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PHISON

Financial Results & Company Outlook

2022 Second Quarter

K.S. Pua | CEO of Phison

July 29, 2022

Forward-Looking Statement

Information included in this earning meeting 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 cyclicity, 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.

Executive Summary

- 1** Phison's Business Transformation
- 2** Financial Results
- 3** Business Highlights
- 4** Technology Leadership Update
- 5** Q&A

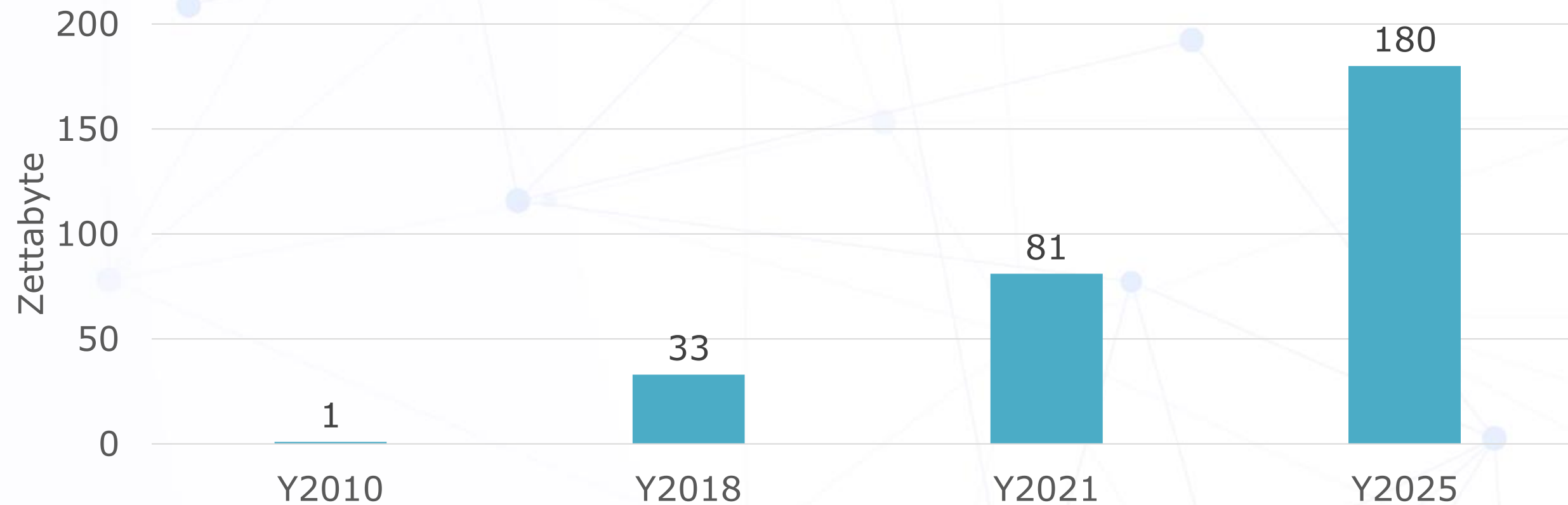
1 Phison's Business Transformation

Data is Driving the Transformation of the World

180 ZB

Global Data Generation in 2025

Global Data Generation Trend
(1 Zettabytes = 1 trillion Gigabytes)



