

Phison Electronics Corp.
Parent-Company-Only Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2025 and 2024

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

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Independent Auditors' Report

To the Board of Directors of Phison Electronics Corp.:

Opinion

We have audited the parent-company-only financial statements of Phison Electronics Corp. (“the Company”), which comprise the parent-company-only balance sheets as of December 31, 2025 and 2024, the parent-company-only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including a summary of material accounting policies.

In our opinion, the accompanying parent-company-only financial statements present fairly, in all material respects, the parent-company-only financial position of the Company as of December 31, 2025 and 2024, and its parent-company-only financial performance and its parent-company-only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent-Company-Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent-company-only financial statements of the current period. These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters that should be disclosed in this report are as follows:

1. Revenue recognition

Please refer to Note 4(14) and Note 6(20) for “Summary of significant accounting policies— Revenue recognition” and “Description of significant accounts— Operating revenue” to the parent-company-only financial statements, respectively.

Description of key audit matter:

The Company engaged primarily in the sale of flash memory controllers and peripheral system applications. Revenue is recognized depending on the various trade terms agreed with customers. This exposes the Company to the risk that the sales transactions made close to the balance sheet date may not be recorded in the appropriate period. In addition, the Company operates in an industry in which sales revenue is easily influenced by various external factors such as supply and demand of the market, and this may impact the recognition of revenue. Consequently, this is one of the key areas that our audit focused on.



How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding and evaluating the effectiveness of the design and performing internal controls over the timing of revenue recognition; sample testing on sales transaction that took place before and after the balance sheet date to assess the accuracy of the timing of revenue recognition; and assessing the adequacy of the Group's disclosures of revenue recognition policy and other related disclosures.

2. Valuation of inventories

Please refer to Note 4(7), Note 5, and Note 6(6) for “Summary of significant accounting policies—Inventories”, “Critical Accounting Judgments and Key Sources of Estimations and Assumptions Uncertainty”, and “Description of significant accounts—Inventories” to the parent-company-only financial statements, respectively.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to the rapid technological innovations and highly competitive environment in the industry of the Company, the life cycles of products of the Company are short and the prices fluctuate rapidly, which could possibly result in a price decline and obsolescence of inventory, wherein the inventory cost may exceed its net realizable value. Consequently, this is one of the key areas that our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included reviewing the aging report of inventory and analyzing the fluctuation of inventory aging; verifying the accuracy of the net realizable value of inventories and the inventory aging report on a sample basis, assessing the historical reasonableness of management's estimates on inventory provisions; and evaluating whether valuation of inventories was accounted in accordance with the Company's accounting policies, as well as assessing the adequacy of the Company's disclosures of its policy and other related disclosures.

Responsibilities of Management and Those Charged with Governance for the Parent-company-only Financial Statements

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent-company-only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.



Auditors' Responsibilities for the Audit of the Parent-company-only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent-company-only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent-company-only financial statements.

As part of an audit in accordance with the parent-company-only Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent-company-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent-company-only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent-company-only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)

March 6, 2026

Notes to Readers

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

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

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

Statements of Comprehensive Income

For the years ended December 31, 2025 and 2024

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

		<u>2025</u>		<u>2024</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (notes 6(20) and 7)	\$ 71,993,999	100	58,187,962	100
5000	Operating costs (notes 6(6), 6(21) and 7)	47,585,429	66	39,523,515	68
	Gross profit from operations	24,408,570	34	18,664,447	32
5910	Unrealized profit or loss on transactions with associates (note 7)	(140,955)	-	(8,996)	-
5950	Realized gross profit	24,267,615	34	18,655,451	32
	Operating expenses (notes 6(21) and 7):				
6100	Marketing expenses	1,411,129	2	1,495,706	3
6200	General and administrative expenses	1,029,098	2	1,133,363	2
6300	Research and development expenses	13,844,798	19	12,534,516	21
6450	Expected credit loss (reversal gain) (note 6(4))	(33,841)	-	5,642	-
	Total operating expenses	16,251,184	23	15,169,227	26
	Net operating income	8,016,431	11	3,486,224	6
	Non-operating income and expenses:				
7010	Other income (notes 6(22) and 7)	203,564	-	301,121	-
7020	Other gains and losses (notes 6(22) and 7)	851,112	1	347,367	1
7050	Finance costs (note 6(22))	(143,608)	-	(268,025)	-
7100	Interest income (note 6(22))	179,314	-	208,591	-
7060	Shares of profit (loss) of subsidiaries and associates accounted for using the equity method (note 6(7))	1,005,974	2	5,262,554	9
		2,096,356	3	5,851,608	10
7900	Profit before tax	10,112,787	14	9,337,832	16
7950	Income tax expenses (note 6(16))	1,373,609	2	1,384,626	2
8200	Net profit for the year	8,739,178	12	7,953,206	14
	Other comprehensive income (loss):				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurements of defined benefit plans (note 6(15))	(11,140)	-	(4,869)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(23))	(24,377)	-	(59,202)	-
8330	Shares of other comprehensive income of subsidiaries and associates accounted for using the equity method	2,480	-	(20,794)	-
8349	Income tax related to items that will not be reclassified subsequently (note 6(16))	2,229	-	974	-
	Total items that will not be reclassified subsequently to profit or loss	(30,808)	-	(83,891)	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(32,455)	-	130,659	-
8399	Income tax related to items that may be reclassified subsequently (note 6(16))	6,491	-	(26,132)	-
	Total items that may be reclassified subsequently to profit or loss	(25,964)	-	104,527	-
8300	Other comprehensive income	(56,772)	-	20,636	-
8500	Total comprehensive income	\$ 8,682,406	12	7,973,842	14
	Earnings per share (New Taiwan Dollars) (note 6(19)):				
9750	Basic earnings per share	\$ 41.98		38.95	
9850	Diluted earnings per share	\$ 39.74		35.68	

See accompanying notes to parent-company-only financial statements.

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

Statements of Changes in Equity
For the years ended December 31, 2025 and 2024
(Expressed in Thousands of New Taiwan Dollars)

	Share capital				Retained earnings				Total other equity interest			Treasury shares	Total equity
	Common shares	Advance receipts for share capital	Total share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings		Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total		
								Total					
Balance at January 1, 2024	\$ 2,044,690	3,000	2,047,690	11,552,379	6,563,841	222,728	24,021,597	30,808,166	(71,980)	(290,794)	(362,774)	(1,257,308)	42,788,153
Net profit for the year	-	-	-	-	-	-	7,953,206	7,953,206	-	-	-	-	7,953,206
Other comprehensive income (loss) for the year	-	-	-	-	-	-	(3,895)	(3,895)	104,527	(79,996)	24,531	-	20,636
Total comprehensive income (loss) for the year	-	-	-	-	-	-	7,949,311	7,949,311	104,527	(79,996)	24,531	-	7,973,842
Appropriation and distribution of retained earnings:													
Appropriated legal reserve	-	-	-	-	781,368	-	(781,368)	-	-	-	-	-	-
Appropriated special reserve	-	-	-	-	-	65,691	(65,691)	-	-	-	-	-	-
Cash dividends of common shares	-	-	-	-	-	-	(4,474,325)	(4,474,325)	-	-	-	-	(4,474,325)
Changes in equity of associates accounted for using the equity method	-	-	-	(608,364)	-	-	-	-	-	-	-	-	(608,364)
Changes in accounted ownership interests of subsidiaries	-	-	-	(85)	-	-	-	-	-	-	-	-	(85)
The transfer of treasury shares to employees	-	-	-	1,241,794	-	-	-	-	-	-	-	1,257,308	2,499,102
Share-based payments-stock options	-	-	-	87,080	-	-	-	-	-	-	-	-	87,080
Exercise of employee stock options	8,520	1,835	10,355	274,200	-	-	-	-	-	-	-	-	284,555
Conversion of convertible bonds	131	2	133	6,610	-	-	-	-	-	-	-	-	6,743
Due to recognition of equity component of convertible bonds	-	-	-	499,996	-	-	-	-	-	-	-	-	499,996
Balance at December 31, 2024	<u>2,053,341</u>	<u>4,837</u>	<u>2,058,178</u>	<u>13,053,610</u>	<u>7,345,209</u>	<u>288,419</u>	<u>26,649,524</u>	<u>34,283,152</u>	<u>32,547</u>	<u>(370,790)</u>	<u>(338,243)</u>	<u>-</u>	<u>49,056,697</u>
Net profit for the year	-	-	-	-	-	-	8,739,178	8,739,178	-	-	-	-	8,739,178
Other comprehensive income (loss) for the year	-	-	-	-	-	-	(8,911)	(8,911)	(25,964)	(21,897)	(47,861)	-	(56,772)
Total comprehensive income (loss) for the year	-	-	-	-	-	-	8,730,267	8,730,267	(25,964)	(21,897)	(47,861)	-	8,682,406
Appropriation and distribution of retained earnings:													
Appropriated legal reserve	-	-	-	-	491,603	-	(491,603)	-	-	-	-	-	-
Appropriated special reserve	-	-	-	-	-	462,753	(462,753)	-	-	-	-	-	-
Cash dividends of common shares	-	-	-	-	-	-	(3,814,143)	(3,814,143)	-	-	-	-	(3,814,143)
Changes in equity of associates accounted for using the equity method	-	-	-	524,919	-	-	-	-	-	-	-	-	524,919
Share-based payments-stock options	-	-	-	153,330	-	-	-	-	-	-	-	-	153,330
Exercise of employee stock options	26,390	7,015	33,405	842,845	-	-	-	-	-	-	-	-	876,250
Conversion of convertible bonds	2	88,029	88,031	4,529,631	-	-	-	-	-	-	-	-	4,617,662
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	(47,887)	(47,887)	-	47,887	47,887	-	-
Balance at December 31, 2025	<u>\$ 2,079,733</u>	<u>99,881</u>	<u>2,179,614</u>	<u>19,104,335</u>	<u>7,836,812</u>	<u>751,172</u>	<u>30,563,405</u>	<u>39,151,389</u>	<u>6,583</u>	<u>(344,800)</u>	<u>(338,217)</u>	<u>-</u>	<u>60,097,121</u>

See accompanying notes to parent-company-only financial statements.

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

Statements of Cash Flows

For the years ended December 31, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollars)

	2025	2024
Cash flows from operating activities:		
Profit before income tax	\$ 10,112,787	9,337,832
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses	615,346	582,436
Amortization expenses	599,332	532,877
Expected credit losses (reversal gains)	(33,841)	5,642
Net losses (gains) on financial assets at fair value through profit or loss	(855,466)	257,229
Finance costs	143,608	268,025
Interest income	(179,314)	(208,591)
Dividend income	(32,884)	(45,291)
Share-based payments	151,697	1,304,409
Shares of loss (profit) of subsidiaries and associates accounted for using the equity method	(1,005,974)	(5,262,554)
Gains on disposal of property, plant and equipment	-	(1,403)
Gain on disposal of investments accounted for using the equity method	(26,267)	-
Unrealized profit or loss on transactions with associates	140,955	8,996
Unrealized foreign exchange gains	(112,382)	(445,156)
Inventory obsolescence reversal gains	(719,839)	(64,573)
Recognition of refund liabilities	455,255	171,852
Profit from lease modification	-	(64)
Total adjustments to reconcile profit (loss)	(859,774)	(2,896,166)
Changes in operating assets and liabilities:		
Accounts receivable (including related parties)	(5,363,687)	1,817,957
Other receivables	(453,163)	309,231
Inventories	(10,138,599)	(128,663)
Prepayments	(310,149)	(370,541)
Other current assets	624	(695)
Contract liabilities	261,096	25,752
Accounts payable (including related parties)	7,613,887	(5,285,273)
Other payables	1,876,478	598,922
Other current liabilities	(48,562)	(166,046)
Net defined benefit liabilities	449	2,248
Total changes in operating assets and liabilities	(6,561,626)	(3,197,108)
Cash inflow generated from operations	2,691,387	3,244,558
Interest paid	(64,849)	(144,433)
Income taxes paid	(1,278,910)	(717,298)
Net cash flows used in operating activities	1,347,628	2,382,827

(Continued)

See accompanying notes to parent-company-only financial statements.

