

Phison Electronics Corp. and Subsidiaries
Consolidated Financial Statements
With Independent Auditors' Review Report
For the Three Months Ended March 31, 2026 and 2025

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Independent Auditors' Review Report

To the Board of Directors of Phison Electronics Corp.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Phison Electronics Corp. and its subsidiaries (“the Group”) as of March 31, 2026 and 2025, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2026 and 2025, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard (“IASs”) 34, “Interim Financial Reporting”, endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 6(7), the Group’s other investments accounted for using the equity method of \$6,896,893 thousand as of March 31, 2026, and its equity in net earnings on these investee companies of \$2,668,703 thousand for the three months ended March 31, 2026, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

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



Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2026 and 2025, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2026 and 2025 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

A handwritten signature of the KPMG firm, written in black ink, appearing as 'KPMG' in a stylized, cursive font.

KPMG

Taipei, Taiwan (Republic of China)
May 8, 2026

Notes to Readers

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

Phison Electronics Corp. and subsidiaries
Consolidated Balance Sheets
March 31, 2026, December 31, 2025, and March 31, 2025
(Expressed in Thousands of New Taiwan Dollars)

Assets		March 31, 2026		December 31, 2025		March 31, 2025		Liabilities and Equity		March 31, 2026		December 31, 2025		March 31, 2025	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(1))	\$ 20,936,707	15	16,275,252	19	17,783,224	25	2100	Short-term borrowings (note 6(11))	\$ 16,845,368	12	2,350,964	3	-	-
1110	Financial assets at fair value through profit or loss – current (notes 6(2) and 6(15))	1,638,232	1	1,433,838	2	754,750	1	2120	Financial liabilities at fair value through profit or loss – current (notes 6(2) and 6(15))	-	-	116	-	-	-
1136	Financial assets at amortized cost – current (note 8)	61,337	-	41,094	-	41,014	-	2130	Contract liabilities – current (note 7)	889,818	1	423,858	1	441,717	1
1170	Accounts receivable, net (note 6(4))	20,880,005	15	11,788,601	14	7,751,103	11	2170	Accounts payable	13,883,287	10	6,825,339	8	4,316,131	6
1180	Accounts receivable – related parties, net (notes 6(4) and 7)	1,870,343	1	1,900,459	2	1,169,630	2	2180	Accounts payable – related parties (note 7)	6,751,707	5	2,052,579	3	2,976,802	4
1200	Other receivables (notes 6(5) and 7)	2,245,617	2	596,329	1	480,556	1	2200	Other payables (note 6(12))	17,638,117	12	10,575,446	12	8,139,385	11
1220	Tax assets	25,909	-	23,236	-	7,193	-	2230	Taxes payable	3,584,860	2	944,876	1	1,136,421	2
130X	Inventories (note 6(6))	72,199,107	51	35,608,709	41	28,175,906	39	2280	Lease liabilities – current (note 6(9))	72,422	-	76,835	-	102,519	-
1410	Prepayments	192,265	-	807,167	1	371,271	-	2320	Long-term borrowings, current portion (notes 6(14), 6(15) and 8)	-	-	1,103,896	1	18,585	-
1479	Other current assets	128,871	-	4,991	-	2,210	-	2399	Other current liabilities (notes 6(13) and 7)	1,653,677	1	941,439	1	524,692	1
		<u>120,178,393</u>	<u>85</u>	<u>68,479,676</u>	<u>80</u>	<u>56,536,857</u>	<u>79</u>			<u>61,319,256</u>	<u>43</u>	<u>25,295,348</u>	<u>30</u>	<u>17,656,252</u>	<u>25</u>
Non-current assets:								Non-Current liabilities:							
1510	Financial assets at fair value through profit or loss – non-current (note 6(2))	174,859	-	179,808	-	213,790	-	2500	Financial liabilities at fair value through profit or loss – non-current (notes 6(2) and 6(15))	94,200	-	-	-	32,400	-
1517	Financial assets at fair value through other comprehensive income – non-current (note 6(3))	999,461	1	990,969	1	422,130	1	2530	Bonds payable (note 6(15))	5,135,446	4	-	-	5,634,622	8
1550	Investments accounted for using the equity method (note 6(7))	7,612,499	5	4,719,750	6	3,867,567	5	2540	Long-term borrowings (notes 6(14) and 8)	-	-	-	-	33,776	-
1600	Property, plant and equipment (notes 6(8) and 8)	8,683,757	6	8,424,354	10	7,696,916	11	2570	Deferred tax liabilities	204,097	-	167,759	-	125,728	-
1755	Right-of-use assets (note 6(9))	94,608	-	101,353	-	143,256	-	2580	Lease liabilities – non-current (note 6(9))	42,868	-	44,454	-	93,871	-
1780	Intangible assets (note 6(10))	413,239	-	323,460	-	423,855	1	2640	Net defined benefit liabilities	137,118	-	136,928	-	125,469	-
1840	Deferred tax assets	629,804	1	628,814	1	703,019	1	2645	Guarantee deposits received	3,236	-	3,116	-	6,349	-
1900	Other non-current assets (note 9(2))	2,279,678	2	1,907,425	2	1,928,400	2			<u>5,616,965</u>	<u>4</u>	<u>352,257</u>	<u>-</u>	<u>6,052,215</u>	<u>8</u>
		<u>20,887,905</u>	<u>15</u>	<u>17,275,933</u>	<u>20</u>	<u>15,398,933</u>	<u>21</u>		Total liabilities	<u>66,936,221</u>	<u>47</u>	<u>25,647,605</u>	<u>30</u>	<u>23,708,467</u>	<u>33</u>
Total assets								Equity (notes 6(18) and 6(19)):							
		<u>\$ 141,066,298</u>	<u>100</u>	<u>85,755,609</u>	<u>100</u>	<u>71,935,790</u>	<u>100</u>	Equity attributable to the shareholders of the parent company:							
								3100	Common shares	2,210,857	2	2,179,614	2	2,065,663	3
								3200	Capital surplus	21,467,324	15	19,104,335	22	13,495,107	19
								3300	Retained earnings	50,577,857	36	39,151,389	46	32,952,658	45
								3400	Other equity interest	(137,783)	-	(338,217)	-	(296,237)	-
									Total equity attributable to owners of the parent:	<u>74,118,255</u>	<u>53</u>	<u>60,097,121</u>	<u>70</u>	<u>48,217,191</u>	<u>67</u>
								36XX	Non-controlling interests	11,822	-	10,883	-	10,132	-
									Total equity	<u>74,130,077</u>	<u>53</u>	<u>60,108,004</u>	<u>70</u>	<u>48,227,323</u>	<u>67</u>
									Total liabilities and equity	<u>\$ 141,066,298</u>	<u>100</u>	<u>85,755,609</u>	<u>100</u>	<u>71,935,790</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

Phison Electronics Corp. and subsidiaries
Consolidated Statements of Comprehensive Income
For the three months ended March 31, 2026 and 2025
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		For the three months ended March 31,			
		2026		2025	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (notes 6(21) and 7)	\$ 40,966,953	100	13,838,565	100
5000	Operating costs (notes 6(6) 、6(22) and 7)	<u>15,642,302</u>	<u>38</u>	<u>9,525,629</u>	<u>69</u>
	Gross profit from operations	25,324,651	62	4,312,936	31
5910	Unrealized profit or loss on transactions with associates (note 7)	<u>(207,108)</u>	<u>(1)</u>	<u>(32,211)</u>	<u>-</u>
5950	Realized gross profit	<u>25,117,543</u>	<u>61</u>	<u>4,280,725</u>	<u>31</u>
	Operating expenses (notes 6(22) and 7):				
6100	Marketing expenses	776,282	2	347,226	3
6200	General and administrative expenses	831,105	2	243,602	2
6300	Research and development expenses	8,670,804	21	2,566,370	18
6450	Expected credit losses reversal gains (note 6(4))	<u>(1,178)</u>	<u>-</u>	<u>(38,118)</u>	<u>-</u>
	Total operating expenses	<u>10,277,013</u>	<u>25</u>	<u>3,119,080</u>	<u>23</u>
	Net operating income	<u>14,840,530</u>	<u>36</u>	<u>1,161,645</u>	<u>8</u>
	Non-operating income and expenses:				
7010	Other income (notes 6(23) and 7)	20,936	-	26,090	-
7020	Other gains and losses (note 6(23))	292,988	1	223,206	2
7050	Finance costs (notes 6(23) and 7)	(123,166)	-	(29,299)	-
7100	Interest income (note 6(23))	101,763	-	71,907	1
7060	Shares of profit (loss) of associates accounted for using the equity method(note 6(7))	<u>2,764,793</u>	<u>7</u>	<u>(102,995)</u>	<u>(1)</u>
		<u>3,057,314</u>	<u>8</u>	<u>188,909</u>	<u>2</u>
7900	Profit before tax	17,897,844	44	1,350,554	10
7950	Income tax expenses (note 6(17))	<u>2,722,863</u>	<u>7</u>	<u>209,797</u>	<u>2</u>
8200	Net profit for the period	<u>15,174,981</u>	<u>37</u>	<u>1,140,757</u>	<u>8</u>
8300	Other comprehensive income (loss):				
8310	Items that will not be reclassified subsequently to profit or loss				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(24))	13,347	-	(27,120)	-
8320	Shares of other comprehensive income of associates accounted for using the equity method	<u>46,355</u>	<u>-</u>	<u>(32,810)</u>	<u>-</u>
	Total items that will not be reclassified subsequently to profit or loss	<u>59,702</u>	<u>-</u>	<u>(59,930)</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	181,333	1	127,997	1
8399	Income tax related to items that may be reclassified subsequently (note 6(17))	<u>(36,271)</u>	<u>-</u>	<u>(25,484)</u>	<u>-</u>
	Total items that may be reclassified subsequently to profit or loss	<u>145,062</u>	<u>1</u>	<u>102,513</u>	<u>1</u>
8300	Other comprehensive income	<u>204,764</u>	<u>1</u>	<u>42,583</u>	<u>1</u>
8500	Total comprehensive income	<u>\$ 15,379,745</u>	<u>38</u>	<u>1,183,340</u>	<u>9</u>
	Net profit attributable to:				
8610	Shareholders of the parent company	\$ 15,174,020	37	1,140,568	8
8620	Non-controlling interests	<u>961</u>	<u>-</u>	<u>189</u>	<u>-</u>
		<u>\$ 15,174,981</u>	<u>37</u>	<u>1,140,757</u>	<u>8</u>
	Total comprehensive income attributable to:				
8710	Shareholders of the parent company	\$ 15,378,806	38	1,182,574	9
8720	Non-controlling interests	<u>939</u>	<u>-</u>	<u>766</u>	<u>-</u>
		<u>\$ 15,379,745</u>	<u>38</u>	<u>1,183,340</u>	<u>9</u>
	Earnings per share (New Taiwan Dollars) (note 6(20)):				
9750	Basic earnings per share	<u>\$ 68.80</u>		<u>5.53</u>	
9850	Diluted earnings per share	<u>\$ 65.79</u>		<u>5.22</u>	

See accompanying notes to consolidated financial statements.