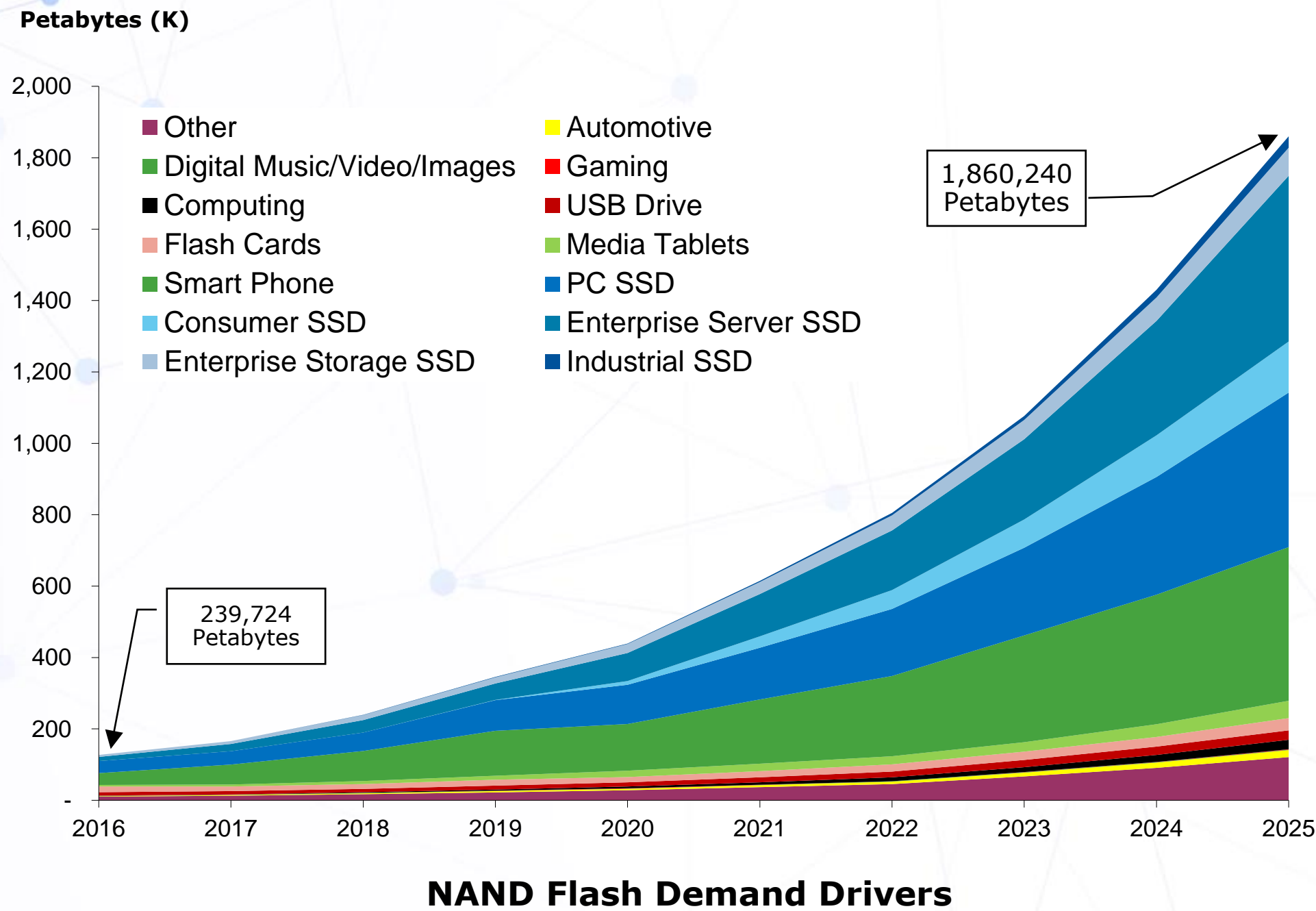
Global Digitization






Internet of Everything

AI/Machine Learning

High-Performance Computing

NAND Industry and Demand Continue to Grow Steadily



Application	NAND Bit Demand CAGR (2021-2025)
 Datacenter	33%
 Automotive	49%
 Industrial	45%
 Mobile	24%
 PC	21%

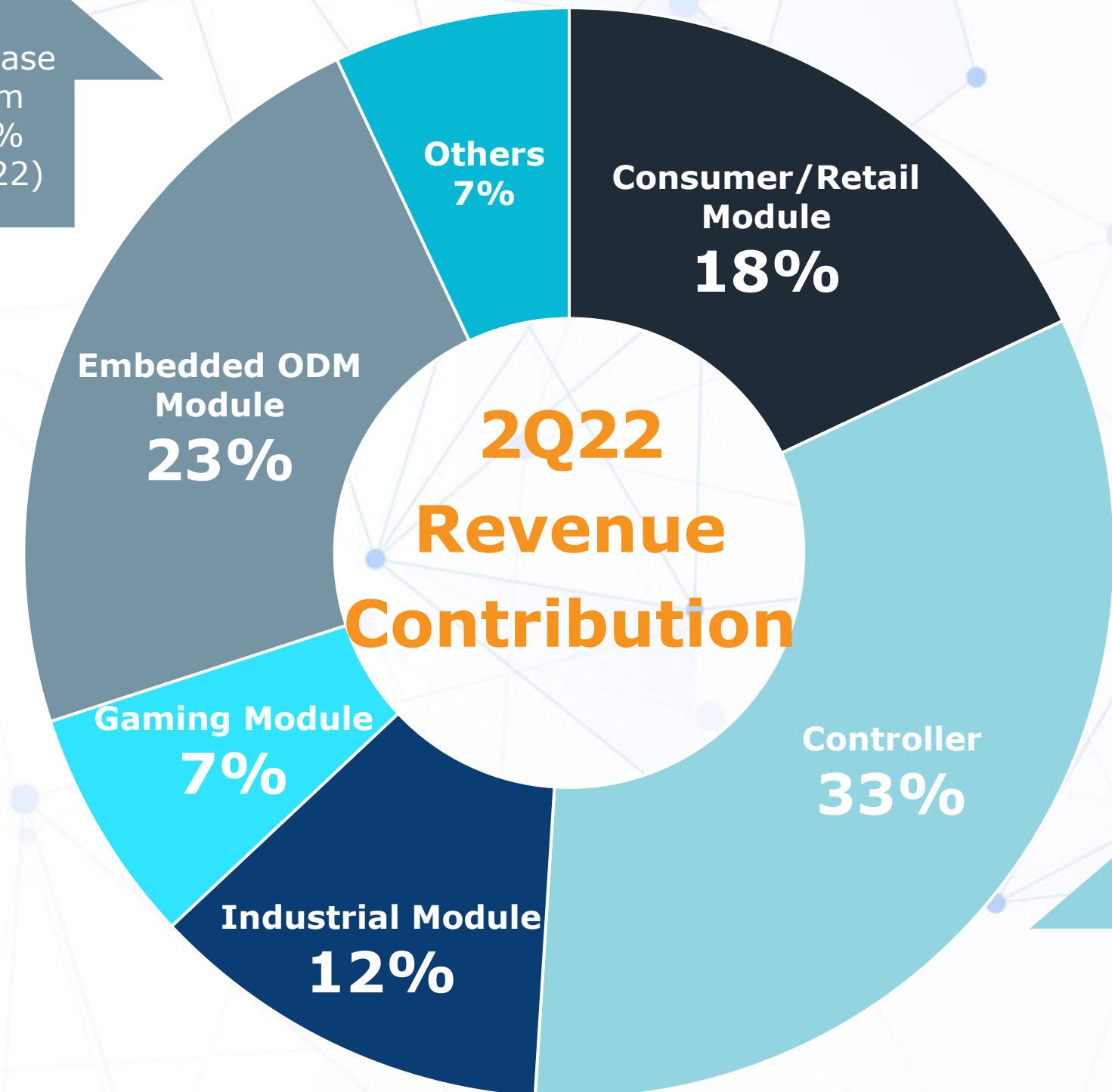
Source: Gartner (2022), Micron (2022)
 1 Petabyte = 1 million Gigabyte
 CAGR = Compound Annual Growth Rate = 年複合成長率

