

Phison Electronics Corp. and Subsidiaries
Consolidated Financial Statements
With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2023 and 2022

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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 September 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2023 and 2022, as well as the changes in equity and cash flows for the nine months ended September 30, 2023 and 2022, 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 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 \$3,693,357 thousand and \$3,566,775 thousand, both constituting 6% of the consolidated total assets as of September 30, 2023 and 2022, total liabilities amounting to \$844,226 thousand and \$835,779 thousand, both constituting 4% of the consolidated total liabilities as of September 30, 2023 and 2022, and total comprehensive income amounting to \$114,394 thousand, \$135,248 thousand, \$112,409 thousand and \$350,046 thousand, constituting 13%, 14%, 7% and 7% of absolute value of the consolidated total comprehensive income for the three months and nine months ended September 30, 2023 and 2022, respectively.



Furthermore, as stated in Note 6(8), the other equity accounted investments of Phison Electronics Corp. and its subsidiaries in its investee companies of \$4,296,123 thousand as of September 30, 2022, and its equity in net earnings on these investee companies of \$(401,797) thousand and \$(400,664) thousand for the three months and nine months ended September 30, 2022, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

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 Phison Electronics Corp. and its subsidiaries as of September 30, 2023 and 2022, and of its consolidated financial performance for the three months and nine months ended September 30, 2023 and 2022, as well as its consolidated cash flows for the nine months ended September 30, 2023 and 2022 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 Chien-Hui Lu and Wan-Yuan Yu.

KPMG

Taipei, Taiwan (Republic of China)

November 7, 2023

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 Originally Issued in Chinese)
Phison Electronics Corp. and subsidiaries

Consolidated Statements of Comprehensive Income

For the three and nine months ended September 30, 2023 and 2022

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

	For the three months ended				For the nine months ended				
	September 30,				September 30,				
	2023		2022		2023		2022		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (notes 6(23) and 7)	\$ 12,388,565	100	14,574,608	100	32,473,630	100	47,965,882	100
5000	Operating costs (notes 6(7), (24) and 7)	8,374,201	68	11,041,947	76	21,998,333	68	34,052,664	71
	Gross profit from operations	4,014,364	32	3,532,661	24	10,475,297	32	13,913,218	29
5910	Unrealized profit on transactions with associates	(25,843)	-	26,665	-	(33,876)	-	(12,075)	-
5950	Realized gross profit	3,988,521	32	3,559,326	24	10,441,421	32	13,901,143	29
	Operating expenses (notes 6(24) and 7):								
6100	Marketing expenses	324,628	3	322,256	2	886,450	3	934,415	2
6200	General and administrative expenses	237,938	2	209,278	1	605,520	2	839,877	2
6300	Research and development expenses	2,895,760	23	1,785,578	12	6,879,502	21	6,487,001	13
6450	Expected credit loss (reversal gain) (note 6(5))	5,248	-	20,992	-	(10,864)	-	39,237	-
	Total operating expenses	3,463,574	28	2,338,104	15	8,360,608	26	8,300,530	17
	Net operating income	524,947	4	1,221,222	9	2,080,813	6	5,600,613	12
	Non-operating income and expenses:								
7010	Other income (notes 6(25) and 7)	48,012	1	47,246	-	187,889	1	160,069	-
7020	Other gains and losses (notes 6(9) and (25))	343,108	3	454,845	3	695,537	2	756,940	2
7050	Finance costs (note 6(25))	(10,148)	-	(8,562)	-	(27,099)	-	(27,054)	-
7100	Interest income	33,984	-	22,594	-	137,266	-	45,731	-
7060	Shares of profit (loss) of associates accounted for using the equity method (note 6(8))	11,724	-	(401,797)	(3)	(1,158,255)	(3)	(400,664)	(1)
		426,680	4	114,326	-	(164,662)	-	535,022	1
7900	Profit before tax	951,627	8	1,335,548	9	1,916,151	6	6,135,635	13
7950	Income tax expenses (note 6(19))	93,614	1	143,534	1	375,347	1	951,706	2
8200	Net profit for the period	858,013	7	1,192,014	8	1,540,804	5	5,183,929	11
8300	Other comprehensive income (loss):								
	Items that will not be reclassified subsequently to profit or loss								
8310									
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(26))	(22,976)	-	(148,906)	(1)	29,079	-	(160,619)	-
8320	Shares of other comprehensive income of associates accounted for using the equity method	(1,337)	-	(143,580)	(1)	23,253	-	(230,084)	-
		(24,313)	-	(292,486)	(2)	52,332	-	(390,703)	-
8360	Items that may be reclassified subsequently to profit or loss								
8361	Exchange differences on translation of foreign financial statements	97,481	-	98,759	1	(26,797)	-	221,485	-
8399	Income tax related to items that may be reclassified subsequently (note 6(19))	(19,496)	-	(19,752)	-	5,359	-	(15,585)	-
		77,985	-	79,007	1	(21,438)	-	205,900	-
8300	Other comprehensive income	53,672	-	(213,479)	(1)	30,894	-	(184,803)	-
8500	Total comprehensive income	\$ 911,685	7	978,535	7	1,571,698	5	4,999,126	11
	Earnings per share (New Taiwan Dollars) (note 6(22)):								
9750	Basic earnings per share	\$ 4.32		6.13		7.91		26.42	
9850	Diluted earnings per share	\$ 4.16		5.84		7.58		24.83	

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 nine months ended September 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Share capital			Retained earnings				Exchange differences on translation of foreign financial statements	Total other equity interest		Treasury shares	Total equity	
	Common shares	Advance receipts for share capital	Total share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings		Total	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income			Total
Balance at January 1, 2022	\$ 1,970,740	-	1,970,740	7,238,436	5,530,308	155,568	22,310,098	27,995,974	(143,563)	246,847	103,284	-	37,308,434
Net profit for the period	-	-	-	-	-	-	5,183,929	5,183,929	-	-	-	-	5,183,929
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	-	205,900	(390,703)	(184,803)	-	(184,803)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	5,183,929	5,183,929	205,900	(390,703)	(184,803)	-	4,999,126
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	-	-	817,193	-	(817,193)	-	-	-	-	-	-
Cash dividends of common shares	-	-	-	-	-	-	(4,532,702)	(4,532,702)	-	-	-	-	(4,532,702)
Reversal of special reserve	-	-	-	-	-	(155,568)	155,568	-	-	-	-	-	-
Changes in equity of associates accounted for using the equity method	-	-	-	679,918	-	-	-	-	-	-	-	-	679,918
Purchase of treasury share	-	-	-	-	-	-	-	-	-	-	-	(2,062,085)	(2,062,085)
Share-based payments	-	-	-	285,829	-	-	-	-	-	-	-	-	285,829
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	94,932	94,932	-	(94,932)	(94,932)	-	-
Balance at September 30, 2022	\$ 1,970,740	-	1,970,740	8,204,183	6,347,501	-	22,394,632	28,742,133	62,337	(238,788)	(176,451)	(2,062,085)	36,678,520
Balance at January 1, 2023	\$ 1,970,740	16,005	1,986,745	8,970,438	6,347,501	-	22,605,164	28,952,665	27,271	(244,081)	(216,810)	(2,061,216)	37,631,822
Net profit for the period	-	-	-	-	-	-	1,540,804	1,540,804	-	-	-	-	1,540,804
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	-	(21,438)	52,332	30,894	-	30,894
Total comprehensive income (loss) for the period	-	-	-	-	-	-	1,540,804	1,540,804	(21,438)	52,332	30,894	-	1,571,698
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	-	-	216,340	-	(216,340)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	222,728	(222,728)	-	-	-	-	-	-
Cash dividends of common shares	-	-	-	-	-	-	(1,753,518)	(1,753,518)	-	-	-	-	(1,753,518)
Changes in equity of associates accounted for using the equity method	-	-	-	678,088	-	-	-	-	-	-	-	-	678,088
The transfer of treasury share to employees	-	-	-	274,982	-	-	-	-	-	-	-	803,908	1,078,890
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	(16,860)	(16,860)	-	16,860	16,860	-	-
Share-based payments	-	-	-	204,926	-	-	-	-	-	-	-	-	204,926
Exercise of employee stock options	43,445	16,145	59,590	1,289,558	-	-	-	-	-	-	-	-	1,349,148
Balance at September 30, 2023	\$ 2,014,185	32,150	2,046,335	11,417,992	6,563,841	222,728	21,936,522	28,723,091	5,833	(174,889)	(169,056)	(1,257,308)	40,761,054