Phison Electronics Corp. and subsidiaries
Consolidated Statements of Changes in Equity
For the three months ended March 31, 2026 and 2025
(Expressed in Thousands of New Taiwan Dollars)

Equity attributable to the shareholders of the parent company

	Equity attributable to the shareholders of the parent company							Total other equity interest					Non-controlling interests	Total equity
	Share capital				Retained earnings			Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Subtotal of equity attributable to the shareholders of the parent				
	Common shares	Advance receipts for share capital	Total share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings				Total	Total		
Balance at January 1, 2025	\$ 2,053,341	4,837	2,058,178	13,053,610	7,345,209	288,419	26,649,524	34,283,152	32,547	(370,790)	(338,243)	49,056,697	9,366	49,066,063
Net profit for the period	-	-	-	-	-	-	1,140,568	1,140,568	-	-	-	1,140,568	189	1,140,757
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	-	101,936	(59,930)	42,006	42,006	577	42,583
Total comprehensive income (loss) for the period	-	-	-	-	-	-	1,140,568	1,140,568	101,936	(59,930)	42,006	1,182,574	766	1,183,340
Appropriation and distribution of retained earnings:														
Cash dividends of common shares	-	-	-	-	-	-	(2,471,062)	(2,471,062)	-	-	-	(2,471,062)	-	(2,471,062)
Changes in equity of associates accounted for using the equity method	-	-	-	252,082	-	-	-	-	-	-	-	252,082	-	252,082
Share-based payments-stock options	-	-	-	(2,950)	-	-	-	-	-	-	-	(2,950)	-	(2,950)
Exercise of employee stock options	4,835	2,650	7,485	192,365	-	-	-	-	-	-	-	199,850	-	199,850
Conversion of convertible bonds	2	(2)	-	-	-	-	-	-	-	-	-	-	-	-
Balance at March 31, 2025	\$ 2,058,178	7,485	2,065,663	13,495,107	7,345,209	288,419	25,319,030	32,952,658	134,483	(430,720)	(296,237)	48,217,191	10,132	48,227,323
Balance at January 1, 2026	\$ 2,079,733	99,881	2,179,614	19,104,335	7,836,812	751,172	30,563,405	39,151,389	6,583	(344,800)	(338,217)	60,097,121	10,883	60,108,004
Net profit for the period	-	-	-	-	-	-	15,174,020	15,174,020	-	-	-	15,174,020	961	15,174,981
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	-	145,084	59,702	204,786	204,786	(22)	204,764
Total comprehensive income (loss) for the period	-	-	-	-	-	-	15,174,020	15,174,020	145,084	59,702	204,786	15,378,806	939	15,379,745
Appropriation and distribution of retained earnings:														
Cash dividends of common shares	-	-	-	-	-	-	(3,751,904)	(3,751,904)	-	-	-	(3,751,904)	-	(3,751,904)
Changes in equity of associates accounted for using the equity method	-	-	-	12,938	-	-	-	-	-	-	-	12,938	-	12,938
Share-based payments-stock options	-	-	-	117,516	-	-	-	-	-	-	-	117,516	-	117,516
Exercise of employee stock options	10,580	(545)	10,035	250,273	-	-	-	-	-	-	-	260,308	-	260,308
Conversion of convertible bonds	88,030	(66,822)	21,208	1,089,640	-	-	-	-	-	-	-	1,110,848	-	1,110,848
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	4,352	4,352	-	(4,352)	(4,352)	-	-	-
Due to recognition of equity component of convertible bonds	-	-	-	892,622	-	-	-	-	-	-	-	892,622	-	892,622
Balance at March 31, 2026	\$ 2,178,343	32,514	2,210,857	21,467,324	7,836,812	751,172	41,989,873	50,577,857	151,667	(289,450)	(137,783)	74,118,255	11,822	74,130,077

See accompanying notes to consolidated financial statements.

Phison Electronics Corp. and subsidiaries
Consolidated Statements of Cash Flows
For the three months ended March 31, 2026 and 2025
(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended	
	March 31,	
	2026	2025
Cash flows from operating activities:		
Profit before income tax	\$ 17,897,844	1,350,554
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses	187,165	185,076
Amortization expenses	149,275	158,788
Expected credit losses reversal gains	(1,178)	(38,118)
Net gains on financial assets at fair value through profit or loss	(121,525)	(19,323)
Finance costs	123,166	29,299
Net gains on disposal of property, plant and equipment	(34)	-
Interest income	(101,763)	(71,907)
Dividend income	(769)	-
Share-based payments	117,516	(2,950)
Shares of loss (profit) of associates accounted for using the equity method	(2,764,793)	102,995
Unrealized profit or loss on transactions with associates	207,108	32,211
Unrealized foreign exchange gains	(266,511)	(255,723)
Inventory obsolescence loss (reversal gains)	615,979	(337,384)
Recognition (reversal) of refund liabilities	711,286	(11,663)
Total adjustments to reconcile profit (loss)	(1,145,078)	(228,699)
Changes in operating assets and liabilities:		
Accounts receivable (including related parties)	(8,834,336)	(768,060)
Other receivables	(1,642,619)	(325,712)
Inventories	(37,206,377)	(3,224,473)
Prepayments	614,902	116,734
Other current assets	(123,880)	321
Other operating assets	(605)	-
Contract liabilities	465,960	273,140
Accounts payable (including related parties)	11,668,785	5,939,094
Other payables	4,561,168	(1,680,543)
Other current liabilities	8,203	(81,681)
Net defined benefit liabilities	190	130
Total changes in operating assets and liabilities	(30,488,609)	248,950
Cash inflow (outflow) generated from operations	(13,735,843)	1,370,805
Interest paid	(26,347)	(13,940)
Income taxes paid	(86,475)	(7,935)
Net cash flows from (used in) operating activities	(13,848,665)	1,348,930

(Continued)

See accompanying notes to consolidated financial statements.

Phison Electronics Corp. and subsidiaries
Consolidated Statements of Cash Flows (Continued)
For the three months ended March 31, 2026 and 2025
(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended	
	March 31,	
	2026	2025
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(2,500)	(17,500)
Proceeds from disposal of financial assets at fair value through other comprehensive income	7,355	-
Acquisition of financial assets at amortized cost	(20,243)	(207)
Acquisition of financial assets at fair value through profit or loss	(30,000)	-
Increase in prepayments for investments	(50,000)	-
Proceeds from disposal of financial assets at fair value through profit or loss	-	5,438
Acquisition of property, plant and equipment (including prepayments for equipment)	(425,790)	(129,176)
Proceeds from disposal of property, plant and equipment	111	-
Decrease (increase) in refundable deposits	(224,758)	140,396
Acquisition of intangible assets	(238,876)	(181,596)
Interests received	95,097	69,076
Dividends received	769	-
Net cash flows used in investing activities	(888,835)	(113,569)
Cash flows from financing activities:		
Increase in short-term borrowings	17,633,853	-
Decrease in short-term borrowings	(3,355,303)	(801,626)
Repayments of long-term borrowings	-	(36,193)
Proceeds from issuing bonds (deducting issuance costs)	6,053,705	-
Increase (decrease) in guarantee deposits received	120	(163,935)
Payment of lease liabilities	(16,864)	(15,545)
Cash dividends paid	(1,343,081)	(2,701,063)
Exercise of employee stock options	260,308	199,850
Net cash flows from (used in) financing activities	19,232,738	(3,518,512)
Effect of exchange rate changes on cash and cash equivalents	166,217	84,213
Net increase (decrease) in cash and cash equivalents	4,661,455	(2,198,938)
Cash and cash equivalents at beginning of period	16,275,252	19,982,162
Cash and cash equivalents at end of period	\$ 20,936,707	17,783,224

See accompanying notes to consolidated financial statements.

Phison Electronics Corp. and subsidiaries
Notes to the Consolidated Financial Statements
March 31, 2026 and 2025

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

1. Company history

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

2. Approval date and procedures of the consolidated financial statements

The consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on May 8, 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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2026:

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<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. 	<p>January 1, 2027</p> <p>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.</p>

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

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

- Amendments to IFRS 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

(1) Statement of compliance

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statements for the year ended December 31, 2025. For the related information, please refer to note 4 of the 2025 consolidated financial statements.

(2) Basis of consolidation

Principles of preparation of the consolidated financial statements were the same as those of the consolidated financial statements for the year ended December 31, 2025. For the related information, please refer to note 4(3) of the consolidated financial statements for the year ended December 31, 2025.