Phison's Non-consumer Deployment Reduces NAND Market Fluctuation Impact

Revenue from Non-consumer/retail Products

70%

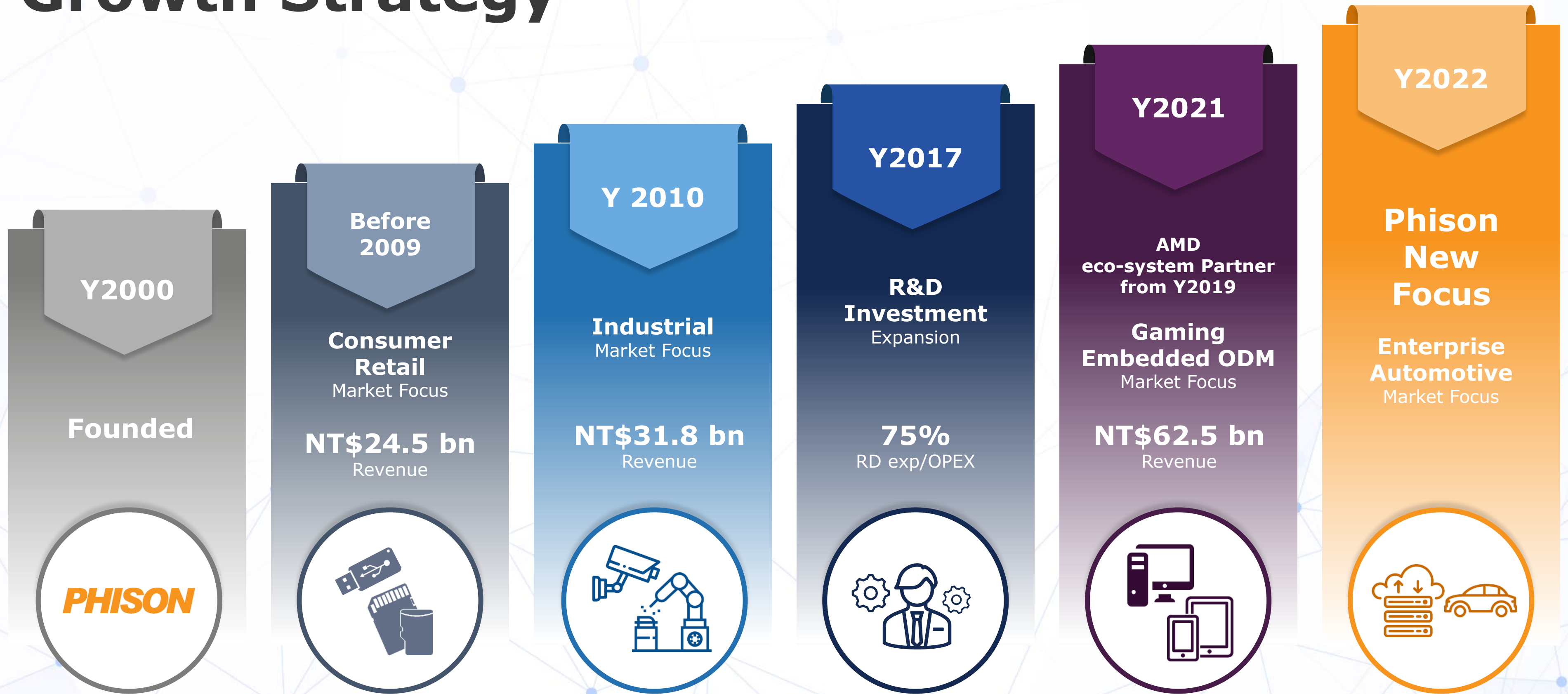
Increase from 21% (1Q22)



Increase from 29% (1Q22)

Note: Controller revenue contribution includes controllers directly shipped and applied to modules

The Last Mile of Phison 5+5 Growth Strategy



Phison Supports Strategic Partners Launch Enterprise SATA SSD

**Phison
SSD Controller**

**Powering
Enterprise SSD**



Source: <https://www.seagate.com/products/enterprise-drives/nytro-sata-ssd/>

Phison's Strategic Partner is Expected to Launch Enterprise PCIe Gen4 SSD during FMS



SEAGATE | PHISON

Introducing
World's Best-In-Class
Enterprise SSD



Coming soon



August 2 - 4, 2022
Santa Clara Convention Center
Flash Memory Summit

2 2Q22 Financial Results

2Q22 Revenue and Gross Profit

2Q22 Revenue

\$16.285B

Revenue up 2.4% YoY

A record high for the same period

2Q22 Gross Profit

\$4.947B

Gross profit -4.2% YoY

A second high for the same period

Revenue in \$NT

2Q22 Business performance

ASIC

- 33%** of total revenue in 2Q 2022
- 71%** YoY total controller unit growth
- 6%** YoY PCIe controller unit growth

