Stock Code:8299

Phison Electronics Corp. and Subsidiaries

Consolidated Financial Statements

With Independent Auditors' Review Report
For the Six Months Ended June 30, 2026 and 2025

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

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Independent Auditors' Review Report

To the Board of Directors of Phison Electronics Corp.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Phison Electronics Corp. and its subsidiaries ("the Group") as of June 30, 2026 and 2025, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2026 and 2025, changes in equity and cash flows for the six months ended June 30, 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 $10,695,102 thousand as of June 30, 2026, and its equity in net earnings on these investee companies of $3,673,294 thousand and $6,341,997 thousand for the three months and six months ended June 30, 2026, respectively, 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 $4,011,968 thousand, constituting 6% of the consolidated total assets, and the total liabilities amounting to $642,226 thousand, constituting 3% of the consolidated total liabilities, as of June 30, 2025, as well as the total comprehensive income (loss) amounting to $(227,318) thousand and $(31,276) thousand, constituting 94% and 2% of the consolidated total comprehensive income (loss) for the three months and six months ended June 30, 2025, respectively.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries 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 June 30, 2026 and 2025, and of its consolidated financial performance for the three months and six months ended June 30, 2026 and 2025 as well as its consolidated cash flows for the six months ended June 30, 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.

KPMG

Taipei, Taiwan (Republic of China)
August 13, 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.

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

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

Phison Electronics Corp. and subsidiaries

Consolidated Balance Sheets

June 30, 2026, December 31, 2025, and June 30, 2025

(Expressed in Thousands of New Taiwan Dollars)

		June 30, 2026		December 31, 2025		June 30, 2025	
	Assets	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current assets:						
1100	Cash and cash equivalents (note 6(1))	$ 31,547,367	16	16,275,252	19	13,229,540	19
1110	Financial assets at fair value through profit or loss－current (notes 6(2) and 6(14))	2,251,858	1	1,433,838	2	847,337	1
1136	Financial assets at amortized cost－current (note 8)	61,337	-	41,094	-	41,014	-
1170	Accounts receivable, net (note 6(4))	36,829,758	19	11,788,601	14	9,343,871	14
1180	Accounts receivable－related parties, net (notes 6(4) and 7)	1,939,650	1	1,900,459	2	1,604,488	2
1200	Other receivables (notes 6(5) and 7)	1,279,128	1	596,329	1	301,407	-
1220	Tax assets	52,450	-	23,236	-	7,652	-
130X	Inventories (note 6(6))	91,792,012	48	35,608,709	41	29,088,655	42
1410	Prepayments	1,965,429	1	807,167	1	180,342	-
1479	Other current assets	222,172	-	4,991	-	19,287	-
		167,941,161	87	68,479,676	80	54,663,593	78
	Non-current assets:						
1510	Financial assets at fair value through profit or loss－non-current (note 6(2))	168,620	-	179,808	-	195,222	-
1517	Financial assets at fair value through other comprehensive income－non-current (note 6(3))	1,019,675	1	990,969	1	352,902	1
1550	Investments accounted for using the equity method (note 6(7))	11,594,408	6	4,719,750	6	3,437,869	5
1600	Property, plant and equipment (notes 6(8) and 8)	9,199,144	5	8,424,354	10	7,645,449	11
1755	Right-of-use assets (note 6(9))	76,911	-	101,353	-	123,233	-
1780	Intangible assets (note 6(10))	411,731	-	323,460	-	370,739	1
1840	Deferred tax assets	632,411	-	628,814	1	779,480	1
1900	Other non-current assets (note 9(2))	2,672,857	1	1,907,425	2	2,261,376	3
		25,775,757	13	17,275,933	20	15,166,270	22
	Total assets	**$ 193,716,918**	**100**	**85,755,609**	**100**	**69,829,863**	**100**

		June 30, 2026		December 31, 2025		June 30, 2025	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current liabilities:						
2100	Short-term borrowings (note 6(11))	$ 3,815,630	2	2,350,964	3	1,907,810	3
2120	Financial liabilities at fair value through profit or loss－current (notes 6(2) and 6(14))	3,271,632	2	116	-	-	-
2130	Contract liabilities－current (note 7)	2,372,413	1	423,858	1	134,032	-
2170	Accounts payable	8,212,736	4	6,825,339	8	4,249,171	6
2180	Accounts payable－related parties (note 7)	5,426,013	3	2,052,579	3	215,774	-
2200	Other payables (note 6(12))	31,660,044	16	10,575,446	12	7,698,652	11
2230	Taxes payable	7,550,473	4	944,876	1	458,367	1
2280	Lease liabilities－current (note 6(9))	64,711	-	76,835	-	101,284	-
2320	Long-term borrowings, current portion (notes 6(14) and 8)	-	-	1,103,896	1	-	-
2399	Other current liabilities (notes 6(13) and 7)	2,742,969	2	941,439	1	550,308	1
		65,116,621	34	25,295,348	30	15,315,398	22
	Non-Current liabilities:						
2500	Financial liabilities at fair value through profit or loss－non-current (notes 6(2) and 6(14))	735,083	-	-	-	28,200	-
2530	Bonds payable (note 6(14))	25,409,592	14	-	-	5,658,272	9
2570	Deferred tax liabilities	209,276	-	167,759	-	92,216	-
2580	Lease liabilities－non-current (note 6(9))	33,593	-	44,454	-	74,332	-
2640	Net defined benefit liabilities	137,301	-	136,928	-	125,593	-
2645	Guarantee deposits received	3,236	-	3,116	-	4,749	-
		26,528,081	14	352,257	-	5,983,362	9
	Total liabilities	91,644,702	48	25,647,605	30	21,298,760	31
	Equity (notes 6(17) and 6(18))**:**						
	Equity attributable to the shareholders of the parent company:						
3100	Common shares	2,211,653	1	2,179,614	2	2,066,278	3
3200	Capital surplus	23,093,197	11	19,104,335	22	13,557,333	19
3300	Retained earnings	76,795,065	40	39,151,389	46	33,649,398	48
3400	Other equity interest	(41,105)	-	(338,217)	-	(751,172)	(1)
	Total equity attributable to owners of the parent:	102,058,810	52	60,097,121	70	48,521,837	69
36XX	Non-controlling interests	13,406	-	10,883	-	9,266	-
	Total equity	102,072,216	52	60,108,004	70	48,531,103	69
	Total liabilities and equity	**$ 193,716,918**	**100**	**85,755,609**	**100**	**69,829,863**	**100**

See accompanying notes to consolidated financial statements.

