

## 2Q23 Consolidated Financial Report & July Revenue Announcement

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

### 2Q23: Taiwan-International Financial Reporting Standards (TIFRS) Financial Measures

- ◆ The consolidated operating revenue for this quarter is NT\$10.007 billion, a decrease of 0.7% from the previous quarter and a decrease of 38.6% compared to the same period last year.
- ◆ The consolidated gross margin rate for this quarter is 32.5%, an increase of 0.7% from the previous quarter and an increase of 2.1% compared to the same period last year.
- ◆ The consolidated operating income for this quarter is NT\$0.717 billion, a decrease of 14.4% from the previous quarter and a decrease of 62.6% compared to the same period last year.
- ◆ The consolidated net income for this quarter is NT\$0.441 billion, with earnings per share of NT\$2.28.

### Consolidated Revenue

Phison Electronics announced financial results of second-quarter ended June 30, 2023. The consolidated operating revenue for the second quarter of 2023 was NT\$10.007 billion, representing a decrease of 0.7% compared to the previous quarter and a decrease of 38.6% compared to the same period last year.

### Consolidated Gross Profit and Gross Margin

The consolidated gross profit for this quarter is NT\$3.25 billion, reflecting a 1.5% increase from the previous quarter and a 34.3% decrease from the same period last year.

The consolidated gross margin for this quarter is 32.5%, marking a 0.7% increase from the previous quarter and a 2.1% increase from the same period last year.

### Consolidated Operating Expenses

The operating expenses for this quarter amounted to NT\$2.533 billion (25.3% of operating revenue), compared to NT\$2.364 billion (23.5% of operating revenue) in the previous quarter, and NT\$3.027 billion (18.6% of operating revenue) for the same period last year.

Operating expenses for the quarter included:

- ◆ R&D expenses totaled NT\$1.983 billion (19.8% of operating revenue), which is lower than the previous quarter's NT\$2.000 billion (19.8% of operating revenue) and lower than the same period last year's NT\$2.390 billion (14.7% of operating revenue).
- ◆ Marketing expenses amounted to NT\$0.3 billion (3.0% of operating revenue), higher than the previous quarter's NT\$0.262 billion (2.6% of operating revenue) and lower than the same period last year's NT\$0.317 billion (1.9% of operating revenue).
- ◆ General and administrative expenses were NT\$0.19 billion (1.9% of operating revenue), higher than the previous quarter's NT\$0.178 billion (1.8% of operating revenue) and lower than the same period last year's NT\$0.329 billion (2.0% of operating revenue).

### **Consolidated Operating Income and Operating Margin**

The operating income for this quarter is NT\$0.717 billion, which is a decrease of 14.4% from the previous quarter and a decrease of 62.6% from the same period last year.

The operating profit margin for this quarter is 7.2%, lower than the previous quarter's 8.3% and also lower than the same period last year's 11.8%.

### **Consolidated Non-operating Income (loss) and Income Tax**

The non-operating loss for the quarter was NT\$0.067 billion, or (0.7%) of revenue. This is mainly due to the shares of loss of associates accounted for using the equity method and gains on financial assets at fair value through profit or loss. The income tax expense for the quarter was NT\$0.21 billion.

### **Consolidated Net Income, Net Profit Margin and EPS**

The net income for this quarter is NT\$0.441 billion, an increase of 82.0% from the previous quarter and a decrease of 75.6% from the same period last year.

The net profit margin for this quarter is 4.4%, higher than the previous quarter's 2.4% and lower than the same period last year's 11.1%.

Earnings per share (EPS) for this quarter are NT\$2.28, higher than the previous quarter's NT\$1.26, and lower than the same period last year's NT\$9.17.

### **Consolidated Cash and Financial Assets-Current**

Cash and Financial assets at fair value-current at the end of the quarter was NT\$13.366 billion, which presents 24.7% of total assets. Cash and Financial assets at fair value-current was NT\$10.662 billion in the previous quarter and NT\$16.825 billion for the same period last year, respectively. Financial assets-current portfolio includes funds, domestically listed stocks and derivatives and so on.

### **Consolidated Accounts Receivable**

The net accounts receivable for this quarter total NT\$6.509 billion, with an average accounts receivable turnover of 63 days (calculated based on the average net accounts receivable for this quarter and the annualized current sales revenue), which is higher than the 60 days of the previous quarter and also higher than the 47 days of the same period last year.

### **Consolidated Inventory**

The net inventory for this quarter amounts to NT\$20.590 billion, with an average inventory turnover of 274 days (calculated based on the average net inventory for this quarter and the annualized cost of goods sold), which is lower than the 277 days of the previous quarter and higher than the 170 days of the same period last year.