Module

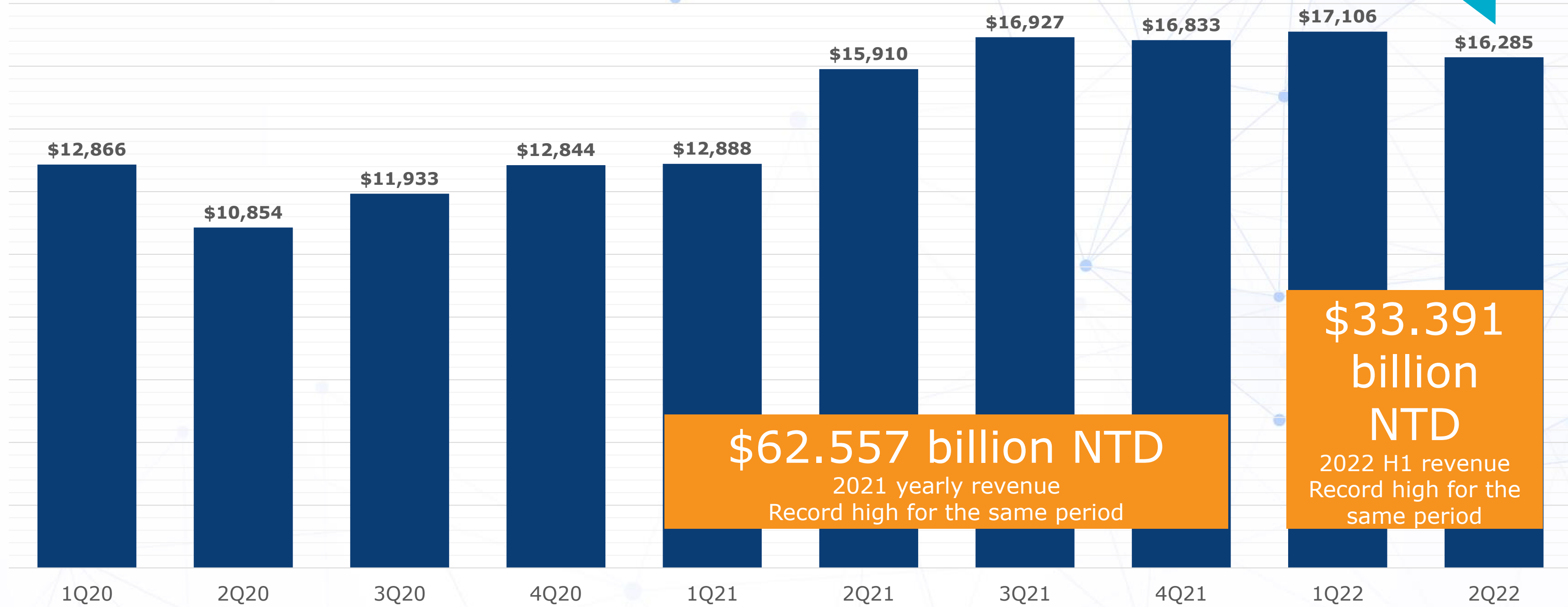
- 60%** of total revenue in 2Q 2022
- 6%** YoY unit growth in BGA SSD modules
- 65%** YoY revenue growth in embedded ODM modules

Revenue Trend

Successful transformation of the non-consumer storage market, maintaining stable revenue growth

2Q revenue hits record high for the same period

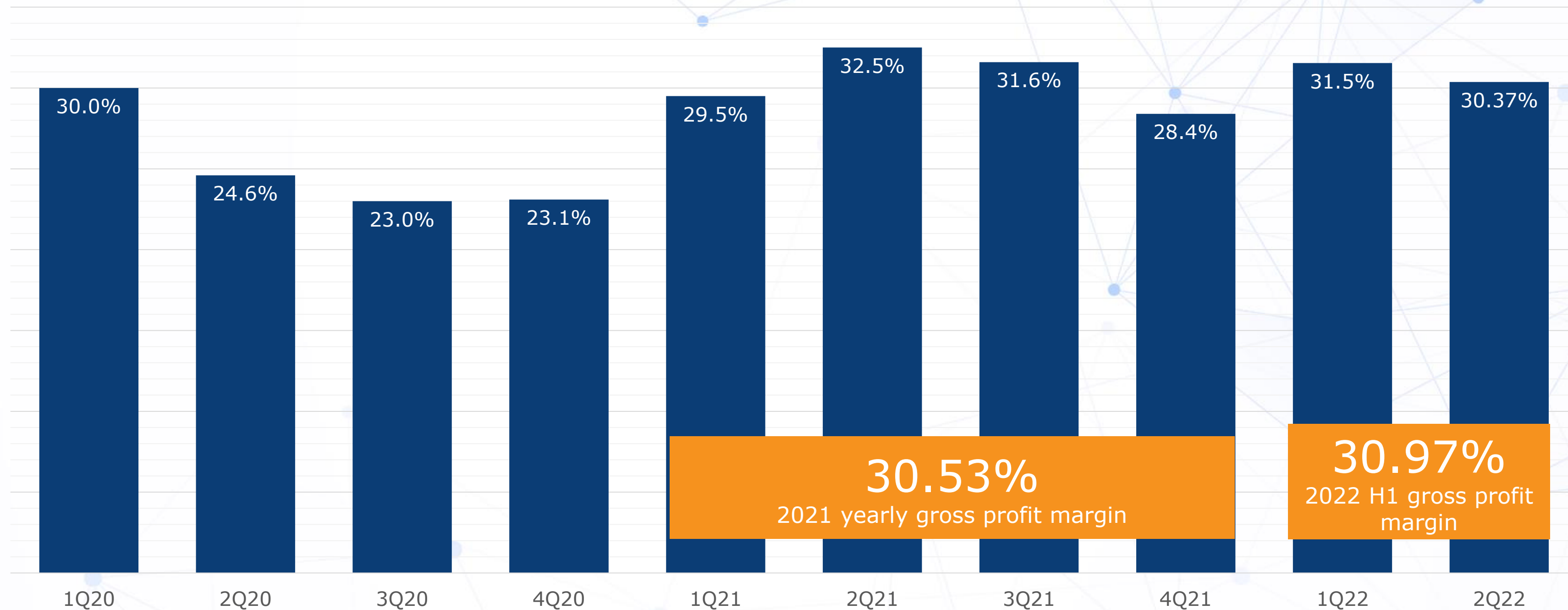
Revenue NT\$ millions



Gross Margin Rate Trend

Continue to improve the non-consumer product portfolio, maintaining a stable gross margin rate

