

4Q23 Consolidated Financial Report & 2024/Feb. Revenue Announcement

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

4Q23: Taiwan-International Financial Reporting Standards (TIFRS) Financial Measures

- ◆ **The consolidated operating revenue for this quarter was NT\$15.748 billion, an increase of 27.1% from the previous quarter and an increase of 28.1% compared to the same period last year.**
- ◆ **The consolidated gross margin rate for this quarter was 36.0%, an increase of 3.8% from the previous quarter and an increase of 8.0% compared to the same period last year.**
- ◆ **The consolidated operating income for this quarter was NT\$1.541 billion, an increase of 193.6% from the previous quarter and an increase of 23.9% compared to the same period last year.**
- ◆ **The consolidated net income for this quarter was NT\$2.084 billion, with earnings per share of NT\$10.39.**
- ◆ **The consolidated operating revenue for 2023 full-year was NT\$48.222 billion, with earnings per share of NT\$18.48.**

Consolidated Revenue

Phison Electronics announced financial results of fourth-quarter ended December 31, 2023. The consolidated operating revenue for the fourth quarter of 2023 was NT\$15.748 billion, representing an increase of 27.1% compared to the previous quarter and an increase of 28.1% compared to the same period last year.

The consolidated operating revenue of 2023 full-year was NT\$48.222 billion and an decrease of 20.0% compared to last year.

Consolidated Gross Profit and Gross Margin

The consolidated gross profit for this quarter was NT\$5.673 billion, reflecting a 42.2% increase from the previous quarter and a 64.5% increase from the same period last year.

The consolidated gross margin for this quarter was 36.0%, marking a 3.8% increase from the previous quarter and an 8.0% increase from the same period last year.

The consolidated gross profit for 2023 full-year was NT\$16.114 billion, reflecting a 7.1% decrease

from the same period last year.

The consolidated gross margin for 2023 full-year was 33.4%, marking a 4.6% increase from the same period last year.

Consolidated Operating Expenses

The operating expenses for this quarter amounted to NT\$4.132 billion (26.2% of operating revenue), compared to NT\$3.464 billion (28.0% of operating revenue) in the previous quarter, and NT\$2.205 billion (17.9% of operating revenue) for the same period last year.

Operating expenses for the quarter included:

- ◆ R&D expenses totaled NT\$3.426 billion (21.8% of operating revenue), which is higher than the previous quarter's NT\$2.896 billion (23.4% of operating revenue) and higher than the same period last year's NT\$1.644 billion (13.4% of operating revenue).
- ◆ Marketing expenses amounted to NT\$0.391 billion (2.5% of operating revenue), higher than the previous quarter's NT\$0.325 billion (2.6% of operating revenue) and higher than the same period last year's NT\$0.334 billion (2.7% of operating revenue).
- ◆ General and administrative expenses amounted NT\$0.354 billion (2.3% of operating revenue), higher than the previous quarter's NT\$0.238 billion (1.9% of operating revenue) and higher than the same period last year's NT\$0.204 billion (1.7% of operating revenue).

The operating expenses for 2023 full-year amounted to NT\$12.492 billion (25.9% of operating revenue), compared to NT\$10.506 billion (17.4% of operating revenue) for the same period last year.

Consolidated Operating Income and Operating Margin

The operating income for this quarter was NT\$1.541 billion, which was an increase of 193.6% from the previous quarter and an increase of 23.9% from the same period last year.

The operating profit margin for this quarter was 9.8%, higher than the previous quarter's 4.2% and lower than the same period last year's 10.1%.

The operating income for 2023 full-year was NT\$3.622 billion, which was a decrease of 47.1% from the same period last year. The operating profit margin for 2023 full-year was 7.5%.

Consolidated Non-operating Income (loss) and Income Tax

The non-operating incomes for the quarter was NT\$0.642 billion, or 4.1% of revenue. This was

mainly due to the gains of investments for using the equity, the net foreign exchange losses and gains on financial assets at fair value through profit or loss. The income tax expense for the quarter was NT\$0.099 billion.

The non-operating incomes for 2023 full-year was NT\$0.478 billion, or 1.0% of revenue. The income tax expense for the full-year was NT\$0.475 billion.

Consolidated Net Income, Net Profit Margin and EPS

The net income for this quarter was NT\$2.084 billion, an increase of 142.8% from the previous quarter and an increase of 859.2% from the same period last year.

The net profit margin for this quarter was 13.2%, higher than the previous quarter's 6.9% and higher than the same period last year's 1.8%.

Earnings per share (EPS) for this quarter was NT\$10.39, higher than the previous quarter's NT\$4.32, and higher than the same period last year's NT\$1.14.

The net income for the full year was NT\$3.624billion, a decrease of 32.9% from the same period last year. The net profit margin for the full-year was 7.5% and Earnings per share (EPS) for the full-year was NT\$18.48, lower than the same period last year's NT\$27.71.

Consolidated Cash and Financial Assets-Current

Cash and Financial assets at fair value-current at the end of the quarter was NT\$15.201billion, which presents 23.4% of total assets. Cash and Financial assets at fair value-current was 15.329billion and 17.819billion at the end of the previous quarter and the year-ago quarter, respectively. Financial assets-current portfolio includes funds, domestic listed stocks and derivatives and so on.