A. List of subsidiaries in the consolidated financial statements

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

Name investor	Name of subsidiary	Principal activity	Shareholding (%)			Note
			March 31, 2026	December 31, 2025	March 31, 2025	
The Company	Lian Xu Dong Investment Corporation	Investment	100.00	100.00	100.00	
The Company	Phison Electronics Japan Corp.	Sales and service office	100.00	100.00	100.00	
The Company	Emtops Electronics Corp.	Investment	100.00	100.00	100.00	

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

Name investor	Name of subsidiary	Principal activity	Shareholding (%)			Note
			March 31, 2026	December 31, 2025	March 31, 2025	
The Company	Phisontech Electronics Taiwan Corp.	Investment and trade	100.00	100.00	100.00	
The Company	Global Flash Limited	Investment and trade	100.00	100.00	100.00	
The Company	Power Flash (Samoa) Limited	Investment and trade	100.00	100.00	100.00	
The Company	Regis Investment (Samoa) Limited	Investment	100.00	100.00	100.00	
The Company	Nextorage Corporation	R&D, design, manufacture and sales of flash memory application products	98.31	98.31	98.31	Note 1
The Company	Phison Technology India Private Limited	Design, R&D, import and export of storage devices and electronic components	100.00	100.00	100.00	Note 2
The Company	Great Storage Investment Corporation	Investment	100.00	100.00	100.00	
The Company	Gorich Investment Corporation	Investment	100.00	100.00	100.00	Note 3
Global Flash Limited	Core Storage Electronic (Samoa) Limited	Investment and trade	100.00	100.00	100.00	
Lian Xu Dong Investment Corporation	Ostek Corporation	Manufacture and trade of electronic components	100.00	100.00	100.00	
Power Flash (Samoa) Limited	Power Flash (HK) Limited	Sales of electronic products	100.00	100.00	100.00	
Power Flash (Samoa) Limited	Power Storage Technology (Shenzhen) Limited	Design, R&D, import and export of storage devices and electronic components	100.00	100.00	100.00	
Power Flash (Samoa) Limited	Power Storage Electronics Limited	Design, R&D, production and sales of integrated circuits, systems and electronics hardware and software, as well as rendering of related services	100.00	100.00	100.00	

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

Name investor	Name of subsidiary	Principal activity	Shareholding (%)			Note
			March 31, 2026	December 31, 2025	March 31, 2025	
Regis Investment (Samoa) Limited	RealYou Investment Limited	Investment	100.00	100.00	100.00	
RealYou Investment Limited	Hefei Ruhan Electronic Technology Limited	Design, R&D and sales of electronic products and technical support service, as well as rendering of related services and investment	100.00	100.00	100.00	
Emtops Electronics Corp.	Phison Technology Inc.	Sales of electronic products and service office	100.00	100.00	100.00	
Phisontech Electronics Taiwan Corp.	Super Storage Technology Corporation	Manufacture and trade of electronic components	100.00	100.00	100.00	
Great Storage Investment Corporation	Maistorage Technology Sdn. Bhd.	R&D, design, manufacture, and sales of flash memory controller chips and storage solutions, along with trade, import and export, software development, as well as technical support services	100.00	100.00	100.00	

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

Note 2: The Company held 2,299,990 shares, while Emtops Electronics Corp. held 10 shares in the subsidiary.

Note 3: For operation needs, the Company set up Gorich Investment Corporation in Taiwan in March 2025.

Note 4: Since all the above subsidiaries are immaterial, their financial statements for the first quarter of 2025 have not been reviewed by independent auditors.

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

(3) Employee benefits

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

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

(4) Income taxes

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

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

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

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

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC), the management has to make judgments 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.

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the 2025 consolidated financial statements. For related information, please refer to note 5 of the 2025 consolidated financial statements.

6. Description of significant accounts

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2025 consolidated financial statements. Please refer to Note 6 of the 2025 consolidated financial statements.

(1) Cash and cash equivalent

	March 31, 2026	December 31, 2025	March 31, 2025
Cash	\$ 120	120	120
Demand deposits and check deposits	11,066,270	10,582,712	9,673,333
Cash equivalents – time deposits	9,870,317	5,692,420	8,109,771
	\$ 20,936,707	16,275,252	17,783,224

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

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

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

	<u>March 31,</u> <u>2026</u>	<u>December 31,</u> <u>2025</u>	<u>March 31,</u> <u>2025</u>
Financial assets at fair value through profit or loss – current:			
Beneficiary certificates – open-end funds	\$ 176,118	145,499	114,118
Domestic listed stock	1,448,914	1,278,704	631,632
Derivative instruments – convertible bonds (note 6(15))	13,200	9,635	9,000
	<u>\$ 1,638,232</u>	<u>1,433,838</u>	<u>754,750</u>
Financial assets at fair value through profit or loss – non-current:			
Domestic private equity funds	\$ 112	-	1,703
Domestic unlisted stocks	116,047	119,833	142,131
Foreign unlisted stocks	58,700	59,975	69,956
	<u>\$ 174,859</u>	<u>179,808</u>	<u>213,790</u>
Financial liability at fair value through profit or loss – current and non-current:			
Derivative instruments-convertible bonds (note 6(15))	\$ 94,200	116	32,400

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

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

	<u>March 31,</u> <u>2026</u>	<u>December 31,</u> <u>2025</u>	<u>March 31,</u> <u>2025</u>
Domestic unlisted stocks	\$ 299,631	289,770	327,055
Foreign unlisted stocks	699,830	701,199	95,075
	<u>\$ 999,461</u>	<u>990,969</u>	<u>422,130</u>

The Group 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.

The Group disposed of its foreign unlisted equity securities, with a fair value of \$7,355 thousand at the time of disposal, resulting in a disposal gain of \$4,352 thousand, which was reclassified from other comprehensive income to retained earnings in the first quarter of 2026.

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

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

	March 31, 2026	December 31, 2025	March 31, 2025
Accounts receivable	\$ 20,910,586	11,819,918	7,776,929
Accounts receivable – related parties	1,871,653	1,902,171	1,171,419
	22,782,239	13,722,089	8,948,348
Less: loss allowance	(31,891)	(33,029)	(27,615)
	<u>\$ 22,750,348</u>	<u>13,689,060</u>	<u>8,920,733</u>

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

The Group writes off an 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 Group continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, these are recognized in profit or loss.

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

	March 31, 2026		
	Gross carrying amount	Weighted- average loss rate (%)	Loss allowance
Current	\$ 22,402,390	0.07	15,538
1~60 days past due	369,594	1.65	6,098
More than 151 days past due	10,255	100.00	10,255
	<u>\$ 22,782,239</u>		<u>31,891</u>
	December 31, 2025		
	Gross carrying amount	Weighted- average loss rate (%)	Loss allowance
Current	\$ 13,237,100	0.09	11,768
1~60 days past due	474,915	2.36	11,187
More than 151 days past due	10,074	100.00	10,074
	<u>\$ 13,722,089</u>		<u>33,029</u>

Phison Electronics Corp. and subsidiaries
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	March 31, 2025		
	Gross carrying amount	Weighted- average loss rate (%)	Loss allowance
Current	\$ 8,805,368	0.14	12,174
1~60 days past due	130,762	3.24	4,232
61~90 days past due	1,425	29.19	416
More than 151 days past due	10,793	100.00	10,793
	\$ 8,948,348		27,615

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

	For the three months ended March 31,	
	2026	2025
Balance, beginning of the period	\$ 33,029	65,726
Impairment losses recognized (reversed)	(1,178)	(38,118)
Effect of movements in exchange rates	40	7
Balance, end of the period	\$ 31,891	27,615

None of the accounts receivable mentioned above were pledged as collateral, where in the average credit term of 30~90 days is similar with the practice in the industry, without including any finance elements.

(5) Other receivables

	March 31, 2026	December 31, 2025	March 31, 2025
Tax refunds receivable	\$ 2,115,290	519,638	436,255
Others	130,327	76,691	44,301
Less: loss allowance	-	-	-
	\$ 2,245,617	596,329	480,556

(6) Inventories

	March 31, 2026	December 31, 2025	March 31, 2025
Raw materials	\$ 44,402,989	20,944,841	17,248,753
Work in process	19,939,034	5,996,394	6,805,412
Semi-finished goods	7,241,922	8,211,132	3,814,265
Finished goods	615,162	456,342	307,476
	\$ 72,199,107	35,608,709	28,175,906

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The costs of inventories recognized as costs of goods sold for the three months ended March 31, 2026 and 2025 were \$15,642,302 thousand and \$9,525,629 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 against the net realizable value, as follows:

	For the three months ended March 31,	
	2026	2025
Inventory valuation and obsolescence losses (reversal gains)	\$ 615,979	(337,384)

None of the inventories mentioned above were pledged as collateral.

(7) Investments accounted for using the equity method

There was no individually significant associate of the Group. The summary of the amounts recognized by the Group was included in the consolidated financial statements as follows:

	March 31, 2026	December 31, 2025	March 31, 2025
Summarized information of the carrying amount of associates that were not individually material	\$ 7,612,499	4,719,750	3,867,567
		For the three months ended March 31,	
		2026	2025
The shares of profit or loss of associates attributable to the Group		\$ 2,764,793	(102,995)

For the years ended March 31, 2026 and 2025, the Group did not participate in the cash capital increase of its investees, resulting in the Group's shareholding interests to increase by \$12,938 thousand and \$252,082 thousand, respectively, which were recorded in capital surplus.

A portion of the Group's investments accounted for using the equity method and its share of profit or loss and other comprehensive income for the first quarter of 2026 were calculated based on financial statements that have not been reviewed by independent auditors.