■ Gross Margin %



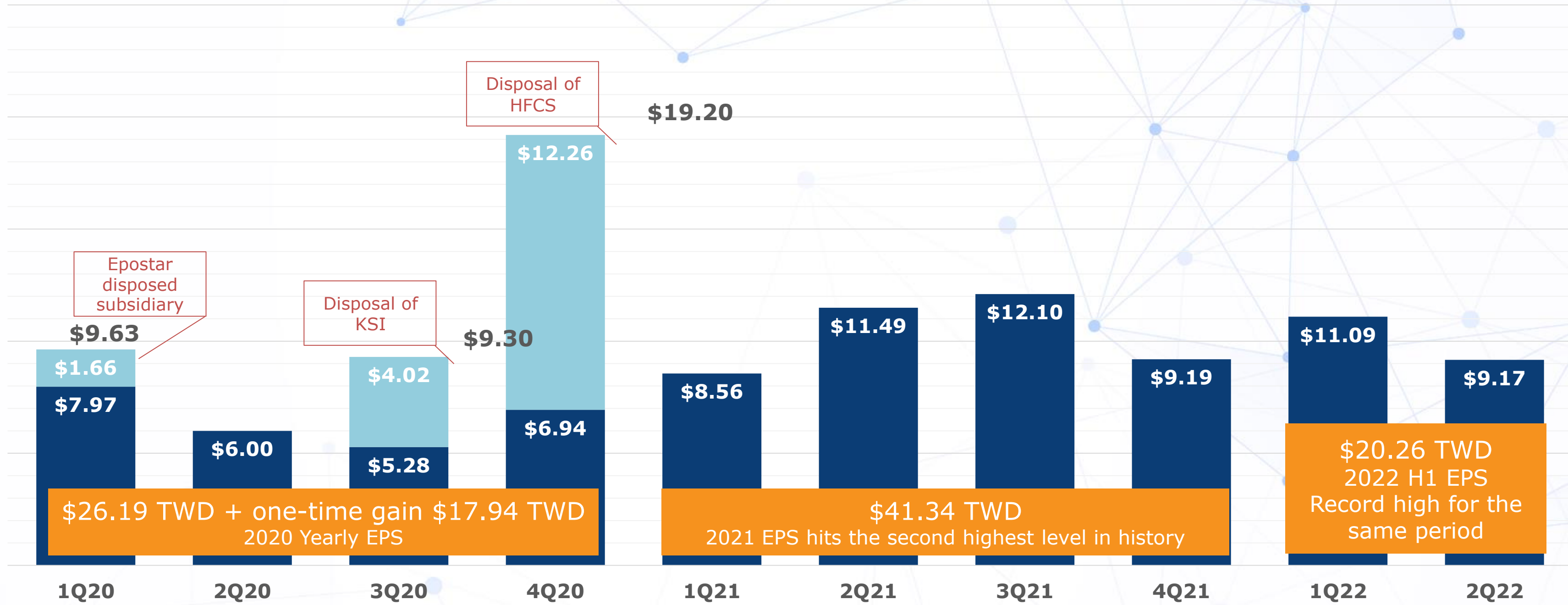
Note:

By the accounting rule, we evaluate the lower of cost and the market price (LCM) to reserve the allowance of inventory price loss. When the market price hiking, we will reversal the allowance of inventory price loss.

Earnings Per Share Trend

Phison's unique business model drives strong profitability

In \$NT



*EPS contribution from one-time gain is in light blue.

Balance Sheet Highlights

Taiwan-International Financial Reporting Standards (TIFRS)

NT\$m	2Q22		1Q22		2Q21	
	Amount	%	Amount	%	Amount	%
Total Assets	63,437	100.0	63,155	100.0	56,124	100.0
Cash & Current Financial assets at fair value	15,836	25.0	13,947	22.1	19,701	35.1
Account Receivable	8,523	13.4	10,003	15.8	8,134	14.5
Inventories	23,301	36.7	23,780	37.7	15,600	27.8
Long-term Investments	5,110	8.1	5,333	8.4	4,588	8.2
Net PP&E	7,482	11.8	6,866	10.9	5,461	9.7
Total Liabilities	24,449	38.5	25,853	40.9	21,820	38.9
Current Liabilities	18,703	29.5	20,166	31.9	21,378	38.1
Bonds Payable	3,427	5.4	3,420	5.4	0	0
Total Equity	38,988	61.5	37,302	59.1	34,304	61.1
BVPS(NT\$)	198		189		174	
Key Financial Ratios						
A/R Turnover Days	47		50		45	
Inventory Turnover Days	170		168		119	
ROE (%)	20.9		23.4		22.8	
ROA (%)	12.7		13.9		15.3	

- 1** Cash: Decreased Cash is because of the growth of inventory and pay-off of Plants payments and cash dividend.
- 2** Inventories: Inventories will be adjusted according to changes in the industry and to maintain a safe level based on operational needs.
- 3** Net PP&E: Increase due to the completion of the inspection and acceptance of the fifth phase of the R&D center and parking tower.
- 4** Total Equity: the change is a results of 2022 H1 Net profit deducting the surplus distribution of 2H/21 (NT\$13 Cash dividend per share).