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

Statements of Cash Flows (Continued)

For the years ended December 31, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollars)

	2025	2024
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(12,500)	(30,000)
Proceeds from disposal of financial assets at fair value through other comprehensive income	70,043	-
Acquisition of financial assets at amortized cost	(287)	(239)
Proceeds from disposal of financial assets at fair value through profit or loss	207,353	-
Proceeds from capital reduction of financial assets at fair value through profit or loss	7,543	-
Acquisition of investments accounted for using the equity method	(384,000)	(1,033,770)
Proceeds from disposal of investments in associates	128,250	8,545
Acquisition of property, plant and equipment (including prepayments for equipment)	(1,259,548)	(803,501)
Proceeds from disposal of property, plant and equipment	-	9,539
Decrease in refundable deposits	71,901	32,917
Acquisition of intangible assets	(523,433)	(695,825)
Interests received	179,424	207,000
Dividends received	3,475,309	45,291
Net cash flows from (used in) investing activities	1,960,055	(2,260,043)
Cash flows from financing activities:		
Increase in short-term loans	15,295,387	9,152,673
Decrease in short-term loans	(13,752,390)	(10,528,341)
Proceeds from issuing bonds (excluding issuance costs)	-	6,054,064
Redemption of bonds payable	-	(3,493,200)
Decrease in guarantee deposits received	(165,330)	(629,381)
Payment of lease liabilities	(73,170)	(70,094)
Cash dividends paid	(5,172,125)	(2,660,817)
Exercise of employee stock options	876,250	284,555
Treasury shares sold to employees	-	1,254,088
Net cash flows used in financing activities	(2,991,378)	(636,453)
Effect of exchange rate changes on cash and cash equivalents	(96,510)	308,388
Net increase (decrease) in cash and cash equivalents	219,795	(205,281)
Cash and cash equivalents at beginning of period	12,000,049	12,205,330
Cash and cash equivalents at end of period	\$ 12,219,844	12,000,049

See accompanying notes to parent-company-only financial statements.

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

Notes to the Parent-Company-Only Financial Statements

For the years ended December 31, 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 are the design and manufacturing of flash memory controllers and peripheral system applications. The Company’s shares have been trading on the Taipei Exchange (over the counter exchange in Taiwan) since December 6, 2004.

2. Approval date and procedures of the financial statements

The parent-company-only financial statements were approved and authorized for issue by the Board of Directors of the Company on March 6, 2026.

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 Company has initially adopted the following new amendments, which do not have a significant impact on its parent-company-only financial statements, from January 1, 2025:

- Amendments to IAS 21 “Lack of Exchangeability”

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2026, would not have a significant impact on its parent-company-only financial statements:

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRS Accounting Standards
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

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

- (3) 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 Company, 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”	<p>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.</p> <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. 	January 1, 2027 note: On September 25, 2025, the FSC issued a press release announcing that Taiwan will adopt IFRS 18 beginning in 2028. Entities that need to adopt the new standard earlier may do with the endorsement of the FSC.

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

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

The Company 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 parent-company-only financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures” and amendments to IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IAS 21 “Translation to a Hyperinflationary Presentation Currency”

4. Summary of material accounting policies

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

(1) Statement of compliance

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

(2) Basis of preparation

A. Basis of measurement

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

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

B. Functional and presentation currency

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

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(3) Foreign currencies

A. Foreign currency transactions

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

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

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

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

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

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

B. Foreign operations

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

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

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

The Company classifies the asset as current under one of the following criteria, and all other assets are classified as non-current.

- A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is expected to be realized within twelve months after the reporting period; or
- D. The asset is cash or a cash equivalent (as defined by IAS 7), unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

The Company classifies the liability as current under one of the following criteria, and all other liabilities are classified as non-current.

- A. It is expected to be settled in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is due to be settled within twelve months after the reporting period; or
- D. The Company does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the balance sheet date.

(5) Cash and cash equivalents

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

(6) Financial instruments

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

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Notes to the Parent-Company-Only Financial Statements

A. Financial assets

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

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

(a) Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

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

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

(d) Impairment of financial assets

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

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

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

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

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

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

(e) Derecognition of financial assets

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

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B. Financial liabilities and equity instruments

(a) Classification of debt or equity

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

(b) Equity instruments

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

(c) Treasury shares

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

(d) Financial liabilities

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

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

(e) Derecognition of financial liabilities

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

(f) Offsetting of financial assets and liabilities

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

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(7) Inventories

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

(8) Investment in associates

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

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

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

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

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

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

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

(9) Investments in subsidiaries

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

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

(10) Property, plant and equipment

A. Recognition and measurement

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

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

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

B. Subsequent cost

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

C. Depreciation

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

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

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

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

(11) Leases

A. Identifying a lease

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

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

B. As a lessee

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

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

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

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

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

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

C. As a lessor

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

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

(12) Intangible assets

A. Intangible assets acquired separately

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

B. Derecognition of intangible assets

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

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(13) Impairment of non-financial assets

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

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

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

(14) Revenue recognition

A. Revenue from contracts with customers

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

(a) Sale of goods

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

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

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

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

(b) Rendering of services

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

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

(c) Financing components

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

(15) Employee benefits

A. Defined contribution plans

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

B. Defined benefit plans

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

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

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

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

C. Short-term employee benefits

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

(16) Share-based payment

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

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

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

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

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(17) Income taxes

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

A. Current taxes

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

The Company has determined that the global minimum top-up tax, which it is required to pay under Pillar Two legislation, is an income tax in the scope of IAS 12. The Company has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

B. Deferred taxes

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

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

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

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

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

(18) Earnings per share

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

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

In preparing these parent-company-only financial statements in conformity with the Regulations, the management has to make subjective and estimates regarding the following period (including climate-related 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.

Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Company's risk management and climate-related commitments where appropriate. Revisions to estimates are recognized prospectively in the period of the change and future periods.

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

Inventories:

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

6. Description of significant accounts

(1) Cash and cash equivalent

	December 31, 2025	December 31, 2024
Cash	\$ 90	90
Demand deposits	8,825,324	8,252,749
Cash equivalents — time deposits	3,394,430	3,747,210
	\$ 12,219,844	12,000,049

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

Please refer to note 6(23) for fair value sensitivity analysis and interest rate risk on the financial assets and liabilities of the Company.

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

	December 31, 2025	December 31, 2024
Financial assets at fair value through profit or loss — current:		
Domestic listed stock	\$ 1,278,704	620,824
Derivative instruments — convertible bonds (note 6(14))	9,635	9,000
	\$ 1,288,339	629,824
Financial liability at fair value through profit or loss — current:		
Derivative instruments — convertible bonds (note 6(14))	\$ 116	-
Financial assets at fair value through profit or loss — non-current:		
Domestic private equity funds	\$ -	4,296
Domestic unlisted stocks	119,833	144,882
Foreign unlisted stocks	558	624
	\$ 120,391	149,802
Financial liability at fair value through profit or loss — non-current:		
Derivative instruments — convertible bonds (note 6(14))	\$ -	40,800

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

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

	December 31, 2025	December 31, 2024
Domestic unlisted stocks	\$ 179,568	213,832
Foreign unlisted stocks	5,408	53,064
	\$ 184,976	266,896

The Company held the abovementioned equity investment for long-term strategic purposes, rather than for trading purposes. 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 pledged as collateral.

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The Group disposed its unlisted domestic and foreign equity securities, with a fair value of \$70,043 thousand at the time of disposal, resulting in a disposal loss of \$47,887 thousand, which was reclassified from other comprehensive income to retained earnings in 2025.

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

	December 31, 2025	December 31, 2024
Accounts receivable	\$ 11,000,148	7,216,520
Accounts receivable—related parties	2,508,365	785,737
	13,508,513	8,002,257
Less: loss allowance	(31,786)	(65,627)
	\$ 13,476,727	7,936,630

As of January 1, 2024, the ending balance of accounts receivable, net (including related parties) was \$9,646,949 thousand.

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

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

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

	December 31, 2025		
	Gross carrying amount	Weighted- average loss rate (%)	Loss allowance
Current	\$ 13,060,705	0.09	11,209
1~60 days past due	437,734	2.40	10,503
More than 151 days past due	10,074	100.00	10,074
	\$ 13,508,513		31,786

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

	December 31, 2024		
	Gross carrying amount	Weighted- average loss rate (%)	Loss allowance
Current	\$ 7,187,380	0.05	3,503
1~60 days past due	760,542	1.21	9,198
61~90 days past due	1,786	21.11	377
More than 151 days past due	52,549	100.00	52,549
	\$ 8,002,257		65,627

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

	For the years ended December 31,	
	2025	2024
Balance, beginning of the period	\$ 65,627	59,985
Impairment losses recognized (reversed)	(33,841)	5,642
Balance, end of the period	\$ 31,786	65,627

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.

(5) Other receivables

	December 31, 2025	December 31, 2024
Tax refunds receivable	\$ 519,550	65,981
Other receivables – related parties (note 7)	87	86
Others	3,244	3,761
Less: loss allowance	-	-
	\$ 522,881	69,828

(6) Inventories

	December 31, 2025	December 31, 2024
Raw materials	\$ 20,943,341	16,222,873
Work in process	5,986,713	3,325,392
Semi-finished goods	8,203,326	4,744,083
Finished goods	150,020	132,614
	\$ 35,283,400	24,424,962

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The costs of inventories recognized as costs of goods sold for the years ended December 31, 2025 and 2024 were \$47,585,429 thousand and \$39,523,515 thousand, respectively.

The cost of goods sold related to inventories includes gains on inventory revaluation recognized as a result of an increase in the net realizable value, and losses on inventories recognized as a result of offsetting the cost of inventories to the net realizable value, as follows:

	For the years ended December 31,	
	2025	2024
Inventory valuation and obsolescence losses reversal gains	\$ 719,839	64,573

None of the inventories mentioned above were pledged as collateral.

(7) Investments accounted for using the equity method

	December 31, 2025	December 31, 2024
Subsidiaries	\$ 10,489,024	12,308,413
Associates	418,080	397,503
	\$ 10,907,104	12,705,916

A. Subsidiaries:

Based on its operational strategy, the Company has gradually increased its shareholdings in Power Flash (Samoa) Limited in the amount of \$283,770 thousand for the year ended December 31, 2024.

For the purpose of its operational needs, the Company established two subsidiaries in Taiwan called Great Storage Investment Corp. and Gorich Investment Corp. in May 2024 and 2025, with the investment amounts of \$750,000 thousand and \$280,000 thousand, respectively.

For the years ended December 31, 2025 and 2024, the Company's subsidiary did not participate in the cash capital increase of its investees, resulting in the Company's equity to decrease by \$420,990 thousand and \$51,370 thousand, respectively, recognized as capital surplus.

The Company's subsidiary sold a portion of its shares in Hosin Global Electronics Co., Ltd. (SZ) to unrelated parties for a price of \$5,436,854 thousand in December 2024. As a result, \$675,767 thousand was reversed from capital surplus, and a disposal gain of \$4,289,820 thousand was recognized.

As of December 31, 2025 and 2024, the Company's shareholding in HOSIN Global Electronics Co., Ltd. (SZ) were 22.50% and 23.20%, respectively.

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In 2025 and 2024, the changes in shareholdings of the Company's subsidiary in its investees resulted in the Company's equity to decrease by \$104,300 thousand and \$15,615 thousand, respectively, recognized as capital surplus.

