(6,563)
Other comprehensive income (loss)	1,629	4,605
Total comprehensive income (loss)	<u>\$ (1,890)</u>	<u>(1,958)</u>

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C. Pledged

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

(8) Property, plant and equipment

	<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, 2025	\$ 2,149,256	5,258,794	1,700,762	478,325	405,000	9,992,137
Additions for the period	-	1,281	70,952	18,154	-	90,387
Disposal for the period	-	-	(140,035)	(8,220)	-	(148,255)
Reclassification	-	-	26,425	-	-	26,425
Effect of movements in exchange rates	16	850	2,180	3,659	-	6,705
Balance at March 31, 2025	<u>\$ 2,149,272</u>	<u>5,260,925</u>	<u>1,660,284</u>	<u>491,918</u>	<u>405,000</u>	<u>9,967,399</u>
Balance at January 1, 2024	\$ 2,149,265	5,218,918	1,567,986	459,335	191	9,395,695
Additions for the period	-	1,080	28,772	4,329	-	34,181
Disposal for the period	-	-	(86,802)	(25,212)	-	(112,014)
Effect of movements in exchange rates	(7)	(288)	2,679	216	(5)	2,595
Balance at March 31, 2024	<u>\$ 2,149,258</u>	<u>5,219,710</u>	<u>1,512,635</u>	<u>438,668</u>	<u>186</u>	<u>9,320,457</u>
Depreciation:						
Balance at January 1, 2025	\$ -	1,035,565	965,447	246,115	-	2,247,127
Depreciation for the period	-	40,157	97,482	30,745	-	168,384
Disposal for the period	-	-	(140,035)	(8,220)	-	(148,255)
Effect of movements in exchange rates	-	128	1,263	1,836	-	3,227
Balance at March 31, 2025	<u>\$ -</u>	<u>1,075,850</u>	<u>924,157</u>	<u>270,476</u>	<u>-</u>	<u>2,270,483</u>
Balance at January 1, 2024	\$ -	877,865	841,136	228,965	-	1,947,966
Depreciation for the period	-	39,110	91,993	27,951	-	159,054
Disposal for the period	-	-	(86,802)	(25,212)	-	(112,014)
Effect of movements in exchange rates	-	(35)	763	453	-	1,181
Balance at March 31, 2024	<u>\$ -</u>	<u>916,940</u>	<u>847,090</u>	<u>232,157</u>	<u>-</u>	<u>1,996,187</u>
Carrying amounts:						
Balance at January 1, 2025	<u>\$ 2,149,256</u>	<u>4,223,229</u>	<u>735,315</u>	<u>232,210</u>	<u>405,000</u>	<u>7,745,010</u>
Balance at March 31, 2025	<u>\$ 2,149,272</u>	<u>4,185,075</u>	<u>736,127</u>	<u>221,442</u>	<u>405,000</u>	<u>7,696,916</u>
Balance at January 1, 2024	<u>\$ 2,149,265</u>	<u>4,341,053</u>	<u>726,850</u>	<u>230,370</u>	<u>191</u>	<u>7,447,729</u>
Balance at March 31, 2024	<u>\$ 2,149,258</u>	<u>4,302,770</u>	<u>665,545</u>	<u>206,511</u>	<u>186</u>	<u>7,324,270</u>

Part of the property, plant and equipment mentioned above was pledged as collateral for bank loans. Please refer to note 8.

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(9) Lease arrangements

A. Right-of-use assets

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Carrying amounts:			
Balance January 1, 2025	\$ <u>156,220</u>	<u>1,491</u>	<u>157,711</u>
Balance at March 31, 2025	\$ <u>141,995</u>	<u>1,261</u>	<u>143,256</u>
Balance at March 31, 2024	\$ <u>97,109</u>	<u>580</u>	<u>97,689</u>

There was no significant addition, disposal, or recognition and reversal of impairment losses of right-of-use assets of the Group for the three months ended March 31, 2025 and 2024. Please refer to note 6(9) of the consolidated financial statements for the year ended December 31, 2024, for other related information.

B. Lease liabilities

	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
Current	\$ <u>102,519</u>	<u>100,516</u>	<u>66,535</u>
Non-current	\$ <u>93,871</u>	<u>109,071</u>	<u>84,859</u>

For the maturity analysis, please refer to note 6(24) "Financial instruments".

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

	<u>For the three months ended March 31,</u>	
	<u>2025</u>	<u>2024</u>
Interest expenses relating to lease liabilities	\$ <u>2,248</u>	<u>1,435</u>
Expenses relating to short-term lease	\$ <u>1,891</u>	<u>3,647</u>
Expenses relating to lease of low-value assets, excluding short-term lease of low-value assets	\$ <u>287</u>	<u>189</u>

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

	<u>For the three months ended March 31,</u>	
	<u>2025</u>	<u>2024</u>
Total cash outflow for leases	\$ <u>19,971</u>	<u>15,972</u>

C. Other information about leases

The Group 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 Group had elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

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(10) Intangible assets

	Computer Software	Technology License Fees	Total
Cost:			
Balance at January 1, 2025	\$ 2,418,213	735,127	3,153,340
Additions for the period	169,595	12,001	181,596
Effect of movements in exchange rates	473	-	473
Balance at March 31, 2025	<u>\$ 2,588,281</u>	<u>747,128</u>	<u>3,335,409</u>
Balance at January 1, 2024	\$ 1,968,207	483,766	2,451,973
Additions for the period	134,125	84,168	218,293
Disposal for the period	(34)	-	(34)
Effect of movements in exchange rates	(100)	-	(100)
Balance at March 31, 2024	<u>\$ 2,102,198</u>	<u>567,934</u>	<u>2,670,132</u>
Amortization:			
Balance at January 1, 2025	\$ 2,233,883	518,630	2,752,513
Amortization for the period	136,884	21,904	158,788
Effect of movements in exchange rates	253	-	253
Balance at March 31, 2025	<u>\$ 2,371,020</u>	<u>540,534</u>	<u>2,911,554</u>
Balance at January 1, 2024	\$ 1,749,952	467,718	2,217,670
Amortization for the period	114,328	10,976	125,304
Disposal for the period	(34)	-	(34)
Effect of movements in exchange rates	(43)	-	(43)
Balance at March 31, 2024	<u>\$ 1,864,203</u>	<u>478,694</u>	<u>2,342,897</u>
Carrying amounts:			
Balance at January 1, 2025	<u>\$ 184,330</u>	<u>216,497</u>	<u>400,827</u>
Balance at March 31, 2025	<u>\$ 217,261</u>	<u>206,594</u>	<u>423,855</u>
Balance at January 1, 2024	<u>\$ 218,255</u>	<u>16,048</u>	<u>234,303</u>
Balance at March 31, 2024	<u>\$ 237,995</u>	<u>89,240</u>	<u>327,235</u>

None of intangible assets mentioned above were pledged as collateral.

(11) Short-term borrowings

	March 31, 2025	December 31, 2024	March 31, 2024
Unsecured bank loans	<u>\$ -</u>	<u>813,068</u>	<u>3,737,600</u>
Range of interest rates at the end of period (%)	<u>-</u>	<u>5.04~5.48</u>	<u>5.84~6.00</u>

None of short-term borrowings mentioned above were pledged as collateral.