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

Phison Electronics Corp. and subsidiaries

Consolidated Statements of Comprehensive Income

For the three and six months ended June 30, 2026 and 2025

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

		For the three months ended June 30,				For the six months ended June 30,			
		2026		2025		2026		2025	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	**Operating revenue** (notes 6(20) and 7)	$ 67,888,256	100	17,890,071	100	108,855,209	100	31,728,636	100
5000	**Operating costs** (notes 6(6)、6(21) and 7)	23,523,352	35	12,665,669	71	39,165,654	36	22,191,298	70
	Gross profit from operations	44,364,904	65	5,224,402	29	69,689,555	64	9,537,338	30
5910	Unrealized profit or loss on transactions with associates (note 7)	(30,194)	-	(25,236)	-	(237,302)	-	(57,447)	-
5950	**Realized gross profit**	44,334,710	65	5,199,166	29	69,452,253	64	9,479,891	30
	Operating expenses (notes 6(21) and 7):								
6100	Marketing expenses	1,288,664	2	370,539	2	2,064,946	2	717,765	2
6200	General and administrative expenses	1,580,917	2	209,972	1	2,412,022	2	453,574	2
6300	Research and development expenses	15,098,500	22	2,247,900	13	23,769,304	22	4,814,270	15
6450	Expected credit losses (reversal gains) (note 6(4))	(3,815)	-	24,684	-	(4,993)	-	(13,434)	-
	Total operating expenses	17,964,266	26	2,853,095	16	28,241,279	26	5,972,175	19
	Net operating income	26,370,444	39	2,346,071	13	41,210,974	38	3,507,716	11
	Non-operating income and expenses:								
7010	Other income (notes 6(22) and 7)	91,501	-	31,186	-	112,437	-	57,276	-
7020	Other gains and losses (note 6(22))	1,041,091	1	(1,304,152)	(7)	1,334,079	1	(1,080,946)	(3)
7050	Finance costs (notes 6(22) and 7)	(306,872)	-	(38,829)	-	(430,038)	-	(68,128)	-
7100	Interest income (note 6(22))	182,961	-	85,827	-	284,724	-	157,734	-
7060	Shares of profit (loss) of associates accounted for using the equity method(note 6(7))	3,695,740	6	(119,063)	(1)	6,460,533	6	(222,058)	(1)
		4,704,421	7	(1,345,031)	(8)	7,761,735	7	(1,156,122)	(4)
7900	**Profit before tax**	31,074,865	46	1,001,040	5	48,972,709	45	2,351,594	7
7950	**Income tax expenses** (note 6(16))	4,855,798	7	256,452	1	7,578,661	7	466,249	1
8200	**Net profit for the period**	26,219,067	39	744,588	4	41,394,048	38	1,885,345	6
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(23))	(22,668)	-	(25,692)	-	(9,321)	-	(52,812)	-
8320	Shares of other comprehensive income of associates accounted for using the equity method	98,752	-	3,138	-	145,107	-	(29,672)	-
	Total items that will not be reclassified subsequently to profit or loss	76,084	-	(22,554)	-	135,786	-	(82,484)	-
8360	**Items that may be reclassified subsequently to profit or loss**								
8361	Exchange differences on translation of foreign financial statements	25,469	-	(601,149)	(4)	206,802	-	(473,152)	(2)
8399	Income tax related to items that may be reclassified subsequently (note 6(16))	(5,150)	-	120,054	1	(41,421)	-	94,570	-
	Total items that may be reclassified subsequently to profit or loss	20,319	-	(481,095)	(3)	165,381	-	(378,582)	(2)
8300	**Other comprehensive income**	96,403	-	(503,649)	(3)	301,167	-	(461,066)	(2)
8500	**Total comprehensive income**	**$ 26,315,470**	**39**	**240,939**	**1**	**41,695,215**	**38**	**1,424,279**	**4**
	Net profit attributable to:								
8610	Shareholders of the parent company	$ 26,217,208	39	744,576	4	41,391,228	38	1,885,144	6
8620	Non-controlling interests	1,859	-	12	-	2,820	-	201	-
		$ 26,219,067	**39**	**744,588**	**4**	**41,394,048**	**38**	**1,885,345**	**6**
	Total comprehensive income attributable to:								
8710	Shareholders of the parent company	$ 26,313,886	39	241,805	1	41,692,692	38	1,424,379	4
8720	Non-controlling interests	1,584	-	(866)	-	2,523	-	(100)	-
		$ 26,315,470	**39**	**240,939**	**1**	**41,695,215**	**38**	**1,424,279**	**4**
	Earnings per share (New Taiwan Dollars) (note 6(19)):								
9750	Basic earnings per share	**$ 118.57**		**3.60**		**187.43**		**9.14**	
9850	Diluted earnings per share	**$ 110.77**		**3.47**		**177.01**		**8.68**	

See accompanying notes to consolidated financial statements.

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

Phison Electronics Corp. and subsidiaries
Consolidated Statements of Changes in Equity
For the six months ended June 30, 2026 and 2025
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to the shareholders of the parent company													
	Share capital				Retained earnings				Total other equity interest					
	Common shares	Advance receipts for share capital	Total share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total	Subtotal of equity attributable to the shareholders of the parent	Non-controlling interests	Total equity
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	-	-	-	-	-	-	1,885,144	1,885,144	-	-	-	1,885,144	201	1,885,345
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	-	(378,281)	(82,484)	(460,765)	(460,765)	(301)	(461,066)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	1,885,144	1,885,144	(378,281)	(82,484)	(460,765)	1,424,379	(100)	1,424,279
Appropriation and distribution of retained earnings:														
Appropriated legal reserve	-	-	-	-	307,872	-	(307,872)	-	-	-	-	-	-	-
Appropriated special reserve	-	-	-	-	-	49,824	(49,824)	-	-	-	-	-	-	-
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	-	-	-	299,082	-	-	-	-	-	-	-	299,082	-	299,082
Share-based payments-stock options	-	-	-	(3,529)	-	-	-	-	-	-	-	(3,529)	-	(3,529)
Exercise of employee stock options	12,185	(4,085)	8,100	208,170	-	-	-	-	-	-	-	216,270	-	216,270
Conversion of convertible bonds	2	(2)	-	-	-	-	-	-	-	-	-	-	-	-
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	(47,836)	(47,836)	-	47,836	47,836	-	-	-
Balance at June 30, 2025	**$ 2,065,528**	**750**	**2,066,278**	**13,557,333**	**7,653,081**	**338,243**	**25,658,074**	**33,649,398**	**(345,734)**	**(405,438)**	**(751,172)**	**48,521,837**	**9,266**	**48,531,103**
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	-	-	-	-	-	-	41,391,228	41,391,228	-	-	-	41,391,228	2,820	41,394,048
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	-	165,678	135,786	301,464	301,464	(297)	301,167
Total comprehensive income (loss) for the period	-	-	-	-	-	-	41,391,228	41,391,228	165,678	135,786	301,464	41,692,692	2,523	41,695,215
Appropriation and distribution of retained earnings:														
Appropriated legal reserve	-	-	-	-	684,507	-	(684,507)	-	-	-	-	-	-	-
Reversed special reserve	-	-	-	-	-	(412,955)	412,955	-	-	-	-	-	-	-
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	-	-	-	181,794	-	-	-	-	-	-	-	181,794	-	181,794
Changes in accounted ownership interests of subsidiaries	-	-	-	127	-	-	-	-	-	-	-	127	-	127
Share-based payments-stock options	-	-	-	234,312	-	-	-	-	-	-	-	234,312	-	234,312
Exercise of employee stock options	21,885	(11,055)	10,830	270,100	-	-	-	-	-	-	-	280,930	-	280,930
Conversion of convertible bonds	109,239	(88,030)	21,209	1,089,605	-	-	-	-	-	-	-	1,110,814	-	1,110,814
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	-	-	-	2,212,924	-	-	-	-	-	-	-	2,212,924	-	2,212,924
Balance at June 30, 2026	**$ 2,210,857**	**796**	**2,211,653**	**23,093,197**	**8,521,319**	**338,217**	**67,935,529**	**76,795,065**	**172,261**	**(213,366)**	**(41,105)**	**102,058,810**	**13,406**	**102,072,216**

See accompanying notes to consolidated financial statements.

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

Phison Electronics Corp. and subsidiaries

Consolidated Statements of Cash Flows

For the six months ended June 30, 2026 and 2025

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30,	
	2026	**2025**
Cash flows from operating activities:		
Profit before income tax	$ 48,972,709	2,351,594
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses	383,568	374,202
Amortization expenses	318,227	314,869
Expected credit losses reversal gains	(4,993)	(13,434)
Net gains on financial assets at fair value through profit or loss	(804,433)	(100,345)
Finance costs	430,038	68,128
Net gains on disposal of property, plant and equipment	(34)	-
Interest income	(284,724)	(157,734)
Dividend income	(49,182)	(7,948)
Share-based payments	234,312	(3,529)
Shares of loss (profit) of associates accounted for using the equity method	(6,460,533)	222,058
Unrealized profit or loss on transactions with associates	237,302	57,447
Unrealized foreign exchange loss (gains)	(456,109)	827,253
Inventory obsolescence loss (reversal gains)	1,363,117	(788,592)
Recognition of refund liabilities	1,659,083	31,370
Gain on lease modification	(7)	-
Total adjustments to reconcile profit (loss)	(3,434,368)	823,745
Changes in operating assets and liabilities:		
Accounts receivable (including related parties)	(24,777,055)	(3,346,741)
Other receivables	(667,436)	(144,993)
Inventories	(57,546,420)	(3,686,014)
Prepayments	(1,158,262)	307,663
Other current assets	(217,181)	(16,756)
Other operating assets	(560)	-
Contract liabilities	1,948,555	(34,545)
Accounts payable (including related parties)	4,661,322	3,217,325
Other payables	18,635,409	(2,102,219)
Other current liabilities	(40,327)	(135,231)
Net defined benefit liabilities	373	254
Total changes in operating assets and liabilities	(59,161,582)	(5,941,257)
Cash outflow generated from operations	(13,623,241)	(2,765,918)
Interest paid	(243,539)	(23,602)
Income taxes paid	(1,005,779)	(932,819)
Net cash flows used in operating activities	(14,872,559)	(3,722,339)

(Continued)

See accompanying notes to consolidated financial statements.