Please refer to the 2025 and 2024 consolidated financial statements for subsidiaries information.

B. Associates

	December 31, 2025	December 31, 2024
EpoStar Electronics (BVI) Corporation	\$ 204,354	199,079
ProGrade Digital Inc.	184,543	169,130
Microtops Design Corporation	29,183	29,294
	<u>\$ 418,080</u>	<u>397,503</u>

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

	For the years ended December 31,	
	2025	2024
Attributable to the Company:		
Net profit	\$ 15,111	11,336
Other comprehensive income (loss)	5,843	(2,692)
Total comprehensive income (loss)	<u>\$ 20,954</u>	<u>8,644</u>

In order to support its operations and expansion of AI smart healthcare sector, the Company invested \$80,000 thousand in April 2025 with other companies in the establishment of EverBot Technology Co., Ltd. (Everbot) in Taiwan, resulting in the Company to acquire 40% shares of Everbot.

In September 2025, the Company participated in the subscription of the cash capital increase of EverBot with \$24,000 thousand, which is not recognized based on the ownership percentage, resulting in the Company's shareholding to decrease to 25%, wherein the additional paid-in capital of \$6,479 thousand had been recognized. However, in December 2025, the Company disposed its entire remaining shares in Everbot to a non-related party for \$128,250 thousand, resulting in the reversal of the additional paid-in capital of \$6,479 thousand and recognizing a disposal gain of \$26,267 thousand.

In 2025 and 2024, the changes in shareholdings of the Company's subsidiary in its investees resulted in the Company's equity to decrease by \$371 thousand and to increase by \$418 thousand, respectively, recognized as capital surplus.

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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	\$ 1,963,050	4,746,580	1,410,253	329,248	405,000	8,854,131
Additions for the period	940,594	17,872	248,424	32,169	520	1,239,579
Disposal for the period	<u>-</u>	<u>-</u>	<u>(263,559)</u>	<u>(53,115)</u>	<u>-</u>	<u>(316,674)</u>
Balance at December 31, 2025	<u>\$ 2,903,644</u>	<u>4,764,452</u>	<u>1,395,118</u>	<u>308,302</u>	<u>405,520</u>	<u>9,777,036</u>
Balance at January 1, 2024	\$ 1,963,050	4,709,685	1,323,809	347,536	-	8,344,080
Additions for the period	-	36,895	333,352	49,406	405,000	824,653
Disposal for the period	<u>-</u>	<u>-</u>	<u>(246,908)</u>	<u>(67,694)</u>	<u>-</u>	<u>(314,602)</u>
Balance at December 31, 2024	<u>\$ 1,963,050</u>	<u>4,746,580</u>	<u>1,410,253</u>	<u>329,248</u>	<u>405,000</u>	<u>8,854,131</u>
Depreciation:						
Balance at January 1, 2025	\$ -	880,566	794,186	175,489	-	1,850,241
Depreciation for the period	-	148,389	336,983	91,031	-	576,403
Disposal for the period	<u>-</u>	<u>-</u>	<u>(263,559)</u>	<u>(53,115)</u>	<u>-</u>	<u>(316,674)</u>
Balance at December 31, 2025	<u>\$ -</u>	<u>1,028,955</u>	<u>867,610</u>	<u>213,405</u>	<u>-</u>	<u>2,109,970</u>
Balance at January 1, 2024	\$ -	736,337	717,768	156,919	-	1,611,024
Depreciation for the period	-	144,229	315,190	86,264	-	545,683
Disposal for the period	<u>-</u>	<u>-</u>	<u>(238,772)</u>	<u>(67,694)</u>	<u>-</u>	<u>(306,466)</u>
Balance at December 31, 2024	<u>\$ -</u>	<u>880,566</u>	<u>794,186</u>	<u>175,489</u>	<u>-</u>	<u>1,850,241</u>
Carrying amounts:						
Balance at December 31, 2025	<u>\$ 2,903,644</u>	<u>3,735,497</u>	<u>527,508</u>	<u>94,897</u>	<u>405,520</u>	<u>7,667,066</u>
Balance at December 31, 2024	<u>\$ 1,963,050</u>	<u>3,866,014</u>	<u>616,067</u>	<u>153,759</u>	<u>405,000</u>	<u>7,003,890</u>
Balance at January 1, 2024	<u>\$ 1,963,050</u>	<u>3,973,348</u>	<u>606,041</u>	<u>190,617</u>	<u>-</u>	<u>6,733,056</u>

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

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(9) Lease arrangements

A. Right-of-use assets

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:			
Balance at January 1, 2025	\$ 152,132	2,516	154,648
Additions for the period	571	491	1,062
Deduction for the period	<u>(2,188)</u>	<u>(528)</u>	<u>(2,716)</u>
Balance at December 31, 2025	<u>\$ 150,515</u>	<u>2,479</u>	<u>152,994</u>
Balance at January 1, 2024	\$ 139,838	1,001	140,839
Additions for the period	45,243	1,515	46,758
Deduction for the period	<u>(32,949)</u>	<u>-</u>	<u>(32,949)</u>
Balance at December 31, 2024	<u>\$ 152,132</u>	<u>2,516</u>	<u>154,648</u>
Depreciation:			
Balance at January 1, 2025	\$ 74,090	1,025	75,115
Depreciation for the period	38,072	871	38,943
Deduction for the period	<u>(2,188)</u>	<u>(528)</u>	<u>(2,716)</u>
Balance at December 31, 2025	<u>\$ 109,974</u>	<u>1,368</u>	<u>111,342</u>
Balance at January 1, 2024	\$ 62,908	318	63,226
Depreciation for the period	36,046	707	36,753
Deduction for the period	<u>(24,864)</u>	<u>-</u>	<u>(24,864)</u>
Balance at December 31, 2024	<u>\$ 74,090</u>	<u>1,025</u>	<u>75,115</u>
Carrying amounts:			
Balance at December 31, 2025	<u>\$ 40,541</u>	<u>1,111</u>	<u>41,652</u>
Balance at December 31, 2024	<u>\$ 78,042</u>	<u>1,491</u>	<u>79,533</u>
Balance at January 1, 2024	<u>\$ 76,930</u>	<u>683</u>	<u>77,613</u>

B. Lease liabilities

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Current	<u>\$ 47,919</u>	<u>73,645</u>
Non-current	<u>\$ 4,827</u>	<u>51,209</u>

For the maturity analysis, please refer to note 6(23) "Financial instruments".

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

	For the years ended December 31,	
	2025	2024
Interest expenses relating to lease liabilities	\$ 4,464	4,939
Expenses relating to short-term lease	\$ 1,043	5,562
Expenses relating to lease of low-value assets, excluding short-term lease of low-value assets	\$ 1,345	1,460

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

	For the years ended December 31,	
	2025	2024
Total cash outflow for leases	\$ 80,022	82,055

C. Other information about leases

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

(10) Intangible assets

	Computer Software	Technology License Fees	Total
Cost:			
Balance at January 1, 2025	\$ 2,394,028	735,127	3,129,155
Additions for the period	478,890	44,543	523,433
Balance at December 31, 2025	\$ 2,872,918	779,670	3,652,588
Balance at January 1, 2024	\$ 1,949,564	483,766	2,433,330
Additions for the period	444,464	251,361	695,825
Balance at December 31, 2024	\$ 2,394,028	735,127	3,129,155
Amortization:			
Balance at January 1, 2025	\$ 2,223,341	518,630	2,741,971
Amortization for the period	506,771	92,561	599,332
Balance at December 31, 2025	\$ 2,730,112	611,191	3,341,303
Balance at January 1, 2024	\$ 1,741,376	467,718	2,209,094
Amortization for the period	481,965	50,912	532,877
Balance at December 31, 2024	\$ 2,223,341	518,630	2,741,971
Carrying amounts:			
Balance at December 31, 2025	\$ 142,806	168,479	311,285
Balance at December 31, 2024	\$ 170,687	216,497	387,184
Balance at January 1, 2024	\$ 208,188	16,048	224,236

None of intangible assets mentioned above were pledged as collateral.

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Notes to the Parent-Company-Only Financial Statements

(11) Short-term borrowings

	December 31, 2025	December 31, 2024
Unsecured bank loans	\$ 2,350,964	813,068
Range of interest rates at the end of period (%)	4.07~4.57	5.04~5.48

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

(12) Other payables

	December 31, 2025	December 31, 2024
Salaries and bonus payable	\$ 7,689,921	5,823,896
Dividends payable (note 6(17))	1,343,081	2,701,063
Others	1,095,230	1,081,182
	\$ 10,128,232	9,606,141

(13) Other current liabilities

	December 31, 2025	December 31, 2024
Refund liabilities	\$ 659,344	429,105
Other payables—related parties (Note 7)	208,882	125,503
Receipts under custody	113,245	94,521
Payables for purchases of equipment	18,645	53,297
Guarantee deposits received	-	163,925
Others	128,937	18,599
	\$ 1,129,053	884,950

(14) Bonds payable

A. 1st unsecured convertible bonds

Based on a resolution decided during its board meeting held on August 6, 2021, and with the approval of the FSC on September 8, 2021, the Company issued its 1st 3-year domestic unsecured convertible bonds (from December 17, 2021 to 2024), at a face value of \$3,500,000 thousand and 0% coupon rate, totaling \$3,517,500 thousand, which is at 100.5% of the face value, in order to purchase properties, plants and equipment, as well as replenishing working capital.

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

	December 31, 2024
Total convertible corporate bonds issued	\$ 3,500,000
Less: Accumulated converted amount	(6,800)
Accumulated redeemed amount	(3,493,200)
Bonds payable at the end of period	\$ -

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	For the year ended December 31, 2024
Embedded derivative instruments -net gains and losses of call options remeasured at fair value, included in other gains and losses	\$ 2,445
Interest expense	\$ 28,558

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 (December 9, 2021) for determining the conversion price of NTD475, at 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 as follows:

(Amount in Dollars)

Ex-dividend date	Conversion price before adjustment	Conversion price after adjustment
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, with the original effective interest rate of 0.85%.

B. 2nd unsecured convertible bonds

Based on a resolution decided during its board meeting held on November 7, 2023, and with the approval of the FSC on December 28, 2023, the Company issued its 2nd domestic unsecured convertible bonds, with a period of 5 years (from January 23, 2024 to 2029), at a face value of \$6,000,000 thousand and 0% coupon rate, totaling \$6,060,000 thousand, which is at 101% of the face value, in order to expand its business scale and replenish its working capital as follows:

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	December 31, 2025	December 31, 2024
Total convertible corporate bonds issued	\$ 6,000,000	6,000,000
Unamortized discounted corporate bonds payable	(56,904)	(388,930)
Less: current portion	(1,103,896)	-
Accumulative converted amount	(4,839,200)	-
Bonds payable at the end of period	<u>\$ -</u>	<u>5,611,070</u>
Embedded derivative instruments—call options, included in financial assets at fair value through profit or loss— current	<u>\$ 9,635</u>	<u>9,000</u>
Embedded derivative instruments—put options included in financial liability at fair value through profit or loss—current and non-current	<u>\$ 116</u>	<u>40,800</u>
Embedded derivative instruments—equity component— conversion options, included in capital surplus—stock options	<u>\$ 96,733</u>	<u>499,996</u>
	For the years ended December 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	<u>\$ 12,101</u>	<u>4,426</u>
Interest expense	<u>\$ 81,270</u>	<u>93,227</u>

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 (January 15, 2024) for determining the conversion price of NTD491, at 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 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
July 7, 2025	563.3	550.5
December 22, 2025	550.5	547.3

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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.

The bondholder should use the reference date to exercises the put options of the convertible bonds in advance, after the date that the convertible bonds had been 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, with the liability component’s original effective interest rate of 1.68%.