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

Phison Electronics Corp. and subsidiaries
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(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, 2026	\$ 3,089,838	5,276,115	1,705,133	479,720	405,520	10,956,326
Additions for the period	7,254	3,545	125,633	9,057	272,080	417,569
Disposal for the period	-	-	(167,094)	(9,393)	-	(176,487)
Reclassification	-	-	8,706	-	-	8,706
Effects of movements in exchange rates	(1)	(20)	3,055	2,214	-	5,248
Balance at March 31, 2026	<u>\$ 3,097,091</u>	<u>5,279,640</u>	<u>1,675,433</u>	<u>481,598</u>	<u>677,600</u>	<u>11,211,362</u>
Balance at January 1, 2025	\$ 2,149,256	5,258,794	1,700,762	478,325	405,000	9,992,137
Additions for the period	-	1,281	70,952	18,154	-	90,387
Disposal for the period	-	-	(140,035)	(8,220)	-	(148,255)
Reclassification	-	-	26,425	-	-	26,425
Effects of movements in exchange rates	16	850	2,180	3,659	-	6,705
Balance at March 31, 2025	<u>\$ 2,149,272</u>	<u>5,260,925</u>	<u>1,660,284</u>	<u>491,918</u>	<u>405,000</u>	<u>9,967,399</u>
Depreciation:						
Balance at January 1, 2026	\$ -	1,197,473	1,024,566	309,933	-	2,531,972
Depreciation for the period	-	40,769	98,167	30,796	-	169,732
Disposal for the period	-	-	(167,017)	(9,393)	-	(176,410)
Effects of movements in exchange rates	-	(5)	1,365	951	-	2,311
Balance at March 31, 2026	<u>\$ -</u>	<u>1,238,237</u>	<u>957,081</u>	<u>332,287</u>	<u>-</u>	<u>2,527,605</u>
Balance at January 1, 2025	\$ -	1,035,565	965,447	246,115	-	2,247,127
Depreciation for the period	-	40,157	97,482	30,745	-	168,384
Disposal for the period	-	-	(140,035)	(8,220)	-	(148,255)
Effects of movements in exchange rates	-	128	1,263	1,836	-	3,227
Balance at March 31, 2025	<u>\$ -</u>	<u>1,075,850</u>	<u>924,157</u>	<u>270,476</u>	<u>-</u>	<u>2,270,483</u>
Carrying amounts:						
Balance at January 1, 2026	<u>\$ 3,089,838</u>	<u>4,078,642</u>	<u>680,567</u>	<u>169,787</u>	<u>405,520</u>	<u>8,424,354</u>
Balance at March 31, 2026	<u>\$ 3,097,091</u>	<u>4,041,403</u>	<u>718,352</u>	<u>149,311</u>	<u>677,600</u>	<u>8,683,757</u>
Balance at January 1, 2025	<u>\$ 2,149,256</u>	<u>4,223,229</u>	<u>735,315</u>	<u>232,210</u>	<u>405,000</u>	<u>7,745,010</u>
Balance at March 31, 2025	<u>\$ 2,149,272</u>	<u>4,185,075</u>	<u>736,127</u>	<u>221,442</u>	<u>405,000</u>	<u>7,696,916</u>

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

(9) Lease arrangements

A. Right-of-use assets

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Carrying amounts:			
Balance January 1, 2026	<u>\$ 100,242</u>	<u>1,111</u>	<u>101,353</u>
Balance at March 31, 2026	<u>\$ 93,664</u>	<u>944</u>	<u>94,608</u>
Balance January 1, 2025	<u>\$ 156,220</u>	<u>1,491</u>	<u>157,711</u>
Balance at March 31, 2025	<u>\$ 141,995</u>	<u>1,261</u>	<u>143,256</u>

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There were no significant addition, disposal, or recognition and reversal of impairment losses of right-of-use assets of the Group for the three months ended March 31, 2026 and 2025. Please refer to note 6(9) of the 2025 consolidated financial statements for other related information.

B. Lease liabilities

	March 31, 2026	December 31, 2025	March 31, 2025
Current	<u>\$ 72,422</u>	<u>76,835</u>	<u>102,519</u>
Non-current	<u>\$ 42,868</u>	<u>44,454</u>	<u>93,871</u>

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

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

	For the three months ended March 31,	
	2026	2025
Interest expenses relating to lease liabilities	<u>\$ 1,262</u>	<u>2,248</u>
Expenses relating to short-term lease	<u>\$ 1,779</u>	<u>1,891</u>
Expenses relating to lease of low-value assets, excluding short-term lease of low-value assets	<u>\$ 456</u>	<u>287</u>

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

	For the three months ended March 31,	
	2026	2025
Total cash outflow for leases	<u>\$ 20,361</u>	<u>19,971</u>

C. Other information about leases

Since the Group 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, it has 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
Carrying amounts:			
Balance at January 1, 2026	<u>\$ 154,981</u>	<u>168,479</u>	<u>323,460</u>
Balance at March 31, 2026	<u>\$ 231,080</u>	<u>182,159</u>	<u>413,239</u>
Balance at January 1, 2025	<u>\$ 184,330</u>	<u>216,497</u>	<u>400,827</u>
Balance at March 31, 2025	<u>\$ 217,261</u>	<u>206,594</u>	<u>423,855</u>

Phison Electronics Corp. and subsidiaries
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There were no significant addition or disposal of intangible assets of the Group for the three months ended March 31, 2026 and 2025. Please refer to note 12 for the amounts of amortization for the period and note 6(10) of the 2025 consolidated financial statements for the other related information.

None of intangible assets mentioned above were pledged as collateral.

(11) Short-term borrowings

	March 31, 2026	December 31, 2025	March 31, 2025
Unsecured bank loans	\$ <u>16,845,368</u>	<u>2,350,964</u>	<u>-</u>
Unused credit facilities	\$ <u>11,493,108</u>	<u>13,829,186</u>	<u>13,602,538</u>
Range of interest rates at the end of period (%)	<u>4.05~4.32</u>	<u>4.07~4.57</u>	<u>-</u>

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

(12) Other payables

	March 31, 2026	December 31, 2025	March 31, 2025
Salaries and bonus payable	\$ 10,985,154	7,944,350	4,446,659
Dividends payable (note 6(18))	3,752,031	1,343,283	2,471,264
Others	<u>2,900,932</u>	<u>1,287,813</u>	<u>1,221,462</u>
	<u>\$ 17,638,117</u>	<u>10,575,446</u>	<u>8,139,385</u>

(13) Other current liabilities

	March 31, 2026	December 31, 2025	March 31, 2025
Refund liabilities	\$ 1,315,971	659,344	347,087
Others	<u>337,706</u>	<u>282,095</u>	<u>177,605</u>
	<u>\$ 1,653,677</u>	<u>941,439</u>	<u>524,692</u>

(14) Long-term borrowings

	March 31, 2025		
	Rate of interest rates at the end of period (%)	Year of maturity	Amount
Secured bank loans	2.28	January, 2028	\$ 52,361
Less: current portion			<u>(18,585)</u>
			<u>\$ 33,776</u>

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The long-term loan was originally scheduled for repayment in lump sum upon maturity from January 2013 to January 2028. However, after considering the Company's operational status, the loan had been fully repaid in June 2025.

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

(15) Bonds payable

A. 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:

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

	March 31, 2026	December 31, 2025	March 31, 2025
Total convertible corporate bonds issued	\$ 6,000,000	6,000,000	6,000,000
Unamortized discounted corporate bonds payable	-	(56,904)	(365,378)
Less: current portion	-	(1,103,896)	-
Accumulative converted amount	(6,000,000)	(4,839,200)	-
Bonds payable at the end of period	\$ -	-	5,634,622
Embedded derivative instruments—call options, included in financial assets at fair value through profit or loss—current	\$ -	9,635	9,000
Embedded derivative instruments—put options, included in financial liability at fair value through profit or loss—current and non-current	\$ -	116	32,400
Embedded derivative instruments—equity component—conversion options, included in capital surplus—stock options	\$ -	96,733	499,996

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	For the three months ended	
	March 31,	
	2026	2025
Embedded derivative instruments-net gains and losses of call and put options remeasured at fair value, included in other gains and losses	\$ (16,527)	8,400
Interest expense	\$ -	23,552

The conversion price per share at the time of issuance of NTD 588 was 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) of NTD 491, at the conversion premium rate of 119.66%; and the number of convertible shares of the bonds should be calculated by dividing the issued face value of the bonds by the conversion price. However, due to the distribution of cash dividends to shareholders after the issuance of corporate bonds, the conversion price had been adjusted in accordance with the article related to anti-dilution in the terms of issuance and conversion as follows:

(Amount in Dollars)		
Ex-dividend date	Conversion price before adjustment	Conversion price after adjustment
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

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) and 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, within five business days after the reference date of the bond called.

The bondholder should use the reference date to exercise the put options of the convertible bonds in advance after the date the convertible bonds had been issued for three years (January 23, 2027). Thereafter, the bondholder could request for the Group to buy back the bonds in cash, at the face value. Upon accepting the request, the Group should repurchase the bonds in cash in eight business days after the reference date.

The convertible bonds mentioned above included the 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%.

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B. 3rd unsecured convertible bonds

Based on a resolution made during its board meeting held on July 14, 2025, and with the approval of the FSC on November 26, 2025, the Company issued its 3rd domestic unsecured convertible bonds, with a period of 5 years (from February 6, 2026 to 2031), 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:

The details of 3rd unsecured convertible bonds were as follows:

	March 31, 2026
Total convertible corporate bonds issued	\$ 6,000,000
Unamortized discounted corporate bonds payable	<u>(864,554)</u>
Bonds payable at the end of period	<u>\$ 5,135,446</u>
Embedded derivative instruments—call options, included in financial assets at fair value through profit or loss—current	<u>\$ 13,200</u>
Embedded derivative instruments—put options, included in financial liability at fair value through profit or loss— non-current	<u>\$ 94,200</u>
Embedded derivative instruments—equity component— conversion options, included in capital surplus—stock options	<u>\$ 892,622</u>
	For the three months ended March 31, 2026
Embedded derivative instruments-net gains and losses of call and put options remeasured at fair value, included in other gains and losses	<u>\$ (27,827)</u>
Interest expense	<u>\$ 27,479</u>

The conversion price per share at the time of issuance of NTD 2,488 was 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 29, 2026) of NTD 1,895, at the conversion premium rate of 115.185%; and the number of convertible shares of the bonds should be calculated by dividing the issued face value of the bonds by the conversion price. However, due to the distribution of cash dividends to shareholders after the issuance of corporate bonds, the conversion price had been adjusted in accordance with the article related to anti-dilution in the terms of issuance and conversion.