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(12) Other payables

	March 31, 2025	December 31, 2024	March 31, 2024
Salaries and bonus payable	\$ 4,446,659	6,073,044	3,976,676
Dividend payable (note 6(18))	2,471,264	2,701,265	1,773,481
Others	1,221,462	1,277,249	1,112,085
	<u>\$ 8,139,385</u>	<u>10,051,558</u>	<u>6,862,242</u>

(13) Other current liabilities

	March 31, 2025	December 31, 2024	March 31, 2024
Refund liabilities	\$ 347,087	429,105	330,781
Guarantee deposits received	-	163,925	800,000
Others	177,605	223,928	124,334
	<u>\$ 524,692</u>	<u>816,958</u>	<u>1,255,115</u>

(14) Long-term borrowings

March 31, 2025			
	Rate of interest rates at the end of period (%)	Year of maturity	Amount
Secured bank loans	2.28	January, 2028	\$ 52,361
Less: current portion			(18,585)
			<u>\$ 33,776</u>
December 31, 2024			
	Rate of interest rates at the end of period (%)	Year of maturity	Amount
Secured bank loans	2.28	January, 2028	\$ 88,554
Less: current portion			(28,043)
			<u>\$ 60,511</u>
March 31, 2024			
	Rate of interest rates at the end of period (%)	Year of maturity	Amount
Secured bank loans	2.28	January, 2028	\$ 109,170
Less: current portion			(27,567)
			<u>\$ 81,603</u>

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For the collateral for long-term borrowings, please refer to note 8.

(15) Bonds payable

A. 1st unsecured convertible bonds

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. Total amount of the offering is \$3,517,500 thousand, which is at 100.5% of its face value and coupon rate is 0%.

The details of 1st unsecured convertible bonds were as follows:

	December 31, 2024	March 31, 2024
Total convertible corporate bonds issued	\$ 3,500,000	3,500,000
Unamortized discounted corporate bonds payable	-	(21,210)
Accumulative converted amount	(6,800)	(5,500)
Accumulated redeemed amount	(3,493,200)	-
Less: current portion	-	(3,473,290)
Bonds payable at the end of period	<u>\$ -</u>	<u>-</u>
Embedded derivative instruments—call options, included in financial assets at fair value through profit or loss—current	<u>\$ -</u>	<u>2,442</u>
Embedded derivative instruments—equity component—conversion options, included in capital surplus—stock options	<u>\$ -</u>	<u>102,208</u>
		For the three months ended March 31, 2024
Embedded derivative instruments – net gains and losses of call options remeasured at fair value, included in other gains and losses		<u>\$ 2,096</u>
Interest expense		<u>\$ 7,353</u>

The conversion price per share at the time of issuance of NTD570 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 NTD475 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. The conversion price adjusted was as follows:

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(Amount in Dollars)

<u>Ex-dividend date</u>	<u>Conversion price before adjustment</u>	<u>Conversion price after adjustment</u>
December 27, 2021	570.0	556.3
July 4, 2022	556.3	537.3
December 19, 2022	537.3	520.6
July 10, 2023	520.6	515.1
December 29, 2023	515.1	510.4
July 15, 2024	510.4	503.2

The convertible bonds mentioned above included liability and equity components. The equity component is included in capital surplus— stock options. The original effective interest rate of the liability component was 0.85%.

B. 2nd unsecured convertible bonds

On November 7, 2023, the Company's Board of Directors resolved the issuance of domestic 2nd unsecured convertible bonds for the future growth in business scale, and replenishing working capital. The issuance was approved by FSC on December 28, 2023. The issuance period is 5 years from January 23, 2024 to January 23, 2029. The total face value of the bonds issued is \$6,000,000 thousand. Total amount of the offering is \$6,060,000 thousand, which is at 101% of its face value, and coupon rate is 0%.

The details of 2nd unsecured convertible bonds were as follows:

	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
Total convertible corporate bonds issued	\$ 6,000,000	6,000,000	6,000,000
Unamortized discounted corporate bonds payable	(365,378)	(388,930)	(458,997)
Bonds payable at the end of period	<u>\$ 5,634,622</u>	<u>5,611,070</u>	<u>5,541,003</u>
Embedded derivative instruments— call options, included in financial assets at fair value through profit or loss—current	<u>\$ 9,000</u>	<u>9,000</u>	<u>18,600</u>
Embedded derivative instruments— put options, included in financial liability at fair value through profit or loss—non-current	<u>\$ 32,400</u>	<u>40,800</u>	<u>23,400</u>
Embedded derivative instruments— equity component— conversion options, included in capital surplus—stock options	<u>\$ 499,996</u>	<u>499,996</u>	<u>499,996</u>

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	For the three months ended March 31,	
	2025	2024
Embedded derivative instruments-net gains and losses of call and put options remeasured at fair value, included in other gains and losses	\$ 8,400	31,426
Interest expense	\$ 23,552	23,160

The conversion price per share at the time of issuance of NTD588 is calculated by multiplying the closing price of the Company's ordinary shares traded on Taipei Exchange at five business days before the reference date for determining the conversion price, which is January 15, 2024, of NTD491 by the conversion premium rate of 119.66%. 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. The conversion price adjusted was as follows:

(Amount in Dollars)		
<u>Ex-dividend date</u>	<u>Conversion price before adjustment</u>	<u>Conversion price after adjustment</u>
July 15, 2024	588.0	579.7
January 14, 2025	579.7	563.3

If the closing price of the Company's ordinary shares at the brokerage firm's business premises exceeds the conversion price by 30% (or more) for 30 consecutive business days or when the outstanding balance of the convertible corporate bonds is less than 10% of the total amount of the original issuance, between the day after the expiration of three months from the date of issuance (April 24, 2024) to the maturity date of the issuance period (January 23, 2029). The Company may repurchase the convertible bonds of the bondholders in cash at the face value of the bonds within five business days after the reference date of the bond called.

It should be the reference date that the bondholder exercises put options of the convertible bonds in advance, after the date that convertible bonds had issued for three years (January 23, 2027). The bondholder could request for the Company to buy back the bonds in cash at the face value of the bonds. If accepting the request, the Company should repurchase the bonds in cash in eight business days after the reference date.

The convertible bonds mentioned above included liability and equity components. The equity component is included in capital surplus - stock options. The original effective interest rate of liability component is 1.68%.

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(16) Employee benefits

A. Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2024 and 2023.

The expenses recognized in profit or loss for the Group were as follows:

	For the three months ended	
	March 31,	
	2025	2024
Pension	\$ <u>1,473</u>	<u>1,268</u>

B. Defined contribution plans

- (a) The pension costs of the Group's domestic subsidiaries under the defined contribution method were as follows and payment was made to the Bureau of Labor Insurance.