(15) Employee benefits

A. Defined benefit plans

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

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

	December 31, 2025	December 31, 2024
Present value of defined benefit obligations	\$ 208,088	186,029
Fair value of plan assets	(71,160)	(60,690)
Net defined benefit liabilities	\$ 136,928	125,339

(a) Composition of plan assets

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

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Bank of Taiwan labor pension reserve account balance of the Company amounted to \$71,160 thousand as of December 31, 2025. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(b) Movements in present value change of defined benefit obligation

	For the years ended December 31,	
	2025	2024
Defined benefit obligation at January 1	\$ 186,029	170,925
Current service cost	3,762	3,535
Current interest cost	3,162	2,222
Remeasurements of the net defined benefit liabilities (assets)		
— Actuarial losses (gains) arising from changes in experience adjustment	9,063	21,176
— Actuarial losses (gains) arising from changes in financial assumptions	<u>6,072</u>	<u>(11,829)</u>
Defined benefit obligation at December 31	<u>\$ 208,088</u>	<u>186,029</u>

(c) Movements of defined benefit plan assets

	For the years ended December 31,	
	2025	2024
Fair value of plan assets at January 1	\$ 60,690	52,703
Interest income	1,031	685
Remeasurements of the net defined benefit liabilities (assets)		
— Return on plan assets (excluding current interest)	3,995	4,478
Contribution to the plan	<u>5,444</u>	<u>2,824</u>
Fair value of plan assets at December 31	<u>\$ 71,160</u>	<u>60,690</u>

(d) Expenses recognized in profit or loss

	For the years ended December 31,	
	2025	2024
Current service cost	\$ 3,762	3,535
Net interest on the net defined benefit liabilities (assets)	<u>2,131</u>	<u>1,537</u>
	<u>\$ 5,893</u>	<u>5,072</u>

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

(e) Actuarial assumptions

	December 31, 2025	December 31, 2024
Discount rate (%)	1.50	1.70
Future salary increase rate (%)	3.00	3.00

The Company is expecting a contribution of \$5,501 thousand to its defined benefit plans in the following year after the reporting date.

The weighted-average duration of the defined benefit obligation is 16 years.

(f) Sensitivity analysis

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

	Impact on present value of defined benefit obligations	
	Increase 0.25%	Decrease 0.25%
December 31, 2025		
Discount rates	\$ (7,554)	7,919
Future salary increase rates	7,260	(6,977)
December 31, 2024		
Discount rates	\$ (6,948)	7,286
Future salary increase rates	6,707	(6,443)

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

There were no changes in the method and assumptions used in calculating the sensitivity analysis for the years 2025 and 2024.

B. Defined contribution plans

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

The pension costs of the Company under the defined contribution method were \$298,763 thousand and \$281,584 thousand for the years ended December 31, 2025 and 2024, respectively. Payment was made to the Bureau of Labor Insurance.

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

(16) Income tax

A. Income tax recognized in profit or loss

The amounts of income tax expense were as follows:

	For the years ended December 31,	
	2025	2024
Current tax expenses		
Current period	\$ 1,115,898	1,231,379
Prior-year adjustments	5,158	(45,755)
Income tax expenses of unappropriated earnings	<u>100,339</u>	<u>22,067</u>
	<u>1,221,395</u>	<u>1,207,691</u>
Deferred tax expenses		
Origination and reversal of temporary differences	<u>152,214</u>	<u>176,935</u>
	<u>\$ 1,373,609</u>	<u>1,384,626</u>

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

	For the years ended December 31,	
	2025	2024
Profit before income tax	<u>\$ 10,112,787</u>	<u>9,337,832</u>
Income tax using the Company's domestic tax rate	\$ 2,022,557	1,867,566
Permanent difference and controlled foreign corporation tax	(159,878)	50,668
Investment tax incentives	(521,244)	(537,191)
Effect of unrecognized deferred tax liabilities	(86,979)	27,271
Income tax expenses of unappropriated earnings	100,339	22,067
Prior-year adjustments and others	<u>18,814</u>	<u>(45,755)</u>
Income tax expenses	<u>\$ 1,373,609</u>	<u>1,384,626</u>

B. Income taxes recognized in other comprehensive income

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

	For the years ended December 31,	
	2025	2024
Remeasurements from the defined benefit plans	\$ (2,229)	(974)
Exchange differences on translation of foreign financial statements	<u>(6,491)</u>	<u>26,132</u>
	<u>\$ (8,720)</u>	<u>25,158</u>

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

C. Deferred tax assets and liabilities

(a) Unrecognized deferred tax liabilities

The Company was able to control the timing of the reversal of the temporary differences associated with investments in its subsidiaries as of December 31, 2025 and 2024. Also, it is probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details were as follows:

	December 31, 2025	December 31, 2024
Unrecognized deferred tax liabilities	\$ 393,041	306,062

(b) Recognized deferred tax assets and liabilities

	January 1, 2025	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2025
Deferred tax assets				
Inventory write-downs	\$ 379,382	(143,968)	-	235,414
Unrealized exchange losses	40,174	27,362	-	67,536
Refund liabilities	85,821	46,048	-	131,869
Losses on foreign investment accounted for using the equity method	30,832	(28,843)	-	1,989
Impairment losses on financial assets	23,116	(8,576)	-	14,540
Net defined benefit liabilities	25,067	89	2,229	27,385
Others	23,627	28,135	-	51,762
	\$ 608,019	(79,753)	2,229	530,495
Recognized in other comprehensive income				
	January 1, 2025	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2025
Deferred tax liabilities:				
Gains on foreign investment accounted for using the equity method	\$ 91,394	72,461	-	163,855
Exchange differences on translating foreign operations	8,137	-	(6,491)	1,646
	\$ 99,531	72,461	(6,491)	165,501

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

	<u>January 1, 2024</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31, 2024</u>
Deferred tax assets:				
Inventory write-downs	\$ 392,297	(12,915)	-	379,382
Unrealized exchange losses	161,889	(121,715)	-	40,174
Refund liabilities	73,318	12,503	-	85,821
Losses on foreign investment accounted for using the equity method	73,123	(42,291)	-	30,832
Impairment losses on financial assets	23,116	-	-	23,116
Net defined benefit liabilities	23,643	450	974	25,067
Exchange differences on translating foreign operations	17,995	-	(17,995)	-
Others	<u>21,885</u>	<u>1,742</u>	<u>-</u>	<u>23,627</u>
	<u>\$ 787,266</u>	<u>(162,226)</u>	<u>(17,021)</u>	<u>608,019</u>
Deferred tax liabilities:				
Gains on foreign investment accounted for using the equity method	\$ 76,685	14,709	-	91,394
Exchange differences on translating foreign operations	<u>-</u>	<u>-</u>	<u>8,137</u>	<u>8,137</u>
	<u>\$ 76,685</u>	<u>14,709</u>	<u>8,137</u>	<u>99,531</u>

D. Examination and approval

Except for FY2022, the Company's income tax returns through 2023 have been examined and assessed by the tax authority.

(17) Equity

A. Common shares

As of December 31, 2025 and 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 \$2,079,733 thousand and \$2,053,341 thousand, respectively with par value of NTD10 per share.

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As of December 31, 2025 and 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 \$99,881 thousand and \$4,837 thousand, respectively, recognized as advance receipts for share capital, have yet to be completed.

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

(Unit: Shares in Thousands)

	For the years ended December 31,	
	2025	2024
Balance, beginning of the period	205,817	200,585
Bonds converted	8,803	13
Employee share options exercised	3,341	1,035
Transfer of treasury shares	-	4,184
Balance, end of the period	<u>217,961</u>	<u>205,817</u>

B. Capital surplus

	December 31,	December 31,
	2025	2024
Additional paid-in capital	\$ 14,756,829	8,763,177
Changes in equities of associates accounted for using the equity method	1,943,561	1,418,642
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
Changes in ownships interest in subsidiaries	1,944	1,944
Employee share options	537,340	602,005
Due to recognition of equity component of convertible bonds	96,733	499,996
Transaction of treasury stocks	1,516,724	1,516,724
Expired employee stock options	<u>102,531</u>	<u>102,449</u>
	<u>\$ 19,104,335</u>	<u>13,053,610</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.

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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 semi-annually.

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 10% of the remaining profit as legal reserve until the accumulated legal capital reserve equals to the paid-in capital, then setting aside or reversing a special reserve in accordance with the laws and regulations; thereafter, 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. When the aforementioned earnings, legal reserves, and capital reserves are distributed in cash, it will first have to be approved by a majority vote of the Company's Board during its meeting, attended by over two-thirds of its directors, thereafter, to be reported at the shareholders' meeting; while stock distribution shall be resolved at the shareholders' meeting.

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

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 2025 earnings was as follows:

	Second half of 2025	First half of 2025
Resolution dates of the Company's Board of Directors	March 6, 2026	August 14, 2025
Legal reserve	\$ 684,507	183,731
Special reserve appropriated (reversed)	(412,955)	412,929
Cash dividends to shareholders	\$ 3,751,904	1,343,081
Cash dividends per share (NTD) (Note)	17.00	6.22831640

The amounts of legal reserve and special reserve for 2025 will be submitted to the shareholders' meeting for approval on May 27, 2026.

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Notes to the Parent-Company-Only Financial Statements

The appropriation of 2024 earnings was as follows:

	Second half of 2024	First half of 2024
Resolution dates of the Company's Board of Directors	March 7, 2025	August 14, 2024
Cash dividends to shareholders	\$ 2,471,062	2,701,063
Cash dividends per share (NTD) (Note)	11.95899874	13.12356282
Approval dates of the Company's shareholders' meeting	May 27, 2025	May 27, 2025
Legal reserve	\$ 307,872	487,059
Special reserve appropriated (reversed)	49,824	(74,355)

The appropriations of 2023 earnings was as follows:

	Second half of 2023	First half of 2023
Resolution dates of the Company's Board of Directors	March 8, 2024	August 4, 2023
Cash dividends to shareholders	\$ 1,773,262	887,555
Cash dividends per share (NTD) (Note)	8.65930424	4.42484464
Approval dates of the Company's shareholders' meeting	May 27, 2024	May 27, 2024
Legal reserve	\$ 294,309	66,593
Special reserve	140,046	5,918

Note: Due to the treasury shares, bond conversion, 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 planned to repurchase 10,000 thousand common shares to transfer to its employees, at a price of \$325 per share, within the period from July 18 to September 16, 2022, in accordance with the Securities and Exchange Act. Based on the resolution mentioned above, the Company bought back 6,860 thousand treasury shares, totaling \$2,061,216 thousand, which had been transferred as of March 31, 2024.

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

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Notes to the Parent-Company-Only Financial Statements

E. Other equity (net of tax)

(a) Exchange differences on translation of foreign financial statements

	For the years ended December 31,	
	2025	2024
Balance at January 1	\$ 32,547	(71,980)
Foreign exchange differences (net of tax)	(25,964)	104,527
Balance at December 31	\$ 6,583	32,547

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

	For the years ended December 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)	(21,897)	(79,996)
Disposal for the period	47,887	-
Balance at December 31	\$ (344,800)	(370,790)

(18) Share-based payment

As of December 31, 2025, with the approval of the FSC, the Company issued employee share options, with a duration of 4 to 5 years, and each unit can be exercised to purchase one share of the Company, as follows:

Type	Authorization date	Issue date	Issued units (in thousands)	Grant Period	Exercise price per share (TWD)	Adjusted exercise price per share (TWD)
2025 First employee share options	April 11, 2025	August 27, 2025	2,000	service period between 2~3 years	484.50	481.70
2023 First employee share options	December 12, 2023	August 27, 2025	6,000	service period between 2~4 years	484.50	481.70
2022 First employee share options	July 27, 2025	September 7, 2022	6,000	service period between 2~3 years	293.50	259.40

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The estimated fair values of the options granted were calculated at the grant date using the Black-Scholes option pricing model. The Company recognized compensation cost of \$151,697 thousand and \$85,875 thousand for the years ended December 31, 2025 and 2024, respectively. Furthermore, compensation costs recognized by the Company's subsidiaries for the years of 2025 and 2024, were \$1,633 thousand and \$1,205 thousand, respectively.