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 nine months ended September 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2023	2022
Cash flows from operating activities:		
Profit before income tax	\$ 1,916,151	6,135,635
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	516,506	480,563
Amortization expense	393,166	274,492
Expected credit loss (reversal gain)	(10,864)	39,237
Net loss (gain) on financial assets at fair value through profit or loss	(342,715)	313,852
Finance costs	27,099	27,054
Loss on disposal of property, plant and equipment	185	1,457
Interest income	(137,266)	(45,731)
Dividend income	(85,563)	(89,731)
Share-based payments	481,973	285,829
Shares of loss (profit) of associates accounted for using the equity method	1,158,255	400,664
Gain on disposal of investments accounted for using the equity method	-	(30,426)
Unrealized profit (loss) on transactions with associates	33,876	12,075
Unrealized foreign exchange (gain)	(221,670)	336,562
Inventory obsolescence loss (reversal gain)	(152,266)	1,091,934
Reversal of refund liabilities	(209,519)	(30,899)
Profit from lease modification	(30)	(190)
Gain recognized in bargain purchase transaction	-	(16,289)
Total adjustments to reconcile profit (loss)	1,451,167	3,050,453
Changes in operating assets and liabilities:		
Accounts receivable (including related parties)	(1,197,437)	672,785
Other receivables	(9,117)	257,577
Inventories	(788,654)	(2,562,999)
Prepayments	(59,383)	(27,851)
Other current assets	(740)	1,673
Contract liabilities	22,971	(56,275)
Accounts payable (including related parties)	214,940	(4,651,136)
Other payables	(1,592,615)	(562,652)
Other current liabilities	27,424	(33,009)
Net defined benefit liabilities	1,847	1,192
Total changes in operating assets and liabilities	(3,380,764)	(6,960,695)
Cash (outflow) generated from operations	(13,446)	2,225,393
Interest paid	(4,761)	(5,638)
Income taxes paid	(446,133)	(2,048,122)
Net cash flows from (used in) operating activities	(464,340)	171,633

(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 nine months ended September 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2023	2022
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(29,547)	(28,494)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	12,650
Acquisition of financial assets at amortized cost	(69)	(40)
Proceeds from disposal of financial assets at amortized cost	-	547,960
Acquisition of financial assets at fair value through profit or loss	(500,000)	(2,395)
Proceeds from disposal of financial assets at fair value through profit or loss	224,247	377,473
Proceeds from capital reduction of financial assets at fair value through profit or loss	-	7,245
Net cash flow from acquisition of subsidiaries	-	(24,547)
Acquisition of property, plant and equipment	(360,709)	(1,348,927)
Proceeds from disposal of property, plant and equipment	300	272
Increase in refundable deposits	(1,118,433)	(13,651)
Acquisition of intangible assets	(257,167)	(253,952)
Increase in prepayments for land and equipment	-	(22,203)
Interest received	135,794	44,336
Dividends received	85,563	89,731
Net cash flows used in investing activities	(1,820,021)	(614,542)
Cash flows from financing activities:		
Increase in short-term loans	287,658	1,967,656
Decrease in short-term loans	-	(2,380,651)
Repayments of long-term borrowings	(42,173)	(23,020)
Increase (decrease) in guarantee deposits received	(597,243)	2,488,752
Payment of lease liabilities	(34,451)	(35,938)
Cash dividends paid	(2,836,702)	(4,532,738)
Exercise of employee stock options	1,349,148	-
Payments to acquire treasury shares	-	(2,062,085)
Treasury shares sold to employees	801,843	-
Net cash flows used in financing activities	(1,071,920)	(4,578,024)
Effect of exchange rate changes on cash and cash equivalents	214,854	(287,239)
Net decrease in cash and cash equivalents	(3,141,427)	(5,308,172)
Cash and cash equivalents at beginning of period	17,033,769	19,040,947
Cash and cash equivalents at end of period	\$ 13,892,342	13,732,775

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Phison Electronics Corp. and subsidiaries
Notes to the Consolidated Financial Statements
September 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

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 (over-the-counter exchange in Taiwan) 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 November 7, 2023.

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, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS12 “International Tax Reform – Pillar Two Model Rules”

- (2) The impact of IFRS 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, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS16 “Lease Liability in a Sale and Leaseback”

Phison Electronics Corp. and subsidiaries
Notes to the Consolidated Financial Statements

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

The following new and amended standards have been issued by the International Accounting Standards Board (“IASB”), but have yet to be endorsed by the FSC:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS 21 “Lack of Exchangeability”

As of the date the consolidated financial statements were authorized for issue, except for IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts” is not relevant to the Group, the Group is evaluating the impact of its initial adoption of the remaining abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

4. Summary of significant 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 statement for the year ended December 31, 2022. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2022.

- (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, 2022. For the related information, please refer to note 4(3) of the consolidated financial statements for the year ended December 31, 2022.

A. List of subsidiaries in the consolidated financial statements

The subsidiaries included in the consolidated financial statements are as follows:

Name investor	Name of subsidiary	Principal activity	Shareholding (%)			Note
			September 30, 2023	December 31, 2022	September 30, 2022	
The Company	Lian Xu Dong Investment Corporation	Investment	100	100	100	

Phison Electronics Corp. and subsidiaries
Notes to the Consolidated Financial Statements

Name investor	Name of subsidiary	Principal activity	Shareholding (%)			Note
			September 30, 2023	December 31, 2022	September 30, 2022	
The Company	Phison Electronics Japan Corp.	Sales and service office	100	100	100	
The Company	Emtops Electronics Corp.	Investment	100	100	100	
The Company	Phisontech Electronics Taiwan Corp.	Investment and trade	100	100	100	
The Company	Global Flash Limited	Investment and trade	100	100	100	
The Company	Power Flash (Samoa) Limited	Investment and trade	100	100	100	
The Company	Everspeed Technology Limited	Trade of electronic components	-	-	-	Note 1
The Company	Regis Investment (Samoa) Limited	Investment	100	100	100	
The Company	Nextorage Corporation	R&D, design, manufacture and sale of flash memory application products	100	100	100	Note 2
The Company	Phison Technology India Private Limited	Design, R&D, import and export of storage devices and electronic components	100	100	-	Note 3
Global Flash Limited	Core Storage Electronic (Samoa) Limited	Investment and trade	100	100	100	
Lian Xu Dong Investment Corporation	Ostek Corporation	Manufacture and trade of electronic components	100	100	100	
Power Flash (Samoa) Limited	Power Flash (HK) Limited	Sale of electronic products	100	100	100	
Power Flash (Samoa) Limited	Power Storage Technology (Shenzhen) Limited	Design, R&D, import and export of storage devices and electronic components	100	100	100	Note 4
Everspeed Technology Limited	Memoryexchange Corporation	Manufacture and sale of flash memory related products	-	-	-	Note 5
Regis Investment (Samoa) Limited	RealYou Investment Limited	Investment	100	100	100	

Phison Electronics Corp. and subsidiaries
Notes to the Consolidated Financial Statements

Name investor	Name of subsidiary	Principal activity	Shareholding (%)			Note
			September 30, 2023	December 31, 2022	September 30, 2022	
RealYou Investment Limited	Hefei Ruhan Electronic Technology Limited	Design, R&D and sale of electronic products and technical support service and rendering of related services and investment	100	100	100	
Emtops Electronics Corp.	Phison Technology Inc.	Sales and service office	100	100	100	
Phisontech Electronics Taiwan Corp.	Super Storage Technology Corporation	Manufacture and trade of electronic components	100	100	100	

Note 1: Everspeed Technology Limited was liquidated in July 2022.

Note 2: Since January 1, 2022, Nextorage Corporation has become a 100%-held subsidiary of the Company. Please refer to note 6(9) for related information.

Note 3: For operation needs, the Company set up Phison Technology India Private Limited in India in December 2022, wherein the Company and Emtops Electronics Corp. held 2,299,990 shares and 10 shares, respectively, in it.

Note 4: For operation needs, the Company set up Power Storage Technology (Shenzhen) Limited in Shenzhen, Mainland China, in January 2022.