	For the three months ended	
	March 31,	
	2025	2024
Pension	\$ <u>81,900</u>	<u>71,143</u>

- (b) The pension costs of the Group's overseas subsidiaries under the defined contribution method were as follows:

	For the three months ended	
	March 31,	
	2025	2024
Pension	\$ <u>2,717</u>	<u>2,328</u>

(17) Income tax

- A. The income tax expense of the Group is calculated by the profit before tax of interim reporting period multiply by the best estimated measurement of the expected effective tax rate by the management in all the year.

- B. The amounts of income tax expense were as follows:

	For the three months ended	
	March 31,	
	2025	2024
Current tax expense		
Current period	\$ <u>209,797</u>	<u>414,344</u>

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C. The amounts of income tax benefit recognized in other comprehensive income were as follows:

	For the three months ended March 31,	
	2025	2024
Exchange differences on translation of foreign financial statements	\$ 25,484	16,889

D. Examination and approval

The income tax returns of the Company had been examined and assessed by the tax authority through 2021. The income tax returns of other domestic subsidiaries had been examined and assessed by the tax authority through 2023.

(18) Equity

A. Common shares

As of March 31, 2025, December 31, 2024 and March 31, 2024, the Company's authorized common shares amounted to \$3,000,000 thousand, of which \$290,000 thousand was reserved for employee share options. The registered issued common shares amounted to \$2,058,178 thousand, \$2,053,341 thousand and \$2,047,690 thousand, respectively, with par value of NTD10 per share.

As of March 31, 2025, and December 31, 2024, due to exercise of conversion rights on convertible corporate bonds and employee stock options to issue new shares, the registration procedure for the amounts of \$7,485 thousand and \$4,837 thousand, respectively, recognized as advance receipts for share capital, has yet to be completed.

As of March 31, 2024, due to exercise of conversion rights on convertible corporate bonds to issue new shares amounting \$108 thousand, recognized as advance receipts for share capital, has yet to be completed.

The reconciliations of the numbers of outstanding shares of the Company were as follows:

(Unit: Shares in Thousands)

	For the three months ended March 31,	
	2025	2024
Balance, beginning of the period	205,817	200,585
Bonds converted	-	11
Employee share options exercised	749	-
Transfer of treasury shares	-	4,184
Balance, end of the period	206,566	204,780

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B. Capital surplus

	March 31, 2025	December 31, 2024	March 31, 2024
Additional paid-in capital	\$ 8,995,179	8,763,177	8,442,419
Changes in equities of associates accounted for using the equity method	1,670,724	1,418,642	2,027,424
Difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	148,673	148,673	148,488
Changes in ownships interest in subsidiaries	1,944	1,944	1,944
Employee share options	559,418	602,005	586,662
Due to recognition of equity component of convertible bonds	499,996	499,996	602,204
Transaction of treasury stock	1,516,724	1,516,724	1,516,724
Expired employee stock options	102,449	102,449	279
	<u>\$ 13,495,107</u>	<u>13,053,610</u>	<u>13,326,144</u>

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

In accordance with the Company's Articles of Incorporation (the "Articles"), 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.

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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.

The appropriation of 2024 earnings was as follows:

	Second half of 2024	First half of 2024
Resolution date of the Company's Board of Directors	March 7, 2025	August 14, 2024
Legal reserve	\$ 307,872	487,059
Special reserve appropriated (reversed)	49,824	(74,355)
Cash dividends to shareholders	\$ 2,471,062	2,701,063
Cash dividends per share (NTD) (Note)	12.00	13.12356282

The amount of legal reserve and special reserve of 2024 will be submitted to the shareholders' meeting for approval on May 27, 2025.

The appropriation of 2023 earnings was as follows:

	Second half of 2023	First half of 2023
Resolution date of the Company's Board of Directors	March 8, 2024	August 14, 2023
Cash dividends to shareholders	\$ 1,773,262	887,555
Cash dividends per share (NTD) (Note)	8.65930424	4.42484464
Approval date of the Company's shareholders' meeting	May 27, 2024	May 27, 2024
Legal reserve	\$ 294,309	66,593
Special reserve	140,046	5,918

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The appropriation of 2022 earnings was as follows:

	Second half of 2022	First half of 2022
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) (Note)	4.45090808	10.27746561
Approval date of the Company's shareholders' meeting	May 31, 2023	May 31, 2023
Legal reserve	\$ 149,747	399,192
Special reserve	216,810	-

Note: Due to the treasury shares and the exercise of employee stock options, the actual distribution of cash dividends per share was adjusted.

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

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. As to March 31, 2024, the treasury shares above had been transferred.

The Company transferred 4,184 thousand treasury shares to its employees and subsidiary employees in the first quarter of 2024 and received the amount of \$1,254,088 thousand, resulting in the cost of the share-based compensation of \$1,245,014 thousand to be recognized.

E. Other equity (net of tax)

(a) Exchange differences on translation of foreign financial statements

	For the three months ended March 31,	
	2025	2024
Balance at January 1	\$ 32,547	(71,980)
Foreign exchange differences (net of tax)	101,936	67,556
Balance at March 31	<u>\$ 134,483</u>	<u>(4,424)</u>

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

	For the three months ended March 31,	
	2025	2024
Balance at January 1	\$ (370,790)	(290,794)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income (net of tax)	(59,930)	4,431
Balance at March 31	<u><u>\$ (430,720)</u></u>	<u><u>(286,363)</u></u>

F. Non-controlling interests (net of tax)

	For the three months ended March 31,	
	2025	2024
Balance at January 1	\$ 9,366	-
Net income	189	190
Exchange differences on translation of foreign financial statements (net of tax)	577	(8)
Changes in equity of subsidiaries for using the equity method	-	270
Changes in equity of non-controlling interest	-	2,769
Balance at March 31	<u><u>\$ 10,132</u></u>	<u><u>3,221</u></u>

(19) 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 March 31, 2025, 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	July 27, 2022	September 7, 2022	6,000	service period between 2~3 years	293.50	274.80

The estimated fair values of the options granted were calculated at the date of grant using the Black-Scholes option pricing model. The Group reversed compensation costs amounting to \$2,950 thousand for the three months ended March 31, 2025, due to employees resignation before receiving benefits. The Group recognized compensation cost amounting to \$26,483 thousand for the three months ended March 31, 2024.

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Weighted-average assumptions were as follows:

	<u>2022 1st</u>
Grant-date share price (NTD)	\$ 293.50
Exercise price (NTD)	293.50
Expected volatility (%)	38.77~39.50
Expected dividend yield (%)	-
Expected life (year)	4
Risk free interest rate (%)	1.05~1.11
Fair value per option (NTD)	\$ 84.61

Information related to employee share options was as follows:

2022 First employee share options

	<u>For the three months ended March 31,</u>			
	<u>2025</u>		<u>2024</u>	
<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	4,735	\$ 274.80	5,829	\$ 278.80
Granted during the period	-	-	-	-
Exercised during the period	(735)	274.80	-	-
Forfeited during the period	(25)	-	(16)	-
Outstanding at March 31	<u>3,975</u>	274.80	<u>5,813</u>	278.80
Exercisable at March 31	<u>1,123</u>		<u>-</u>	

As of March 31, 2025 and 2024, the weighted-average remaining contractual life for outstanding option were 1.44 and 2.44 years, respectively.