Weighted-average assumptions were as follows:

	<u>2025 1st</u>	<u>2023 1st</u>	<u>2022 1st</u>
Grant-date share prices (NTD)	\$ 484.50	484.50	293.50
Exercise prices (NTD)	484.50	484.50	293.50
Expected volatility (%)	39.58~39.74	39.03~40.18	38.77~39.50
Expected dividend yield (%)	-	-	-
Expected life (year)	4	5	4
Risk free interest rates (%)	1.22~1.25	1.25~1.31	1.05~1.11
Fair value per option (NTD)	\$ 142.28	155.13	84.61

Information related to employee share options was as follows:

A. 2025 First employee share options

<u>Employee share options</u>	<u>For the year ended December 31, 2025</u>	
	<u>Number of Options (In Thousands of Units)</u>	<u>Weighted- average exercise price (NTD)</u>
Outstanding at January 1	-	\$ -
Granted during the period	2,000	484.50
Exercised during the period	-	
Forfeited during the period	(10)	-
Outstanding at December 31	<u>1,990</u>	481.70
Exercisable at December 31	<u>-</u>	

As of December 31, 2025 the weighted-average remaining contractual life for outstanding option was 3.67 years.

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B. 2023 First employee share options

	For the year ended December 31, 2025	
Employee share options	Number of Options (In Thousands of Units)	Weighted- average exercise price (NTD)
Outstanding at January 1	-	\$ -
Granted during the period	6,000	484.50
Exercised during the period	-	-
Forfeited during the period	(126)	-
Outstanding at December 31	5,874	481.70
Exercisable at December 31	-	-

As of December 31, 2025 the weighted-average remaining contractual life for outstanding option was 4.67 years.

C. 2022 First employee share options

	For the years ended December 31,			
	2025		2024	
Employee share options	Number of Options (In Thousands of Units)	Weighted- average exercise price (NTD)	Number of Options (In Thousands of Units)	Weighted- average exercise price (NTD)
Outstanding at January 1	4,735	\$ 274.80	5,829	\$ 278.80
Granted during the period	-	-	-	-
Exercised during the period	(3,214)	262.43	(1,035)	274.80
Forfeited during the period	(36)	-	(59)	-
Outstanding at December 31	1,485	259.40	4,735	274.80
Exercisable at December 31	1,485		1,858	

As of December 31, 2025 and 2024, the weighted-average remaining contractual lives for outstanding options were 0.69 and 1.69 years, respectively.

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(19) Earnings per share

A. Basic earnings per share

	For the years ended December 31,	
	<u>2025</u>	<u>2024</u>
Net profit attributable to ordinary shareholders of the Company	\$ <u>8,739,178</u>	<u>7,953,206</u>
Weighted-average number of shares outstanding during the year (in thousands of shares)	<u>208,158</u>	<u>204,173</u>
Basic earnings per share (NTD)	\$ <u>41.98</u>	<u>38.95</u>

B. Diluted earnings per share

	For the years ended December 31,	
	<u>2025</u>	<u>2024</u>
Net profit attributable to ordinary shareholders of the Company	\$ 8,739,178	7,953,206
Effects of dilutive potential ordinary shares		
Convertible bonds	<u>69,169</u>	<u>94,274</u>
Net profit attributable to ordinary shareholders of the Company	<u>8,808,347</u>	<u>8,047,480</u>
Weighted average number of shares outstanding during the year (in thousands of shares)	208,158	204,173
Effect of dilutive potential ordinary shares (in thousands of shares)		
Employee share options	2,662	2,925
Employees' compensation	1,026	2,155
Effects of conversion of convertible bonds	<u>9,820</u>	<u>16,275</u>
	<u>221,666</u>	<u>225,528</u>
Diluted earnings per share (NTD)	\$ <u>39.74</u>	<u>35.68</u>

(20) Operating revenue

	For the years ended December 31,	
	<u>2025</u>	<u>2024</u>
Primary geographical markets		
Asia	\$ 56,591,226	45,413,229
America	13,862,511	11,340,710
Europe	1,517,290	1,325,219
Australia	21,510	41,431
Others	<u>1,462</u>	<u>67,373</u>
	<u>71,993,999</u>	<u>58,187,962</u>

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	For the years ended December 31,	
	2025	2024
Major product categories		
Flash memory module products	\$ 52,391,114	42,450,328
Controllers	13,989,114	9,665,900
Integrated Circuit	3,382,981	4,612,899
Others	2,230,790	1,458,835
	\$ 71,993,999	58,187,962

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

(21) Remunerations to employees and directors

On May 27, 2025, the Company resolved at its shareholders' meeting to amend its Articles of Incorporation, which article 19 states, that if the Company incurs profit for the year, the profit should first be used to offset against any accumulated deficits. Thereafter, 8% to 19% the remaining profit before income tax (in form of stock or cash), shall be appropriated as employee remuneration (of which, a minimum of 1% shall be reserved specifically for frontline employees). Moreover, a maximum of 1.5% of the remainder shall be appropriated as directors' remuneration.

Under the Articles of Incorporation prior to the amendment, if the Company incurs profit for the year, the profit should first be used to offset against any accumulated deficits. Thereafter, 8% to 19% the remaining profit before income tax (in form of stock or cash), shall be appropriated as employee remuneration, and a maximum of 1.5% shall be appropriated as directors' remuneration.

The remunerations to employees and directors for the years ended December 31, 2025 and 2024 had been approved during the Company's board meetings held on March 7, 2026 and March 7, 2025, respectively, as follows:

	For the years ended December 31,			
	2025		2024	
	Cash	Share	Cash	Share
Employee remuneration	\$ 1,000,000	-	1,000,000	-
Directors' remuneration	36,000	-	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 were no differences between the estimated and the actual amounts of remunerations to employees and directors for the year ended December 31, 2024. Information is available at the Market Observation Post System website of the Taiwan Stock Exchange.

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(22) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2025	2024
Interest income from bank deposits	\$ 178,477	190,653
Others	837	17,938
	<u>\$ 179,314</u>	<u>208,591</u>

B. Other income

	For the years ended December 31,	
	2025	2024
Research project grant	\$ 124,530	184,310
Dividend income	32,884	45,291
Rent income	11,452	11,407
Others	34,698	60,113
	<u>\$ 203,564</u>	<u>301,121</u>

C. Other gains and losses

	For the years ended December 31,	
	2025	2024
Gains (Losses) on financial assets and liability at fair value through profit or loss	\$ 855,466	(257,229)
Gain on disposal of investments accounted for using the equity method (note 6(7))	26,267	-
Net foreign exchange gains (losses)	(30,621)	603,129
Others	-	1,467
	<u>\$ 851,112</u>	<u>347,367</u>

D. Finance costs

	For the years ended December 31,	
	2025	2024
Interests on convertible bonds	\$ 81,270	121,785
Interests on bank loans	57,844	141,272
Interests on lease liabilities	4,464	4,939
Others	30	29
	<u>\$ 143,608</u>	<u>268,025</u>

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Notes to the Parent-Company-Only Financial Statements

(23) Financial instruments

A. Categories of financial instruments

	December 31, 2025	December 31, 2024
Financial assets		
Financial assets at FVTPL (current and non-current)	\$ 1,408,730	779,626
Financial assets at amortized cost (Note 1)	28,098,872	21,890,532
Financial assets at FVTOCI	184,976	266,896
	\$ 29,692,578	22,937,054
Financial liabilities		
Financial liabilities at FVTPL (current and non-current)	\$ 116	40,800
Financial liabilities at amortized cost (Note 2)	22,378,483	17,378,767
	\$ 22,378,599	17,419,567

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), and guarantee deposits received.

B. Financial risk management objectives and policies

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

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

C. Market risk

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

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

(a) Foreign currency risk

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

(i) Exposure to foreign currency risk

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

	December 31, 2025			December 31, 2024		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	606,210	31.4300	19,053,167	378,208	32.7850	12,399,552
<u>Non-Monetary items</u>						
JPY	3,288,451	0.2008	660,321	2,726,589	0.2099	572,311
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	340,147	31.4300	10,690,813	74,299	32.7850	2,435,879

(ii) Sensitivity analysis

The Company's exposure to foreign currency risk primarily arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable (including related parties), short-term borrowings, and accounts payable (including related parties), that are denominated in USD. A weakening (strengthening) of 5% of the NTD against the USD as of December 31, 2025 and 2024, would have increased or decreased the net profit before income tax for by \$418,118 thousand and \$498,184 thousand, respectively. The analysis was performed on the same basis for comparative years.

(iii) Foreign exchange gains and losses on monetary items

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

For the years ended December 31,	
2025	2024
\$ (30,621)	603,129

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(b) Interest rate risk

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

If interest rates had been 0.25% basis point higher and all other variables were held constant, the Company's net profit before income tax for the years ended December 2025 and 2024 would have increased by \$21,160 thousand and \$20,632 thousand, respectively, due to the impact of variable interest rate cash and cash equivalents and short-term borrowings.

(c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 10% higher or lower, the net profit before income tax for the years ended December 31, 2025 and 2024 would have increased or decreased by \$139,910 thousand and \$76,633 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 both periods would have increased or decreased by \$18,498 thousand and \$26,690 thousand, respectively, as a result of the changes in fair value of financial assets at FVOCI.

D. Concentration of credit risk

(a) Accounts receivable

The major customers of the Company are in the electronics industry and the Company usually grants credit limits to its customers in accordance with credit policy. Therefore, the Company is exposed to credit risk. However, the Company mostly sells products to its customers with good reputation and continuously monitors their financial situation to monitor the significant loss from credit risk. As of December 31, 2025 and 2024, 35% and 34%, respectively, of accounts receivable were from top five customers; hence, there was no significant concentration of credit risk. In addition, the Company periodically reviews the recoverable amounts of accounts receivable to ensure that an adequate allowance is recognized for possible irrecoverable amounts. In this regard, the management believes there is no expected material credit risk.

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(b) Cash and cash equivalents

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

(c) Receivables and debt securities

Please refer to note 6(4), as well as notes 6(2) and (3) for details on "credit risk exposure of accounts receivable and financial assets at amortized cost (including pledged time deposits)", as well as "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", respectively.