Income Statement Highlights

Taiwan-International Financial Reporting Standards (TIFRS)

A record high over the same period in history

A second high over the same period in history

- 1 Revenue in NTD: YoY is increased 2.4%. Revenue in USD: YoY is decreased 2.1%.
- 2 Revenue contribution of higher gross margin products and well inventory management resulted 30.4% GM of 2Q22 reach record high over the same period.
- 3 Continue to invest in research and development expenses to maintain technological leadership
- 4 The result of operating profit, net income and EPS all reach record high over the same period.

NT\$m	1Q22	4Q21	Q/Q (%)	1Q21	Y/Y (%)
Revenue in US\$Mn	556	613	(9.3)	568	(2.1)
Revenue	16,285	17,106	(4.8)	15,910	2.4
Gross Profit	4,947	5,395	(8.3)	5,165	(4.2)
Operating Expenses	3,027	2,935	3.1	2,628	15.2
Operating Profit	1,920	2,460	(22.0)	2,537	(24.3)
Non-Operating gains (losses)	257	163	57.7	220	16.8
Pretax Income	2,177	2,623	(17.0)	2,757	(21.0)
Tax Expenses	370	438	(15.5)	493	(24.9)
Net Income to Phison	1,807	2,185	(17.3)	2,264	(20.2)
Basic EPS (NT\$)	9.17	11.09	(17.3)	11.49	(20.2)
EBITDA*	2,435	2,863	(15.0)	2,948	(17.4)
Key Financial Ratios (%)					
Gross Margin	30.4%	31.5%		32.5%	
Operating Margin	11.8%	14.4%		15.9%	
Net Profit Margin	11.1%	12.8%		14.2%	
Average Exchange Rate--USD/NTD	28.72	27.99		28.17	

*EBITDA which takes earnings and adds back interests, taxes, and depreciation/amortization charges.

【Supplemental Information】

Reconciliations of TIFRS Results to Non-TIFRS Results

◎ Forward-Looking Statement ◎

The Non Taiwan International Financial Reporting Standards(Non-TIFRS) results supplemented in this presentation are reconciliation results which exclude the financial impact of share-based payment, tax effect and other items.

The supplemental information is for reference only, and is not a substitute for information based on TIFRS. The final actual surplus distribution will be made in accordance with financial statements based on TIFRS.

Reconciliations of TIFRS Results to Non-TIFRS Results

NT\$/Millions		2Q22	1Q22	Q/Q (%)	2Q21	Y/Y (%)
TIFRS	Operating Profit	1,920	2,460	-22.0%	2,537	-24.3%
	Operating Profit Margin (%)	11.8%	14.4%		15.9%	
Reconciliations	Shares-based payment	101	100		58	
Non-TIFRS	Operating Profit	2,021	2,560	-21.1%	2,595	-22.1%
	Operating Profit Margin (%)	12.4%	15.0%		16.3%	

TIFRS	Net Income to Phison	1,807	2,185	-17.3%	2,264	-20.2%
	Net Income (%)	11.1%	12.8%		14.2%	
	Basic EPS (NT\$)	9.17	11.09		11.49	
Reconciliations	Shares-based payment	101	100		58	
	Tax effect	(14)	(14)		(15)	
Non-TIFRS	Net Income to Phison	1,894	2,271	-16.6%	2,307	-17.9%
	Net Income (%)	11.6%	13.3%		14.5%	
	Basic EPS (NT\$)	9.61	11.52		11.70	

Note1: Please note, Non-TIFRS results here is a supplement and not a substitute for the Information based on TIFRS, which excluded the share-based payment, tax effect and other items. The final actual surplus distribution is based on the financial statements of TIFRS.

Note2: The numbers may not equal, it is due to rounding.

