

1Q24 Consolidated Financial Report & 2024/Apr. Revenue Announcement

Phison discloses Taiwan-International Financial Reporting Standards (TIFRS) financial measures and also provides Non-Taiwan-International Financial Reporting Standards (Non-TIFRS)^{Note1} 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.

1Q24: Taiwan-International Financial Reporting Standards (TIFRS) Financial Measures

- ◆ The consolidated operating revenue for this quarter was NT\$16.526 billion, an increase of 4.9% from the previous quarter and an increase of 64.0% compared to the same period last year.
- ◆ The consolidated gross margin rate for this quarter was 33.9%, a decrease of 2.1% from the previous quarter and an increase of 2.1% compared to the same period last year.
- ◆ The consolidated operating income for this quarter was NT\$1.252 billion, a decrease of 18.8% from the previous quarter and an increase of 49.3% compared to the same period last year.
- ◆ The consolidated net income for this quarter was NT\$2.420 billion, with earnings per share of NT\$12.02.

Consolidated Revenue

Phison Electronics announced financial results of first-quarter ended March 31, 2024. The consolidated operating revenue for the first quarter of 2024 was NT\$16.526 billion, representing an increase of 4.9% compared to the previous quarter and an increase of 64.0% compared to the same period last year.

Consolidated Gross Profit and Gross Margin

The consolidated gross profit for this quarter was NT\$5.607 billion, reflecting a 1.2% decrease from the previous quarter and a 75.1% increase from the same period last year.

The consolidated gross margin for this quarter was 33.9%, marking a 2.1% decrease 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\$4.355 billion (26.4% of operating revenue), compared to NT\$4.132 billion (26.2% of operating revenue) in the previous quarter, and NT\$2.364 billion (23.5% of operating revenue) for the same period last year.

Operating expenses for the quarter included:

- ◆ R&D expenses totaled NT\$3.536 billion (21.4% of operating revenue), which is higher than the previous quarter's NT\$3.426 billion (21.8% of operating revenue) and higher than the same period last year's NT\$2 billion (19.8% of operating revenue).
- ◆ Marketing expenses amounted to NT\$0.409 billion (2.5% of operating revenue), higher than the previous quarter's NT\$0.391 billion (2.5% of operating revenue) and higher than the same period last year's NT\$0.262 billion (2.6% of operating revenue).
- ◆ General and administrative expenses amounted NT\$0.449 billion (2.7% of operating revenue), higher than the previous quarter's NT\$0.354 billion (2.3% of operating revenue) and higher than the same period last year's NT\$0.178 billion (1.8% of operating revenue).

Consolidated Operating Income and Operating Margin

The operating income for this quarter was NT\$1.252 billion, which was a decrease of 18.8% from the previous quarter and an increase of 49.3% from the same period last year.

The operating profit margin for this quarter was 7.6%, lower than the previous quarter's 9.8% and lower than the same period last year's 8.3%.

Consolidated Non-Operating Income (loss) and Income Tax

The non-operating incomes for the quarter was NT\$1.583 billion, or 9.6% of revenue. This was mainly due to the gains of investments for using the equity, the net foreign exchange gains and gains and losses on financial assets at fair value through profit or loss. The income tax expense for the quarter was NT\$0.414 billion.

Consolidated Net Income, Net Profit Margin and EPS

The net income for this quarter was NT\$2.420 billion, an increase of 16.1% from the previous quarter and an increase of 899.5% from the same period last year.

The net profit margin for this quarter was 14.6%, higher than the previous quarter's 13.2% and higher than the same period last year's 2.4%.

Earnings per share (EPS) for this quarter was NT\$12.02, higher than the previous quarter's NT\$10.39, and higher than the same period last year's NT\$1.26.

Consolidated Cash and Financial Assets-Current

Cash and Financial assets at fair value-current at the end of the quarter was NT\$15.262billion, which presents 20.1% of total assets. Cash and Financial assets at fair value-current was 15.201billion and 10.662billion at the end of the previous quarter and the year-ago quarter, respectively. Financial assets-current portfolio includes funds, domestic listed stocks and derivatives and so on.

Consolidated Accounts Receivable

The net accounts receivable for this quarter totaled NT\$9.917 billion, with an average accounts receivable turnover of 54 days (calculated based on the average net accounts receivable for this quarter and the annualized current sales revenue), which is lower than the 64 days of the previous quarter and lower than the 60 days of the same period last year.