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

Phison Electronics Corp. and subsidiaries

Consolidated Statements of Cash Flows (Continued)

For the six months ended June 30, 2026 and 2025

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(63,485)	(27,258)
Proceeds from disposal of financial assets at fair value through other comprehensive income	7,355	53,294
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	18,103	-
Acquisition of financial assets at amortized cost	(20,243)	(207)
Acquisition of financial assets at fair value through profit or loss	(30,000)	-
Acquisition of investments accounted for using the equity method	-	(80,000)
Proceeds from disposal of financial assets at fair value through profit or loss	157,964	5,438
Proceeds from capital reduction of financial assets at fair value through profit or loss	7,962	-
Acquisition of property, plant and equipment (including prepayments for equipment)	(1,330,565)	(774,352)
Proceeds from disposal of property, plant and equipment	1,020	-
Decrease (increase) in refundable deposits	(280,018)	142,576
Acquisition of intangible assets	(406,429)	(285,317)
Interests received	276,493	158,240
Dividends received	42,055	5,842
Net cash flows used in investing activities	(1,619,788)	(801,744)
Cash flows from financing activities:		
Increase in short-term borrowings	26,975,407	3,508,340
Decrease in short-term borrowings	(25,536,753)	(2,355,562)
Repayments of long-term borrowings	-	(88,554)
Proceeds from issuing bonds (deducting issuance costs)	31,250,373	-
Increase (decrease) in guarantee deposits received	120	(164,474)
Payment of lease liabilities	(33,796)	(32,535)
Cash dividends paid	(1,343,081)	(2,701,063)
Exercise of employee stock options	280,930	216,270
Net cash flows from (used in) financing activities	31,593,200	(1,617,578)
Effect of exchange rate changes on cash and cash equivalents	171,262	(610,961)
Net increase (decrease) in cash and cash equivalents	15,272,115	(6,752,622)
Cash and cash equivalents at beginning of period	16,275,252	19,982,162
Cash and cash equivalents at end of period	$ **31,547,367**	**13,229,540**

See accompanying notes to consolidated financial statements.

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 August 13, 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"

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2027, would not have a significant impact on its consolidated financial statements:

- IFRS 19 "Subsidiaries without Public Accountability: Disclosures" and amendments to IFRS 19
- Amendments to IAS 21 "Translation to a Hyperinflationary Presentation Currency"

The Group expects to adopt the following new and amended standards, which effective for annual period beginning on January 1, 2028:

(i) IFRS 18 “Presentation and Disclosure in Financial Statements”

The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.

- A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities.
- Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards.
- Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.

The new standard introduces consequential amendments to IAS 7, which require to use the newly defined operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method. The consequential amendments also provide specific guidance on the classification of interest and dividend cash flows.

The Group is evaluating the impact on its consolidated financial statements upon the initial adoption of the new standard.

(ii) Amendments to IAS 28 “ The Fair Value Option for Investments in Associates and Joint Ventures”

The Group does not expect the amendments to have a significant impact on its consolidated financial statements.

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

The Group does not expect the following 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 20 “Regulatory Assets and Regulatory Liabilities”

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:

			Shareholding (%)			
Name investor	**Name of subsidiary**	**Principal activity**	**June 30, 2026**	**December 31, 2025**	**June 30, 2025**	**Note**
The Company	Lian Xu Dong Investment Corporation	Investment	100.00	100.00	100.00	
The Company	Phison Electronics Japan Corp.	Sales and service office	100.00	100.00	100.00	
The Company	Emtops Electronics Corp.	Investment	100.00	100.00	100.00	
The Company	Phisontech Electronics Taiwan Corp.	Investment and trade	100.00	100.00	100.00	
The Company	Global Flash Limited	Investment and trade	100.00	100.00	100.00	
The Company	Power Flash (Samoa) Limited	Investment and trade	100.00	100.00	100.00	
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

Name investor	Name of subsidiary	Principal activity	Shareholding (%) June 30, 2026	December 31, 2025	June 30, 2025	Note
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	
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	
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	

Name investor	Name of subsidiary	Principal activity	Shareholding (%) June 30, 2026	Shareholding (%) December 31, 2025	Shareholding (%) June 30, 2025	Note
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	
Maistorage Technology Sdn. Bhd.	Maistorage Electronics Sdn. Bhd.	Information Technology Services	100.00	-	-	Note 3

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: Due to local regulatory restrictions, 51% of the equity interest in the investee was held in the name of a third party. Nevertheless, considering the relevant contractual arrangements and other facts and circumstances, the Company still has substantive control over the investee and, in substance, holds the entire shares of the investee.

Note 4: All the above subsidiaries are non-significant. Their financial statements for the 2nd quarter of 2025 have not been reviewed by independent auditors, except that the financial statements of Global Flash Limited, Power Flash (Samoa) Limited, and Regis Investment (Samoa) Limited for the second quarter of 2025 have been reviewed by the independent auditor.

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

(3) Employee benefits

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

(4) Income taxes

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

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

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 equivalents

	June 30, 2026	December 31, 2025	June 30, 2025
Cash	$ 120	120	120
Demand deposits and check deposits	18,195,006	10,582,712	8,557,274
Cash equivalents－time deposits	13,352,241	5,692,420	4,672,146
	$ 31,547,367	16,275,252	13,229,540

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

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

	June 30, 2026	December 31, 2025	June 30, 2025
Financial assets at fair value through profit or loss－current:			
Beneficiary certificates－open-end funds	$ 176,780	145,499	114,548
Domestic listed stock	2,011,861	1,278,704	724,389
Derivative instruments－convertible bonds (note 6(14))	63,217	9,635	8,400
	$ 2,251,858	1,433,838	847,337
Financial assets at fair value through profit or loss－non-current:			
Domestic private equity funds	$ 494	-	1,530
Domestic unlisted stocks	109,340	119,833	130,529
Foreign unlisted stocks	58,786	59,975	63,163
	$ 168,620	179,808	195,222

	June 30, 2026	December 31, 2025	June 30, 2025
Financial liability at fair value through profit or loss－current and non-current:			
Derivative instruments-convertible bonds (note 6(14))	$ **4,006,715**	**116**	**28,200**

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

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

	June 30, 2026	December 31, 2025	June 30, 2025
Domestic unlisted stocks	$ 323,748	289,770	299,531
Foreign unlisted stocks	695,927	701,199	53,371
	$ **1,019,675**	**990,969**	**352,902**

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 for $7,355 thousand and $53,294 thousand in the second quarters of 2026 and 2025, respectively, resulting in a disposal gain of $4,352 thousand and a disposal loss of $47,836 thousand, respectively, which were reclassified from other comprehensive income to retained earnings.

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

	June 30, 2026	December 31, 2025	June 30, 2025
Accounts receivable	$ 36,857,304	11,819,918	9,389,248
Accounts receivable－related parties	1,940,160	1,902,171	1,610,944
	38,797,464	13,722,089	11,000,192
Less: loss allowance	(28,056)	(33,029)	(51,833)
	$ **38,769,408**	**13,689,060**	**10,948,359**

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:

	June 30, 2026		
	Gross carrying amount	**Weighted-average loss rate (%)**	**Loss allowance**
Current	$ 36,613,864	0.02	7,268
1~60 days past due	2,173,391	0.49	10,579
More than 151 days past due	10,209	100.00	10,209
	$ 38,797,464		**28,056**

	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
	$ 13,722,089		**33,029**

	June 30, 2025		
	Gross carrying amount	**Weighted-average loss rate (%)**	**Loss allowance**
Current	$ 10,251,465	0.14	14,207
1~60 days past due	716,566	3.07	21,998
61~90 days past due	22,692	27.14	6,159
More than 151 days past due	9,469	100.00	9,469
	$ 11,000,192		**51,833**

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

	For the six months ended June 30, 2026	2025
Balance, beginning of the period	$ 33,029	65,726
Impairment losses reversed	(4,993)	(13,434)
Effect of movements in exchange rates	20	(459)
Balance, end of the period	**$ 28,056**	**51,833**

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

	June 30, 2026	December 31, 2025	June 30, 2025
Tax refunds receivable	$ 1,186,824	519,638	254,418
Others	92,304	76,691	46,989
Less: loss allowance	-	-	-
	$ 1,279,128	**596,329**	**301,407**

(6) Inventories

	June 30, 2026	December 31, 2025	June 30, 2025
Raw materials	$ 61,761,759	20,944,841	15,991,571
Work in process	19,157,483	5,996,394	7,689,818
Semi-finished goods	9,778,948	8,211,132	4,957,113
Finished goods	1,093,822	456,342	450,153
	$ 91,792,012	**35,608,709**	**29,088,655**

The costs of inventories recognized as costs of goods sold for the three months and six months ended June 30, 2026 and 2025 were $23,523,352 thousand, $12,665,669 thousand, $39,165,654 thousand and $22,191,298 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 June 30,		For the six months ended June 30,	
	2026	**2025**	**2026**	**2025**
Inventory valuation and obsolescence losses (reversal gains)	**$ 747,138**	**(451,208)**	**1,363,117**	**(788,592)**

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:

	June 30, 2026	December 31, 2025	June 30, 2025
Summarized information of the carrying amount of associates that were not individually material	$ 11,594,408	4,719,750	3,437,869

	For the three months ended June 30,		For the six months ended June 30,	
	2026	2025	2026	2025
The shares of profit or loss of associates attributable to the Group	$ 3,695,740	(119,063)	6,460,533	(222,058)

For the six months ended June 30, 2026 and 2025, the Group did not participate in the cash capital increases and other equity transactions of its investees, resulting in the Group’s shareholding interests to increase by $181,794 thousand and $299,082 thousand, respectively, which were recorded in capital surplus.