3 Business Highlights

Phison + AMD + Micron Announced to Jointly Build PCIe 5.0 Ecosystem

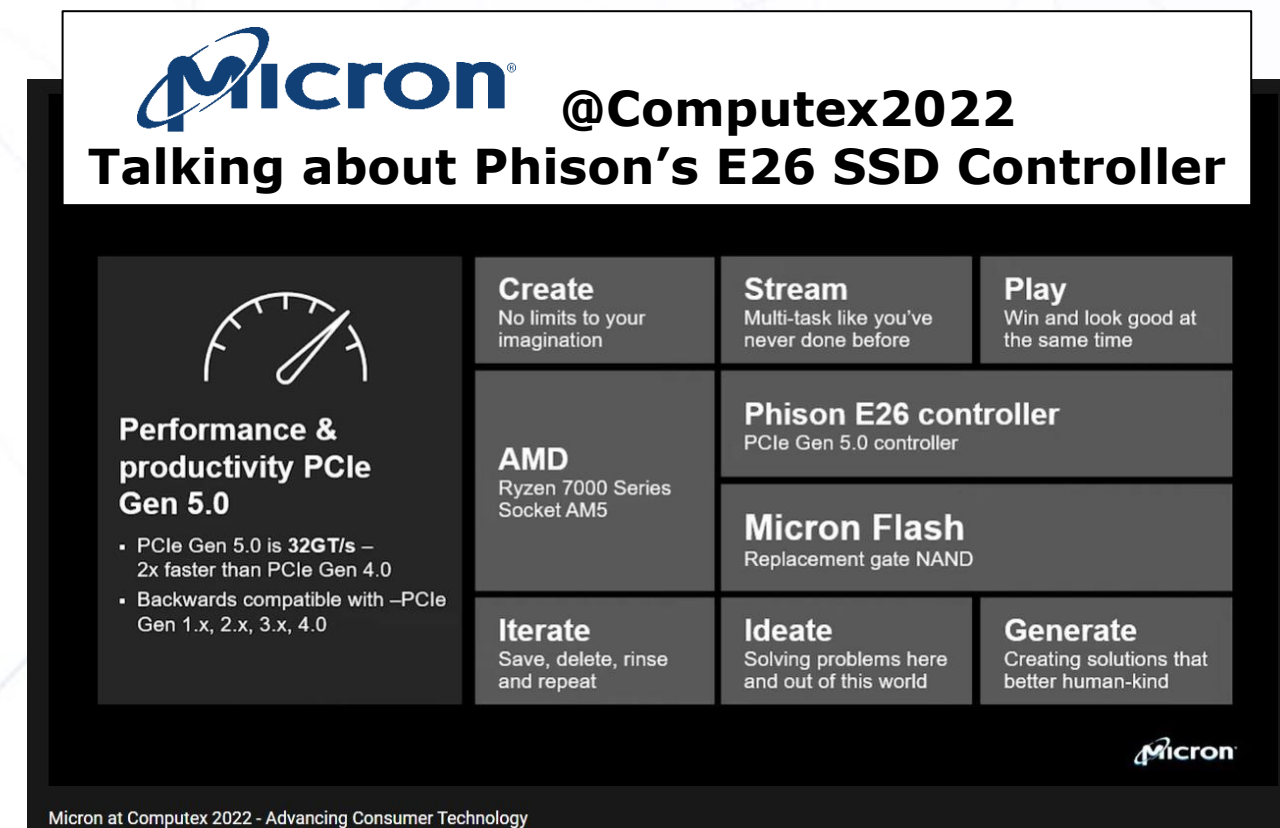
PCIe Gen5 Ecosystem Partnership



PCIe Gen5 Ecosystem Partner Video:
<https://youtu.be/7RlZDxoXVFE>

AMD @Computex2022 Talking about Phison's role in PCIe 5.0:
<https://www.youtube.com/watch?v=BRTBB2VnF8M&t=1577s>

Micron @Computex2022 Talking about Phison's E26 SSD Controller:
<https://www.youtube.com/watch?v=GRS2hFVnZJo&t=915s>



2Q22 Business Highlights



Retail

- Phison PS8229 SD controller enabled world's first 1.5TB microSD



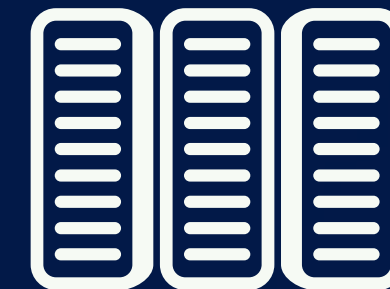
OEM

- Phison eMMC PS8232 in smartphone
- Phison Gen4 PS5018 and PS5019 in NB



Gaming

- Phison Gen4 PS5019 for SteamDeck SSD upgrade



Server / DC

- Phison Gen4 PS5020 approved by enterprise partner



Industrial

- Phison Gen3 PS5012 in medical system
- Phison Gen4 PS5018 in theater projector system

4 Technology Leadership Update

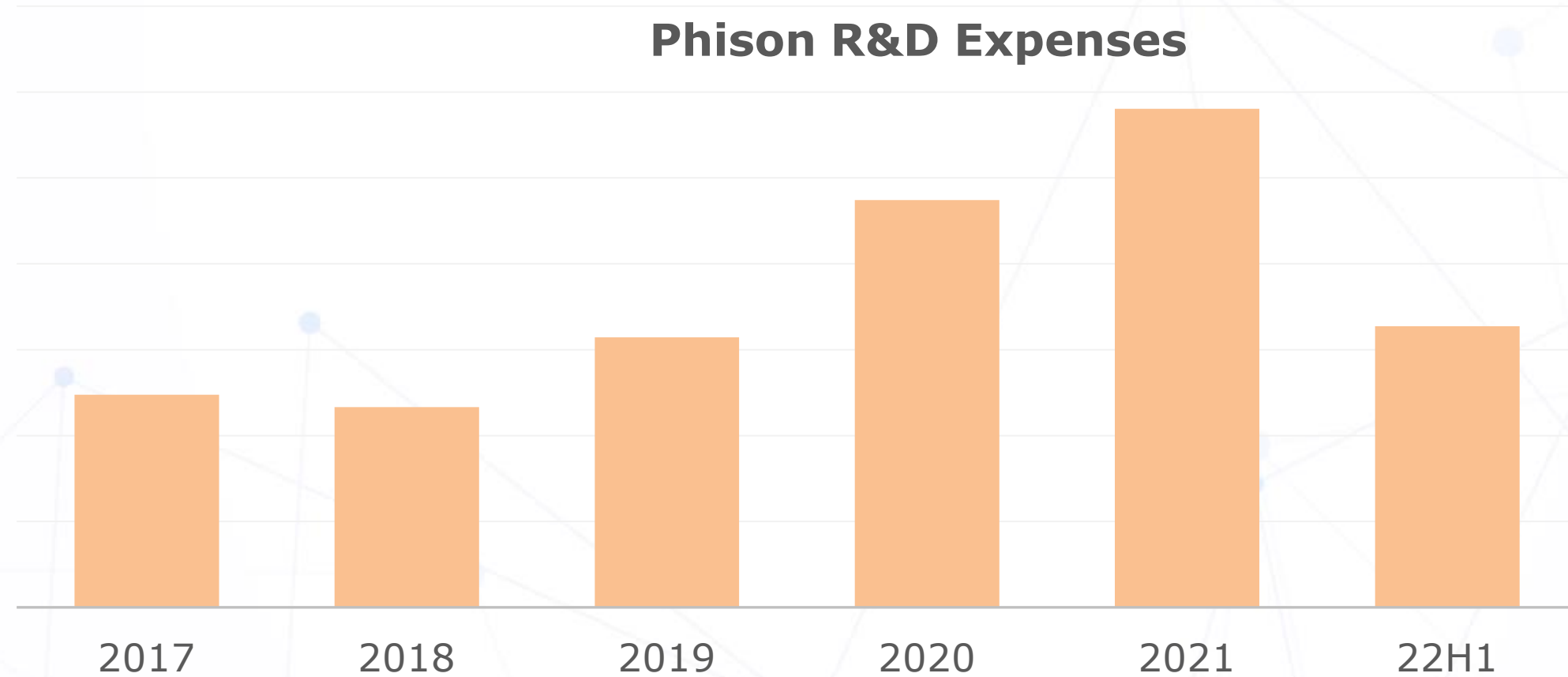
Continue to Strengthen Phison Leading Technology Position