Note 5: Memoryexchange Corporation ended its operations in March 2021, and was liquidated in March 2022.

Note 6: The abovementioned subsidiaries are all non-significant subsidiaries, the financial statements of which have not been reviewed by independent auditors.

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.

Phison Electronics Corp. and subsidiaries
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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) requires management to make judgments, estimates and assumptions 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 consolidated financial statements for the year ended December 31, 2022. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2022.

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 consolidated financial statements for the year ended December 31, 2022. Please refer to Note 6 of consolidated financial statements for the year ended December 31, 2022.

(1) Cash and cash equivalent

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Cash	\$ 145	145	145
Demand deposits and check deposits	9,892,159	11,507,034	6,933,766
Cash equivalents – time deposits	<u>4,000,038</u>	<u>5,526,590</u>	<u>6,798,864</u>
	<u>\$ 13,892,342</u>	<u>17,033,769</u>	<u>13,732,775</u>

Please refer to note 6(26) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Financial assets at fair value through profit or loss – current:			
Beneficiary certificates – open-end funds	\$ 612,233	110,769	110,542
Domestic listed stock (note)	823,650	674,253	631,326
Derivative instruments – convertible bonds (note 6(17))	<u>350</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,436,233</u>	<u>785,022</u>	<u>741,868</u>

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	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>
Financial assets at fair value through profit or loss – non-current:			
Domestic private equity funds	\$ 29,350	34,444	42,824
Domestic unlisted stocks	144,389	174,012	162,184
Foreign unlisted stocks	<u>102,033</u>	<u>108,891</u>	<u>116,408</u>
	<u>\$ 275,772</u>	<u>317,347</u>	<u>321,416</u>

Note: In August 2022, Apacer Technology Inc. issued additional ordinary shares in exchange for the common stock of UD INFO Corp., resulting in the Company to acquire 2,505 thousand shares of newly issued common stock of Apacer Technology Inc. in exchange for the previously held 1,252 thousand shares of UD INFO Corp., with the base date set on August 1, 2022. Due to the aforementioned transaction, the cumulative gain in equity recognized during the period in which the Company held UD INFO Corp.'s shares amounting to \$94,932 thousand had been reclassified from FVOCI to retained earnings.

None of financial assets mentioned above were pledged as collateral.

(3) Financial assets at amortized cost – current

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>
Pledged time deposits	<u>\$ 40,568</u>	<u>40,499</u>	<u>40,499</u>

A. The Group estimated that the expected credit risk of the above financial assets is limited and the credit risk of original recognition has not increased.

B. The financial assets mentioned above were pledged as collateral. Please refer to note 8.

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

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>
Domestic unlisted stocks	\$ 246,962	235,752	190,944
Foreign unlisted stocks	<u>243,361</u>	<u>195,945</u>	<u>198,406</u>
	<u>\$ 490,323</u>	<u>431,697</u>	<u>389,350</u>

The Group held the abovementioned equity investment for long-term strategic purpose, but rather than for trading purpose. 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 pledge as collateral.

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

	September 30, 2023	December 31, 2022	September 30, 2022
Accounts receivable	\$ 7,176,874	6,126,356	7,297,354
Accounts receivable – related parties	1,522,120	1,221,183	1,614,747
	8,698,994	7,347,539	8,912,101
Less: loss allowance	(99,891)	(110,744)	(86,946)
Accounts receivable, net	<u><u>\$ 8,599,103</u></u>	<u><u>7,236,795</u></u>	<u><u>8,825,155</u></u>

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 and an assessment of both the current as well as 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 accounts 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.

	September 30, 2023		
	Gross carrying amount	Weighted- average loss rate (%)	Loss allowance
Current	\$ 7,924,684	0.17	13,101
1~60 days past due	763,730	9.98	76,210
More than 151 days past due	10,580	100.00	10,580
	<u><u>\$ 8,698,994</u></u>		<u><u>99,891</u></u>
	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate (%)	Loss allowance
Current	\$ 6,344,599	0.31	19,831
1~60 days past due	975,376	6.49	63,349
121~150 days past due	708	100.00	708
More than 151 days past due	26,856	100.00	26,856
	<u><u>\$ 7,347,539</u></u>		<u><u>110,744</u></u>

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	September 30, 2022		
	Gross carrying amount	Weighted- average loss rate (%)	Loss allowance
Current	\$ 8,343,753	0.31	25,630
1~60 days past due	538,161	5.79	31,133
91~120 days past due	60	93.33	56
More than 151 days past due	30,127	100.00	30,127
	\$ 8,912,101		86,946

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

	For the nine months ended September 30,	
	2023	2022
Balance, beginning of the period	\$ 110,744	47,709
Impairment losses recognized (reversed)	(10,864)	39,237
Effect of movements in exchange rates	11	-
Balance, end of the period	\$ 99,891	86,946

None of the accounts receivable mentioned above were pledged as collateral. As the average credit term of 30~90 days is similar with the practical in the industry, there are no finance elements included.

The Group entered into an un-recourse factoring agreement with the factor to sell its accounts receivable. Under the agreement, except necessary agreed expenses, the Group does not have the responsibility to assume the default risk of the transferred accounts receivable. The Group derecognized the above accounts receivable, because it has transferred substantially all of the risks and rewards of their ownership, and it does not have any continuing involvement in them. The amounts receivable from the factor were recognized as “other receivables” upon the derecognition of those accounts receivable. The outstanding sold accounts receivable at the end of the period were as follows:

(Unit: USD in Thousands)

September 30, 2023				
Factor	Factor Amount	Amount Recognized in Other Receivables	Range of Handling Fees Rate (%)	Transferring Terms
HSBC Bank (Taiwan) Limited	\$ <u>900</u>	<u>790</u>	0.22~0.65	Note 1~4

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December 31, 2022				
Factor	Factor Amount	Amount Recognized in Other Receivables	Range of Handling Fees Rate (%)	Transferring Terms
HSBC Bank (Taiwan) Limited	\$ <u>2,166</u>	<u>1,714</u>	0.22~0.65	Note 1~4

September 30, 2022				
Factor	Factor Amount	Amount Recognized in Other Receivables	Range of Handling Fees Rate (%)	Transferring Terms
HSBC Bank (Taiwan) Limited	\$ <u>2,137</u>	<u>1,776</u>	0.55~0.65	Note 1~4

Note 1: The accounts receivable transferred to the factoring bank are subjected to the consents of agreement between the Group and the bank and credit decision advices without recourse. No financing from the factoring bank agreement is within the factored accounts receivable.

Note 2: The Group informed its customers to make payment directly to the factoring bank.

Note 3: As of September 30, 2023, December 31, 2022, and September 30, 2022, the outstanding receivables after the above transactions, net of fees charged by the factoring bank, of \$25,494 thousand, \$52,651 thousand and \$56,393 thousand, respectively, were recognized under other receivables.

Note 4: To the extent of the amount transferred to the factor, risks of non-collection or potential payment default by customers in the event of insolvency are borne by the factor. The Group is not responsible for the collection of receivables subject to these facilities, or for any legal proceedings and costs thereof in collecting these receivables. No collaterals were provided by the Group.

(6) Other receivables

	September 30, 2023	December 31, 2022	September 30, 2022
Tax refunds receivable	\$ 258,626	193,916	315,696
Factored accounts receivable	25,494	52,651	56,393
Others	69,213	87,335	36,935
Less: loss allowance	-	-	-
	<u>\$ 353,333</u>	<u>333,902</u>	<u>409,024</u>

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(7) Inventories

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Raw materials	\$ 14,520,676	14,763,313	14,886,701
Work in process	4,397,177	2,427,948	3,003,853
Semi-finished goods	2,105,653	2,972,532	2,952,324
Finished goods	<u>307,789</u>	<u>226,582</u>	<u>232,562</u>
	<u>\$ 21,331,295</u>	<u>20,390,375</u>	<u>21,075,440</u>

The costs of inventories recognized as costs of goods sold for the three months and nine months ended September 30, 2023 and 2022 were \$8,374,201 thousand, \$11,041,947 thousand, \$21,998,333 thousand and \$34,052,664 thousand, respectively.

The costs of goods sold for the three months and nine months ended September 30, 2023 and 2022 included inventory obsolescence loss (reversal gain) of \$(90,736) thousand, \$737,427 thousand, \$(152,266) thousand and \$1,091,934 thousand, respectively.