The Company invested $80,000 thousand to support operations and expansion of the AI smart healthcare sector in April 2025, and participated in the establishment of EverBot Technology Co., Ltd. in Taiwan, thus acquiring a 40% stake in EverBot Technology Co., Ltd.

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 second 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.

(8) Property, plant and equipment

	Land	Buildings	Mechanical and testing equipment	Office and other equipment	Construction in progress	Total
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	6,229	504,830	42,941	542,080	1,103,334
Disposal for the period	-	-	(235,867)	(37,657)	-	(273,524)
Reclassification	-	-	17,486	1,198	-	18,684
Effects of movements in exchange rates	(6)	(300)	2,595	910	-	3,199
Balance at June 30, 2026	$ 3,097,086	5,282,044	1,994,177	487,112	947,600	11,808,019
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	-	9,907	182,861	30,791	-	223,559
Disposal for the period	-	-	(193,030)	(16,775)	-	(209,805)
Reclassification	-	-	26,880	-	-	26,880
Effects of movements in exchange rates	(9)	(432)	(11,353)	(7,493)	-	(19,287)
Balance at June 30, 2025	$ 2,149,247	5,268,269	1,706,120	484,848	405,000	10,013,484

	Land	Buildings	Mechanical and testing equipment	Office and other equipment	Construction in progress	Total
Depreciation:						
Balance at January 1, 2026	$ -	1,197,473	1,024,566	309,933	-	2,531,972
Depreciation for the period	-	81,659	205,707	61,040	-	348,406
Disposal for the period	-	-	(235,792)	(36,747)	-	(272,539)
Effects of movements in exchange rates	-	(68)	1,038	66	-	1,036
Balance at June 30, 2026	**$ -**	**1,279,064**	**995,519**	**334,292**	**-**	**2,608,875**
Balance at January 1, 2025	$ -	1,035,565	965,447	246,115	-	2,247,127
Depreciation for the period	-	80,663	197,924	62,007	-	340,594
Disposal for the period	-	-	(193,030)	(16,775)	-	(209,805)
Effects of movements in exchange rates	-	(84)	(5,705)	(4,092)	-	(9,881)
Balance at June 30, 2025	**$ -**	**1,116,144**	**964,636**	**287,255**	**-**	**2,368,035**
Carrying amounts:						
Balance at January 1, 2026	**$ 3,089,838**	**4,078,642**	**680,567**	**169,787**	**405,520**	**8,424,354**
Balance at June 30, 2026	**$ 3,097,086**	**4,002,980**	**998,658**	**152,820**	**947,600**	**9,199,144**
Balance at January 1, 2025	**$ 2,149,256**	**4,223,229**	**735,315**	**232,210**	**405,000**	**7,745,010**
Balance at June 30, 2025	**$ 2,149,247**	**4,152,125**	**741,484**	**197,593**	**405,000**	**7,645,449**

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

	Buildings	Transportation equipment	Total
Carrying amounts:			
Balance at January 1, 2026	**$ 100,242**	**1,111**	**101,353**
Balance at June 30, 2026	**$ 76,135**	**776**	**76,911**
Balance at January 1, 2025	**$ 156,220**	**1,491**	**157,711**
Balance at June 30, 2025	**$ 121,709**	**1,524**	**123,233**

There were no significant addition, disposal, or recognition and reversal of impairment losses of right-of-use assets of the Group for the six months ended June 30, 2026 and 2025. Please refer to note 6(9) of the 2025 consolidated financial statements for other related information.

B. Lease liabilities

	June 30, 2026	December 31, 2025	June 30, 2025
Current	**$ 64,711**	**76,835**	**101,284**
Non-current	**$ 33,593**	**44,454**	**74,332**

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

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

	For the three months ended June 30,		For the six months ended June 30,	
	2026	**2025**	**2026**	**2025**
Interest expenses relating to lease liabilities	$ 1,152	2,101	2,414	4,349
Expenses relating to short-term lease	$ 2,044	1,801	3,823	3,634
Expenses relating to lease of low-value assets, excluding short-term lease of low-value assets	$ 438	394	894	681

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

	For the six months ended June 30,	
	2026	**2025**
Total cash outflow for leases	$ 40,927	41,199

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	$ 154,981	168,479	323,460
Balance at June 30, 2026	$ 249,487	162,244	411,731
Balance at January 1, 2025	$ 184,330	216,497	400,827
Balance at June 30, 2025	$ 184,365	186,374	370,739

There were no significant addition or disposal of intangible assets of the Group for the six months ended June 30, 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

	June 30, 2026	**December 31, 2025**	**June 30, 2025**
Unsecured bank loans	$ 3,815,630	2,350,964	1,907,810
Unused credit facilities	$ 29,689,370	13,829,186	10,684,969
Range of interest rates at the end of period (%)	4.12~4.24	4.07~4.57	1.89~4.82

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

(12) Other payables

	June 30, 2026	December 31, 2025	June 30, 2025
Salaries and bonus payable	$ 24,698,688	7,944,350	4,494,439
Dividends payable (note 6(17))	3,751,904	1,343,283	2,471,264
Others	3,209,452	1,287,813	732,949
	$ 31,660,044	**10,575,446**	**7,698,652**

(13) Other current liabilities

	June 30, 2026	December 31, 2025	June 30, 2025
Refund liabilities	$ 2,198,710	659,344	345,777
Others	544,259	282,095	204,531
	$ 2,742,969	**941,439**	**550,308**

(14) Bonds payable

A. 2nd domestic 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 domestic unsecured convertible bonds were as follows:

	June 30, 2026	December 31, 2025	June 30, 2025
Total convertible corporate bonds issued	$ 6,000,000	6,000,000	6,000,000
Unamortized discounted corporate bonds payable	-	(56,904)	(341,728)
Less: current portion	-	(1,103,896)	-
Accumulative converted amount	(6,000,000)	(4,839,200)	-
Bonds payable at the end of period	**$ -**	**-**	**5,658,272**

	June 30, 2026	December 31, 2025	June 30, 2025
Embedded derivative instruments–call options, included in financial assets at fair value through profit or loss–current	$ -	9,635	8,400
Embedded derivative instruments–put options, included in financial liability at fair value through profit or loss–current and non-current	$ -	116	28,200
Embedded derivative instruments–equity component–conversion options, included in capital surplus–stock options	$ -	96,733	499,996

	For the three months ended June 30,		For the six months ended June 30,	
	2026	2025	2026	2025
Embedded derivative instruments–net gains and losses of call and put options remeasured at fair value, included in other gains and losses	$ -	3,600	(16,527)	12,000
Interest expense	$ -	23,650	-	47,202

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%.

B. 3rd domestic 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 domestic unsecured convertible bonds were as follows:

	June 30, 2026
Total convertible corporate bonds issued	$ 6,000,000
Unamortized discounted corporate bonds payable	(823,058)
Bonds payable at the end of period	**$ 5,176,942**
Embedded derivative instruments–call options, included in financial assets at fair value through profit or loss–current	**$ 36,600**
Embedded derivative instruments–put options, included in financial liability at fair value through profit or loss– non-current	**$ 70,200**
Embedded derivative instruments–equity component–conversion options, included in capital surplus–stock options	**$ 892,622**

	For the three months ended June 30, 2026	For the six months ended June 30, 2026
Embedded derivative instruments–net gains and losses of call and put options remeasured at fair value, included in other gains and losses	**$ 47,400**	**19,573**
Interest expense	**$ 41,497**	**68,976**

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.

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%.

C. 1st overseas unsecured convertible bonds

Based on a resolution decided during its board meeting held on April 8, 2026, and with the approval of the FSC on May 13, 2026, the Company issued its 1st overseas unsecured convertible bonds on the Singapore Exchange Limited on May 26, 2026, with a period of 5 years (from May 26, 2026 to 2031), totaling US$800,000 thousand, comprising US$400,000 thousand of Series A bonds and US$400,000 thousand of Series B bonds, with 0% coupon rate.

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

	June 30, 2026
Total convertible corporate bonds issued	$ 25,394,000
Unamortized discounted corporate bonds payable	(5,161,350)
Bonds payable at the end of period	**$ 20,232,650**
Embedded derivative instruments–call options, included in financial assets at fair value through profit or loss–current	**$ 26,617**
Embedded derivative instruments–put options, included in financial liability at fair value through profit or loss– non-current	**$ 664,883**
Embedded derivative instruments–liability component–conversion options, included in financial liability at fair value through profit or loss– current	**$ 3,271,632**
Embedded derivative instruments–equity component–conversion options, included in capital surplus–stock options	**$ 1,320,302**

	For the three months ended June 30,	For the six months ended June 30,
	2026	**2026**
Embedded derivative instruments–net gains and losses of call and put options remeasured at fair value, included in other gains and losses	$ (112,500)	(112,500)
Interest expense	$ 92,772	92,772

The conversion price at issuance was determined based on the closing price of NT$2,735 per share of the Company's ordinary shares traded on the Taipei Exchange on May 18, 2026, which served as the reference price. The conversion prices for Series A and Series B were set by applying conversion premiums of 125% and 130% to the reference price. Hence, the conversion prices at the time of issuance were established at NT$3,418.75 and NT$3,555.50 per share, respectively.