(20) Earnings per share

A. Basic earnings per share

	<u>For the three months ended March 31,</u>	
	<u>2025</u>	<u>2024</u>
Net profit attributable to ordinary shareholders of the Company	<u>\$ 1,140,568</u>	<u>2,419,618</u>
Weighted-average number of shares outstanding during the period (in thousands of shares)	<u>206,106</u>	<u>201,321</u>
Basic earnings per share (NTD)	<u>\$ 5.53</u>	<u>12.02</u>

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B. Diluted earnings per share

	For the three months ended March 31,	
	2025	2024
Net profit attributable to ordinary shareholders of the Company	\$ 1,140,568	2,419,618
Effect of dilutive potential ordinary shares		
Convertible bonds	12,122	27,775
Net profit attributable to ordinary shareholders of the Company	<u>\$ 1,152,690</u>	<u>2,447,393</u>
Weighted average number of shares outstanding during the period (in thousands of shares)	206,106	201,321
Effect of dilutive potential ordinary shares (in thousands of shares)		
Employee share options	2,341	2,868
Employees' compensation	1,693	1,581
Effect of conversion of convertible bonds	10,652	10,070
	<u>220,792</u>	<u>215,840</u>
Diluted earnings per share (NTD)	<u>\$ 5.22</u>	<u>11.34</u>

(21) Operating revenue

	For the three months ended March 31,	
	2025	2024
Primary geographical markets:		
Asia	\$ 10,586,942	12,861,196
America	2,851,338	3,254,458
Europe	394,857	394,779
Australia	5,428	15,444
	<u>\$ 13,838,565</u>	<u>16,525,877</u>
Major product categories:		
Flash memory module products	\$ 9,437,979	12,289,154
Controllers	2,653,195	2,868,212
Integrated Circuit	814,038	879,070
Others	933,353	489,441
	<u>\$ 13,838,565</u>	<u>16,525,877</u>

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

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(22) 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 excluded the remunerations to employees and directors, respectively. The employees' compensation and remuneration of directors were as follows:

	For the three months ended March 31,	
	2025	2024
Employees' compensation	\$ <u>173,762</u>	<u>314,358</u>
Remuneration of directors	\$ <u>8,688</u>	<u>15,718</u>

The employees' compensation and remuneration of directors for the year ended December 31, 2024, which have been approved by the Company's Board of Directors on March 7, 2025, was as follows:

	2024	
	Cash	Share
Employees' compensation	\$ 1,000,000	-
Remuneration of directors	35,000	-

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, 2024.

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

(23) Non-operating income and expenses

A. Interest income

	For the three months ended March 31,	
	2025	2024
Interest income from bank deposits	\$ 71,870	37,771
Others	37	-
	\$ <u>71,907</u>	<u>37,771</u>

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B. Other income

	For the three months ended March 31,	
	2025	2024
Rent income	\$ 7,941	6,875
Others	18,149	21,782
	\$ 26,090	28,657

C. Other gains and losses

	For the three months ended March 31,	
	2025	2024
Net foreign exchange gains	\$ 203,885	363,362
Gains on financial assets and liability at fair value through profit or loss	19,323	142,379
Others	(2)	-
	\$ 223,206	505,741

D. Finance costs

	For the three months ended March 31,	
	2025	2024
Interest on convertible bonds	\$ 23,552	30,513
Interest on bank loans	3,488	46,970
Interest on lease liabilities	2,248	1,435
Others	11	38
	\$ 29,299	78,956

(24) Financial instruments

A. Categories of financial instruments

	March 31, 2025	December 31, 2024	March 31, 2024
Financial assets			
Financial assets at FVTPL (current and non-current)	\$ 968,540	963,056	1,352,563
Financial assets at amortized cost (Note 1)	29,115,495	30,049,824	26,669,352
Financial assets at FVTOCI	422,130	431,750	490,030
	\$ 30,506,165	31,444,630	28,511,945

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	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
Financial liabilities			
Financial liabilities at FVTPL (non-current)	\$ 32,400	40,800	23,400
Financial liabilities at amortized cost (Note 2)	<u>21,125,650</u>	<u>18,043,739</u>	<u>27,345,157</u>
Total	<u>\$ 21,158,050</u>	<u>18,084,539</u>	<u>27,368,557</u>

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 (including current portion), long-term borrowings (including current portion), and guarantee deposits received.

B. Financial risk management objectives and policies

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

(a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group 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 Group 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 Group 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.

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(i) Exposure to foreign currency risk

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

	March 31, 2025			December 31, 2024			March 31, 2024		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	505,535	33.205	16,786,295	489,579	32.785	16,050,842	515,506	32.000	16,496,194
<u>Non-Monetary items</u>									
CNY	736,847	4.573	3,369,601	710,888	4.478	3,183,356	1,101,372	4.408	4,854,848
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	213,496	33.205	7,089,129	77,466	32.785	2,539,730	319,143	32.000	10,212,590

(ii) Sensitivity analysis

The Group'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 March 31, 2025 and 2024, would have increased or decreased the net profit before income tax for the three months ended March 31, 2025 and 2024 by \$484,858 thousand and \$314,180 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 Group entities. The details of the net foreign currency exchange gains (losses) (including realized and unrealized) were as follows:

For the three months ended March 31,	
2025	2024
\$ <u>203,885</u>	<u>363,362</u>

(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% basis point higher and all other variables were held constant, the Group's net profit before income tax for the three months ended March 31, 2025 and 2024 would have increased by \$5,926 thousand and \$5,551 thousand, respectively. Due to the impact of variable interest rate cash and cash equivalents, short-term and long-term borrowings.

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(c) Other price risk

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

Sensitivity analysis

The sensitivity analysis below was determined based on the Group'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 three months ended March 31, 2025 and 2024 would have increased or decreased by \$95,784 thousand and \$131,204 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 three months ended March 31, 2025 and 2024 would have increased or decreased by \$42,213 thousand and \$49,003 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 Group are in the electronics industry and the Group usually grants credit limits to customers in accordance with credit policy, therefore, the credit risk of the Group is mainly affected by the electronics industry. However, the Group 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 March 31, 2025, December 31, 2024, and March 31, 2024, 30%, 35% and 41%, respectively, of accounts receivable (including related parties) were from top five customers, so there was no significant concentration of credit risk. In addition, the Group 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 Group's cash and cash equivalents are deposited with different financial institutions. The Group controls the credit risk exposure to each financial institution and believes that the Group's cash and cash equivalents do not pose a risk of a significant concentration of credit risk.

(c) Receivables and debt securities

Please refer to note 6(4) for details on the credit risk exposure of accounts receivable. Financial assets at amortized cost including pledged time deposits. Please refer to notes 6(2) and (3) 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.