None of the inventories mentioned above were pledged as collateral.

(8) Investments accounted for using the equity method

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
HOSIN Global Electronics Co., Ltd. (SZ)	\$ 2,661,691	3,252,782	3,850,547
EpoStar Electronics (BVI) Corporation	230,190	206,796	191,847
Hefei Xinpeng Technology Co., Ltd.	132,837	81,685	95,881
ProGrade Digital Inc.	142,997	126,981	131,226
Microtops Design Corporation	<u>27,297</u>	<u>25,719</u>	<u>26,622</u>
	<u>\$ 3,195,012</u>	<u>3,693,963</u>	<u>4,296,123</u>

A. Associates which are material to the Group consisted of the followings:

<u>Name of Associates</u>	<u>Principal Activity</u>	<u>Main Operating Location/ Registered Country</u>	<u>Ownership interest (%)</u>		
			<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
HOSIN Global Electronics Co., Ltd. (SZ)	R&D and sale of electronic product and technical service and rendering of related services	China	37.08	39.04	40.16

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The following consolidated financial information of significant associates has been adjusted according to individually prepared IFRS financial statements of these associates to express the adjustment due to the change in fair value when the Group obtained the ownership of the associates and the effect of different accounting polices:

HOSIN Global Electronics Co., Ltd. (SZ) and its subsidiaries

	September 30, 2023	December 31, 2022	September 30, 2022
Current assets	\$ 18,328,928	14,392,735	13,631,516
Non-current assets	4,938,009	4,912,374	5,032,287
Current liabilities	(15,550,946)	(9,820,783)	(7,779,807)
Non-current liabilities	(388,213)	(1,117,050)	(1,167,580)
Net assets	<u>\$ 7,327,778</u>	<u>8,367,276</u>	<u>9,716,416</u>
	For the three months ended September 30, 2023	For the three months ended September 30, 2022	For the nine months ended September 30, 2023
	2023	2022	2023
Operating revenue	<u>\$ 9,508,362</u>	<u>5,755,075</u>	<u>24,541,881</u>
Net profit (loss)	\$ 41,385	(986,810)	(2,891,453)
Other comprehensive income (loss)	7,049	105,227	(45,859)
Total comprehensive income (loss)	<u>\$ 48,434</u>	<u>(881,583)</u>	<u>(2,937,312)</u>
	September 30, 2023	December 31, 2022	September 30, 2022
Summarized information of the carrying amount of significant associates	<u>\$ 2,661,691</u>	<u>3,252,782</u>	<u>3,850,547</u>
	For the three months ended September 30, 2023	For the three months ended September 30, 2022	For the nine months ended September 30, 2023
	2023	2022	2023
Attributable to the Group:			
Net profit (loss)	\$ 14,118	(402,751)	(1,146,447)
Other comprehensive income (loss)	42,413	3,818	(55,143)
Total comprehensive income (loss)	<u>\$ 56,531</u>	<u>(398,933)</u>	<u>(1,201,590)</u>

The Group did not participate in the subscription of the cash capital increase of Hosin Global Electronics Co., Ltd. in the three quarters of 2023, therefore, the changes in equity of associate recognized in the capital surplus by the Group amounted to \$598,869 thousand and \$679,447 thousand for the nine months ended September 30, 2023.

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- B. The Group's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	September 30, 2023	December 31, 2022	September 30, 2022	
Summarized information of the carrying amount of associates that were not individually material	\$ <u>533,321</u>	<u>441,181</u>	<u>445,576</u>	
	For the three months ended September 30, 2023	2022	For the nine months ended September 30, 2023	
Attributable to the Group:				
Net loss	\$ (2,394)	954	(11,808)	(15,358)
Other comprehensive income (loss)	<u>2,529</u>	<u>(137,602)</u>	<u>28,565</u>	<u>(218,954)</u>
Total comprehensive income (loss)	\$ <u>135</u>	<u>(136,648)</u>	<u>16,757</u>	<u>(234,312)</u>

- C. Pledged

None of the investments accounted for using the equity method mentioned above were pledged as collateral.

- D. The unreviewed financial statements of investments accounted for using the equity method

Investments accounted for using the equity method and its share of profit or loss and other comprehensive income in the third quarter of 2022 were calculated based on the financial statements that have not been reviewed by independent auditors.

- (9) Business Combinations

For the purpose of improving advanced customized storage devices to meet the demand of Japan and global market, the Company acquired 6,120 common shares of Nextorage Corporation in cash amounting to JPY578,217 thousand. Therefore, since January 1, 2022, Nextorage was no longer a 49%-held investee accounted for using the equity method, and became a 100%-held subsidiary of the Company.

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A. Acquired identifiable assets and assumed liabilities at the date of acquisition

Current assets:	
Cash and cash equivalents	\$ 113,936
Accounts receivable, net	452,438
Other receivables	41,050
Inventories	107,841
Other current assets	801
Non-current assets:	
Property, plant and equipment	36,137
Intangible assets	2,401
Other non-current assets	68,313
Current liabilities:	
Accounts payable	(368,896)
Other payables	(148,709)
Other current liabilities	(1,837)
	<u>\$ 303,475</u>

B. Net cash outflow of the acquisition of subsidiaries

Consideration paid in cash	\$ 138,483
Less: cash and cash equivalent acquired	<u>(113,936)</u>
	<u>\$ 24,547</u>

Gain on a bargain purchase from acquisition was as follows:

Consideration transferred	\$ 138,483
Plus: fair value of pre-existing interest in Nextorage	148,703
Less: fair value of identifiable assets	<u>303,475</u>
Gain on a bargain purchase (recognized as other income)	<u>\$ (16,289)</u>

The Group re-measured the fair value of its existing equity interest of 49% in Nextorage before the acquisition date, and the deemed gain on disposal of investments accounted for using the equity method of \$27,689 thousand was recognized as “other gains and losses” on the consolidated statement of comprehensive income for the nine months ended September 30, 2022.

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(10) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Mechanical and testing equipment</u>	<u>Office and other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost:						
Balance at January 1, 2023	\$ 2,149,285	5,069,347	1,559,637	397,475	46,491	9,222,235
Additions for the period	-	92,313	209,652	22,449	12,532	336,946
Disposal for the period	-	-	(241,118)	(33,835)	-	(274,953)
Reclassification	-	56,265	2,157	-	(58,819)	(397)
Effect of movements in exchange rates	(21)	(816)	2,005	(1,073)	(14)	81
Balance at September 30, 2023	<u>\$ 2,149,264</u>	<u>5,217,109</u>	<u>1,532,333</u>	<u>385,016</u>	<u>190</u>	<u>9,283,912</u>
Balance at January 1, 2022	\$ 1,762,820	2,626,517	1,371,564	274,718	1,982,139	8,017,758
Additions for the period	386,280	226,614	358,050	99,647	250,983	1,321,574
Acquisitions through business combinations	189	10,841	1,519	23,376	212	36,137
Disposal for the period	-	-	(172,208)	(48,475)	-	(220,683)
Reclassification	-	2,158,507	17,374	12,632	(2,189,389)	(876)
Effect of movements in exchange rates	(20)	(970)	3,552	904	(19)	3,447
Balance at September 30, 2022	<u>\$ 2,149,269</u>	<u>5,021,509</u>	<u>1,579,851</u>	<u>362,802</u>	<u>43,926</u>	<u>9,157,357</u>
Depreciation:						
Balance at January 1, 2023	\$ -	723,512	730,222	170,740	-	1,624,474
Depreciation for the period	-	115,322	295,904	69,486	-	480,712
Disposal for the period	-	-	(240,633)	(33,835)	-	(274,468)
Effect of movements in exchange rates	-	(67)	280	118	-	331
Balance at September 30, 2023	<u>\$ -</u>	<u>838,767</u>	<u>785,773</u>	<u>206,509</u>	<u>-</u>	<u>1,831,049</u>
Balance at January 1, 2022	\$ -	596,723	634,894	135,579	-	1,367,196
Depreciation for the period	-	89,307	293,856	60,946	-	444,109
Disposal for the period	-	-	(171,995)	(46,959)	-	(218,954)
Effect of movements in exchange rates	-	(21)	757	1,389	-	2,125
Balance at September 30, 2022	<u>\$ -</u>	<u>686,009</u>	<u>757,512</u>	<u>150,955</u>	<u>-</u>	<u>1,594,476</u>
Carrying amounts:						
Balance at January 1, 2023	<u>\$ 2,149,285</u>	<u>4,345,835</u>	<u>829,415</u>	<u>226,735</u>	<u>46,491</u>	<u>7,597,761</u>
Balance at September 30, 2023	<u>\$ 2,149,264</u>	<u>4,378,342</u>	<u>746,560</u>	<u>178,507</u>	<u>190</u>	<u>7,452,863</u>
Balance at January 1, 2022	<u>\$ 1,762,820</u>	<u>2,029,794</u>	<u>736,670</u>	<u>139,139</u>	<u>1,982,139</u>	<u>6,650,562</u>
Balance at September 30, 2022	<u>\$ 2,149,269</u>	<u>4,335,500</u>	<u>822,339</u>	<u>211,847</u>	<u>43,926</u>	<u>7,562,881</u>

Part of the property, plant and equipment mentioned above was pledged as collateral for bank loans. Please refer to note 8.