The number of convertible shares of the bonds should be calculated by multiplying the issued face value of the bonds by the USD to NTD exchange rate determined on the pricing date (US$1 = NTD 31.6350) and dividing the result by the conversion price. However, after the issuance of the bonds, the conversion price was adjusted in accordance with the article related to anti-dilution in the terms of issuance and conversion.

The holders of the convertible bonds (including Series A and Series B) may, from the day following the third month after the issuance date (August 27, 2026) until (1) 10 days prior to the maturity date (May 16, 2031), or (2) the fifth business day preceding the date on which the bondholders exercise their put option or the Company exercises its call option (excluding the maturity date), request the conversion of their bonds into the Company's ordinary shares at any time in accordance with applicable laws and regulations and the indenture.

From the day following the second anniversary and the third anniversary of the issuance dates for Series A and Series B (May 26, 2028 and May 26, 2029), respectively, until the maturity date (May 26, 2031), the Company may redeem all or part of the bonds at the applicable early redemption price if either of the following conditions is met: (a) the closing price of the Company's ordinary shares at the places of business of securities firms exceeds 130% of the amount obtained by multiplying the applicable early redemption price by the then-effective conversion price and divided by the face value of the bonds for at least 20 trading days within a period of 30 consecutive trading days; or (b) more than 90% of the bonds have already been redeemed, converted, or repurchased and cancelled.

The Company shall provide its bondholders with a put option on the second anniversary and third anniversary of the issuance dates of Series A and Series B (May 26, 2028 and May 26, 2029), respectively, as the put option record dates. The bondholders may require the Company to redeem all or part of their bonds at the face value, plus compensation interest calculated at an annual interest rate of -0.25%, compounded on a semi-annual basis.

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 rates of 2.63% and 6.92% for Series A and Series B, respectively.

(15) 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 June 30,		For the six months ended June 30,	
	2026	**2025**	**2026**	**2025**
Pension	$ 1,533	1,474	3,066	2,947

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 June 30,		For the six months ended June 30,	
	2026	**2025**	**2026**	**2025**
Pension	$ 91,256	79,569	179,753	161,469

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

	For the three months ended June 30,		For the six months ended June 30,	
	2026	**2025**	**2026**	**2025**
Pension	$ 3,795	2,476	7,153	5,193

(16) 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 June 30,		For the six months ended June 30,	
	2026	**2025**	**2026**	**2025**
Current tax expenses				
Current period	$ 4,855,798	256,452	7,578,661	466,249

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

	For the three months ended June 30,		For the six months ended June 30,	
	2026	**2025**	**2026**	**2025**
Exchange differences on translation of foreign financial statements	**$ 5,150**	**(120,054)**	**41,421**	**(94,570)**

D. Examination and approval

Except for FY2022, the Company's income tax returns through FY2024 have been assessed by the tax authorities. Moreover, the income tax return for the FY2025 has not yet been assessed.

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.

(17) Equity

A. Common shares

As of June 30, 2026, December 31 and June 30, 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 $2,210,857 thousand, $2,079,733 thousand and $2,065,528 thousand, respectively, with par value of NTD10 per share.

As of June 30, 2026, December 31 and June 30, 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 $796 thousand, $99,881 thousand and $750 thousand, respectively, recognized as advance receipts for share capital, have yet to be completed.

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

(Unit: Shares in Thousands)

	For the six months ended June 30,	
	2026	**2025**
Balance, beginning of the period	217,961	205,817
Bonds converted	2,121	-
Employee share options exercised	1,083	810
Balance, end of the period	**221,165**	**206,627**

B. Capital surplus

	June 30, 2026	December 31, 2025	June 30, 2025
Additional paid-in capital	$ 16,552,131	14,756,829	9,071,239
Changes in equities of associates accounted for using the equity method	2,125,355	1,943,561	1,717,724
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	2,071	1,944	1,944
Employee share options	432,761	537,340	498,584
Due to recognition of equity component of convertible bonds	2,212,924	96,733	499,996
Transaction of treasury stocks	1,516,724	1,516,724	1,516,724
Expired employee stock options	102,558	102,531	102,449
	$ 23,093,197	**19,104,335**	**13,557,333**

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.

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 earnings and cash dividends per share for the first half of 2026 were as follows:

	First half of 2026
Resolution date of the Company's Board of Directors	August 13, 2026
Legal reserve	$ 4,139,558
Special reserve appropriated (reversed)	(297,113)
Cash dividends to shareholders	13,269,915
Cash dividends per share (NTD)	60

The amount of legal reserve and special reserve for the first half of 2026 will be submitted to the shareholders' meeting for approval in the following year.

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
Cash dividends to shareholders	$ 3,751,904	1,343,081
Cash dividends per share (NTD) (Note)	16.96425749	6.22831640
Approval dates of the Company's shareholders' meeting	May 27, 2026	May 27, 2026
Legal reserve	$ 684,507	183,731
Special reserve appropriated (reversed)	(412,955)	412,929

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 six months ended June 30, 2026	2025
Balance at January 1	$ 6,583	32,547
Foreign exchange differences (net of tax)	165,678	(378,281)
Balance at June 30	**$ 172,261**	**(345,734)**

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

	For the six months ended June 30, 2026	2025
Balance at January 1	$ (344,800)	(370,790)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income (net of tax)	135,786	(82,484)
Disposal for the period	(4,352)	47,836
Balance at June 30	**$ (213,366)**	**(405,438)**

E. Non-controlling interests (net of tax)

	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Balance at January 1	$ 10,883	9,366
Net income	2,820	201
Exchange differences on translation of foreign financial statements (net of tax)	(297)	(301)
Balance at June 30	$ 13,406	9,266

(18) Share-based payment

As of June 30, 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. The Group recognized compensation cost of $234,312 thousand for the six months ended June 30, 2026. For the six months ended June 30, 2025, the Group reversed compensation cost of $3,529 thousand due to employees leaving before the vesting date. The weighted-average assumptions used in the valuation 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

Information related to employee share options was as follows:

A. 2025 First employee share options

Employee share options	For the six months ended June 30, 2026 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	(16)	-
Outstanding at June 30	**1,974**	481.70
Exercisable at June 30	**-**	

As of June 30, 2026, the weighted-average remaining contractual life for outstanding option was 3.17 years.

B. 2023 First employee share options

Employee share options	For the six months ended June 30, 2026 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	(21)	-
Outstanding at June 30	**5,853**	481.70
Exercisable at June 30	**-**	

As of June 30, 2026, the weighted-average remaining contractual life for outstanding option was 4.17 years.

C. 2022 First employee share options

	For the six months ended June 30,			
	2026		2025	
Employee share options	**Number of Options (In Thousands of Units)**	**Weighted-average exercise price (NTD)**	**Number of Options (In Thousands of Units)**	**Weighted-average exercise price (NTD)**
Outstanding at January 1	1,485	$ 259.40	4,735	$ 274.80
Granted during the period	-	-	-	-
Exercised during the period	(1,210)	259.40	(810)	267.00
Forfeited during the period	-	-	(30)	-
Outstanding at June 30	**275**	259.40	**3,895**	267.00
Exercisable at June 30	**275**		**1,048**	

As of June 30, 2026 and 2025, the weighted-average remaining contractual lives for outstanding options were 0.19 and 1.19 years, respectively.