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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>
March 31, 2025					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 15,438,667	(15,438,667)	(15,432,318)	(4,353)	(1,996)
Lease liabilities (current and non-current)	196,390	(207,466)	(107,989)	(97,705)	(1,772)
Floating interest rate liabilities	52,361	(54,073)	(19,584)	(34,489)	-
Fixed interest rate liabilities	<u>5,634,622</u>	<u>(6,000,000)</u>	<u>-</u>	<u>(6,000,000)</u>	<u>-</u>
	<u>\$ 21,322,040</u>	<u>(21,700,206)</u>	<u>(15,559,891)</u>	<u>(6,136,547)</u>	<u>(3,768)</u>
December 31, 2024					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 11,531,047	(11,531,047)	(11,524,688)	(4,363)	(1,996)
Lease liabilities (current and non-current)	209,587	(224,550)	(107,503)	(115,313)	(1,734)
Floating interest rate liabilities	88,554	(91,781)	(29,767)	(62,014)	-
Fixed interest rate liabilities	<u>6,424,138</u>	<u>(6,825,728)</u>	<u>(825,728)</u>	<u>(6,000,000)</u>	<u>-</u>
	<u>\$ 18,253,326</u>	<u>(18,673,106)</u>	<u>(12,487,686)</u>	<u>(6,181,690)</u>	<u>(3,730)</u>
March 31, 2024					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 14,484,094	(14,484,094)	(14,477,735)	(4,363)	(1,996)
Lease liabilities (current and non-current)	151,394	(155,962)	(68,010)	(87,952)	-
Floating interest rate liabilities	877,170	(889,589)	(805,250)	(84,339)	-
Fixed interest rate liabilities	<u>11,983,893</u>	<u>(12,511,823)</u>	<u>(6,511,823)</u>	<u>(6,000,000)</u>	<u>-</u>
	<u>\$ 27,496,551</u>	<u>(28,041,468)</u>	<u>(21,862,818)</u>	<u>(6,176,654)</u>	<u>(1,996)</u>

The Group 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 consolidated 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 Group's financial assets and liabilities measured at fair value on a recurring basis:

	March 31, 2025			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Domestic listed stocks	\$ 631,632	-	-	631,632
Domestic unlisted stocks	-	-	142,131	142,131
Foreign unlisted stocks	-	-	69,956	69,956
Domestic private equity funds	-	-	1,703	1,703
Beneficiary certificates—open-end funds	114,118	-	-	114,118
Derivative instruments—convertible bonds	-	9,000	-	9,000
	<u><u>\$ 745,750</u></u>	<u><u>9,000</u></u>	<u><u>213,790</u></u>	<u><u>968,540</u></u>
Financial liabilities at fair value through profit or loss				
Derivative instruments—convertible bonds	<u><u>\$ -</u></u>	<u><u>32,400</u></u>	<u><u>-</u></u>	<u><u>32,400</u></u>
Financial assets at fair value through other comprehensive income				
Domestic unlisted stocks	\$ -	-	327,055	327,055
Foreign unlisted stocks	-	-	95,075	95,075
	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>422,130</u></u>	<u><u>422,130</u></u>

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		December 31, 2024			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Domestic listed stocks	\$	620,824	-	-	620,824
Domestic unlisted stocks		-	-	144,882	144,882
Foreign unlisted stocks		-	-	70,366	70,366
Domestic private equity funds		-	-	4,296	4,296
Beneficiary certificates—open-end funds		113,688	-	-	113,688
Derivative instruments—convertible bonds		-	9,000	-	9,000
	\$	<u>734,512</u>	<u>9,000</u>	<u>219,544</u>	<u>963,056</u>
Financial liabilities at fair value through profit or loss					
Derivative instruments—convertible bonds	\$	<u>-</u>	<u>40,800</u>	<u>-</u>	<u>40,800</u>
Financial assets at fair value through other comprehensive income					
Domestic unlisted stocks	\$	-	-	329,678	329,678
Foreign unlisted stocks		-	-	102,072	102,072
	\$	<u>-</u>	<u>-</u>	<u>431,750</u>	<u>431,750</u>
		March 31, 2024			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Domestic listed stocks	\$	986,015	-	-	986,015
Domestic unlisted stocks		-	-	131,190	131,190
Foreign unlisted stocks		-	-	82,373	82,373
Domestic private equity funds		-	-	19,480	19,480
Beneficiary certificates—open-end funds		112,463	-	-	112,463
Derivative instruments—convertible bonds		-	21,042	-	21,042
	\$	<u>1,098,478</u>	<u>21,042</u>	<u>233,043</u>	<u>1,352,563</u>

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	March 31, 2024			Total
	Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss				
Derivative instruments—convertible bonds	\$ -	23,400	-	23,400
Financial assets at fair value through other comprehensive income				
Domestic unlisted stocks	\$ -	-	284,175	284,175
Foreign unlisted stocks	-	-	205,855	205,855
	\$ -	-	490,030	490,030

There were no transfers between Levels 1 and 2 for the three months ended March 31, 2025 and 2024.

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	Equity instruments	Equity instruments	
January 1, 2025	\$ 4,296	215,248	431,750	651,294
Recognized in profit or loss	(2,593)	(3,161)	-	(5,754)
Recognized in other comprehensive income	-	-	(27,120)	(27,120)
Additions for the period	-	-	17,500	17,500
March 31, 2025	\$ 1,703	212,087	422,130	635,920
January 1, 2024	\$ 27,201	215,056	457,457	699,714
Recognized in profit or loss	(7,721)	(1,493)	-	(9,214)
Recognized in other comprehensive income	-	-	32,573	32,573
March 31, 2024	\$ 19,480	213,563	490,030	723,073

(c) Quantified information on Level 3 used in fair value measurement

The Group'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 Group 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:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
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"> Discount for lack of marketability (March 31, 2025: 15.13%~30.00%, December 31, 2024: 12.10%~30.00% and March 31, 2024: 14.17%~30.00%) 	<ul style="list-style-type: none"> The higher the discount for lack of marketability, the lower the fair value
Financial assets at fair value through other comprehensive income—equity investments without an active market	Income approach	<ul style="list-style-type: none"> Sustainable revenue growth rate (March 31, 2025: 2.10%, December 31, 2024: 2.10% and March 31, 2024: 1.92%) Weighted-average cost of capital (March 31, 2025: 5.83%~11.59%, December 31, 2024: 5.83%~11.59% and March 31, 2024: 5.80%~12.25%) Discount for lack of marketability (March 31, 2025, December 31, 2024 and March 31, 2024: 15%) Discount for non-controlling interest (March 31, 2025, December 31, 2024 and March 31, 2024: 15%) 	<ul style="list-style-type: none"> The higher the sustainable revenue growth rate, the higher the fair value The higher the weighted-average cost of capital, the lower the fair value The higher the discount for lack of marketability, the lower the fair value The higher the discount for non-controlling interest, the lower the fair value
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"> Net Asset Value Discount for lack of marketability (March 31, 2025, December 31, 2024 and March 31, 2024: 10%) Discount for non-controlling interest (March 31, 2025, December 31, 2024 and March 31, 2024: 10%) 	No applicable

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(25) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2024. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2024. Please refer to Note 6(25) of the consolidated financial statements for the year ended December 31, 2024 for related information.