To increase the scale of operations, the Company's Board of Directors resolved on January 17, 2020, to build a factory in Zhunan Guangyuan Science and Technology Park by contracting third parties to construct on the land owned by the Company. The total price of the project was approximately \$1,398,000 thousand. The Company financed the construction with its own funds. In addition, the Company's Board of Directors resolved on November 12, 2020, to build a factory with loading and unloading parking space in Zhunan Guangyuan Science and Technology Park by contracting third parties to construct on the land owned by the Company. The total price of the project was approximately \$829,000 thousand. The aforementioned construction project completed and accepted in June 2022.

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On January 21, 2022, the Company's Board of Directors resolved to participate the land auction for acquiring the land located on Datong Section, Zhunan Township, Miaoli County from the Miaoli County Government to set up a compound leisure club or similar real estate for employees' entertainment needs. The Company won the bid on January 25, 2022. The total transaction amount was \$346,660 thousand.

(11) Lease arrangements

A. Right-of-use assets

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Others</u>	<u>Total</u>
Carrying amounts:				
Balance January 1, 2023	\$ <u>129,437</u>	<u>639</u>	-	<u>130,076</u>
Balance at September 30, 2023	\$ <u>106,244</u>	<u>315</u>	-	<u>106,559</u>
Balance at September 30, 2022	\$ <u>139,300</u>	<u>747</u>	-	<u>140,047</u>

The Group has leased offices in Taipei for operation needs since the first quarter of 2022, therefore, right-of-use assets and lease liabilities of the Group both increased \$100,116 thousand. Except for the aforementioned additions, there was no significant addition, disposal, or recognition and reversal of impairment losses of right-of-use assets of the Group for the nine months ended September 30, 2023 and 2022. Please refer to note 6(11) of the consolidated financial statements for the year ended December 31, 2022, for other related information.

The depreciation expenses arising from leased land, buildings, transportation equipment and office equipment were as follows:

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Others</u>	<u>Total</u>
For the three months ended September 30, 2023	\$ <u>11,397</u>	<u>108</u>	-	<u>11,505</u>
For the three months ended September 30, 2022	\$ <u>11,823</u>	<u>108</u>	-	<u>11,931</u>
For the nine months ended September 30, 2023	\$ <u>35,470</u>	<u>324</u>	-	<u>35,794</u>
For the nine months ended September 30, 2022	\$ <u>35,330</u>	<u>302</u>	<u>822</u>	<u>36,454</u>

B. Lease liabilities

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Current	\$ <u>41,389</u>	<u>46,250</u>	<u>46,416</u>
Non-current	\$ <u>68,235</u>	<u>85,526</u>	<u>94,729</u>

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For the maturity analysis, please refer to note 6(26) “Financial instruments”.

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Interest expenses relating to lease liabilities	\$ <u>589</u>	<u>274</u>	<u>1,266</u>	<u>879</u>
Expenses relating to short-term lease	\$ <u>2,731</u>	<u>2,546</u>	<u>7,910</u>	<u>6,145</u>
Expenses relating to lease of low-value assets, excluding short-term lease of low-value assets	\$ <u>376</u>	<u>337</u>	<u>948</u>	<u>790</u>

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

	For the nine months ended September 30,	
	2023	2022
Total cash outflow for leases	\$ <u>44,575</u>	<u>43,752</u>

C. Other information about leases

The Group leases certain transportation equipment, office and dormitory which qualify as short-term leases and certain office equipment which qualify as low-value asset leases. The Group had elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

(12) Intangible assets

	Computer software	Technology License Fees	Total
Carrying amounts:			
Balance at January 1, 2023	\$ <u>318,536</u>	<u>56,800</u>	<u>375,336</u>
Balance at September 30, 2023	\$ <u>213,767</u>	<u>25,921</u>	<u>239,688</u>
Balance at September 30, 2022	\$ <u>252,777</u>	<u>43,521</u>	<u>296,298</u>

There was no significant addition or disposal of intangible assets of the Group for the nine months ended September 30, 2023 and 2022. Please refer to note 12 for the amount of amortization for the period. Please refer to note 6(12) of the consolidated financial statements for the year ended December 31, 2022 for the other related information.

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(13) Short-term borrowings

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Unsecured bank loans	\$ 290,430	-	-
Secured bank loans	-	-	30,000
	<u>\$ 290,430</u>	<u>-</u>	<u>30,000</u>
Range of interest rates at the end of period (%)	<u>5.90~5.98</u>	<u>-</u>	<u>1.29</u>

Part of the property, plant and equipment mentioned above was pledged as collateral for bank loans. Please refer to note 8.

(14) Other payables

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Salaries and bonus payable	\$ 4,124,912	6,066,671	6,270,344
Dividend payable (note 6(20))	887,778	1,970,963	1,970,963
Others	1,270,632	901,494	1,211,949
	<u>\$ 6,283,322</u>	<u>8,939,128</u>	<u>9,453,256</u>

(15) Other current liabilities

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Refund liabilities	\$ 379,069	620,776	716,113
Guarantee deposits received (note 9(3))	484,721	921,300	952,500
Receipts under custody	98,115	87,669	91,533
Payables for purchases of equipment	20,859	88,419	73,252
Others	57,409	8,243	81,070
	<u>\$ 1,040,173</u>	<u>1,726,407</u>	<u>1,914,468</u>

(16) Long-term borrowings

	<u>September 30, 2023</u>	
	<u>Rate of interest rates at the end of period (%)</u>	<u>Year of maturity</u>
		<u>Amount</u>
Secured bank loans	2.15	\$ 122,759
Less: current portion		<u>(27,323)</u>
		<u>\$ 95,436</u>

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December 31, 2022			
	Rate of interest rates at the end of period (%)	Year of maturity	Amount
Secured bank loans	2.125	January, 2028	\$ 164,932
Less: current portion			<u>(31,050)</u>
			<u>\$ 133,882</u>
September 30, 2022			
	Rate of interest rates at the end of period (%)	Year of maturity	Amount
Secured bank loans	2.00	January, 2028	\$ 172,616
Less: current portion			<u>(31,124)</u>
			<u>\$ 141,492</u>

For the collateral for long-term borrowings, please refer to note 8.

(17) Bonds payable

On August 6, 2021, the Company's Board of Directors resolved the issuance of domestic 1st unsecured convertible bonds for purchasing properties, plants and equipment, and replenishing working capital. The issuance was approved by FSC on September 8, 2021. The issuance period is 3 years from December 17, 2021 to December 17, 2024. The total face value of the bonds issued is \$3,500,000 thousand and the coupon rate is 0%.