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 (May 7, 2026) and 40 days prior to the expiration of the issuance period (December 28, 2030), the Company may repurchase the convertible bonds of the bondholders in cash, at face value, within five business days after the reference date of the bond called.

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The bondholder should use the reference date to exercise the put options of the convertible bonds in advance, after the date that the convertible bonds had been issued for three years (February 6, 2029). Thereafter, the bondholder could request for the Company to buy back the bonds in cash, at the face value. Upon 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 the liability and equity components. The equity component is included in capital surplus - stock options, with the liability component's original effective interest rate of 3.22%.

(16) Employee benefits

A. Defined benefit plans

The management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since the previous fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2025 and 2024.

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

	For the three months ended	
	March 31,	
	2026	2025
Pension	\$ 1,533	1,473

B. Defined contribution plans

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

	For the three months ended	
	March 31,	
	2026	2025
Pension	\$ 88,497	81,900

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

	For the three months ended	
	March 31,	
	2026	2025
Pension	\$ 3,358	2,717

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(17) Income tax

A. The income tax expense of the Group was calculated by using the profit before tax for the interim reporting period, multiplied by the best estimated measurement of the expected effective tax rate by the management throughout the year.

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

	For the three months ended	
	March 31,	
	<u>2026</u>	<u>2025</u>
Current tax expenses		
Current period	\$ <u>2,722,863</u>	<u>209,797</u>

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

	For the three months ended	
	March 31,	
	<u>2026</u>	<u>2025</u>
Exchange differences on translation of foreign financial statements	\$ <u>36,271</u>	<u>25,484</u>

D. Examination and approval

Except for FY2022, the Company's income tax returns through 2024 have been examined and assessed by the tax authority.

Except for Gorich Investment Corporation, which was newly incorporated in 2025, the income tax returns, through FY2024, of all other domestic subsidiaries have been assessed and finalized by the tax authorities.

(18) Equity

A. Common shares

As of March 31, 2026, December 31 and March 31, 2025, the Company's authorized common shares each amounted to \$3,000,000 thousand, of which \$290,000 thousand shall be reserved for employee share options. Thereafter, the actual registered common shares issued amounted to \$2,178,343 thousand, \$2,079,733 thousand and \$2,058,178 thousand, respectively, with par value of NTD10 per share.

As of March 31, 2026, December 31 and March 31, 2025, due to the exercise of conversion rights on convertible corporate bonds and employee stock options to issue new shares, the registration procedures for the amounts of \$32,514 thousand, \$99,881 thousand and \$7,485 thousand, respectively, recognized as advance receipts for share capital, have yet to be completed.

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

(Unit: Shares in Thousands)

	For the three months ended	
	March 31,	
	<u>2026</u>	<u>2025</u>
Balance, beginning of the period	217,961	205,817
Bonds converted	2,121	-
Employee share options exercised	1,004	749
Balance, end of the period	<u>221,086</u>	<u>206,566</u>

B. Capital surplus

	<u>March 31,</u> <u>2026</u>	<u>December 31,</u> <u>2025</u>	<u>March 31,</u> <u>2025</u>
Additional paid-in capital	\$ 16,315,875	14,756,829	8,995,179
Changes in equities of associates accounted for using the equity method	1,956,499	1,943,561	1,670,724
Difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	148,673	148,673	148,673
Changes in ownerships interest in subsidiaries	1,944	1,944	1,944
Employee share options	532,456	537,340	559,418
Due to recognition of equity component of convertible bonds	892,622	96,733	499,996
Transaction of treasury stocks	1,516,724	1,516,724	1,516,724
Expired employee stock options	102,531	102,531	102,449
	<u>\$ 21,467,324</u>	<u>19,104,335</u>	<u>13,495,107</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 the Company's accumulated 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, when the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, estimating reserved remunerations to employees and directors, setting aside 10% of the remaining profit as legal reserve until the accumulated legal capital reserve equals to the paid-in capital, then retaining 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 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, with the distribution amount 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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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)

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. Other equity (net of tax)

(a) Exchange differences on translation of foreign financial statements

	For the three months ended March 31,	
	2026	2025
Balance at January 1	\$ 6,583	32,547
Foreign exchange differences (net of tax)	145,084	101,936
Balance at March 31	<u>\$ 151,667</u>	<u>134,483</u>

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

	For the three months ended March 31,	
	2026	2025
Balance at January 1	\$ (344,800)	(370,790)
Disposal for the period	(4,352)	-
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income (net of tax)	<u>59,702</u>	<u>(59,930)</u>
Balance at March 31	<u>\$ (289,450)</u>	<u>(430,720)</u>

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E. Non-controlling interests (net of tax)

	For the three months ended March 31,	
	2026	2025
Balance at January 1	\$ 10,883	9,366
Net income	961	189
Exchange differences on translation of foreign financial statements (net of tax)	(22)	577
Balance at March 31	\$ 11,822	10,132

(19) Share-based payment

As of March 31, 2026, with the approval of the FSC, the Company issued its 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, 2022	September 7, 2022	6,000	service period between 2~3 years	293.50	259.40

The estimated fair values of the options granted were calculated at the date of grant using the Black-Scholes option pricing model, wherein the Group recognized and reversed the compensation costs of \$117,516 thousand and \$2,950 thousand for the three months ended March 31, 2026 and 2025, respectively, due to its employees' resignation before receiving their benefits as follows:

Weighted-average assumptions were as follows:

	2025 1st	2023 1st	2022 1st
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

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Information related to employee share options was as follows:

A. 2025 First employee share options

	For the three months ended March 31,	
	2026	
Employee share options	Number of Options (In Thousands of Units)	Weighted-average exercise price (NTD)
Outstanding at January 1	1,990	\$ 481.70
Granted during the period	-	-
Exercised during the period	-	-
Forfeited during the period	(3)	-
Outstanding at March 31	1,987	481.70
Exercisable at March 31	-	

As of March 31, 2026, the weighted-average remaining contractual life for outstanding option was 3.42 years.

B. 2023 First employee share options

	For the three months ended March 31,	
	2026	
Employee share options	Number of Options (In Thousands of Units)	Weighted-average exercise price (NTD)
Outstanding at January 1	5,874	\$ 481.70
Granted during the period	-	-
Exercised during the period	-	-
Forfeited during the period	(13)	-
Outstanding at March 31	5,861	481.70
Exercisable at March 31	-	

As of March 31, 2026, the weighted-average remaining contractual life for outstanding option was 4.42 years.

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C. 2022 First employee share options

<u>Employee share options</u>	For the three months ended March 31,			
	2026		2025	
	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	1,485	\$ 259.40	4,735	\$ 274.80
Granted during the period	-	-	-	-
Exercised during the period	(1,130)	259.40	(735)	274.80
Forfeited during the period	-	-	(25)	-
Outstanding at March 31	355	259.40	3,975	274.80
Exercisable at March 31	355		1,123	

As of March 31, 2026 and 2025, the weighted-average remaining contractual lives for outstanding options were 0.44 and 1.44 years, respectively.

(20) Earnings per share

A. Basic earnings per share

	For the three months ended March 31,	
	2026	2025
	Net profit attributable to ordinary shareholders of the Company	\$ 15,174,020
Weighted-average number of shares outstanding during the year (in thousands of shares)	220,567	206,106
Basic earnings per share (NTD)	\$ 68.80	5.53

B. Diluted earnings per share

	For the three months ended March 31,	
	2026	2025
	Net profit attributable to ordinary shareholders of the Company	\$ 15,174,020
Effects of dilutive potential ordinary shares		
Convertible bonds	71,833	12,122
Net profit attributable to ordinary shareholders of the Company	\$ 15,245,853	1,152,690

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	For the three months ended	
	March 31,	
	2026	2025
Weighted average number of shares outstanding during the year (in thousands of shares)	220,567	206,106
Effect of dilutive potential ordinary shares (in thousands of shares)		
Employee share options	6,457	2,341
Employees' remunerations	2,948	1,693
Effects of conversion of convertible bonds	1,753	10,652
	231,725	220,792
Diluted earnings per share (NTD)	\$ 65.79	5.22

(21) Operating revenue

	For the three months ended	
	March 31,	
	2026	2025
Primary geographical markets:		
Asia	\$ 26,026,400	10,586,942
America	14,399,434	2,851,338
Europe	532,287	394,857
Others	8,832	5,428
	\$ 40,966,953	13,838,565
Major product categories:		
Flash memory module products	\$ 34,877,913	9,437,979
Controllers	3,873,350	2,653,195
Integrated Circuit	1,736,546	814,038
Others	479,144	933,353
	\$ 40,966,953	13,838,565

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

(22) 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.

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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 following are the remunerations to employees (including the minimum of 1% specifically to those frontline employees) and directors for the three months ended March 31, 2026 and 2025:

	For the three months ended March 31,	
	2026	2025
Employee remunerations	\$ 3,819,454	173,762
Directors' remunerations	\$ 21,011	8,688

The 2025 remunerations to employees and directors, which have been approved by the Company's Board of Directors on March 6, 2026, was as follows:

	2025	
	Cash	Share
Employee remunerations	\$ 1,000,000	-
Directors' remunerations	36,000	-

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, 2025.