The financial assets mentioned above have with lower credit risk; thus, 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>
December 31, 2025					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 18,923,623	(18,923,623)	(18,922,270)	(1,353)	-
Lease liabilities (current and non-current)	52,746	(54,194)	(49,284)	(4,910)	-
Floating interest rate liabilities	361,445	(362,133)	(362,133)	-	-
Fixed interest rate liabilities	<u>3,093,415</u>	<u>(3,160,660)</u>	<u>(3,160,660)</u>	<u>-</u>	<u>-</u>
	<u>\$ 22,431,229</u>	<u>(22,500,610)</u>	<u>(22,494,347)</u>	<u>(6,263)</u>	<u>-</u>
December 31, 2024					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 10,954,629	(10,954,629)	(10,951,871)	(2,758)	-
Lease liabilities (current and non-current)	124,854	(130,699)	(77,431)	(53,268)	-
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>\$ 17,503,621</u>	<u>(17,911,056)</u>	<u>(11,855,030)</u>	<u>(6,056,026)</u>	<u>-</u>

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

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F. Fair value of financial instruments

(a) Fair value measurements recognized in the balance sheets

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

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

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

Fair value hierarchy

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

	December 31, 2025			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss				
Domestic listed stocks	\$ 1,278,704	-	-	1,278,704
Domestic unlisted stocks	-	-	119,833	119,833
Foreign unlisted stocks	-	-	558	558
Derivative instruments – convertible bonds	-	9,635	-	9,635
	<u>\$ 1,278,704</u>	<u>9,635</u>	<u>120,391</u>	<u>1,408,730</u>
Financial liabilities at fair value through profit or loss				
Derivative instruments – convertible bonds	\$ -	<u>116</u>	-	<u>116</u>
Financial assets at fair value through other comprehensive income				
Domestic unlisted stocks	\$ -	-	179,568	179,568
Foreign unlisted stocks	-	-	5,408	5,408
	<u>\$ -</u>	<u>-</u>	<u>184,976</u>	<u>184,976</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	-	-	624	624
Domestic private equity funds	-	-	4,296	4,296
Derivative instruments—convertible bonds	-	9,000	-	9,000
	<u>\$ 620,824</u>	<u>9,000</u>	<u>149,802</u>	<u>779,626</u>
Financial liabilities at fair value through profit or loss				
Derivative instruments—convertible bonds	\$ -	40,800	-	40,800
Financial assets at fair value through other comprehensive income				
Domestic unlisted stocks	\$ -	-	213,832	213,832
Foreign unlisted stocks	-	-	53,064	53,064
	<u>\$ -</u>	<u>-</u>	<u>266,896</u>	<u>266,896</u>

There were no transfers between Levels 1 and 2 for the years ended December 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	145,506	266,896	416,698
Recognized in profit or loss	(4,296)	(17,572)	-	(21,868)
Recognized in other comprehensive income	-	-	(24,377)	(24,377)
Additions for the period	-	-	12,500	12,500
Disposal and proceeds from capital reduction	-	(7,543)	(70,043)	(77,586)
December 31, 2025	<u>\$ -</u>	<u>120,391</u>	<u>184,976</u>	<u>305,367</u>
January 1, 2024	\$ 27,201	136,423	296,098	459,722
Recognized in profit or loss	(22,905)	9,083	-	(13,822)
Recognized in other comprehensive income	-	-	(59,202)	(59,202)
Additions for the period	-	-	30,000	30,000
December 31, 2024	<u>\$ 4,296</u>	<u>145,506</u>	<u>266,896</u>	<u>416,698</u>

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

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

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income— equity investments without an active market	Market approach	· Discount for lack of marketability (December 31, 2025: 30% and December 31, 2024: 28.08%~29.98%)	· 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	· Sustainable revenue growth rate (December 31, 2025: 2.00% and December 31, 2024: 2.10%) · Weighted-average cost of capital (December 31, 2025: 6.13%~12.68% and December 31, 2024: 5.83%~11.59%) · Discount for lack of marketability (December 31, 2025 and December 31, 2024: 15%) · Discount for non-controlling interest (December 31, 2025 and December 31, 2024: 15%)	· 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

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<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss – 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 (December 31, 2025 and December 31, 2024: 10%) · Discount for non-controlling interest (December 31, 2025 and December 31, 2024: 10%) 	No applicable

(24) Capital management

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

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

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

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

The Company's debt-to-equity ratios were respectively as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Total liabilities	\$ 25,150,758	19,574,666
Total equity	60,097,121	49,056,697
Debt-to-adjusted-capital ratio (%)	42	40

As of December 31, 2025, there were no changes in the method of capital management of the Company.

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(25) 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	December 31, 2025
Short-term borrowings	\$ 813,068	1,542,997	(5,101)	2,350,964
Lease liabilities (current and non-current)	124,854	(73,170)	1,062	52,746
Bonds payable(including current portion)	5,611,070	-	(4,507,174)	1,103,896
Guarantee deposits received (current and non-current)	<u>166,683</u>	<u>(165,330)</u>	<u>-</u>	<u>1,353</u>
Total liabilities from financing activities	<u>\$ 6,715,675</u>	<u>1,304,497</u>	<u>(4,511,213)</u>	<u>3,508,959</u>

	January 1, 2024	Cash flows	Foreign exchange movement and others	December 31, 2024
Short-term borrowings	\$ 2,106,363	(1,375,668)	82,373	813,068
Lease liabilities (current and non-current)	127,361	(70,094)	67,587	124,854
Bonds payable (including current portion)	3,471,393	2,560,864	(421,187)	5,611,070
Guarantee deposits received (current and non-current)	<u>770,379</u>	<u>(629,381)</u>	<u>25,685</u>	<u>166,683</u>
Total liabilities from financing activities	<u>\$ 6,475,496</u>	<u>485,721</u>	<u>(245,542)</u>	<u>6,715,675</u>

7. Related-party transactions

(1) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Company</u>
Microtops Design Corporation	Associate
Hosin Global Electronics Co., Ltd. (SZ)	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

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<u>Name of related party</u>	<u>Relationship with the Company</u>
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.(Hefei Xinpeng)	Associate
Hefei Datang Storage Technology Co., Ltd.	Hefei Xinpeng's subsidiary. Since its shareholding percentage decreased in the fourth quarter of 2025, Hefei Datang became a non-related party of the Company beginning on December 15, 2025.
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
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 Company since then.
UD INFO Corp.	Apacer Technology Inc's subsidiary
Lian Xu Dong Investment Corporation	Subsidiary
Phison Electronics Japan Corp.	Subsidiary
Phison Technology Inc.	Sub-subsubsidiary
Emtops Electronics Corp.	Subsidiary
Ostek Company	Sub-subsubsidiary
Phisontech Electronics Taiwan Corp.	Subsidiary
Super Storage Technology Corporation	Sub-subsubsidiary
Power Storage Technology (Shenzhen) Limited	Sub-subsubsidiary
Phison Technology India Private Limited	Subsidiary
Great Storage Investment Corporation	Subsidiary
Gorich Investment Corporation	Subsidiary
Nextorage Corporation	Subsidiary
Global Flash Limited	Subsidiary
Core Storage Electronic (Samoa) Limited	Sub-subsubsidiary
Power Flash (Samoa) Limited	Subsidiary
Power Flash (HK) Limited	Sub-subsubsidiary
Power Storage Electronics Limited	Sub-subsubsidiary
Regis Investment (Samoa) Limited	Subsidiary

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<u>Name of related party</u>	<u>Relationship with the Company</u>
RealYou Investment Limited	Sub-subsidiary
Hefei Ruhan Electronic Technology Limited	Sub-subsidiary
Maistorage Technology Sdn. Bhd.	Sub-subsidiary
Miphi Semiconductors Private Limited	Associate
United Power Research Technology Corp.	Other related parties
Apollo Power CO., Ltd.	Other related parties

- (2) Except for those reported on other disclosures of the consolidated financial statements, the summary of significant related-party transactions is as follows:

A. Operating revenues

<u>Related Party Category</u>	<u>For the years ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
Subsidiaries	\$ 1,884,403	1,145,396
Associates	6,139,532	4,866,806
Other related parties	<u>1,515,017</u>	<u>1,763,366</u>
	<u>\$ 9,538,952</u>	<u>7,775,568</u>

There were no differences in the credit terms (which ranged from T/T in advance to EOM 90 days) offered to related parties and non-related parties. Moreover, there were no significant differences between the sales price and credit terms offered to related parties and third parties.

As of December 31, 2025 and 2024, the unrealized profits arising from sales to related parties amounted to \$140,955 thousand and \$8,996 thousand, respectively, recorded as deductions from investments accounted for using the equity method.

B. Purchase of goods and Processing costs

(a) Purchase of goods

<u>Related Party Category / Name</u>	<u>For the years ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
Other related parties – Kioxia Taiwan Corporation	\$ 14,131,433	13,589,653
Subsidiaries	15,392	2,600
Other related parties	<u>-</u>	<u>8,256</u>
	<u>\$ 14,146,825</u>	<u>13,600,509</u>

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(b) Processing costs

Related Party Category	For the years ended December 31,	
	2025	2024
Subsidiaries	\$ 588,411	525,299

There were no significant differences in the purchase price and payment terms, which ranged from T/T in advance to EOM 45 days and T/T in advance to EOM 90 days, offered to related parties and non-related parties, respectively.

C. Receivable from related parties

Related Party Category / Name	December 31, 2025	December 31, 2024
Associates	\$ 1,409,023	521,717
Subsidiaries	606,380	181,900
Other related parties	492,962	82,120
	2,508,365	785,737
Less: Loss allowance	(1,712)	(390)
	\$ 2,506,653	785,347

The outstanding accounts receivable from related parties are unsecured.

D. Payables to related parties

Related Party Category / Name	December 31, 2025	December 31, 2024
Other related parties – Kioxia Taiwan Corporation	\$ 2,052,579	-
Subsidiaries	63,546	55,003
	\$ 2,116,125	55,003

E. Prepayments

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

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F. Other transactions

<u>Account Name</u>	<u>Related Party Category / Name</u>	<u>For the years ended December 31,</u>	
		<u>2025</u>	<u>2024</u>
Operating costs	Subsidiaries	\$ 18,484	18,278
	Associates	-	3,239
	Other related parties	<u>1,877</u>	<u>405</u>
		<u>\$ 20,361</u>	<u>21,922</u>
Operating and non- operating expenses	Subsidiaries	\$ 908,723	758,876
	Associates	5,828	88,162
	Other related parties	<u>1,443</u>	<u>2,043</u>
		<u>\$ 915,994</u>	<u>849,081</u>
Non-operating incomes	Subsidiaries	\$ 2,843	7,296
	Associates	926	925
	Other related parties	<u>-</u>	<u>52</u>
		<u>\$ 3,769</u>	<u>8,273</u>

In 2024, the Company sold property, plant and equipment to its subsidiary for \$8,071 thousand, resulting in a disposal gain of \$1,218 thousand recognized as other gains and losses.

For the year ended December 31, 2025, the subsidiaries distributed to the Company the cash dividends of \$3,442,425 thousand, which was recognized as a deduction from investments accounted for using the equity method, and had since been fully received.

As of December 31, 2025 and 2024, the receivables arising from abovementioned transactions were \$87 thousand and \$86 thousand, respectively, recognized as other receivables; and the payables arising from abovementioned transactions were \$208,882 thousand and \$125,503 thousand, respectively, recognized as other current liabilities.

The Company leased its 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

	<u>For the years ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
Short-term employee benefits	\$ 484,328	369,189
Post-employment benefits	1,513	1,397
Share-based payments	<u>11,961</u>	<u>143,109</u>
	<u>\$ 497,802</u>	<u>513,695</u>

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

Please refer to note 6(18) for further explanations related to share-based payment.

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8. Pledged assets

The carrying values of pledged assets are as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Pledged time deposits (recognized as financial assets at amortized cost—current)	As collateral for the tariff of imported raw materials	\$ <u>41,094</u>	<u>40,807</u>

9. Commitments and contingencies

(1) Significant commitments

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

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

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

<u>December 31, 2025</u>	<u>December 31, 2024</u>
\$ <u>407,150</u>	<u>180,000</u>

(2) Purchase commitment

The Company entered into a long-term purchase agreement with a supplier, with the relative purchase quantity and price of wafers specified in the agreement. As of December 31, 2025, the Company had paid the guaranteed deposit of US\$56,000 thousand, recognized as other non-current assets.

10. Losses due to major disasters: None

11. Subsequent events

- (1) To strengthen its working capital and enhance its funding flexibility, the Company issued its 5-year third unsecured convertible bonds on February 6, 2026, at the amount of \$6,000,000 thousand and an issuance price set at 101% of par value, with 0% coupon rate, resulting in the total proceeds of \$6,060,000 thousand.
- (2) Based on a resolution approved during its board meeting held on March 6, 2026, the Company applied for a 3-year syndicated credit facility, with a maximum credit line of \$12,000,000 thousand (which may be adjusted within the agreed scope based on actual fundraising conditions), from different financial institutions to meet its operational and funding requirements.