The details of unsecured convertible bonds were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Total convertible corporate bonds issued	\$ 3,500,000	3,500,000	3,500,000
Unamortized discounted corporate bonds payable	<u>(36,028)</u>	<u>(57,969)</u>	<u>(65,348)</u>
Bonds payable at the end of period	<u>\$ 3,463,972</u>	<u>3,442,031</u>	<u>3,434,652</u>
Embedded derivative instruments—call and conversion options, included in financial assets at fair value through profit or loss—current	<u>\$ 350</u>	<u>-</u>	<u>-</u>
Embedded derivative instruments—Equity component—conversion options, included in capital surplus—stock options	<u>\$ 102,369</u>	<u>102,369</u>	<u>102,369</u>

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	For the three months ended September 30,		For the nine months ended September 30,	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Embedded derivative instruments – net gains and losses of call and conversion options remeasured at fair value, included in other gains and losses	\$ -	-	350	(4,900)
Interest expense	\$ 7,406	7,363	21,941	21,797

The conversion price per share at the time of issuance of NTD570 is calculated by multiplying the closing price of the Company's ordinary shares traded on Taipei Exchange at one business day before the reference date for determining the conversion price, which is December 9, 2021, of NTD475 by the conversion premium rate of 120%. The number of convertible shares of the bonds is calculated by dividing the issued face value of the bonds by the conversion price. After the issuance of corporate bonds, the conversion price shall be adjusted in accordance with the article related to anti-dilution in the terms of issuance and conversion. Due to the distribution of cash dividends to shareholders, the conversion price shall be adjusted in accordance with the aforementioned terms. The conversion price adjusted was as follows:

	(Amount in Dollars)	
<u>Ex-dividend date</u>	<u>Conversion price before adjustment</u>	<u>Conversion price after adjustment</u>
December 27, 2021	570.0	556.3
July 4, 2022	556.3	537.3
December 19, 2022	537.3	520.6
July 10, 2023	520.6	515.1

The unsecured convertible bonds mentioned above included liability and equity components. The equity component is included in capital surplus– stock options. The effective interest rate originally recognized for the liability component was 1.005%.

(18) Employee benefits

A. Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one time events since prior 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, 2022 and 2021.

The expenses recognized in profit or loss for the Group were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Pension	\$ 1,234	959	3,701	2,879

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B. Defined contribution plans

- (a) The pension costs of the Group's domestic subsidiaries under the defined contribution method were as follows and payment was made to the Bureau of Labor Insurance.

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
	Pension	\$ 68,336	58,092	201,712

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
	Pension	\$ 2,080	1,758	6,341

(19) Income tax

- A. The income tax expense of the Group is calculated by the profit before tax of interim reporting period multiply by the best estimated measurement of the expected effective tax rate by the management in all the year.

- B. The amounts of income tax expense were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
	Current tax expense			
Current period	\$ 214,757	143,534	496,727	942,313
Income tax expense of unappropriated earnings	(91,590)	-	(91,590)	-
Adjustment for prior periods	(29,553)	-	(29,790)	9,393
	\$ 93,614	143,534	375,347	951,706

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
	Exchange differences on translation of foreign financial statements	\$ 19,496	19,752	(5,359)

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D. Examination and approval

The income tax returns of the Company and domestic subsidiaries had been examined and assessed by the tax authority through 2021.

(20) Equity

A. Common shares

As of September 30, 2023, December 31, 2022, and September 30, 2022, the Company's authorized common shares amounted to \$3,000,000 thousand, of which \$290,000 thousand was reserved for employee share options. The registered issued common shares amounted to \$2,014,185 thousand, \$1,970,740 thousand and \$1,970,740 thousand, respectively, with par value of NTD10 per share.

As of September 30, 2023, the Company issued 4,345 thousand new common shares, with a par value of \$10 per share, as employee stock options. As of September 30, 2023 and December 31, 2022, the registration procedures for the amounts of \$32,150 thousand and \$16,005 thousand, respectively, recognized as advance receipts for share capital, has yet to be completed.

The reconciliation of number of outstanding shares of the Company for the nine months ended September 30, 2023 and 2022, respectively were as follows:

(Unit: Shares in Thousands)

	For the nine months ended	
	September 30,	
	2023	2022
Balance, beginning of the period	191,815	197,074
Effect of repurchasing treasury shares	-	(6,860)
Employee share options exercised	5,959	-
Transfer of treasury shares	2,676	-
Balance, end of the period	200,450	190,214

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B. Capital surplus

	September 30, 2023	December 31, 2022	September 30, 2022
Additional paid-in capital	\$ 8,176,645	6,597,101	6,237,434
Changes in equities of associates accounted for using the equity method	1,958,737	1,280,649	948,443
Difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	148,758	148,758	148,758
Changes in ownships interest in subsidiaries	1,944	1,944	1,944
Employee share options	754,330	839,390	765,008
Due to recognition of equity component of convertible bonds	102,369	102,369	102,369
Transaction of treasury stock	274,930	-	-
Expired employee stock options	279	227	227
	<u>\$ 11,417,992</u>	<u>8,970,438</u>	<u>8,204,183</u>

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 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

The amendments to the Company's Articles of Incorporation (the "Articles") were approved by the Company's shareholders' meeting on July 26, 2021, which stipulated that earnings distribution or offsetting of losses may be proposed at each half fiscal year.

Under the dividend policy as set forth in the Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, estimating and retaining the employees' and directors' remuneration, setting aside as legal reserve 10% of the remaining profit until the accumulated legal capital reserve equals to the paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with the beginning balance of undistributed retained earnings shall be used by the Company's Board of Directors as the basis for proposing a distribution plan. Where the aforementioned earnings, legal reserves, and capital reserves are distributed in cash, the Company's Board of Directors is authorized to approve the distribution by a resolution approved by a majority vote of the directors at a meeting attended by over two-thirds of the Company's Board of Directors and report to the shareholders' meeting. Where they are distributed by issuing new shares, it shall be resolved at the shareholders' meeting.

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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 dividends and the long-term financial planning of the Company, so as to foster sustainable operation and stable development. The dividend distribution of the shareholders of the Company can be distributed in cash dividends or share dividends, in which the proportion of shareholders' cash dividend distribution shall be no less than 10% of the total dividends of the shareholders.

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, and the distribution amount is 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 2023 were as follows:

	First Half of 2023
	<u>August 4, 2023</u>
Resolution date of the Company's Board of Directors	August 4, 2023
Legal reserve	\$ 66,593
Special reserve	5,918
Cash dividends to shareholders	887,556
Cash dividends per share (NTD)	4.5

The amount of legal reserve and special reserve for the first half of 2023 will be submitted to the shareholders' meeting for approval in the following year.

The appropriation of 2022 earnings was as follows:

	Second Half of 2022	First Half of 2022
	<u>March 15, 2023</u>	<u>July 29, 2022</u>
Resolution date of the Company's Board of Directors	March 15, 2023	July 29, 2022
Cash dividends to shareholders	\$ 865,962	1,970,740
Cash dividends per share (NTD) (Note)	4.45090808	10.27746561
Approval date of the Company's shareholders' meeting	May 31, 2023	May 31, 2023
Legal reserve	\$ 149,747	399,192
Special reserve	216,810	-

Note: Due to the treasury shares and the exercise of employee stock options, the actual distribution of cash dividends per share in 2022 was adjusted.

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The appropriation of 2021 earnings was as follows:

	Second Half of 2021	First Half of 2021
Resolution date of the Company's Board of Directors	March 4, 2022	August 6, 2021
Cash dividends to shareholders	\$ 2,561,962	1,970,740
Cash dividends per share (NTD)	13	10
Approval date of the Company's shareholders' meeting	May 24, 2022	May 24, 2022
Legal reserve	\$ 418,001	355,551
Reversal of special reserve	(155,568)	(9,773)

Information on the appropriations of earnings mentioned above is available at the Market Observation Post System website of the Taiwan Stock Exchange.

D. Treasury shares

On July 15, 2022, the Company's Board of Directors resolved to plan to repurchase 10,000 thousand shares of its issued shares of common shares to its employees at a price not to exceed \$325 per share for the period from July 18 to September 16, 2022, in accordance with the Securities and Exchange Act. Based on the resolution mentioned above, after fully executing, the Company bought back 6,860 thousand treasury shares amounting to \$2,061,216 thousand in total.

The Company transferred 2,676 thousand treasury shares to its employees and subsidiary employees in the third quarter of 2023 and received the amount of \$801,843 thousand, resulting in the cost of the share-based remuneration of \$277,047 thousand to be recognized.