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

A. For leased right-of-use assets, please refer to note 6(9).

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

	January 1, 2025	Cash flows	Foreign exchange movement and others	March 31, 2025
Short-term borrowings	\$ 813,068	(801,626)	(11,442)	-
Bonds payable (including current portion)	5,611,070	-	23,552	5,634,622
Long-term borrowings (including current portion)	88,554	(36,193)	-	52,361
Lease liabilities (current and non-current)	209,587	(15,545)	2,348	196,390
Guarantee deposits received (current and non-current)	<u>170,284</u>	<u>(163,935)</u>	<u>-</u>	<u>6,349</u>
Total liabilities from financing activities	<u><u>\$ 6,892,563</u></u>	<u><u>(1,017,299)</u></u>	<u><u>14,458</u></u>	<u><u>5,889,722</u></u>
	January 1, 2024	Cash flows	Foreign exchange movement and others	March 31, 2024
Short-term borrowings	\$ 2,106,363	1,508,704	122,533	3,737,600
Bonds payable (including current portion)	3,471,393	6,054,065	(511,165)	9,014,293
Long-term borrowings (including current portion)	115,983	(6,813)	-	109,170
Lease liabilities (current and non-current)	148,131	(10,701)	13,964	151,394
Guarantee deposits received (current and non-current)	<u>773,371</u>	<u>(75,932)</u>	<u>108,920</u>	<u>806,359</u>
Total liabilities from financing activities	<u><u>\$ 6,615,241</u></u>	<u><u>7,469,323</u></u>	<u><u>(265,748)</u></u>	<u><u>13,818,816</u></u>

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7. Related-party transactions

(1) Names and relationship with related parties

The followings are subsidiaries and related parties that have had transactions with the Group during the periods covered in the consolidated financial statements:

<u>Name of related party</u>	<u>Relationship with the Group</u>
Microtops Design Corporation	Associate
Hosin Global Electronics Co., Ltd. (SZ)	Associate
Hosin Global Electronics Co., Ltd. (HK)	Hosin Global Electronics Co., Ltd. (SZ)'s subsidiary
Hefei Core Storage Electronic Limited	Hosin Global Electronics Co., Ltd. (SZ)'s subsidiary
Hefei Kaimeng Technology Co., Ltd.	Hosin Global Electronics Co., Ltd. (SZ)'s second-tier subsidiary
Xiamen Hongxinchuang Electronics Co., Ltd.	Hosin Global Electronics Co., Ltd. (SZ)'s subsidiary
Shanghai Hongxinyu Microelectronics Technology Co., Ltd.	Hosin Global Electronics Co., Ltd. (SZ)'s subsidiary
Hefei Xinpeng Technology Co., Ltd.	Associate
Hefei Datang Storage Technology Co., Ltd.	Hefei Xinpeng's subsidiary
ProGrade Digital, Inc.	Associate
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
Apacer Technology Inc.	The Company resigned the director of the Company on May 31, 2024, hence, it was no longer a related party of the Group since then.
UD INFO Corp.	Apacer Technology Inc's subsidiary
Miphi Semiconductors Private Limited	Associate
United Power Research Technology Corp.	Other related parties
Apollo power CO., LTD.	Other related parties

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- (2) Excluding that has been reported on other disclosures of the consolidated financial statements, the summary of significant related-party transactions as follows:

A. Operating revenues

Related Party Category	For the three months ended March 31,	
	2025	2024
Associates	\$ 1,167,873	1,713,161
Other related parties	216,707	605,038
	\$ 1,384,580	2,318,199

The credit terms to related parties were ranged from T/T in advance to EOM 90 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 Group for related parties and that for the third parties.

As of March 31, 2025 and 2024, the unrealized profits arising from sales to related parties amounted to \$32,211 thousand and \$1,155 thousand, respectively, and were recorded as deductions from investments accounted for using the equity method.

B. Purchase of goods

Related Party Category / Name	For the three months ended March 31,	
	2025	2024
Other related parties— Kioxia Taiwan Corporation	\$ 4,494,303	6,275,454
Other related parties	-	8,256
	\$ 4,494,303	6,283,710

The payment terms to related parties were ranged from T/T in advance to EOM 45 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 Group from related parties and that from the third parties.

C. Receivable from related parties

Related Party Category / Name	March 31, 2025	December 31, 2024	March 31, 2024
Associates— Hosin Global Electronics Co., Ltd. (HK)	\$ 855,857	461,877	1,224,096
Associates	142,234	59,840	74,766
Other related parties	173,328	82,768	472,758
	1,171,419	604,485	1,771,620
Less: Loss allowance	(1,789)	(390)	(973)
	\$ 1,169,630	604,095	1,770,647

The outstanding accounts receivable from related parties are unsecured.

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D. Payables to related parties

Related Party Category / Name	March 31, 2025	December 31, 2024	March 31, 2024
Other related parties – Kioxia			
Taiwan Corporation	\$ 2,976,802	-	2,038,551
Other related parties	-	-	8,758
	<u>\$ 2,976,802</u>	<u>-</u>	<u>2,047,309</u>

E. Prepayments

Related Party Category / Name	March 31, 2025	December 31, 2024	March 31, 2024
Other related parties – Kioxia			
Taiwan Corporation	\$ -	402,880	2,976,999

F. Other transactions

Account Name	Related Party Category	For the three months ended March 31,	
		2025	2024
Operating costs	Other related parties	\$ 224	210
Operating and non-operating expenses	Associates	\$ 2,345	-
	Other related parties	160	1,659
		<u>\$ 2,505</u>	<u>1,659</u>
Non-operating incomes	Associates	\$ 232	232
	Other related parties	1,430	10
		<u>\$ 1,662</u>	<u>242</u>

As of March 31, 2025, December 31, 2024, and March 31, 2024, the receivables arising from abovementioned transactions were \$96 thousand, \$81 thousand and \$81 thousand (recognized as other receivables) and the payables arising from abovementioned transactions were \$1,221 thousand, \$23,452 thousand and \$1,662 thousand, respectively (recognized as other current liabilities).

The Group 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.

(3) Key management personnel compensation

	For the three months ended March 31,	
	2025	2024
Short-term employee benefits	\$ 50,364	95,649
Post-employment benefits	402	363
Share-based payments	-	140,405
	<u>\$ 50,766</u>	<u>236,417</u>

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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(19) for further explanations related to share-based payment.

8. Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	March 31, 2025	December 31, 2024	March 31, 2024
Property, plant and equipment	As collateral for loans and finance facilities	\$ 489,133	492,330	501,921
Pledged time deposits (recognized as financial assets at amortized cost — current)	As collateral for the tariff of imported raw materials	41,014	40,807	40,739
		<u><u>\$ 530,147</u></u>	<u><u>533,137</u></u>	<u><u>542,660</u></u>

9. Commitments and contingencies

(1) Significant commitments

A. The Group's unused letters of credit as follows:

March 31, 2025	December 31, 2024	March 31, 2024
<u><u>\$ 320,000</u></u>	<u><u>320,000</u></u>	<u><u>320,000</u></u>

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

March 31, 2025	December 31, 2024	March 31, 2024
<u><u>\$ 180,000</u></u>	<u><u>180,000</u></u>	<u><u>123,600</u></u>

C. In order to apply post release duty payment for imported goods, the Group obtain a customs duties guarantee from the bank as follows:

March 31, 2025	December 31, 2024	March 31, 2024
<u><u>\$ 1,000</u></u>	<u><u>1,000</u></u>	<u><u>1,000</u></u>

Phison Electronics Corp. and subsidiaries
Notes to the Consolidated Financial Statements

(2) Purchase commitment

The Group entered into a long-term purchase agreement of materials with a supplier. The relative purchase quantity and price of wafers are specified in the agreement. According to the agreement, the Group has to pay partial guarantee deposit before the agreed date. As of March 31, 2025, the Group has paid US\$56,000 thousand of guarantee deposit (recognized as other non-current assets).