(19) Earnings per share

A. Basic earnings per share

	For the three months ended June 30,		For the six months ended June 30,	
	2026	**2025**	**2026**	**2025**
Net profit attributable to ordinary shareholders of the Company	**$ 26,217,208**	**744,576**	**41,391,228**	**1,885,144**
Weighted-average number of shares outstanding during the year (in thousands of shares)	**221,112**	**206,585**	**220,841**	**206,347**
Basic earnings per share (NTD)	**$ 118.57**	**3.60**	**187.43**	**9.14**

B. Diluted earnings per share

	For the three months ended June 30,		For the six months ended June 30,	
	2026	**2025**	**2026**	**2025**
Net profit attributable to ordinary shareholders of the Company	$ 26,217,208	744,576	41,391,228	1,885,144
Effects of dilutive potential ordinary shares				
Convertible bonds	199,369	16,040	271,202	28,162
Net profit attributable to ordinary shareholders of the Company	**$ 26,416,577**	**760,616**	**41,662,430**	**1,913,306**

	For the three months ended June 30,		For the six months ended June 30,	
	2026	**2025**	**2026**	**2025**
Weighted average number of shares outstanding during the year (in thousands of shares)	221,112	206,585	220,841	206,347
Effect of dilutive potential ordinary shares (in thousands of shares)				
Employee share options	5,885	1,957	6,321	2,148
Employees' remunerations	4,474	240	4,673	1,263
Effects of conversion of convertible bonds	7,018	10,651	3,528	10,651
	238,489	**219,433**	**235,363**	**220,409**
Diluted earnings per share (NTD)	**$ 110.77**	**3.47**	**177.01**	**8.68**

(20) Operating revenue

	For the three months ended June 30,		For the six months ended June 30,	
	2026	**2025**	**2026**	**2025**
Primary geographical markets:				
Asia	$ 46,067,218	14,002,968	72,093,618	24,589,910
America	21,046,489	3,595,759	35,445,923	6,447,097
Europe	759,378	288,664	1,291,665	683,521
Others	15,171	2,680	24,003	8,108
	$ 67,888,256	**17,890,071**	**108,855,209**	**31,728,636**
Major product categories:				
Flash memory module products	$ 60,839,115	12,745,982	95,717,028	22,183,961
Controllers	4,123,598	3,124,309	7,996,948	5,777,504
Integrated Circuit	2,177,299	1,353,559	3,913,845	2,167,597
Others	748,244	666,221	1,227,388	1,599,574
	$ 67,888,256	**17,890,071**	**108,855,209**	**31,728,636**

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

(21) Remunerations to employees and directors

On May 27, 2025, the Company resolved at its shareholders' meeting to amend its Articles of Incorporation, which article19 states, that if the Company incurs profit for the year, the profit should first be used to offset against any accumulated deficits. Thereafter, 8% to 19% the remaining profit before income tax (in form of stock or cash), shall be appropriated as employee remuneration (of which, a minimum of 1% shall be reserved specifically for frontline employees). Moreover, a maximum of 1.5% of the remainder shall be appropriated as directors' remuneration.

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

The following are the remunerations to employees (including the minimum of 1% specifically to those frontline employees) and directors for the three months and six months ended June 30, 2026 and 2025:

	For the three months ended June 30,		For the six months ended June 30,	
	2026	**2025**	**2026**	**2025**
Employee remunerations	$ 6,849,894	120,503	10,669,348	294,265
Directors' remunerations	$ 16,479	-	37,490	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.

(22) Non-operating income and expenses

A. Interest income

	For the three months ended June 30,		For the six months ended June 30,	
	2026	**2025**	**2026**	**2025**
Interest income from bank deposits	$ 178,172	85,261	279,929	157,131
Others	4,789	566	4,795	603
	$ 182,961	**85,827**	**284,724**	**157,734**

B. Other income

	For the three months ended June 30,		For the six months ended June 30,	
	2026	**2025**	**2026**	**2025**
Dividend income	$ 48,413	7,948	49,182	7,948
Rent income	3,849	7,745	7,991	15,686
Others	39,239	15,493	55,264	33,642
	$ 91,501	**31,186**	**112,437**	**57,276**

C. Other gains and losses

	For the three months ended June 30,		For the six months ended June 30,	
	2026	**2025**	**2026**	**2025**
Net foreign exchange gains (losses)	$ 373,256	(1,385,175)	544,688	(1,181,290)
Gains on financial assets and liability at fair value through profit or loss	682,908	81,022	804,433	100,345
Others	(15,073)	1	(15,042)	(1)
	$ 1,041,091	**(1,304,152)**	**1,334,079**	**(1,080,946)**

D. Finance costs

	For the three months ended June 30,		For the six months ended June 30,	
	2026	**2025**	**2026**	**2025**
Interests on bank loans	$ 171,451	13,074	265,873	16,562
Interests on convertible bonds	134,269	23,650	161,748	47,202
Interests on lease liabilities	1,152	2,101	2,414	4,349
Others	-	4	3	15
	$ 306,872	**38,829**	**430,038**	**68,128**

(23) Financial instruments

A. Categories of financial instruments

	June 30, 2026	December 31, 2025	June 30, 2025
Financial assets			
Financial assets at FVTPL (current and non-current)	$ 2,420,478	1,613,646	1,042,559
Financial assets at amortized cost (Note 1)	73,893,032	32,462,461	26,189,427
Financial assets at FVTOCI	1,019,675	990,969	352,902
	$ 77,333,185	**35,067,076**	**27,584,888**
Financial liabilities			
Financial liabilities at FVTPL (current and non-current)	$ 4,006,715	116	28,200
Financial liabilities at amortized cost (Note 2)	74,527,251	22,911,340	19,735,489
Total	**$ 78,533,966**	**22,911,456**	**19,763,689**

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

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

B. Financial risk management objectives and policies

The 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.

(i) Exposure to foreign currency risk

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

	June 30, 2026			December 31, 2025			June 30, 2025		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets									
Monetary items									
USD	1,665,726	31.850	53,053,379	637,533	31.430	20,037,655	572,761	29.300	16,781,910
Non-Monetary items									
CNY	2,304,058	4.690	10,806,034	938,125	4.496	4,217,808	705,444	4.091	2,885,972
Financial liabilities									
Monetary items									
USD	1,230,744	31.850	39,199,190	339,173	31.430	10,660,202	186,767	29.300	5,472,283

(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), financial assets at fair value through profit or loss, short-term borrowings, accounts payable (including related parties), Financial liabilities at fair value through profit or loss, and bonds payable, that are denominated in USD. A weakening (strengthening) of 5% of the NTD against the USD as of June 30, 2026 and 2025, would have increased or decreased the net profit before income tax by \$692,709 thousand and \$565,481 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 June 30,		For the six months ended June 30,	
2026	**2025**	**2026**	**2025**
$ 373,256	**(1,385,175)**	**544,688**	**(1,181,290)**

(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 six months ended June 30, 2026 and 2025 would have increased by $22,652 thousand and $10,594 thousand, respectively, due to the impact of variable interest rate cash and cash equivalents and short-term borrowings.

(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 six months ended June 30, 2026 and 2025 would have increased or decreased by $235,677 thousand and $103,263 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 $101,968 thousand and $35,290 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 June 30, 2026, December 31 and June 30, 2025, 50%, 33% and 36%, 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.

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.

	Carrying amount	Cash flow of contract	Within 1 year	1-5 years	Over 5 years
June 30, 2026					
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 45,302,029	(45,302,029)	(45,298,793)	(1,240)	(1,996)
Lease liabilities (current and non-current)	98,304	(102,773)	(66,641)	(36,132)	-
Fixed interest rate liabilities	29,225,222	(35,217,988)	(3,823,988)	(31,394,000)	-
	$ 74,625,555	**(80,622,790)**	**(49,189,422)**	**(31,431,372)**	**(1,996)**
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	3,093,415	(3,160,660)	(3,160,660)	-	-
	$ 23,032,629	**(23,106,677)**	**(23,055,071)**	**(49,610)**	**(1,996)**
June 30, 2025					
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 12,169,407	(12,169,407)	(12,164,658)	(2,753)	(1,996)
Lease liabilities (current and non-current)	175,616	(183,128)	(106,189)	(76,375)	(564)
Fixed interest rate liabilities	7,566,082	(7,925,913)	(1,925,913)	(6,000,000)	-
	$ 19,911,105	**(20,278,448)**	**(14,196,760)**	**(6,079,128)**	**(2,560)**

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
- 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:

	June 30, 2026			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Domestic listed stocks	$ 2,011,861	-	-	2,011,861
Domestic unlisted stocks	-	-	109,340	109,340
Foreign unlisted stocks	-	-	58,786	58,786
Domestic private equity funds	-	-	494	494
Beneficiary certificates－open-end funds	176,780	-	-	176,780
Derivative instruments－convertible bonds	-	63,217	-	63,217
	$ 2,188,641	**63,217**	**168,620**	**2,420,478**
Financial liabilities at fair value through profit or loss				
Derivative instruments－convertible bonds	**$ -**	**4,006,715**	**-**	**4,006,715**
Financial assets at fair value through other comprehensive income				
Domestic unlisted stocks	$ -	-	323,748	323,748
Foreign unlisted stocks	-	-	695,927	695,927
	$ -	**-**	**1,019,675**	**1,019,675**

	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
	$ 1,424,203	**9,635**	**179,808**	**1,613,646**
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
	$ -	**-**	**990,969**	**990,969**

	June 30, 2025			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Domestic listed stocks	$ 724,389	-	-	724,389
Domestic unlisted stocks	-	-	130,529	130,529
Foreign unlisted stocks	-	-	63,163	63,163
Domestic private equity funds	-	-	1,530	1,530
Beneficiary certificates－open-end funds	114,548	-	-	114,548
Derivative instruments－convertible bonds	-	8,400	-	8,400
	$ 838,937	**8,400**	**195,222**	**1,042,559**
Financial liabilities at fair value through profit or loss				
Derivative instruments – convertible bonds	**$ -**	**28,200**	**-**	**28,200**
Financial assets at fair value through other comprehensive income				
Domestic unlisted stocks	$ -	-	299,531	299,531
Foreign unlisted stocks	-	-	53,371	53,371
	$ -	**-**	**352,902**	**352,902**

There were no transfers between Levels 1 and 2 for the six months ended June 30, 2026 and 2025.