Category	2017	2018	2019	2020	2021	1H22
R&D Headcount	942	1,112	1,450	1,531	2,228	2,658
R&D Exp. / Revenue (%)	9%	9%	11%	14%	13%	14%
R&D Exp. / Operating Exp.	78%	79%	79%	81%	81%	79%

2000+
Global Patents

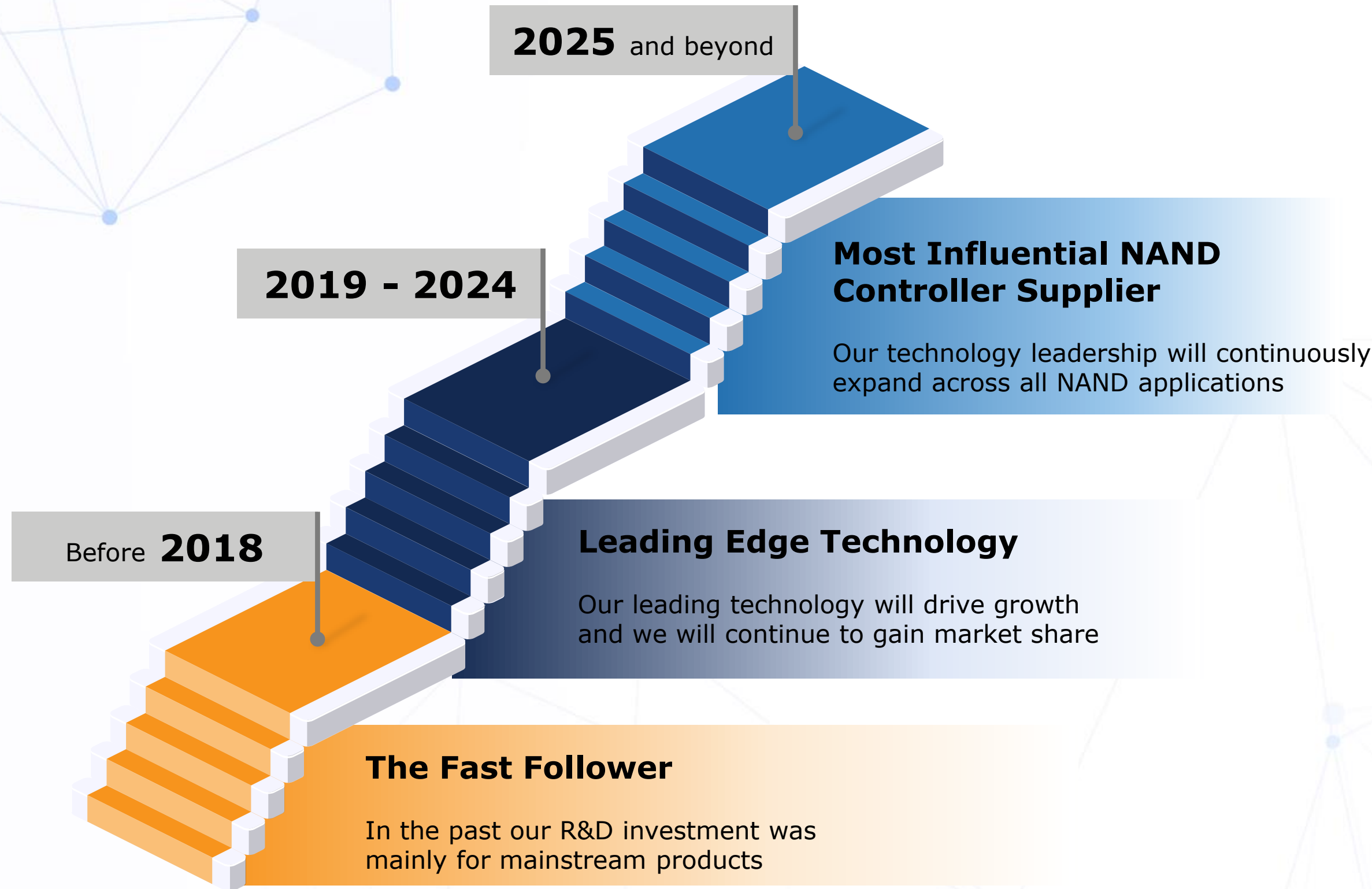
3500+
Global Employees

75%+
Proportion of Engineers



Note: Global patents including Granted and Pending

Phison Aims to Be the World's Most Influential NAND Controller Supplier



Phison 5+5 Growth Strategy