10. Losses due to major disasters: None.

11. Subsequent events

On May 7, 2025, the Board of Directors resolved to acquire five parcels of land from non-related parties for a total consideration of approximately \$457,001 thousand, in order to address the anticipated operational needs arising from the Company's future business expansion. The acquired land will be reserved for purposes such as the construction of new facilities, employee parking areas, and spaces designated for employee welfare facilities.

12. Other

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

By item	By function	For the three months ended March 31,					
		2025			2024		
		Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Employee benefits							
	Salary	199,154	1,985,108	2,184,262	270,318	3,461,634	3,731,952
	Labor and health insurance	21,410	156,580	177,990	21,918	149,471	171,389
	Pension	9,166	76,924	86,090	8,065	66,674	74,739
	Others	9,798	52,941	62,739	10,323	52,794	63,117
	Depreciation	46,859	138,217	185,076	49,562	121,009	170,571
	Amortization	474	158,314	158,788	508	124,796	125,304

- (2) On November 8 and December 13, 2019, the Securities and Futures Investors Protection Center ("SFIPC") filed two lawsuits against the Company to the Taiwan Hsinchu District Court, with the following demands:

- A. Mr. K.S. Pua should be removed from his position as the Company's chairman of the board ("Removal Action");
- B. The Company, its board of directors, and other co-defendants, must compensate for the damage amounting to NT\$685,570 thousand on behalf of certain investors ("Class Action").

Both civil lawsuits above derived from the criminal litigation associated with the Company's financial case dated August 05, 2016, where the Company has engaged attorneys to defend its case and request the court to dismiss SFIPC's allegations.

Phison Electronics Corp. and subsidiaries
Notes to the Consolidated Financial Statements

Of which, the termination lawsuit was declared on January 15, 2025, and the Taiwan High Court ruled that Mr. K.S. Pua's position as a director of the Company should be terminated. Nevertheless, since Mr. K.S. Pua had resigned from his position on November 18, 2021, the Removal Action's future development has no impact to the Company.

With regard to the Class Action, the Taiwan Hsinchu District Court dismissed the plaintiff's claims and provisional execution on May 3, 2024, with the plaintiff bearing all the litigation expenses. However, the plaintiff disagreed with the court's decision and filed an appeal to the Taiwan High Court.

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 Group:

A. Loans to other parties: None.

B. Guarantees and endorsements for other parties: None.

C. Securities held as of March 31, 2025 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 1.

D. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 2.

E. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 3.

F. Business relationships and significant intercompany transactions: Please refer to Table 4.

(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.

C. Significant transactions:

For the three months ended March 31, 2025, 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".

Phison Electronics Corp. and subsidiaries
Notes to the Consolidated Financial Statements

14. Segment information

Information is reported to the chief operating decision maker for the purpose of resource allocation, and the assessment of segment performance is focused on operating income generated from flash memory controllers design and the flash peripheral application integration design, manufacturing and sales business. As a result, the Group has only one operating segment. The segment engages mainly in the design and sale of flash memory controllers and the flash peripheral application integration, such as the application design, manufacturing and sale of SSDs (included SATA, PCIe), Embedded Memory (included eMMC, UFS), USB and memory cards, etc.

The basis for the measurement of income from operations is the same as that for the preparation of the financial statements. Refer to the consolidated statements of comprehensive income for the related segment revenue and operating results.

Phison Electronics Corp. and Subsidiaries
Significant securities held as of March 31, 2025 (excluding investment in subsidiaries, associates and joint ventures)
March 31, 2025

Table 1

(Shares/Units 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	583,160	9.75	583,160	
	AppWorks Fund IV L.P.	-	Financial assets at fair value through other comprehensive income – non-current	142,500	102,931	7.03	102,931	

Note: The individual amount of significant transaction should exceed \$100,000 thousand or above.

Phison Electronics Corp. and Subsidiaries

Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock

For the three months ended March 31, 2025

Table 2

(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	4,494,303	41	Net 30 days after monthly closing	None	None	(2,976,802)	(41)	Note 2
	Super Storage Technology Corporation	Sub-subsidiary	Processing cost	124,651	1	Net 30 days after monthly closing	None	None	(55,488)	(1)	
	Kioxia Corporation	The Company's director	Sales	(182,959)	(1)	Net 60 days after monthly closing	None	None	153,149	2	
	Hosin Global Electronics Co., Ltd.(HK)	The subsidiary of Hosin Global Electronics Co.,Ltd.(SZ)	Sales	(951,598)	(7)	Net 45 days after monthly closing	None	None	854,659	10	
	Phison Technology Inc.	Sub-subsidiary	Sales	(144,192)	(1)	Net 45 days after monthly closing	None	None	107,701	1	

Note 1: The sales and purchase price to related parties were similar to those offered to non-related parties.

Note 2: The inter-company transactions and balance had been eliminated in the consolidated financial statements.

Phison Electronics Corp. and Subsidiaries
Receivables from Related Parties Amounting to at least NT\$100 Million or 20% of the Paid-in Capital
March 31, 2025

Table 3

(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	Hosin Global Electronics Co.,Ltd. (HK)	The subsidiary of Hosin Global Electronics Co.,Ltd. (SZ)	854,659	5.78	-	-	163,342	1,198	Note 2
	Kioxia Corporation	The Company's director	153,149	6.48	-	-	78,319	215	
	Phison Technology Inc.	Sub-subsidiary	107,701	4.84	-	-	35,281	-	

Note 1: Information as of April 30, 2025.

Note 2: The aforementioned inter-company transactions and balance have been eliminated in the consolidated financial statements.

Phison Electronics Corp. and Subsidiaries
Business relationships and significant intercompany transactions
For the three months ended March 31, 2025

Table 4

(Amounts in Thousands)

No.	Name of company	Name of counter-party	Nature of relationship (Note 1)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets (%)
0	The Company	Super Storage Technology Corporation	1	Processing cost	124,651	General trading terms	0.90
		Phison Technology Inc.	1	Sales	144,192	General trading terms	1.04
			1	Accounts receivable	107,701	General trading terms	0.15
			1	Marketing expenses	159,992	General trading terms	1.16
			1	Other payables	109,828	General trading terms	0.15

Note 1: 1.Parent Company to its subsidiaries

Note 2: The amount of significant transaction should exceed \$100,000 thousand or above.