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	
	Private equity funds	Equity instruments	Equity instruments	Total
January 1, 2026	$ -	179,808	990,969	1,170,777
Recognized in profit or loss	494	(3,720)	-	(3,226)
Recognized in other comprehensive income	-	-	(9,321)	(9,321)
Additions for the period	-	-	63,485	63,485
Disposal and proceeds from capital reduction	-	(7,962)	(25,458)	(33,420)
June 30, 2026	**$ 494**	**168,126**	**1,019,675**	**1,188,295**
January 1, 2025	$ 4,296	215,248	431,750	651,294
Recognized in profit or loss	(2,766)	(18,752)	-	(21,518)
Recognized in other comprehensive income	-	-	(52,812)	(52,812)
Additions for the period	-	-	27,258	27,258
Disposal and proceeds from capital reduction	-	(2,804)	(53,294)	(56,098)
June 30, 2025	**$ 1,530**	**193,692**	**352,902**	**548,124**

(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, derivate financial instruments, private equity funds, and financial assets at fair value through other comprehensive income－equity investments. If the measurement of the fair value requires the use of observable inputs which cannot be objectively observed, the 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 (June 30, 2026: 16.48%~30.00%, December 31, 2025: 17.06%~30.00% and June 30, 2025: 19.44%~30.00%)	· The higher the discount for lack of marketability, the lower the fair value

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income－equity investments without an active market	Income approach	· Sustainable revenue growth rate (June 30, 2026: 2.00%, December 31, 2025: 2.00% and June 30, 2025: 2.10%) · Weighted-average cost of capital (June 30, 2026: 12.68%, December 31, 2025: 6.13%~12.68% and June 30, 2025: 5.83%~11.59%) · Discount for lack of marketability (June 30, 2026, December 31, 2025 and June 30, 2025: 15%) · Discount for non-controlling interest (June 30, 2026, December 31, 2025 and June 30, 2025: 15%)	· The higher the sustainable revenue growth rate, the higher the fair value · The higher the weighted-average cost of capital, the lower the fair value · The higher the discount for lack of marketability, the lower the fair value · The higher the discount for non-controlling interest, the lower the fair value
Financial assets at fair value through profit or loss－equity investments without an active market and private equity funds	Asset-based approach	· Net Asset Value · Discount for lack of marketability (June 30, 2026, December 31, 2025 and June 30, 2025: 10%) · Discount for non-controlling interest (June 30, 2026, December 31, 2025 and June 30, 2025: 10%)	Not applicable

(24) 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.

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

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

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

	January 1, 2026	Cash flows	Foreign exchange movement and others	June 30, 2026
Short-term borrowings	$ 2,350,964	1,438,654	26,012	3,815,630
Bonds payable (including current portion)	1,103,896	31,250,373	(6,944,677)	25,409,592
Lease liabilities (current and non-current)	121,289	(33,796)	10,811	98,304
Guarantee deposits received (non-current)	3,116	120	-	3,236
Total liabilities from financing activities	**$ 3,579,265**	**32,655,351**	**(6,907,854)**	**29,326,762**

	January 1, 2025	Cash flows	Foreign exchange movement and others	June 30, 2025
Short-term borrowings	$ 813,068	1,152,778	(58,036)	1,907,810
Bonds payable (including current portion)	5,611,070	-	47,202	5,658,272
Long-term borrowings (including current portion)	88,554	(88,554)	-	-
Lease liabilities (current and non-current)	209,587	(32,535)	(1,436)	175,616
Guarantee deposits received (current and non-current)	170,284	(164,474)	-	5,810
Total liabilities from financing activities	**$ 6,892,563**	**867,215**	**(12,270)**	**7,747,508**

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:

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

Name of related party	Relationship with the Group
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

	For the three months ended June 30,		For the six months ended June 30,	
Related Party Category	**2026**	**2025**	**2026**	**2025**
Associates	$ 2,232,671	1,687,404	4,495,128	2,855,277
Other related parties	331,814	248,041	715,570	464,748
	$ 2,564,485	**1,935,445**	**5,210,698**	**3,320,025**

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 June 30, 2026 and 2025, the unrealized profits arising from sales to related parties amounted to $237,302 thousand and $57,447 thousand, respectively, recorded as deductions from investments accounted for using the equity method.

B. Purchase of goods

Related Party Category / Name	For the three months ended June 30, 2026	For the three months ended June 30, 2025	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Other related parties－Kioxia Taiwan Corporation	$ 10,188,438	2,294,883	28,935,929	6,789,186

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	June 30, 2026	December 31, 2025	June 30, 2025
Associates－Hosin Global Electronics Co., Ltd. (HK)	$ 1,518,774	1,235,326	1,386,067
Associates	153,174	173,697	50,110
Other related parties	268,212	493,148	174,767
	1,940,160	1,902,171	1,610,944
Less: Loss allowance	(510)	(1,712)	(6,456)
	$ 1,939,650	1,900,459	1,604,488

The outstanding accounts receivable from related parties were unsecured.

D. Payables to related parties

Related Party Category / Name	June 30, 2026	December 31, 2025	June 30, 2025
Other related parties－Kioxia Taiwan Corporation	$ 5,426,013	2,052,579	215,774

E. Contract liabilities, other receivables and other payables

Account Name	Related Party Category	June 30, 2026	December 31, 2025	June 30, 2025
Contract liabilities－current	Associates	$ 5,883	120	38
Other receivables	Associates	$ 71	81	81
	Other related parties	31	16	15
		$ 102	97	96

Account Name	Related Party Category	June 30, 2026	December 31, 2025	June 30, 2025
Other payables, included in other current liabilities	Associates	$ -	952	887
	Other related parties	519	603	336
		$ 519	1,555	1,223

F. Other transactions

Account Name	Related Party Category	For the three months ended June 30,		For the six months ended June 30,	
		2026	2025	2026	2025
Operating costs	Other related parties	$ 396	624	537	848
Operating and non-operating expenses	Associates	$ -	1,174	1	3,519
	Other related parties	874	270	1,186	430
		$ 874	1,444	1,187	3,949
Non-operating incomes	Other related parties	$ 1,513	1,476	2,942	2,906
	Associates	222	231	454	463
		$ 1,735	1,707	3,396	3,369

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 June 30		For the six months ended June 30,	
	2026	2025	2026	2025
Short-term employee benefits	$ 1,219,048	38,287	1,732,293	88,651
Post-employment benefits	442	404	848	806
Share-based payments	7,342	-	16,310	-
	$ 1,226,832	38,691	1,749,451	89,457

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

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

8. Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	June 30, 2026	December 31, 2025	June 30, 2025
Property, plant and equipment	As collateral for loans and finance facilities	$ 473,149	479,542	485,936
Pledged time deposits (recognized as financial assets at amortized cost — current)	As collateral for the tariff of imported raw materials	61,337	41,094	41,014
		$ 534,486	**520,636**	**526,950**

9. Commitments and contingencies

(1) Significant commitments

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

June 30, 2026	December 31, 2025	June 30, 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:

June 30, 2026	December 31, 2025	June 30, 2025
$ 409,250	**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:

June 30, 2026	December 31, 2025	June 30, 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 June 30, 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) On July 28, 2026, the Company' s Board of Directors approved to establish its fully-owned subsidiary, Phison Capital, in Taiwan, at the amount of $600,000 thousand, to meet its operational needs.

(2) On July 14, 2026, the Company's Board of Directors approved the issuance of 10,000 thousand units of the 2026 Second Employee Stock Options as a long-term incentive program to attract and retain key talents. In addition, on July 28, 2026, the Board of Directors approved the cancellation of 5,000 thousand units of the 2026 First Employee Stock Options after evaluating the effectiveness of the incentive program and taking into account the changes in market conditions. The related procedures will be carried out in accordance with applicable laws and regulations.