E. Other equity (net of tax)

(a) Exchange differences on translation of foreign financial statements

	For the nine months ended September 30,	
	2023	2022
Balance at January 1	\$ 27,271	(143,563)
Foreign exchange differences (net of tax)	(21,438)	205,900
Balance at September 30	\$ 5,833	62,337

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

	For the nine months ended	
	September 30,	
	2023	2022
Balance at January 1	\$ (244,081)	246,847
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income (net of tax)	52,332	(390,703)
Disposal for the period	16,860	(94,932)
Balance at September 30	\$ (174,889)	(238,788)

- (21) Share-based payment

The Company issued employee share options which each unit can be exercised to purchase one share of the Company. The duration of the plan is 3 to 4 years, and the plan was approved by the FSC. As of September 30, 2023, the information related to the employee share options was as follows:

<u>Type</u>	<u>Authorization date</u>	<u>Issue date</u>	<u>Issued units (in thousands)</u>	<u>Grant Period</u>	<u>Exercise price per share (TWD)</u>	<u>Adjusted exercise price per share (TWD)</u>
2022 First employee share options (note)	July 27, 2022	September 7, 2022	6,000	service period between 2~3 years	293.50	281.40
2021 First employee share options (note)	October 4, 2021	November 19, 2021	6,000	service period between 2~3 years	414.50	note
2020 First employee share options	April 10, 2020	October 5, 2020	6,000	service period between 2~2.5 years	262.00	225.30
2019 Second employee share options	November 22, 2019	October 5, 2020	2,000	service period between 2~2.5 years	262.00	225.30

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 amounting to \$204,926 thousand and \$285,829 thousand for the nine months ended September 30, 2023 and 2022, respectively.

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Weighted-average assumptions were as follows:

	<u>2022 1st</u>	<u>2021 1st</u>	<u>2020 1st</u>	<u>2019 2nd</u>
Grant-date share price (NTD)	\$ 293.50	414.50	262.00	262.00
Exercise price (NTD)	293.50	414.50	262.00	262.00
Expected volatility (%)	38.77~39.50	37.44~37.96	35.27~35.45	35.27~35.45
Expected dividend yield (%)	-	-	-	-
Expected life (year)	4	4	3	3
Risk free interest rate (%)	1.05~1.11	0.40~0.41	0.20~0.22	0.20~0.22
Fair value per option (NTD)	\$ 84.61	112.17	59.63	59.63

Note: The Company retracted and cancelled all employee stock options issued in 2021 and replaced them with employee stock options issued in 2022, with the consent of the share option holders.

Information related to employee share options was as follows:

A. 2022 First employee share options

	<u>For the nine months ended September 30,</u>			
	<u>2023</u>		<u>2022</u>	
<u>Employee share options</u>	<u>Number of Options (In Thousands of Units)</u>	<u>Weighted-average exercise price (NTD)</u>	<u>Number of Options (In Thousands of Units)</u>	<u>Weighted-average exercise price (NTD)</u>
Outstanding at January 1	5,969	\$ 284.40	-	\$ -
Granted during the period	-	-	6,000	293.5
Exercised during the period	-	-	-	-
Forfeited during the period	(95)	-	(23)	-
Outstanding at September 30	<u>5,874</u>	281.40	<u>5,977</u>	\$ 293.5
Exercisable at September 30	<u>-</u>		<u>-</u>	

As of September 30, 2023 and 2022, the weighted-average remaining contractual life for outstanding option were 2.94 and 3.94 years, respectively.

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B. 2021 First employee share options

	For the nine months ended September 30, 2022	
Employee share options	Number of Options (In Thousands of Units)	Weighted- average exercise price (NTD)
Outstanding at January 1	5,987	\$ 404.50
Granted during the period	-	-
Exercised during the period	-	-
Forfeited during the period	(87)	-
Outstanding at September 30	5,900	-
Exercisable at September 30	-	

C. 2020 First employee share options

	For the nine months ended September 30,			
	2023		2022	
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	4,642	\$ 227.70	5,782	\$ 243.30
Granted during the period	-	-	-	-
Exercised during the period	(4,401)	226.45	-	-
Forfeited during the period	(6)	-	(7)	-
Outstanding at September 30	235	225.30	5,775	235.00
Exercisable at September 30	235		-	

As of September 30, 2023 and 2022, the weighted-average remaining contractual life for outstanding option were 0.01 and 1.01 years, respectively.

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D. 2019 Second employee share options

	For the nine months ended September 30,			
	2023		2022	
	Number of Options (In Thousands of Units)	Weighted- average exercise price (NTD)	Number of Options (In Thousands of Units)	Weighted- average exercise price (NTD)
Employee share options				
Outstanding at January 1	1,480	\$ 227.70	1,940	\$ 243.30
Granted during the period	-	-	-	-
Exercised during the period	(1,410)	226.41	-	-
Forfeited during the period	-	-	(2)	-
Outstanding at September 30	<u>70</u>	225.30	<u>1,938</u>	235.00
Exercisable at September 30	<u>70</u>		<u>-</u>	

As of September 30, 2023 and 2022, the weighted-average remaining contractual life for outstanding option, were 0.01 and 1.01 years, respectively.

(22) Earnings per share

A. Basic earnings per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
	Net profit attributable to ordinary shareholders of the Company	<u>\$ 858,013</u>	<u>1,192,014</u>	<u>1,540,804</u>
Weighted-average number of shares outstanding during the year (in thousands of shares)	<u>198,448</u>	<u>194,415</u>	<u>194,691</u>	<u>196,178</u>
Basic earnings per share (NTD)	<u>\$ 4.32</u>	<u>6.13</u>	<u>7.91</u>	<u>26.42</u>

B. Diluted earnings per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
	Net profit attributable to ordinary shareholders of the Company	\$ 858,013	1,192,014	1,540,804
Effect of dilutive potential ordinary shares				
Convertible bonds	5,924	5,890	17,273	13,517
Net profit attributable to ordinary shareholders of the Company	<u>\$ 863,937</u>	<u>1,197,904</u>	<u>1,558,077</u>	<u>5,197,446</u>

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	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Weighted average number of shares outstanding during the year (in thousands of shares)	198,448	194,415	194,691	196,178
Effect of dilutive potential ordinary shares (in thousands of shares)				
Employee share options	2,092	3,154	2,700	3,156
Employees' compensation	388	1,049	1,408	3,616
Effect of conversion of convertible bonds	<u>6,788</u>	<u>6,507</u>	<u>6,745</u>	<u>6,364</u>
	<u>207,716</u>	<u>205,125</u>	<u>205,544</u>	<u>209,314</u>
Diluted earnings per share (NTD) \$	<u>4.16</u>	<u>5.84</u>	<u>7.58</u>	<u>24.83</u>

(23) Operating revenue

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Primary geographical markets:				
Asia	\$ 9,301,373	11,185,906	23,653,117	37,937,200
America	2,579,586	2,732,241	7,473,953	7,927,230
Europe	489,005	632,446	1,306,571	2,032,540
Australia	18,601	24,015	39,740	68,684
Others	<u>-</u>	<u>-</u>	<u>249</u>	<u>228</u>
	<u>\$ 12,388,565</u>	<u>14,574,608</u>	<u>32,473,630</u>	<u>47,965,882</u>
Major product categories:				
Flash memory module products	\$ 9,320,750	9,837,700	24,537,515	33,205,724
Controllers	2,342,982	3,439,738	5,719,361	11,397,236
Integrated Circuit	216,717	741,124	639,361	1,800,229
Others	<u>508,116</u>	<u>556,046</u>	<u>1,577,393</u>	<u>1,562,693</u>
	<u>\$ 12,388,565</u>	<u>14,574,608</u>	<u>32,473,630</u>	<u>47,965,882</u>

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

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(24) Employees' compensation and remuneration of directors

The Company accrued its remunerations to employees and directors, at the rates of 8% to 19% and a maximum rate of 1.5%, of the net profit before income tax which yet the remunerations to employees and directors, respectively. The employees' compensation and remuneration of directors were as follows:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Employees' compensation	\$ <u>177,085</u>	<u>278,592</u>	<u>281,192</u>	<u>834,505</u>
Remuneration of directors	\$ <u>5,255</u>	<u>7,450</u>	<u>10,460</u>	<u>35,246</u>

The employees' compensation and remuneration of directors for the year ended December 31, 2022, which have been approved by the Company's Board of Directors on March 15, 2023, was as follows:

	<u>2022</u>	
	<u>Cash</u>	<u>Share</u>
Employees' compensation	\$ 1,000,000	-
Remuneration of directors	35,000	-

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 is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the year ended December 31, 2022.