Phison Electronics Corp. and Subsidiaries
Information on Investees (Excluding Information on Investees in Mainland China)
For the three months ended March 31, 2025

Table 5

(Amounts in Thousands)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2025			Net Income (Losses) of Investee	Share of Profits/Losses of Investee	Note
				March 31, 2025	December 31, 2024	Shares	Percentage of Ownership (%)	Carrying Value			
The Company	Global Flash Limited	Samoa	Investment and trade	726,307	726,307	22,100,000	100.00	3,925,725	22,516	22,516	Subsidiary and note 2
	Regis Investment (Samoa) Limited	Samoa	Investment	655,995	655,995	21,900,000	100.00	1,684,860	(53,112)	(53,112)	Subsidiary and note 2
	Phisontech Electronics Taiwan Corp.	Taiwan	Investment and trade	581,363	581,363	55,000,000	100.00	813,251	6,867	6,867	Subsidiary and note 2
	Lian Xu Dong Investment Corporation	Taiwan	Investment	650,000	650,000	65,000,000	100.00	446,866	1,493	1,493	Subsidiary and note 2
	EpoStar Electronics (BVI) Corporation	British Virgin Islands	Investment	79,531	79,531	6,288,523	30.51	166,561	958	292	Investee accounted for using the equity method
	Emtops Electronics Corporation	Taiwan	Investment	380,000	380,000	38,000,000	100.00	529,797	6,219	6,219	Subsidiary and note 2
	Nextorage Corporation	Japan	R&D, design, manufacture and sale of flash memory application products	211,170	211,170	11,797	98.31	588,832	11,173	10,984	Subsidiary and note 2
	Power Flash (Samoa) Limited	Samoa	Investment and trade	433,960	433,960	13,800,000	100.00	410,735	(16,863)	(16,863)	Subsidiary and note 2
	ProGrade Digital Inc.	USA	Flash memory related products and market development	83,439	83,439	2,785,000	28.71	169,510	6,547	1,880	Investee accounted for using the equity method

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2025			Net Income (Losses) of Investee	Share of Profits/Losses of Investee	Note
				March 31, 2025	December 31, 2024	Shares	Percentage of Ownership (%)	Carrying Value			
The Company	Phison Electronics Japan Corp.	Japan	Sales and service office	59,508	59,508	2,000	100.00	30,419	672	672	Subsidiary and note 2
	Phison Technology India Private Limited	India	Design, R&D, import and export of storage devices and electronic components	8,768	8,768	2,299,990	100.00	11,840	344	344	Subsidiary and note 2
	Microtops Design Corporation	Taiwan	Development and design of flash memory controllers and related products	22,638	22,638	2,263,800	49.00	29,100	(395)	(194)	Investee accounted for using the equity method
	Great Storage Investment Corporation	Taiwan	Investment	750,000	750,000	75,000,000	100.00	772,539	24,923	24,923	Subsidiary and note 2
	Gorich Investment Corporation	Taiwan	Investment	280,000	-	28,000,000	100.00	279,871	(129)	(129)	Subsidiary and note 2
								<u>9,859,906</u>		<u>5,892</u>	
Lian Xu Dong Investment Corporation	Ostek Corporation	Taiwan	Manufacture and trade of electronic components	9,000	9,000	900,000	100.00	24,393	883	Note 1	Sub-sub-sidiary and note 2
Emtops Electronics Corporation	Phison Technology Inc.	USA	Sale of electronic products and business service office	90,419	90,419	3,000,000	100.00	267,372	5,526	Note 1	Sub-sub-sidiary and note 2
	Phison Technology India Private Limited	India	Design, R&D, import and export of storage devices and electronic components	-	-	10	-	-	344	Note 1	Sub-sub-sidiary and note 2
	Miphi Semiconductors Private Limited	India	Development, design, sales and technical service of flash memory related application products and software.	143,721	143,721	37,350,000	45.00	132,795	1,071	Note 1	Investee accounted for using the equity method
Phisontech Electronics Taiwan Corp.	Super Storage Technology Corporation	Taiwan	Manufacture and trade of electronic components	452,954	452,954	34,842,595	100.00	813,251	6,514	Note 1	Sub-sub-sidiary and note 2

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2025			Net Income (Losses) of Investee	Share of Profits/Losses of Investee	Note
				March 31, 2025	December 31, 2024	Shares	Percentage of Ownership (%)	Carrying Value			
Global Flash Limited	Core Storage Electronic (Samoa) Limited	Samoa	Investment and trade	636,593	636,593	19,150,000	100.00	3,934,781	21,251	Note 1	Sub-subsidiary and note 2
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	115,693	1,079	Note 1	Sub-subsidiary and note 2
Regis Investment (Samoa) Limited	RealYou Investment Limited	Hong Kong	Investment	654,726	654,726	21,850,000	100.00	1,740,445	(53,127)	Note 1	Sub-subsidiary and note 2
Great Storage Investment Corporation	Maistorage Technology Sdn. Bhd.	Malaysia	R&D, design, manufacture, and sale of flash memory controller chips and storage solutions, along with trade, import and export, software development, and technical support services	709,459	709,459	100,000,000	100.00	731,243	24,891	Note 1	Sub-subsidiary and note 2

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: The aforementioned inter-company transactions and balance have been eliminated in the consolidated financial statements.

Phison Electronics Corp. and Subsidiaries
Information on Investment in Mainland China
For the three months ended March 31, 2025

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, 2025	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2025	Net Income (Losses) of the Investee	Percentage of Ownership (%)	Investment Income (Losses)	Book Value	Accumulated Remittance of Earnings in as of March 31, 2025	Note
					Outflow	Inflow							
Hefei 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	(5,686)	100.00	(5,686)	83,097	-	Note 3
Hefei Xinpeng Technology Co., Ltd.	R&D, production and sale of electronic product and technical service and rendering of related services and investment	735,136	2(1)	-	-	-	-	(23,470)	24.23	(5,687)	77,190	-	-
Hosin Global Electronics Co., Ltd. (SZ)	R&D and sale of electronic product and technical service and rendering of related services	2,072,062	2(1) and 2(2)	442,780	-	-	442,780	(510,482)	22.50	(99,768)	3,292,411	2,068,111	-
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	347	100.00	347	51,428	-	Note 3
Power Storage Electronics Limited	Design, R&D, production and sales of integrated circuits, systems and electronics hardware and software and rendering of related services	267,720	2(3)	267,720	-	-	267,720	(19,074)	100.00	(19,074)	209,644	-	Note 3

(2) Limitation on investment in Mainland China

Accumulated Investment in Mainland China as of March 31, 2025	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 2)
936,845	1,324,209	28,936,393

Note 1: Method of investment.

1. Direct investment in the company in Mainland China.
2. Indirect investment in Mainland China through an existing investee company in a third region.
 - (1) Indirect investment in Mainland China through an existing investee company (Regis Investment (Samoa) Limited) in a third region.
 - (2) Indirect investment in Mainland China through an existing investee company (Global Flash Limited) in a third region.
 - (3) Indirect investment in Mainland China through an existing investee company (Power Flash (Samoa) Limited) in a third region.

Note 2: In accordance with the Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China amended on August 29, 2008, the limitation on investment in Mainland China shall not exceed 60% of the Company's net worth.

Note 3: The aforementioned inter-company transactions and balance have been eliminated in the consolidated financial statements.