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

(23) Non-operating income and expenses

A. Interest income

	For the three months ended March 31,	
	2026	2025
Interest income from bank deposits	\$ 101,757	71,870
Others	6	37
	\$ 101,763	71,907

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B. Other income

	For the three months ended March 31,	
	2026	2025
Rent income	\$ 4,142	7,941
Others	16,794	18,149
	\$ 20,936	26,090

C. Other gains and losses

	For the three months ended March 31,	
	2026	2025
Net foreign exchange gains	\$ 171,432	203,885
Gains on financial assets and liability at fair value through profit or loss	121,525	19,323
Others	31	(2)
	\$ 292,988	223,206

D. Finance costs

	For the three months ended March 31,	
	2026	2025
Interests on bank loans	\$ 94,422	3,488
Interests on convertible bonds	27,479	23,552
Interests on lease liabilities	1,262	2,248
Others	3	11
	\$ 123,166	29,299

(24) Financial instruments

A. Categories of financial instruments

	March 31, 2026	December 31, 2025	March 31, 2025
Financial assets			
Financial assets at FVTPL (current and non-current)	\$ 1,813,091	1,613,646	968,540
Financial assets at amortized cost (Note 1)	48,184,188	32,462,461	29,115,495
Financial assets at FVTOCI	999,461	990,969	422,130
	\$ 50,996,740	35,067,076	30,506,165

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	<u>March 31,</u> <u>2026</u>	<u>December 31,</u> <u>2025</u>	<u>March 31,</u> <u>2025</u>
Financial liabilities			
Financial liabilities at FVTPL (current and non-current)	\$ 94,200	116	32,400
Financial liabilities at amortized cost (Note 2)	<u>60,257,161</u>	<u>22,911,340</u>	<u>21,125,650</u>
Total	<u>\$ 60,351,361</u>	<u>22,911,456</u>	<u>21,158,050</u>

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

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

B. Financial risk management objectives and policies

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

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

C. Market risk

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

(a) Foreign currency risk

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

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(i) Exposure to foreign currency risk

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

	March 31, 2026			December 31, 2025			March 31, 2025		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	1,063,055	31.995	34,012,433	637,533	31.430	20,037,655	505,535	33.205	16,786,295
<u>Non-Monetary items</u>									
CNY	1,507,402	4.629	6,977,763	938,125	4.496	4,217,808	736,847	4.573	3,369,601
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	1,204,950	31.995	38,552,374	339,173	31.430	10,660,202	213,496	33.205	7,089,129

(ii) Sensitivity analysis

The Group's exposure to foreign currency risk primarily arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable (including related parties), short-term borrowings, and accounts payable (including related parties), that are denominated in USD. A weakening (strengthening) of 5% of the NTD against the USD as of March 31, 2026 and 2025, would have increased or decreased the net profit before income tax by \$226,997 thousand and \$484,858 thousand, respectively. The analysis was performed on the same basis for comparative years.

(iii) Foreign exchange gains and losses on monetary items

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

For the three months ended	
March 31,	
<u>2026</u>	<u>2025</u>
<u>\$ 171,432</u>	<u>203,885</u>

(b) Interest rate risk

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

If interest rates had been 0.25% basis point higher and all other variables were held constant, the Group's net profit before income tax for the three months ended March 31, 2026 and 2025 would have increased by \$6,480 thousand and \$5,926 thousand, respectively, due to the impact of variable interest rate cash and cash equivalents, and short-term and long-term borrowings.

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(c) Other price risk

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

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

If equity prices had been 10% higher or lower, the net profit before income tax for the three months ended March 31, 2026 and 2025 would have increased or decreased by \$179,978 thousand and \$95,784 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 during the periods would have increased or decreased by \$99,946 thousand and \$42,213 thousand, respectively, as a result of the changes in fair value of financial assets at FVOCI.

D. Concentration of credit risk

(a) Accounts receivable

The major customers of the Group are in the electronics industry and the Group usually grants credit limits to its customers in accordance with credit policy. Therefore, the Group is exposed to credit risk. However, the Group 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 March 31, 2026, December 31 and March 31, 2025, 35%, 33% and 30%, respectively, of accounts receivable (including related parties) were from top five customers; hence, there was no significant concentration of credit risk. In addition, the Group periodically reviews the recoverable amounts of accounts receivable to ensure that an adequate allowance is recognized for possible irrecoverable amounts. In this regard, the management believes there is no expected material credit risk.

(b) Cash and cash equivalents

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

(c) Receivables and debt securities

Please refer to note 6(4), 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 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.

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E. Liquidity risk

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

	<u>Carrying amount</u>	<u>Cash flow of contract</u>	<u>Within 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
March 31, 2026					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 38,276,347	(38,276,347)	(38,273,111)	(1,240)	(1,996)
Lease liabilities (current and non-current)	115,290	(128,412)	(75,257)	(53,155)	-
Floating interest rate liabilities	652,698	(663,697)	(663,697)	-	-
Fixed interest rate liabilities	<u>21,328,116</u>	<u>(22,346,144)</u>	<u>(16,346,144)</u>	<u>(6,000,000)</u>	<u>-</u>
	<u>\$ 60,372,451</u>	<u>(61,414,600)</u>	<u>(55,358,209)</u>	<u>(6,054,395)</u>	<u>(1,996)</u>
December 31, 2025					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 19,456,480	(19,456,480)	(19,453,364)	(1,120)	(1,996)
Lease liabilities (current and non-current)	121,289	(127,404)	(78,914)	(48,490)	-
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>\$ 23,032,629</u>	<u>(23,106,677)</u>	<u>(23,055,071)</u>	<u>(49,610)</u>	<u>(1,996)</u>
March 31, 2025					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 15,438,667	(15,438,667)	(15,432,318)	(4,353)	(1,996)
Lease liabilities (current and non-current)	196,390	(207,466)	(107,989)	(97,705)	(1,772)
Floating interest rate liabilities	52,361	(54,073)	(19,584)	(34,489)	-
Fixed interest rate liabilities	<u>5,634,622</u>	<u>(6,000,000)</u>	<u>-</u>	<u>(6,000,000)</u>	<u>-</u>
	<u>\$ 21,322,040</u>	<u>(21,700,206)</u>	<u>(15,559,891)</u>	<u>(6,136,547)</u>	<u>(3,768)</u>

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

F. Fair value of financial instruments

(a) Fair value measurements recognized in the consolidated balance sheets

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

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

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- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Fair value hierarchy

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

	March 31, 2026			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Domestic listed stocks	\$ 1,448,914	-	-	1,448,914
Domestic unlisted stocks	-	-	116,047	116,047
Foreign unlisted stocks	-	-	58,700	58,700
Domestic private equity funds	-	-	112	112
Beneficiary certificates—open-end funds	176,118	-	-	176,118
Derivative instruments—convertible bonds	-	13,200	-	13,200
	<u>\$ 1,625,032</u>	<u>13,200</u>	<u>174,859</u>	<u>1,813,091</u>
Financial liabilities at fair value through profit or loss				
Derivative instruments—convertible bonds	\$ -	94,200	-	94,200
Financial assets at fair value through other comprehensive income				
Domestic unlisted stocks	\$ -	-	299,631	299,631
Foreign unlisted stocks	-	-	699,830	699,830
	<u>\$ -</u>	<u>-</u>	<u>999,461</u>	<u>999,461</u>
	December 31, 2025			
	Level 1	Level 2	Level 3	Total
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	-	-	59,975	59,975
Beneficiary certificates—open-end funds	145,499	-	-	145,499
Derivative instruments—convertible bonds	-	9,635	-	9,635
	<u>\$ 1,424,203</u>	<u>9,635</u>	<u>179,808</u>	<u>1,613,646</u>

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	December 31, 2025			
	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Derivative instruments—convertible bonds	\$ -	116	-	116
Financial assets at fair value through other comprehensive income				
Domestic unlisted stocks	\$ -	-	289,770	289,770
Foreign unlisted stocks	-	-	701,199	701,199
	<u>\$ -</u>	<u>-</u>	<u>990,969</u>	<u>990,969</u>
	March 31, 2025			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Domestic listed stocks	\$ 631,632	-	-	631,632
Domestic unlisted stocks	-	-	142,131	142,131
Foreign unlisted stocks	-	-	69,956	69,956
Domestic private equity funds	-	-	1,703	1,703
Beneficiary certificates—open-end funds	114,118	-	-	114,118
Derivative instruments—convertible bonds	-	9,000	-	9,000
	<u>\$ 745,750</u>	<u>9,000</u>	<u>213,790</u>	<u>968,540</u>
Financial liabilities at fair value through profit or loss				
Derivative instruments—convertible bonds	\$ -	32,400	-	32,400
Financial assets at fair value through other comprehensive income				
Domestic unlisted stocks	\$ -	-	327,055	327,055
Foreign unlisted stocks	-	-	95,075	95,075
	<u>\$ -</u>	<u>-</u>	<u>422,130</u>	<u>422,130</u>

There were no transfers between Levels 1 and 2 for the three months ended March 31, 2026 and 2025.