12. Other

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

	For the three months ended June 30,					
	2026			2025		
By function / By item	Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Employee benefits						
Salary	231,788	16,250,290	16,482,078	195,261	1,903,359	2,098,620
Labor and health insurance	21,153	137,891	159,044	18,350	121,600	139,950
Pension	8,302	88,282	96,584	6,726	76,793	83,519
Others	12,823	82,349	95,172	10,093	58,337	68,430
Depreciation	35,189	161,214	196,403	39,202	149,924	189,126
Amortization	632	168,320	168,952	424	155,657	156,081

	For the six months ended June 30,					
	2026			2025		
By function / By item	Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Employee benefits						
Salary	442,157	24,363,445	24,805,602	394,415	3,888,467	4,282,882
Labor and health insurance	45,118	327,675	372,793	39,760	278,180	317,940
Pension	16,698	173,274	189,972	15,892	153,717	169,609
Others	26,590	172,276	198,866	19,891	111,278	131,169
Depreciation	71,219	312,349	383,568	86,061	288,141	374,202
Amortization	1,234	316,993	318,227	898	313,971	314,869

(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 to the Supreme Court. On November 24, 2025, the Supreme Court remanded the litigation to the Taiwan High Court for reconsideration. The case is currently in progress. Nevertheless, as Mr. K.S. Pua had already resigned from his positions on November 18, 2021 as a director and as the chairman of the Company. The ultimate outcome of this case is not expected to have any impact on the Group's business operation.

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 June 30, 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 six months ended June 30, 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.

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)

June 30, 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	Common shares							
	Apacer Technology Inc.	-	Financial assets at fair value through profit or loss－current	9,920	1,929,358	7.65	1,929,358	
	AppWorks Fund IV L.P.L	-	Financial assets at fair value through other comprehensive income－non-current	151,250	103,754	6.68	103,754	
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 six months ended June 30, 2026

Table 2 (Amounts in Thousands)

			Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		
Company Name	Related Party	Nature of Relationship	Purchase/ Sales	Amount	Percentage of Total Purchases/ Sales (%)	Payment Terms	Unit Prices	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Receivable (Payable) (%)	Note
The Company	Kioxia Taiwan Corporation	The subsidiary of KIC	Purchase	28,935,929	32	Net 30 days after monthly closing	None	None	(5,426,013)	(40)	
	Super Storage Technology Corporation	Sub-subsidiary	Processing cost	278,323	1	Net 30 days after monthly closing	None	None	(65,688)	-	Note 2
	Kioxia Corporation	The Company's director	Sales	(679,281)	(1)	Net 60 days after monthly closing	None	None	248,863	1	
	Hosin Global Electronics Co., Ltd. (HK)	The subsidiary of Hosin Global Electronics Co., Ltd. (SZ)	Sales	(3,684,156)	(3)	Net 45 days after monthly closing	None	None	1,518,470	4	
	Miphi Semiconductors Private Limited	Associate	Sales	(668,280)	(1)	Net 45 days after receipt date	None	None	132,174	-	
	Nextorage Corporation	Subsidiary	Sales	(716,418)	(1)	Net 30 to 60 days after monthly closing	None	None	243,882	1	Note 2
	Power Storage Electronics Limited	Sub-subsidiary	Sales	(2,395,789)	(2)	Net 60 to 90 days after monthly closing	None	None	2,013,905	5	Note 2
	Phison Technology Inc.	Sub-subsidiary	Sales	(2,638,758)	(2)	Net 45 days after monthly closing	None	None	1,697,481	4	Note 2
	ProGrade Digital Incorporated	Associate	Sales	(101,733)	-	Net 30 days after receipt date	None	None	20,815	-	

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

June 30, 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)	1,518,470	5.35	-	-	614,111	304	
	Kioxia Corporation	The Company’s director	248,863	3.70	-	-	45,117	50	
	Nextorage Corporation	Subsidiary	243,882	7.92	-	-	243,882	-	Note 2
	Power Storage Electronics Limited	Sub-subsidiary	2,013,905	4.14	-	-	902,365	-	Note 2
	Miphi Semiconductors Private Limited	Associate	132,174	8.84	28,214	Enhanced Collecting	104,108	148	
	Phison Technology Inc.	Sub-subsidiary	1,697,481	5.61	-	-	111,416	-	Note 2

Note 1: Information as of July 31, 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 six months ended June 30, 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	278,323	General trading terms	0.26
		Phison Technology Inc.	1	Sales	2,638,758	General trading terms	2.42
			1	Accounts receivable	1,697,481	General trading terms	0.88
			1	Marketing expenses	318,362	General trading terms	0.29
		Nextorage Corporation	1	Sales	716,418	General trading terms	0.66
			1	Accounts receivable	243,882	General trading terms	0.13
		Power Storage Electronics Limited	1	Sales	2,395,789	General trading terms	2.20
			1	Accounts receivable	2,013,905	General trading terms	1.04
		Maistorage Technology Sdn.Bhd.	1	Technical support services expenses	122,852	General trading terms	0.11

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 six months ended June 30, 2026

Table 5 (Amounts in Thousands)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2026			Net Income (Losses) of Investee	Share of Profits/ Losses of Investee	Note
				June 30, 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	7,815,905	3,385,467	3,385,467	Subsidiary and note 2
	Regis Investment (Samoa) Limited	Samoa	Investment	655,995	655,995	21,900,000	100.00	5,357,490	3,034,578	3,034,578	Subsidiary and note 2
	Phisontech Electronics Taiwan Corp.	Taiwan	Investment and trade	581,363	581,363	55,000,000	100.00	834,744	(5,428)	(5,428)	Subsidiary and note 2
	Lian Xu Dong Investment Corporation	Taiwan	Investment	650,000	650,000	65,000,000	100.00	494,139	44,045	44,045	Subsidiary and note 2
	EpoStar Electronics (BVI) Corporation	British Virgin Islands	Investment	79,531	79,531	6,288,523	30.51	349,832	1,212	370	Investee accounted for using the equity method
	Emtops Electronics Corporation	Taiwan	Investment	580,000	380,000	58,000,000	100.00	660,985	56,967	56,967	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	779,093	166,670	163,851	Subsidiary and note 2
	Power Flash (Samoa) Limited	Samoa	Investment and trade	433,960	433,960	13,800,000	100.00	579,105	116,318	116,318	Subsidiary and note 2
	ProGrade Digital Inc.	USA	Flash memory related products and market development	83,439	83,439	2,785,000	28.62	176,673	36,954	10,576	Investee accounted for using the equity method

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2026			Net Income (Losses) of Investee	Share of Profits/ Losses of Investee	Note
				June 30, 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	27,445	199	199	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	11,547	559	559	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	31,519	4,766	2,335	Investee accounted for using the equity method
	Great Storage Investment Corporation	Taiwan	Investment	750,000	750,000	75,000,000	100.00	843,005	32,464	32,464	Subsidiary and note 2
	Gorich Investment Corporation	Taiwan	Investment	280,000	280,000	28,000,000	100.00	284,376	1,909	1,909	Subsidiary and note 2
								18,245,858		6,844,210	
Lian Xu Dong Investment Corporation	Ostek Corporation	Taiwan	Manufacture and trade of electronic components	9,000	9,000	900,000	100.00	30,629	1,962	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	234,198	(27,803)	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	-	-	559	Note 1	Sub-subsidiary and note 2
	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	230,350	186,475	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	834,744	(6,139)	Note 1	Sub-subsidiary and note 2

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2026			Net Income (Losses) of Investee	Share of Profits/ Losses of Investee	Note
				June 30, 2026	December 31, 2025	Shares	Percentage of Ownership (%)	Carrying Value			
Global Flash Limited	Core Storage Electronic (Samoa) Limited	Samoa	Investment and trade	636,593	636,593	19,150,000	100.00	7,954,134	3,383,024	Note 1	Sub-subsidiary and note 2
Power Flash (Samoa) Limited	Power Flash (HK) Limited	Hong Kong	Sales and trade of electronic products	10,504	98,754	200,000	100.00	25,830	971	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	5,531,718	3,034,562	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	801,337	32,289	Note 1	Sub-subsidiary and note 2
Maistorage Technology Sdn. Bhd.	Maistorage Electronics Sdn. Bhd.	Malaysia	Information technology services	77	-	10,000	100.00	75	-	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 six months ended June 30, 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 June 30, 2026	Net Income (Losses) of the Investee	Percentage of Ownership (%)	Investment Income (Losses)	Book Value	Accumulated Remittance of Earnings in as of June 30, 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	21,239	100.00	21,239	238,937	-	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)	-	-	-	-	89,840	23.75	21,341	110,932	-	
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	28,185,401	22.50	6,341,997	10,695,102	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	2,014	100.00	2,014	56,726	-	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	111,195	100.00	111,195	373,171	-	Note 4

(2) Limitation on investment in Mainland China

Accumulated Investment in Mainland China as of June 30, 2026	Investment Amounts Authorized by Investment Commission, MOEA (Note 2)	Upper Limit on Investment (Note 3)
936,845	1,909,733	61,243,330

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.