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

## **Consolidated revenue for July 2023**

The consolidated revenue for July was NT\$3.394 billion, showing a month-over-month (MoM) growth of -1%. The year-to-date accumulated revenue up to July has reached NT\$23.479 billion, marking a year-over-year (YoY) growth of -39% compared to the same period last year.

## **Market Overview**

K.S.Pua, CEO of Phison, said that in the second quarter, the equity method investment losses affected the EPS by about NT\$2.01, mainly because Phison's associated investment company Hosin-Global's operating results were affected by the slowdown in the storage industry's overall demand and unfavorable macroeconomic conditions (such as inflation, unemployment rate, etc.). In other words, excluding the recognition of equity method investment losses, Phison's operating profitability and financial health remain relatively robust.

K.S.Pua further explained that as global NAND makers have sequentially announced their second-quarter financial reports, it is evident that NAND makers have experienced consecutive losses for two quarters. This conveys three messages: Firstly, NAND makers are making concerted efforts to halt the price decline and reverse the trend. Secondly, NAND makers have been announcing plans to expand the scale of production cuts. Lastly, NAND prices have reached a relatively low point, driving a substantial increase in NAND storage module capacity. Considering the current overall decline in NAND supply, there might be a situation of demand exceeding supply in the future once the demand rebounds.

K.S.Pua concluded by emphasizing that Phison achieved a historic high gross margin rate of 32.48% in the second quarter. This is primarily attributed to Phison's continuous focus on customized storage module projects, which has shown steady progress. As this Design-in type of business is associated with more stable pricing, it contributes to overall profit stability. Furthermore, Phison is continually expanding its design services, leveraging leading-edge technology and substantial R&D resources to assist global partners and clients in developing value-added NAND controllers and storage module solutions. This approach is expected to be the primary driving force behind Phison's future growth. It demonstrates that Phison's strategy of expanding research and development investment over the past few years is gradually yielding results. With the market expected to recover, it is believed that Phison will continue to expand its business scale and revenue in relevant areas.

## 【Supplemental Information】

### Reconciliations of TIFRS Results to Non-TIFRS Results<sup>Note2</sup>

NT\$/million		2Q/2023	1Q/2023	2Q/2022	Q/Q (%)	Y/Y (%)
TIFRS	Operating Profit	717	838	1,920	(14.4%)	(62.7%)
	Operating Profit Margin (%)	7.17%	8.32%	11.79%		
Reconciliations	Shares-based payment	66	74	101		
Non-TIFRS	<b>Operating Profit</b>	<b>783</b>	<b>912</b>	<b>2,021</b>	<b>(14.1%)</b>	<b>(61.3%)</b>
	<b>Operating Profit Margin (%)</b>	<b>7.82%</b>	<b>9.05%</b>	<b>12.41%</b>		

TIFRS	Net Income to Phison	441	242	1,807	82.2%	(75.6%)
	Net Incomt (%)	4.40%	2.40%	11.09%		
	Basic EPS (NT\$)	2.28	1.26	9.17		
Reconciliations	Shares-based payment	66	74	101		
	Tax effect	(19)	(11)	(14)		
Non-TIFRS	<b>Net Income to Phison</b>	<b>488</b>	<b>305</b>	<b>1,894</b>	<b>60.0%</b>	<b>(74.2%)</b>
	<b>Net Incomt (%)</b>	<b>4.88%</b>	<b>3.03%</b>	<b>11.63%</b>		
	<b>Basic EPS (NT\$)</b>	<b>2.52</b>	<b>1.59</b>	<b>9.61</b>		

Note1: Sums may not equal totals due to rounding.

Note2: Non-TIFRS financial information should be considered in addition to, not as a substitute for, TIFRS financial information. Reconciliations between TIFRS and Non-TIFRS results include share-based compensation, amortization of acquisition related assets, tax effect and other items. Earnings distribution is made in accordance with financial statements based on TIFRS.

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### **[PHISON's Quick Facts]**

- Over 23 years experiences in NAND controller IC design and module integration.
- Over 3,800 employees globally, and more than 70% are engineers
- Nearly 2,000 memory-related patents globally.
- Target long-term revenue of NT\$100 billion through the 5+5 growth strategy
- The global market share of SSD controller exceeds 20%
- NT\$60.256B sales revenue in 2022.
- Confident that our [unique business model](#) can produce consistently strong cashflows and profits over the long-term amidst NAND memory market cycles.
- Strongly maintain long-term partnerships with our global NAND flash supply sources and with our downstream module customers.

### **[About PHISON]**

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

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

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### **[Forward-looking Statements]**

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