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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, 2026	\$ -	179,808	
Recognized in profit or loss	112	(5,061)	-	(4,949)
Recognized in other comprehensive income	-	-	13,347	13,347
Additions for the period	-	-	2,500	2,500
Disposal for the period	-	-	(7,355)	(7,355)
March 31, 2026	<u>\$ 112</u>	<u>174,747</u>	<u>999,461</u>	<u>1,174,320</u>
January 1, 2025	\$ 4,296	215,248	431,750	651,294
Recognized in profit or loss	(2,593)	(3,161)	-	(5,754)
Recognized in other comprehensive income	-	-	(27,120)	(27,120)
Additions for the period	-	-	17,500	17,500
March 31, 2025	<u>\$ 1,703</u>	<u>212,087</u>	<u>422,130</u>	<u>635,920</u>

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

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income— equity investments without an active market	Market approach	Discount for lack of marketability (March 31, 2026: 16.39%~30.00%, December 31, 2025: 17.06%~30.00% and March 31, 2025: 15.13%~30.00%)	The higher the discount for lack of marketability, 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 other comprehensive income—equity investments without an active market	Income approach	<ul style="list-style-type: none"> · Sustainable revenue growth rate (March 31, 2026: 2.00%, December 31, 2025: 2.00% and March 31, 2025: 2.10%) · Weighted-average cost of capital (March 31, 2026: 12.68%, December 31, 2025: 6.13%~12.68% and March 31, 2025: 5.83%~11.59%) · Discount for lack of marketability (March 31, 2026, December 31, 2025 and March 31, 2025: 15%) · Discount for non-controlling interest (March 31, 2026, December 31, 2025 and March 31, 2025: 15%) 	<ul style="list-style-type: none"> · The higher the sustainable revenue growth rate, the higher the fair value · The higher the weighted-average cost of capital, the lower the fair value · The higher the discount for lack of marketability, the lower the fair value · The higher the discount for non-controlling interest, the lower the fair value
Financial assets at fair value through profit or loss—equity investments without an active market and private equity funds	Asset-based approach	<ul style="list-style-type: none"> · Net Asset Value · Discount for lack of marketability (March 31, 2026, December 31, 2025 and March 31, 2025: 10%) · Discount for non-controlling interest (March 31, 2026, December 31, 2025 and March 31, 2025: 10%) 	Not applicable

(25) Capital management

The management believes that the Group’s objectives, policies, and processes of capital management, have been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2025. Also, the management believes that there were no significant changes in the Group’s capital management information as disclosed for the year ended December 31, 2025. Please refer to Note 6(25) of the 2025 consolidated financial statements for related information.

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

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

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

	January 1, 2026	Cash flows	Foreign exchange movement and others	March 31, 2026
Short-term borrowings	\$ 2,350,964	14,278,550	215,854	16,845,368
Bonds payable (including current portion)	1,103,896	6,053,705	(2,022,155)	5,135,446
Lease liabilities (current and non-current)	121,289	(16,864)	10,865	115,290
Guarantee deposits received (current and non-current)	3,116	120	-	3,236
Total liabilities from financing activities	<u>\$ 3,579,265</u>	<u>20,315,511</u>	<u>(1,795,436)</u>	<u>22,099,340</u>

	January 1, 2025	Cash flows	Foreign exchange movement and others	March 31, 2025
Short-term borrowings	\$ 813,068	(801,626)	(11,442)	-
Bonds payable (including current portion)	5,611,070	-	23,552	5,634,622
Long-term borrowings (including current portion)	88,554	(36,193)	-	52,361
Lease liabilities (current and non-current)	209,587	(15,545)	2,348	196,390
Guarantee deposits received (current and non-current)	170,284	(163,935)	-	6,349
Total liabilities from financing activities	<u>\$ 6,892,563</u>	<u>(1,017,299)</u>	<u>14,458</u>	<u>5,889,722</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 Group during the periods covered in the consolidated financial statements:

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

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<u>Name of related party</u>	<u>Relationship with the Group</u>
Hosin Global Electronics Co., Ltd. (HK)	Hosin Global Electronics Co., Ltd. (SZ)'s subsidiary
Hefei Core Storage Electronic Limited	Hosin Global Electronics Co., Ltd. (SZ)'s subsidiary
Hefei Kaimeng Technology Co., Ltd.	Hosin Global Electronics Co., Ltd. (SZ)'s second-tier subsidiary
Xiamen Hongxinchuang Electronics Co., Ltd.	Hosin Global Electronics Co., Ltd. (SZ)'s subsidiary
Shanghai Hongxinyu Microelectronics Technology Co., Ltd.	Hosin Global Electronics Co., Ltd. (SZ)'s subsidiary
Hefei Xinpeng Technology Co., Ltd.(Hefei Xinpeng)	Associate
Hefei Datang Storage Technology Co., Ltd.	Hefei Xinpeng's subsidiary
ProGrade Digital, Inc.	Associate
Kioxia Corporation (KIC)	The Company's director
Kioxia Taiwan Corporation	KIC's subsidiary
Kioxia Asia, Limited	KIC's subsidiary
Solid State Storage Technology Corporation (including Hsinchu Science Park Branch)	KIC's subsidiary
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 three months ended</u> <u>March 31,</u>	
	<u>2026</u>	<u>2025</u>
Associates	\$ 2,262,457	1,167,873
Other related parties	383,756	216,707
	<u>\$ 2,646,213</u>	<u>1,384,580</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 March 31, 2026 and 2025, the unrealized profits arising from sales to related parties amounted to \$207,108 thousand and \$32,211 thousand, respectively, recorded as deductions from investments accounted for using the equity method.

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B. Purchase of goods

Related Party Category / Name	For the three months ended March 31,	
	2026	2025
Other related parties – Kioxia Taiwan Corporation	\$ 18,747,491	4,494,303

There were no significant differences in the purchase price and payment terms, which ranged from T/T in advance to EOM 30 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	March 31, 2026	December 31, 2025	March 31, 2025
Associates	\$ 1,532,501	1,409,023	998,091
Other related parties	339,152	493,148	173,328
	1,871,653	1,902,171	1,171,419
Less: Loss allowance	(1,310)	(1,712)	(1,789)
	\$ 1,870,343	1,900,459	1,169,630

The outstanding accounts receivable from related parties were unsecured.

D. Payables to related parties

Related Party Category / Name	March 31, 2026	December 31, 2025	March 31, 2025
Other related parties – Kioxia Taiwan Corporation	\$ 6,751,707	2,052,579	2,976,802

E. Contract liabilities, other receivables and other payables

Account Name	Related Party Category	March 31, 2026	December 31, 2025	March 31, 2025
Contract liabilities	Associates	\$ 11,851	120	4,868
Other receivables	Associates	\$ 81	97	96
Other payables, included in other current liabilities	Associates	\$ -	952	1,005
	Other related parties	253	603	216
		\$ 253	1,555	1,221

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F. Other transactions

<u>Account Name</u>	<u>Related Party Category</u>	For the three months ended	
		March 31,	
		<u>2026</u>	<u>2025</u>
Operating costs	Other related parties	\$ <u>141</u>	<u>224</u>
Operating and non-operating expenses	Associates	\$ 1	2,345
	Other related parties	<u>312</u>	<u>160</u>
		<u>\$ 313</u>	<u>2,505</u>
Non-operating incomes	Other related parties	\$ 1,429	1,430
	Associates	<u>232</u>	<u>232</u>
		<u>\$ 1,661</u>	<u>1,662</u>

The Group leased its office to related parties with lease terms and prices determined based on mutual agreements. The payment term for rental is 30 days after the end of the month, with the related income being classified under non-operating income.

(3) Key management personnel compensation

	For the three months ended	
	March 31,	
	<u>2026</u>	<u>2025</u>
Short-term employee benefits	\$ 513,245	50,364
Post-employment benefits	406	402
Share-based payments	<u>8,968</u>	<u>-</u>
	<u>\$ 522,619</u>	<u>50,766</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(19) for further explanations related to share-based payment.

8. Pledged assets

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>March 31,</u> <u>2026</u>	<u>December 31,</u> <u>2025</u>	<u>March 31,</u> <u>2025</u>
Property, plant and equipment	As collateral for loans and finance facilities	\$ 476,345	479,542	489,133
Pledged time deposits (recognized as financial assets at amortized cost — current)	As collateral for the tariff of imported raw materials	<u>61,337</u>	<u>41,094</u>	<u>41,014</u>
		<u>\$ 537,682</u>	<u>520,636</u>	<u>530,147</u>

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9. Commitments and contingencies

(1) Significant commitments

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

March 31, 2026	December 31, 2025	March 31, 2025
\$ 620,000	320,000	320,000

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

March 31, 2026	December 31, 2025	March 31, 2025
\$ 409,975	407,150	180,000

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

March 31, 2026	December 31, 2025	March 31, 2025
\$ 1,000	1,000	1,000

(2) Purchase commitment

The Group 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 March 31, 2026, the Group has 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) With the Company's board approval on April 8, 2026, the Company plans to issue its 5-year first overseas unsecured convertible bonds, at a maximum amount of USD 800,000 thousand, to fund the needs of its foreign currency-denominated procurement.
- (2) With the Company's board approval on April 28, 2026, in consideration of the Company's overall investment deployment and strategic planning, Power Flash (Samoa) Limited, a wholly-owned subsidiary of the Company, decided to subscribe for, and acquire, a 33.33% equity interest in Shenzhen Genstorage Technology Development Co., Ltd. by contributing its entire shares in Power Storage Electronics Limited as capital consideration.

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- (3) With the Company's board approval on May 8, 2026, the Company intends to acquire the land located in Guangyuan Section, Zhunan Township, Miaoli County, together with the buildings thereon for use, in response to the Company's long-term operational development and future planning. The total transaction amount of this investment project is NT \$2,050,000 thousand (tax included). In addition, taking into consideration the original seller's requirements for equipment dismantling and relocation, following the completion of the title transfer, the Company will lease back the aforesaid real estate to the original seller for a period of one year.

12. Other

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

By item	By function	For the three months ended March 31,					
		2026			2025		
		Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Employee benefits							
Salary		210,369	8,113,155	8,323,524	199,154	1,985,108	2,184,262
Labor and health insurance		23,965	189,784	213,749	21,410	156,580	177,990
Pension		8,396	84,992	93,388	9,166	76,924	86,090
Others		13,767	89,927	103,694	9,798	52,941	62,739
Depreciation		36,030	151,135	187,165	46,859	138,217	185,076
Amortization		602	148,673	149,275	474	158,314	158,788

- (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 Group.

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

13. Addition disclosures

(1) Information on significant transactions:

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

A. Loans to other parties: None.

B. Guarantees and endorsements for other parties: None.

C. Material securities held as of March 31, 2026 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 1.

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

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

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

(2) For information on investees (excluding information on investees in Mainland China), please refer to Table 5.

(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 6.