Consolidated Accounts Receivable

The net accounts receivable for this quarter totaled NT\$9.622 billion, with an average accounts receivable turnover of 64 days (calculated based on the average net accounts receivable for this quarter and the annualized current sales revenue), which is lower than the 67 days of the previous quarter and higher than the 48 days of the same period last year.

Consolidated Inventory

The net inventory for this quarter amounts to NT\$24.410 billion, with an average inventory turnover of 255 days (calculated based on the average net inventory for this quarter and the annualized cost of goods sold), which is lower than the 259 days of the previous quarter and higher than the 170 days of the same period last year.

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

Earnings Distribution of Cash Dividends for the Second Half of 2023

Phison plans to distribute cash dividends for the second half of 2023, with a proposed amount of NT\$1,773,262,169. The expected cash dividend per share is NT\$8.84.

Private Placement of Common Shares Planned by the Company

Phison intends to conduct a private placement of common shares to introduce strategic investors and strengthen long-term partnerships with strategic collaborators. In accordance with Article 43-6 of the Securities and Exchange Act, the company plans to privately issue new shares through a cash capital increase. The anticipated total number of privately placed common shares is not expected to exceed 18,000,000, with a face value of NT\$10 per share, resulting in an expected increase in total paid-in capital of up to NT\$180,000,000.

Revenue and Shipments for February 2024

The consolidated revenue for February is NT\$4.665 billion, reflecting a remarkable 42% year-on-year (YoY) growth and marking the second-highest historical figure for the same period. Cumulative revenue for the year up to February reached NT\$9.751 billion, representing a YoY growth of 58%. Additionally, the year-on-year growth rate of Total Bit Shipment reached a historical high of 56% for the month.

Market Overview

Due to supply and demand imbalances in the NAND storage market during the first three quarters of 2023, the entire NAND storage industry faced challenges, resulting in losses for NAND manufacturers persisting until now. However, the market conditions started to shift as NAND manufacturers gradually reduced production, reducing overall NAND supply, and NAND prices have gradually stabilized since the middle of the third quarter in 2023.

K.S. Pua, CEO of Phison Electronics, noted that Phison has extensive experience in adapting to changes in the NAND storage market. Through the accumulation of technical capabilities, stable investment in research and development, and continuous support for global customers in evolving from "value-added" to "value creation" through customized design services and solutions, Phison successfully navigated the market recovery opportunities and momentum in 2023, exceeding performance expectations.

K.S. Pua further explained that during challenging market conditions, Phison did not resort to layoffs or cut research and development budgets like some competitors. Instead, the company expanded its research and development spending and workforce. This strategy, although perceived as higher risk by outsiders, proved successful due to Phison's keen market insights and close collaboration with global customers. Phison strengthened its foundation during challenging times and is poised for superior performance compared to competitors as market conditions reverse. The company's positioning in [automotive storage solutions](#), [a full range of UFS mobile storage solutions](#), [specialized SSDs for recording and monitoring systems](#), [aiDAPTIV+ technology solutions](#), [enterprise SSDs](#), [PCIe 5.0 Redriver/Retimer](#), is expected to continue contributing steadily to revenue in future quarters.

【Supplemental Information】

Reconciliations of TIFRS Results to Non-TIFRS Results^{Note2}

NT\$/million		3Q23	2Q23	3Q22	Q/Q (%)	Y/Y (%)
TIFRS	Operating Profit	525	717	1,221	(26.8%)	(57.0%)
	Operating Profit Margin (%)	4.24%	7.17%	8.38%		
Reconciliations	Shares-based payment	342	66	85		
Non-TIFRS	Operating Profit	867	783	1,306	10.7%	(33.6%)
	Operating Profit Margin (%)	7.00%	7.82%	8.96%		

TIFRS	Net Income to Phison	858	441	1,192	94.6%	(28.0%)
	Net Income (%)	6.93%	4.40%	8.18%		
	Basic EPS (NT\$)	4.32	2.28	6.13		
Reconciliations	Shares-based payment	342	66	85		
	Tax effect	(72)	(19)	(18)		
Non-TIFRS	Net Income to Phison	1,128	488	1,259	131.1%	(10.4%)
	Net Income (%)	9.10%	4.88%	8.64%		
	Basic EPS (NT\$)	5.68	2.52	6.39		

Note1: Sums may not equal totals due to rounding.

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

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[PHISON's Quick Facts]

- Over 23 years experiences in NAND controller IC design and module integration.
- Over 3,800 employees globally, and more than 70% are engineers
- Nearly 2,000 memory-related patents globally.
- Target long-term revenue of NT\$100 billion through the 5+5 growth strategy
- The global market share of SSD controller exceeds 20%
- The global market share of automotive-grade controller exceeds 40%
- Confident that our [unique business model](#) can produce consistently strong cashflows and profits over the long-term amidst NAND memory market cycles.
- Strongly maintain long-term partnerships with our global NAND flash supply sources and with our downstream module customers.

[About PHISON]

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

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

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[Forward-looking Statements]

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