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12. Other

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

By item	For the years ended December 31,					
	2025			2024		
	Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Employee benefits						
Salary	443,750	11,151,225	11,594,975	503,496	10,636,702	11,140,198
Labor and health insurance	39,865	493,587	533,452	39,529	467,511	507,040
Pension	21,574	283,082	304,656	21,209	265,447	286,656
Remuneration of directors	-	36,000	36,000	-	35,000	35,000
Others	20,982	223,850	244,832	19,851	198,521	218,372
Depreciation	96,731	518,615	615,346	133,735	448,701	582,436
Amortization	92	599,240	599,332	-	532,877	532,877

The following provides the information on the number of employees and employee benefits in 2025 and 2024, respectively:

	For the year ended December 31,	
	2025	2024
Number of employees	<u>3,972</u>	<u>3,886</u>
Number of directors who were not employees	<u>6</u>	<u>6</u>
Average employee benefit costs	<u>\$ 3,197</u>	<u>3,132</u>
Average employee salary expenses	<u>\$ 2,924</u>	<u>2,871</u>
Adjustment of average employee salary expenses	<u>1.85 %</u>	

Note: The Company did not have any supervisor hence, no remuneration to supervisors had been accrued.

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

The Company's policy on directors' remuneration: The policy is provided in the Company's Articles of Incorporation, Article 16, which states that "Remuneration of the chairperson and directors of the Company shall be determined by the Board of Directors based on the value of the involvement and contribution of the chairperson and each director in the operation of the Company, and with reference to industry standards"; and Article 19, which states that "If the Company makes a profit for the year, 8% to 19% the profit before income tax, shall be appropriated as employee remuneration (of which, a minimum of 1% shall be reserved specifically for frontline employees); moreover, a maximum of 1.5% of the remainder shall be appropriated as directors' remuneration. No other remuneration of whatever kind or nature shall be made to the directors. For the determination of the amount of remuneration, the Board of Directors shall refer to the result of "Self-evaluation

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or peer-evaluation of the Board of Directors", as well as to the result of the evaluation of the performance of each director, including attendance in meetings and their continuing education. The remuneration committee will review the evaluation of each director and submit recommendation to the Board. The remuneration system shall be reviewed at any time necessary in the actual operating conditions in accordance with the provisions of relevant laws and regulations in order to achieve the balance of the Company's sustainable operation and risk control.

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

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

- (2) 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.

On January 15, 2025, the Taiwan High Court ruled that Mr. K.S. Pua's position, as a director of the Company, should be terminated. Dissatisfied with the court's ruling, the Company and Mr. K.S. Pua filed an appeal with the Supreme Court, wherein the case was still in progress as of the reporting date. Nevertheless, the future development of Mr. K.S. Pua's resignation from his position on November 18, 2021 will not have any impact on 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.

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

13. Addition disclosures

(1) Information on significant transactions:

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

A. Loans to other parties: None

B. Guarantees and endorsements for other parties: None

C. Securities held as of December 31, 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.

(2) For information on investees (excluding information on investees in Mainland China), please refer to Table 4.

(3) Information on investment in Mainland China:

A. For the names of investees in Mainland China, the main businesses and products, and other information, please refer to Table 5.

B. For limitation on investment in Mainland China, please refer to Table 5.

C. Significant transactions:

For the year ended December 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”.

14. Segment information

Please refer to consolidated financial statements for the year ended December 31, 2025.

Phison Electronics Corp.

Significant securities held as of December 31, 2025 (excluding investment in subsidiaries, associates and joint ventures)

December 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	10,555	1,192,668	8.24	1,192,668	
Core Storage Electronic (Samoa) Limited	Shenzhen Quanxing Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	15,323	625,002	12.76	625,002	

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

Phison Electronics Corp.

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

For the year ended December 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	14,131,433	29	Net 30 days after monthly closing	None	None	(2,052,579)	(23)	
	Super Storage Technology Corporation	Sub-subsidiary	Processing cost	569,679	1	Net 30 days after monthly closing	None	None	(61,516)	(1)	
	Kioxia Corporation	The Company's director	Sales	(1,441,001)	(2)	Net 60 days after monthly closing	None	None	486,225	4	
	Hosin Global Electronics Co., Ltd. (HK)	The subsidiary of Hosin Global Electronics Co.,Ltd. (SZ)	Sales	(5,328,072)	(7)	Net 45 to 75 days after monthly closing	None	None	1,234,214	9	
	Hosin Global Electronics Co., Ltd. (SZ)	Associate	Sales	(127,534)	-	Net 45 days after monthly closing	None	None	-	-	
	Miphi Semiconductors Private Limited	Associate	Sales	(343,313)	-	Net 30 to 180 days after receipt date	None	None	170,225	1	

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sales	Amount	Percentage of Total Purchases/Sales (%)	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Receivable (Payable) (%)	
The Company	ProGrade Digital Incorporated	Associate	Sales	(251,405)	-	Net 30 days after receipt date	None	None	3,283	-	
	Nextorage Corporation	Subsidiary	Sales	(515,695)	(1)	Net 60 days after monthly closing	None	None	117,872	1	
	Power Storage Electronics Limited	Sub-subsidiary	Sales	(409,661)	(1)	Net 30 to 90 days after monthly closing	None	None	300,132	2	
	Phison Technology Inc.	Sub-subsidiary	Sales	(921,460)	(1)	Net 45 days after monthly closing	None	None	183,809	1	

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

Phison Electronics Corp.
Receivables from Related Parties Amounting to at least NT\$100 Million or 20% of the Paid-in Capital
December 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)	1,234,214	6.28	-	-	1,089,385	1,112	
	Kioxia Corporation	The Company's director	486,225	5.16	-	-	486,225	438	
	Nextorage Corporation	Subsidiary	117,872	6.15	-	-	117,872	-	
	Power Storage Electronics Limited	Sub-subsubsidiary	300,132	2.73	-	-	-	-	
	Miphi Semiconductors Private Limited	Associate	170,225	3.72	-	-	142,425	153	
	Phison Technology Inc.	Sub-subsubsidiary	183,809	5.86	-	-	183,809	-	

Note : Information as of February 28, 2026.

Phison Electronics Corp.
Information on Investees (Excluding Information on Investees in Mainland China)
For the year ended December 31, 2025

Table 4

(Amount in Thousands)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2025			Net Income (Losses) of Investee	Share of Profits/Losses of Investee	Note
				December 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	4,318,843	414,189	414,189	Subsidiary
	Regis Investment (Samoa) Limited	Samoa	Investment	655,995	655,995	21,900,000	100.00	2,203,776	363,269	363,269	Subsidiary
	Phisontech Electronics Taiwan Corp.	Taiwan	Investment and trade	581,363	581,363	55,000,000	100.00	840,237	40,796	40,796	Subsidiary
	Lian Xu Dong Investment Corporation	Taiwan	Investment	650,000	650,000	65,000,000	100.00	454,541	1,570	1,570	Subsidiary
	EpoStar Electronics (BVI) Corporation	British Virgin Islands	Investment	79,531	79,531	6,288,523	30.51	204,354	(1,860)	(568)	Investee accounted for using the equity method
	Emtops Electronics Corporation	Taiwan	Investment	380,000	380,000	38,000,000	100.00	466,780	(5,611)	(5,611)	Subsidiary
	Nextorage Corporation	Japan	R&D, design, manufacture and sale of flash memory application products	211,170	211,170	11,797	98.31	632,447	118,032	116,035	Subsidiary
	Power Flash (Samoa) Limited	Samoa	Investment and trade	433,960	433,960	13,800,000	100.00	447,119	29,136	29,136	Subsidiary
	ProGrade Digital Inc.	USA	Flash memory related products and market development	83,439	83,439	2,785,000	28.62	184,543	55,100	15,790	Investee accounted for using the equity method

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2025			Net Income (Losses) of Investee	Share of Profits/Losses of Investee	Note
				December 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	27,874	1,114	1,114	Subsidiary
	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	11,412	1,089	1,089	Subsidiary
	Microtops Design Corporation	Taiwan	Development and design of flash memory controllers and related products	22,638	22,638	2,263,800	49.00	29,183	(226)	(111)	Investee accounted for using the equity method
	Great Storage Investment Corporation	Taiwan	Investment	750,000	750,000	75,000,000	100.00	803,528	28,826	28,826	Subsidiary
	Gorich Investment Corporation	Taiwan	Investment	280,000	-	28,000,000	100.00	282,467	2,467	2,467	Subsidiary
	EverBot Technology Co., Ltd.	Taiwan	Production and sales of collaborative robots for healthcare applications	-	-	-	-	-	(6,156)	(2,017)	note 2
								<u>10,907,104</u>		<u>1,005,974</u>	
Lian Xu Dong Investment Corporation	Ostek Corporation	Taiwan	Manufacture and trade of electronic components	9,000	9,000	900,000	100.00	28,576	5,005	Note 1	Sub-subsidiary
Emtops Electronics Corporation	Phison Technology Inc.	USA	Sales of electronic products and business service office	90,419	90,419	3,000,000	100.00	256,385	6,952	Note 1	Sub-subsidiary
	Phison Technology India Private Limited	India	Design, R&D, import and export of storage devices and electronic components	-	-	10	-	-	1,089	Note 1	Sub-subsidiary

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2025			Net Income (Losses) of Investee	Share of Profits/Losses of Investee	Note
				December 31, 2025	December 31, 2024	Shares	Percentage of Ownership (%)	Carrying Value			
Emtops Electronics Corporation	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	83,862	(21,503)	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	840,237	40,813	Note 1	Sub-subsidiary
Global Flash Limited	Core Storage Electronic (Samoa) Limited	Samoa	Investment and trade	636,593	636,593	19,150,000	100.00	4,376,683	413,452	Note 1	Sub-subsidiary
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	112,528	4,019	Note 1	Sub-subsidiary
Regis Investment (Samoa) Limited	RealYou Investment Limited	Hong Kong	Investment	654,726	654,726	21,850,000	100.00	2,303,042	363,433	Note 1	Sub-subsidiary
Great Storage Investment Corporation	Maistorage Technology Sdn. Bhd.	Malaysia	R&D, design, manufacture, and sales 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	762,035	28,598	Note 1	Sub-subsidiary

Note 1: The shares of profit or loss of the investee company were not disclosed herein as such amounts were already included in the shares of profit or loss of the investor company.

Note 2: The Company acquired, and disposed its entire shares in, the investee in April and December 2025, respectively.

Phison Electronics Corp.
Information on Investment in Mainland China
For the year ended December 31, 2025

Table 5

(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 December 31, 2025	Net Income (Losses) of the Investee	Percentage of Ownership (%)	Investment Income (Losses)	Book Value	Accumulated Remittance of Earnings in as of December 31, 2025	Note
					Outflow	Inflow							
Hefei Ruhan Electronic Technology Limited	Design, R&D, sales of electronics product and technical support service, as well as rendering of related services and investment	182,825	2(1)	182,825	-	-	182,825	9,781	100.00	9,781	202,138	-	
Hefei Xinpeng Technology Co., Ltd.	R&D, production and sales of electronic product and technical service, as well as rendering of related services and investment	735,136	2(1)	-	-	-	-	39,306	23.75	9,805	79,409	-	
Hosin Global Electronics Co., Ltd. (SZ)	R&D and sales of electronic product and technical service, as well as rendering of related services	2,072,062	2(1) and 2(2)	442,780	-	-	442,780	5,671,571	22.50	879,039	4,138,399	2,068,111	

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 December 31, 2025	Net Income (Losses) of the Investee	Percentage of Ownership (%)	Investment Income (Losses)	Book Value	Accumulated Remittance of Earnings in as of December 31, 2025	Note
					Outflow	Inflow							
Power Storage Technology (Shenzhen) Limited	Design, R&D, import and export of storage devices and electronic components	43,520	2(3)	43,520	-	-	43,520	2,118	100.00	2,118	52,414	-	
Power Storage Electronics Limited	Design, R&D, production and sales of integrated circuits, systems and electronics hardware and software, as well as rendering of related services	267,720	2(3)	267,720	-	-	267,720	23,196	100.00	23,196	249,188	-	

(2) Limitation on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2025	Investment Amounts Authorized by Investment Commission, MOEA (Note 2)	Upper Limit on Investment (Note 3)
936,845	1,909,733	36,064,802

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: The investment amount approved by the Department of Investment Review, MOEA, includes the investment in Shenzhen Quanxing Technology Co., Ltd., and the amount related to the reinvestment in businesses in Mainland China under item (3)-1.