B. For limitation on investment in Mainland China, please refer to Table 6.

C. Significant transactions:

For the three months ended March 31, 2026, 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

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

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

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

Phison Electronics Corp. and Subsidiaries

Significant securities held at the reporting date (excluding investment in subsidiaries, associates and joint ventures)

March 31, 2026

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	1,372,095	8.24	1,372,095	
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. and Subsidiaries

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

For the three months ended March 31, 2026

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 Prices	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Receivable (Payable) (%)	
The Company	Kioxia Taiwan Corporation	The subsidiary of KIC	Purchase	18,747,491	38	Net 30 days after monthly closing	None	None	(6,751,707)	(33)	
	Super Storage Technology Corporation	Sub-subsidiary	Processing cost	133,749	1	Net 30 days after monthly closing	None	None	(57,734)	-	Note 2
	Kioxia Corporation	The Company's director	Sales	(371,050)	(1)	Net 60 days after monthly closing	None	None	331,590	1	
	Hosin Global Electronics Co., Ltd. (HK)	The subsidiary of Hosin Global Electronics Co., Ltd. (SZ)	Sales	(1,750,294)	(4)	Net 45 days after monthly closing	None	None	1,397,357	6	
	Miphi Semiconductors Private Limited	Associate	Sales	(456,499)	(1)	Net 45 days after receipt date	None	None	127,881	1	
	Nextorage Corporation	Subsidiary	Sales	(190,272)	-	Net 30 to 60 days after monthly closing	None	None	161,121	1	Note 2
	Power Storage Electronics Limited	Sub-subsidiary	Sales	(1,040,728)	(3)	Net 90 days after monthly closing	None	None	1,304,285	6	Note 2
	Phison Technology Inc.	Sub-subsidiary	Sales	(1,005,592)	(2)	Net 45 days after monthly closing	None	None	854,482	4	Note 2

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

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

Phison Electronics Corp. and Subsidiaries
Receivables from Related Parties Amounting to at least NT\$100 Million or 20% of the Paid-in Capital
March 31, 2026

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)	1,397,357	5.32	-	-	480,363	979	
	Kioxia Corporation	The Company's director	331,590	3.63	-	-	169,520	233	
	Nextorage Corporation	Subsidiary	161,121	5.46	-	-	161,121	-	Note 2
	Power Storage Electronics Limited	Sub-subsubsidiary	1,304,285	5.19	-	-	107,716	-	Note 2
	Miphi Semiconductors Private Limited	Associate	127,881	12.25	-	-	10,467	89	
	Phison Technology Inc.	Sub-subsubsidiary	854,482	7.75	-	-	64,144	-	Note 2

Note 1: Information as of April 30, 2026.

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

Phison Electronics Corp. and Subsidiaries
Business relationships and significant intercompany transactions
For the three months ended March 31, 2026

Table 4

(Amounts in Thousands)

No.	Name of company	Name of counter-party	Nature of relationship (Note 1)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets (%)
0	The Company	Super Storage Technology Corporation	1	Processing cost	133,749	General trading terms	0.33
		Phison Technology Inc.	1	Sales	1,005,592	General trading terms	2.45
			1	Accounts receivable	854,482	General trading terms	0.61
			1	Marketing expenses	141,532	General trading terms	0.35
		Nextorage Corporation	1	Sales	190,272	General trading terms	0.46
			1	Accounts receivable	161,121	General trading terms	0.11
		Power Storage Electronics Limited	1	Sales	1,040,728	General trading terms	2.54
			1	Accounts receivable	1,304,285	General trading terms	0.92

Note 1: 1. Parent Company to its subsidiaries

Note 2: The amounts of significant transactions should exceed \$100,000 thousand.

Phison Electronics Corp. and Subsidiaries
Information on Investees (Excluding Information on Investees in Mainland China)
For the three months ended March 31, 2026

Table 5

(Amounts in Thousands)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2026			Net Income (Losses) of Investee	Share of Profits/Losses of Investee	Note
				March 31, 2026	December 31, 2025	Shares	Percentage of Ownership (%)	Carrying Value			
The Company	Global Flash Limited	Samoa	Investment and trade	726,307	726,307	22,100,000	100.00	5,809,949	1,444,690	1,444,690	Subsidiary and note 2
	Regis Investment (Samoa) Limited	Samoa	Investment	655,995	655,995	21,900,000	100.00	3,520,763	1,338,578	1,338,578	Subsidiary and note 2
	Phisontech Electronics Taiwan Corp.	Taiwan	Investment and trade	581,363	581,363	55,000,000	100.00	838,655	(3,996)	(3,996)	Subsidiary and note 2
	Lian Xu Dong Investment Corporation	Taiwan	Investment	650,000	650,000	65,000,000	100.00	466,564	1,074	1,074	Subsidiary and note 2
	EpoStar Electronics (BVI) Corporation	British Virgin Islands	Investment	79,531	79,531	6,288,523	30.51	251,115	1,328	405	Investee accounted for using the equity method
	Emtops Electronics Corporation	Taiwan	Investment	580,000	380,000	58,000,000	100.00	640,001	34,305	34,305	Subsidiary and note 2
	Nextorage Corporation	Japan	R&D, design, manufacture and sales of flash memory application products	211,170	211,170	11,797	98.31	687,030	56,793	55,833	Subsidiary and note 2
	Power Flash (Samoa) Limited	Samoa	Investment and trade	433,960	433,960	13,800,000	100.00	508,121	49,410	49,410	Subsidiary and note 2
ProGrade Digital Inc.	USA	Flash memory related products and market development	83,439	83,439	2,785,000	28.62	186,567	16,805	4,810	Investee accounted for using the equity method	

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2026			Net Income (Losses) of Investee	Share of Profits/Losses of Investee	Note
				March 31, 2026	December 31, 2025	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	28,738	911	911	Subsidiary and note 2
	Phison Technology India Private Limited	India	Design, R&D, import and export of storage devices and electronic components	8,768	8,768	2,299,990	100.00	11,406	378	378	Subsidiary and note 2
	Microtops Design Corporation	Taiwan	Development and design of flash memory controllers and related products	22,638	22,638	2,263,800	49.00	30,254	2,185	1,071	Investee accounted for using the equity method
	Great Storage Investment Corporation	Taiwan	Investment	750,000	750,000	75,000,000	100.00	824,158	3,133	3,133	Subsidiary and note 2
	Gorich Investment Corporation	Taiwan	Investment	280,000	280,000	28,000,000	100.00	283,327	860	860	Subsidiary and note 2
								<u>14,086,648</u>		<u>2,931,462</u>	
Lian Xu Dong Investment Corporation	Ostek Corporation	Taiwan	Manufacture and trade of electronic components	9,000	9,000	900,000	100.00	29,472	850	Note 1	Sub-subsidiary and note 2
Emtops Electronics Corporation	Phison Technology Inc.	USA	Sales of electronic products and business service office	90,419	90,419	3,000,000	100.00	277,710	15,336	Note 1	Sub-subsidiary and note 2
	Phison Technology India Private Limited	India	Design, R&D, import and export of storage devices and electronic components	-	-	10	-	-	378	Note 1	Sub-subsidiary and note 2

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2026			Net Income (Losses) of Investee	Share of Profits/Losses of Investee	Note
				March 31, 2026	December 31, 2025	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.	274,673	143,721	74,700,000	45.00	166,800	42,357	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	838,655	(4,338)	Note 1	Sub-subsidiary and note 2
Global Flash Limited	Core Storage Electronic (Samoa) Limited	Samoa	Investment and trade	636,593	636,593	19,150,000	100.00	5,941,067	1,443,063	Note 1	Sub-subsidiary and note 2
Power Flash (Samoa) Limited	Power Flash (HK) Limited	Hong Kong	Sales and trade of electronic products	98,754	98,754	3,000,000	100.00	115,292	732	Note 1	Sub-subsidiary and note 2
Regis Investment (Samoa) Limited	RealYou Investment Limited	Hong Kong	Investment	654,726	654,726	21,850,000	100.00	3,687,813	1,338,560	Note 1	Sub-subsidiary and note 2
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	782,634	3,102	Note 1	Sub-subsidiary and note 2

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

Phison Electronics Corp. and Subsidiaries
Information on Investment in Mainland China
For the three months ended March 31, 2026

Table 6

(Amounts in Thousands)

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2026	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2026	Net Income (Losses) of the Investee	Percentage of Ownership (%)	Investment Income (Losses)	Book Value	Accumulated Remittance of Earnings in as of March 31, 2026	Note
					Outflow	Inflow							
Hefei Ruhan Electronic Technology Limited	Design, R&D, sales of electronics products and technical support service, as well as rendering of related services and investment	182,825	2(1)	182,825	-	-	182,825	70,774	100.00	70,774	207,321	-	Note 4
Hefei Xinpeng Technology Co., Ltd.	R&D, production and sales of electronic products and technical service, as well as rendering of related services and investment	735,136	2(1)	-	-	-	-	297,813	23.75	70,744	80,870	-	
Hosin Global Electronics Co., Ltd. (SZ)	R&D and sales of electronic products and technical service, as well as rendering of related services	2,072,062	2(1) and 2(2)	442,780	-	-	442,780	11,861,625	22.50	2,668,703	6,896,893	2,068,111	
Power Storage Technology (Shenzhen) Limited	Design, R&D, import and export of storage devices and electronic components	43,520	2(3)	43,520	-	-	43,520	1,057	100.00	1,057	55,035	-	Note 4
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	46,743	100.00	46,743	303,927	-	Note 4

(2) Limitation on investment in Mainland China

Accumulated Investment in Mainland China as of March 31, 2026	Investment Amounts Authorized by Investment Commission, MOEA (Note 2)	Upper Limit on Investment (Note 3)
936,845	1,909,733	44,478,046

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 of note 6(13).

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.

Note 4: The aforementioned inter-company transactions and balance have been eliminated in the consolidated financial statements.