Consolidated Inventory

The net inventory for this quarter amounts to NT\$30.158 billion, with an average inventory turnover of 228 days (calculated based on the average net inventory for this quarter and the annualized cost of goods sold), which is lower than the 255 days of the previous quarter and lower than the 277 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.

Revenue and Shipments for April 2024

In April, the consolidated revenue amounted to NT\$5.156 billion, marking a robust 53% year-on-year (YoY) growth, the second-highest for the same period in history. Cumulatively, revenue reached NT\$21.682 billion as of April, showing a remarkable 61% YoY increase compared to the same period last year, also setting a second-highest for the same period. Furthermore, the year-on-year growth rate of total bit shipment up to April reached 63%, surpassing the historical record for the same period.

Market Overview

NAND makers have restored normal profitability since the first quarter of 2024. If NAND market prices tend to stabilize, it will be relatively healthy for the overall NAND industry supply and demand. Conversely, if NAND market prices rise rapidly in the short term, it may suppress the NAND storage capacity of end-system users, causing a bubble.

K.S. Pua, CEO of Phison Electronics, said that Phison's revenue in the first quarter of 2024 (1Q24) reached the second highest in the same period in history, mainly due to significant gains in the Design-in market (such as Embedded ODM, server applications, etc.) that Phison has cultivated for a long time. In addition, excluding the impact of inventory reversals and expenses of treasury shares transfer for employee, the regressing gross profit margin of 1Q24 was actually close to that of 4Q23, which indicates that Phison's Design-in layout has indeed helped to stabilize the overall long-term profitability of the company.

K.S. Pua further explained that while the short-term price increases pushed by NAND makers do affect consumer NAND storage demand, Phison's extensive deployment in various NAND storage applications, including industrial systems, gaming consoles, automotive applications, enterprise SSDs, and the recently expanded promotion of Phison's exclusive patent AI solution '[aiDAPTIV+](#),' continues to progress vigorously. This effectively enhances Phison's market share and revenue contribution in various 'non-consumer' applications, thereby stabilizing Phison's overall revenue and profitability for the long term.

【Supplemental Information】

Reconciliations of TIFRS Results to Non-TIFRS Results

NT\$/million		1Q24	4Q23	1Q23	Q/Q (%)	Y/Y (%)
TIFRS	Operating Profit	1,252	1,541	838	(18.8%)	49.3%
	Operating Profit Margin (%)	7.57%	9.79%	8.32%		
Reconciliations	Shares-based payment	1,271	37	74		
Non-TIFRS	Operating Profit	2,523	1,578	912	59.9%	176.6%
	Operating Profit Margin (%)	15.27%	10.02%	9.05%		

TIFRS	Net Income	2,420	2,084	242	16.1%	899.5%
	Net Income (%)	14.64%	13.23%	2.40%		
	Basic EPS (NT\$)	12.02	10.39	1.26		
Reconciliations	Shares-based payment	1,271	37	74		
	Tax effect	(182)	28	(11)		
Non-TIFRS	Net Income	3,509	2,149	305	63.3%	1,050.5%
	Net Income (%)	21.23%	13.65%	3.03%		
	Basic EPS (NT\$)	17.43	10.71	1.59		

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, amortization of acquisition related assets, tax effect and other items. Earnings distribution is made in accordance with financial statements based on TIFRS.

Note2: Sums may not equal totals due to rounding.

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[PHISON's Quick Facts]

- Over 23 years experiences in NAND controller IC design and module integration.
- Over 4,000 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%
- The global market share of automotive-grade controller exceeds 40%
- Phison, along with NAND makers such as KIOXIA, Micron, Western Digital, Samsung, SK Hynix, and others, are long-term partners.
- Over 70% of Phison's revenue contribution comes from "non-consumer" NAND storage applications, including servers, automotive systems, embedded systems, industrial applications, gaming consoles, and generative AI, allowing Phison to maintain relatively stable revenue and profitability despite fluctuations in the NAND industry.
- Phison's mastery of the entire NAND industry ecosystem, including its relationships with upstream NAND makers, supply chain partners for NAND controllers and storage modules, and downstream NAND storage application customers, represents invaluable and irreplaceable value that Phison brings to its global clients and partners. It is also a key advantage that enables Phison to stand firm in the NAND industry.

[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.

PHISON Spokesperson

Antonio Yu

TEL: 037-586-896 #10019

Mobile: 0979-105-026

Email: antonioyu@phison.com

PHISON Deputy Spokesperson

Kuo-Ting Lu

TEL: 037-586-896 #26022

Mobile: 0979-075-330

Email: kuoting_lu@phison.com

[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.