Note 3: In accordance with the Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China amended on August 29, 2008, the limitation on investment in Mainland China shall not exceed 60% of the Company's net worth.

Phison Electronics Corp.
Statement of Cash and Cash Equivalents
December 31, 2025
(Expressed in Thousands of New Taiwan Dollars,
Unless Otherwise Specified)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash	Petty cash and cash on hand	\$ <u>90</u>
	Demand deposits	5,228,776
	Time deposits	3,057,650
	Foreign demand deposits (USD : 113,666 thousand ; JPY : 119,186 thousand ; CNY : 23 thousand)	3,596,548
	Foreign time deposits (USD : 10,000 thousand ; CNY : 5,000 thousand)	<u>336,780</u>
	Subtotal	<u>12,219,754</u>
	Total	<u><u>\$ 12,219,844</u></u>

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

USD to NTD: 31.430

JPY to NTD: 0.2008

CNY to NTD: 4.496

Phison Electronics Corp.

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

December 31, 2025

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

**Statement of Financial Assets Measured at
Amortized Cost- Current**

Please refer to note 8 for further information on Pledged assets.

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

Please refer to note 6(3) for further information on financial assets measured at fair value through other comprehensive income — non-current.

Phison Electronics Corp.
Statement of Accounts Receivable
December 31, 2025
(Expressed in Thousands of New Taiwan Dollars)

Name of customer	Amount
Related parties	
Company A	\$ 1,235,326
Company B	486,663
Company C	300,132
Company D	183,809
Company E	170,378
Others (the amount of individual customer does not exceed 5% of the account balance)	<u>132,057</u>
Subtotal	2,508,365
Less: loss allowance	<u>(1,712)</u>
	<u>\$ 2,506,653</u>
Unrelated parties	
Company F	\$ 939,418
Company G	886,573
Company H	882,312
Company I	757,808
Company J	753,855
Company K	738,005
Others (the amount of individual customer does not exceed 5% of the account balance)	<u>6,042,177</u>
Subtotal	11,000,148
Less: loss allowance	<u>(30,074)</u>
	<u>\$ 10,970,074</u>

Note: Accounts receivable are generated from operating activities.

Phison Electronics Corp.

Statement of Inventories

December 31, 2025

(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>	
	<u>Cost</u>	<u>Net realizable value</u>
Raw materials	\$ 20,943,341	34,076,064
Work in process	8,203,326	12,531,258
Semi-finished goods	5,986,713	7,885,721
Finished goods	<u>150,020</u>	<u>274,420</u>
Total	<u>\$ 35,283,400</u>	<u>54,767,463</u>

Statement of Prepayments

<u>Item</u>	<u>Amount</u>
Prepayment for purchases	\$ 717,082
Others (individual amount does not exceed 5% of the account balance)	<u>68,211</u>
Total	<u>\$ 785,293</u>

Statement of Other Current Assets

<u>Item</u>	<u>Amount</u>
Temporary payments	<u>\$ 910</u>

Phison Electronics Corp.
Statement of Movements in Investments Accounted for Using the Equity Method
For the year ended December 31, 2025
(Expressed in Thousands of New Taiwan Dollars, in thousands shares)

Name of investee	Beginning balance		Increase (Decrease)		Share of profits/losses of investee	Exchange differences on translation of foreign financial statements	Capital surplus	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	Other adjustments	Unrealized gain on transaction	Ending balance		Percentage of ownership (%)	Net assets value	Pledged as collateral
	Shares	Amount	Shares	Amount							Shares	Amount			
ProGrade Digital Inc.	2,785	\$ 169,130	-	-	15,790	(5,100)	(371)	-	-	5,094	2,785	184,543	28.62	475,620	None
EpoStar Electronics (BVI) Corporation	6,289	199,079	-	-	(568)	-	-	5,843	-	-	6,289	204,354	30.51	669,796	None
Microtops Design Corporation	2,264	29,294	-	-	(111)	-	-	-	-	-	2,264	29,183	49.00	59,558	None
EverBot Technology Co., Ltd.	-	-	-	2,017	(2,017)	-	-	-	-	-	-	-	-	-	None
Nextorage Corporation	12	544,294	-	-	116,035	(27,882)	-	-	-	-	12	632,447	98.31	643,330	None
Lian Xu Dong Investment Company	65,000	449,364	-	-	1,570	-	-	3,547	60	-	65,000	454,541	100.00	454,541	None
Emtops Electronics Corp.	38,000	524,938	-	-	(5,611)	(22,351)	-	-	1,573	(31,769)	38,000	466,780	100.00	498,549	None
Phison Electronics Japan Corp.	2	28,017	-	-	1,114	(1,257)	-	-	-	-	2	27,874	100.00	27,874	None
Phisontech Electronics Taiwan Corp	55,000	806,351	-	-	40,796	-	-	(6,910)	-	-	55,000	840,237	100.00	840,237	None
Power Flash (Samoa) Limited	13,800	420,575	-	-	29,136	(2,592)	-	-	-	-	13,800	447,119	100.00	447,119	None
Regis Investment (Samoa) Limited	21,900	1,597,788	-	-	363,269	(8,190)	305,122	-	-	(54,213)	21,900	2,203,776	100.00	2,304,006	None
Global Flash Limited	22,100	7,193,537	-	-	414,189	(6,559)	220,168	-	(3,442,425)	(60,067)	22,100	4,318,843	100.00	4,429,574	None
Phison Technology India Private Limited	2,300	11,337	-	-	1,089	(1,014)	-	-	-	-	2,300	11,412	100.00	11,412	None
Great Storage Investment Corporation	75,000	732,212	-	-	28,826	42,490	-	-	-	-	75,000	803,528	100.00	803,528	None
Gorich Investment Corporation	-	-	28,000	280,000	2,467	-	-	-	-	-	28,000	282,467	100.00	282,467	None
Total		\$ 12,705,916		282,017	1,005,974	(32,455)	524,919	2,480	(3,440,792)	(140,955)		10,907,104		11,947,611	

Phison Electronics Corp.
Statement of Movement in Right-of-Use Assets
For the year ended December 31, 2025

Please refer to note 6(9) for further information on lease.

Statement of Movement in Intangible Assets

Please refer to note 6(10) for further information on intangible assets.

Statement of Other Non-current Assets
December 31, 2025
(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Refundable deposits	\$ 1,838,326
Prepayments for equipment	<u>28,096</u>
	<u><u>\$ 1,866,422</u></u>

Phison Electronics Corp.
Statement of Short-Term Borrowings
December 31, 2025
(Expressed in Thousands of New Taiwan Dollars)

<u>Bank</u>	<u>Description</u>	<u>Ending balance</u>	<u>Contract period</u>	<u>Range of interest rate</u>	<u>Unused credit lines</u>	<u>Pledged as collateral</u>
HSBC Bank Taiwan	Operating capital	\$ 876,897	Note 1	Note 3	\$ 66,003	None
First Commercial Bank	Operating capital	669,459	Note 1	Note 3	1,330,541	None
Taiwan Land Bank	Operating capital	427,448	Note 1	Note 3	1,572,552	None
Mega International Commercial Bank	Operating capital	377,160	Note 1	Note 3	1,215,690	None
		<u>\$ 2,350,964</u>			<u>\$ 4,184,786</u>	

Note 1: The borrowing period is based on actual operational needs, with an operating working capital cycle of one year and a repayment normally made within approximately three months.

Note 2: Except for the abovementioned unused credit lines, the Company had the remaining unused credit lines of \$9,394,400 thousand.

Note 3: The range of interest rate is 4.07%~4.57%.

Phison Electronics Corp.
Statement of Accounts Payable
December 31, 2025
(Expressed in Thousands of New Taiwan Dollars)

Vendor name	Amount
Related parties	
Company L	\$ 2,052,579
Others (the amount of individual vendor does not exceed 5% of the account balance)	<u>63,546</u>
	<u>\$ 2,116,125</u>
Unrelated parties	
Company M	\$ 1,777,080
Company N	1,067,305
Company O	658,991
Others (the amount of individual vendor does not exceed 5% of the account balance)	<u>3,174,537</u>
	<u>\$ 6,677,913</u>

Note: Accounts payable are generated from operating activities.

Phison Electronics Corp.
Statement of Other Payables
December 31, 2025

Please refer to note 6(12) for further information on other payables.

Statement of Other Current Liabilities

Please refer to note 6(13) for further information on other current liabilities.

Statement of Lease Liabilities

(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Summary</u>	<u>Lease period</u>	<u>Discount rate</u>	<u>Ending balance</u>	<u>Note</u>
Building	Office and dormitory	2-5 years	0.508%-6.10%	\$ 41,851	
Transportation equipment	Company car	2-3 years	4.85%-6.00%	1,150	
Others	Testing equipment	3 years	6.00%	9,745	
				52,746	
Less: lease liabilities, current portion				(47,919)	
				<u>\$ 4,827</u>	

Phison Electronics Corp.
Statement of Operating Revenue
For the year ended December 31, 2025
(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>
Operating revenue:		
Flash memory module products	139,130 thousand	\$ 52,391,114
Integrated Circuit	65,819 thousand	3,382,981
Controllers	456,273 thousand	13,989,114
Others		<u>2,230,790</u>
Net operating revenue		<u>\$ 71,993,999</u>

Phison Electronics Corp.
Statement of Operating Costs
For the year ended December 31, 2025
(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Raw materials	
Beginning balance of raw materials	\$ 16,222,873
Add: Raw materials purchased	46,068,855
Less: Others	1,039,955
Ending balance of raw materials	20,943,341
Direct raw material	40,308,432
Manufacturing overhead	11,199,685
Manufacturing cost	51,508,117
Add: Beginning balance of work-in -process	3,325,392
Beginning balance of semi-finished goods	4,744,083
Work-in-process and semi-finished goods purchased	2,702,959
Less: Ending balance of work-in -process	5,986,713
Ending balance of semi-finished goods	8,203,326
Others	484,773
Cost of finished goods	47,605,739
Add: Beginning balance of finished goods	132,614
Finished goods purchased	15,790
Less: Ending balance of finished goods	150,020
Others	18,694
Total cost of sales	\$ 47,585,429

Phison Electronics Corp.
Statement of Operating Expenses
For the year ended December 31, 2025
(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Marketing expenses</u>	<u>General and administrative expenses</u>	<u>Research and development expenses</u>	<u>Expected credit loss (gain)</u>
Payroll expense	\$ 431,858	622,327	10,137,876	-
Promotion service	675,892	-	-	-
Commission expense	91,932	-	-	-
Depreciation	5,652	77,490	435,473	-
Labor expense	112	166,729	44,955	-
Impairment loss	-	-	-	(33,841)
Others (individual amount does not exceed 5% of the account balance)	<u>205,683</u>	<u>162,552</u>	<u>3,226,494</u>	<u>-</u>
Total	<u>\$ 1,411,129</u>	<u>1,029,098</u>	<u>13,844,798</u>	<u>(33,841)</u>