Information on the employees' compensation and remuneration of directors resolved by the Company's Board of Directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

(25) Non-operating income and expenses

A. Other income

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Dividend income	\$ 20,784	17,230	85,563	89,731
Rent income	6,243	5,350	18,433	16,355
Gain on a bargain purchase (note 6(9))	-	-	-	16,289
Others	<u>20,985</u>	<u>24,666</u>	<u>83,893</u>	<u>37,694</u>
	<u>\$ 48,012</u>	<u>47,246</u>	<u>187,889</u>	<u>160,069</u>

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B. Other gains and losses

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Gains on disposal of investments accounted for using the equity method (note 6(9))	\$ -	2,737	-	30,426
Net foreign exchange gains	308,335	517,722	390,131	1,041,691
Gains (Losses) on financial assets at fair value through profit or loss	35,221	(64,131)	342,715	(313,852)
Others	(448)	(1,483)	(37,309)	(1,325)
	<u>\$ 343,108</u>	<u>454,845</u>	<u>695,537</u>	<u>756,940</u>

C. Finance costs

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Interest on bank loans	\$ 2,124	925	3,832	4,357
Interest on lease liabilities	589	274	1,266	879
Interest on convertible bond	7,406	7,363	21,941	21,797
Others	29	-	60	21
	<u>\$ 10,148</u>	<u>8,562</u>	<u>27,099</u>	<u>27,054</u>

(26) Financial instruments

A. Categories of financial instruments

	September 30, 2023	December 31, 2022	September 30, 2022
Financial assets			
Financial assets at FVTPL (current and non-current)	\$ 1,712,005	1,102,369	1,063,284
Financial assets at amortized cost (Note 1)	24,722,965	25,249,286	23,630,335
Financial assets at FVTOCI	490,323	431,697	389,350
	<u>\$ 26,925,293</u>	<u>26,783,352</u>	<u>25,082,969</u>
Financial liabilities			
Financial liabilities at amortized cost (Note 2)	<u>\$ 18,062,742</u>	<u>20,572,844</u>	<u>20,781,670</u>

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.

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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, long-term borrowings (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 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 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:

	September 30, 2023			December 31, 2022			September 30, 2022		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	440,441	32.270	14,213,020	438,421	30.710	13,463,913	443,295	31.750	14,074,628
<u>Non-Monetary items</u>									
CNY	632,962	4.415	2,794,528	756,458	4.408	3,334,467	882,278	4.473	3,946,428
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	233,042	32.270	7,520,258	231,543	30.710	7,110,673	234,947	31.750	7,459,582

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(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), short-term borrowings, and accounts payable (including related parties), that are denominated in USD. A weakening (strengthening) of 5% of the NTD against the USD as of September 30, 2023 and 2022, would have increased or decreased the net profit before income tax for the nine months ended September 30, 2023 and 2022 by \$334,638 thousand and \$330,752 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 September 30,		For the nine months ended September 30,	
2023	2022	2023	2022
\$ 308,335	517,722	390,131	1,041,691

(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 nine months ended September 30, 2023 and 2022 would have increased by \$17,675 thousand and \$12,497 thousand, respectively. Due to the impact of variable interest rate cash and cash equivalents, short-term and long-term borrowings.

(c) Other price risk

The Group was exposed to equity price risks through its investments in foreign and domestic listed and unlisted stock, private equity funds and beneficiary certificates.

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to equity price risks at the end of the reporting date.

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If equity prices had been 10% higher or lower, net profit before income tax for the nine months ended September 30, 2023 and 2022 would have increased or decreased by \$171,201 thousand and \$106,328 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 for the nine months ended September 30, 2023 and 2022 would have increased or decreased by \$49,032 thousand and \$38,935 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 customers in accordance with credit policy, therefore, the credit risk of the Group is mainly affected by the electronics industry. However, the Group mostly sells products to customers with good reputation and continuously monitors the financial situation of customers to monitor the significant loss from credit risk. As of September 30, 2023, December 31, 2022, and September 30, 2022, 40%, 36% and 26%, respectively, of accounts receivable (including related parties) were from top five customers, so 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(5) for details on the credit risk exposure of accounts receivable. Please refer to note 6(3) for financial assets at amortized cost including pledged time deposits. Please refer to notes 6(2) and (4) for details on 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.

The financial assets mentioned above were with lower credit risk, so 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 estimated interest payments and excluding the impact of netting agreements.

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	<u>Carrying amount</u>	<u>Cash flow of contract</u>	<u>Within 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
September 30, 2023					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 14,185,581	(14,185,581)	(13,211,535)	(972,782)	(1,264)
Lease liabilities (current and non-current)	109,624	(115,222)	(43,498)	(71,724)	-
Bonds payable	3,463,972	(3,500,000)	-	(3,500,000)	-
Floating interest rate liabilities	316,379	(324,169)	(225,187)	(98,982)	-
Fixed interest rate liabilities	96,810	(98,257)	(98,257)	-	-
	<u>\$ 18,172,366</u>	<u>(18,223,229)</u>	<u>(13,578,477)</u>	<u>(4,643,488)</u>	<u>(1,264)</u>
December 31, 2022					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 16,965,881	(16,965,881)	(16,040,071)	(924,728)	(1,082)
Lease liabilities (current and non-current)	131,776	(133,584)	(47,229)	(86,355)	-
Bonds payable	3,442,031	(3,500,000)	-	(3,500,000)	-
Floating interest rate liabilities	164,932	(174,143)	(34,250)	(137,038)	(2,855)
	<u>\$ 20,704,620</u>	<u>(20,773,608)</u>	<u>(16,121,550)</u>	<u>(4,648,121)</u>	<u>(3,937)</u>
September 30, 2022					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 17,144,402	(17,144,402)	(15,234,992)	(1,908,328)	(1,082)
Lease liabilities (current and non-current)	141,145	(143,267)	(43,443)	(99,824)	-
Bonds payable	3,434,652	(3,500,000)	-	(3,500,000)	-
Floating interest rate liabilities	172,616	(182,122)	(34,140)	(136,599)	(11,383)
Fixed interest rate liabilities	30,000	(30,063)	(30,063)	-	-
	<u>\$ 20,922,815</u>	<u>(20,999,854)</u>	<u>(15,342,638)</u>	<u>(5,644,751)</u>	<u>(12,465)</u>

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;

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- 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:

	September 30, 2023			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Domestic listed stocks	\$ 823,650	-	-	823,650
Domestic unlisted stocks	-	-	144,389	144,389
Foreign unlisted stocks	-	-	102,033	102,033
Domestic private equity funds	-	-	29,350	29,350
Beneficiary certificates—open-end funds	612,233	-	-	612,233
Derivative instruments—convertible bonds	-	-	350	350
	<u>\$ 1,435,883</u>	<u>-</u>	<u>276,122</u>	<u>1,712,005</u>
Financial assets at fair value through other comprehensive income				
Domestic unlisted stocks	\$ -	-	246,962	246,962
Foreign unlisted stocks	-	-	243,361	243,361
	<u>\$ -</u>	<u>-</u>	<u>490,323</u>	<u>490,323</u>

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	December 31, 2022			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss				
Domestic listed stocks	\$ 674,253	-	-	674,253
Domestic unlisted stocks	-	-	174,012	174,012
Foreign unlisted stocks	-	-	108,891	108,891
Domestic private equity funds	-	-	34,444	34,444
Beneficiary certificates—open-end funds	110,769	-	-	110,769
	\$ 785,022	-	317,347	1,102,369
Financial assets at fair value through other comprehensive income				
Domestic unlisted stocks	\$ -	-	235,752	235,752
Foreign unlisted stocks	-	-	195,945	195,945
	\$ -	-	431,697	431,697
	September 30, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Domestic listed stocks	\$ 631,326	-	-	631,326
Domestic unlisted stocks	-	-	162,184	162,184
Foreign unlisted stocks	-	-	116,408	116,408
Domestic private equity funds	-	-	42,824	42,824
Beneficiary certificates—open-end funds	110,542	-	-	110,542
	\$ 741,868	-	321,416	1,063,284
Financial assets at fair value through other comprehensive income				
Domestic unlisted stocks	\$ -	-	190,944	190,944
Foreign unlisted stocks	-	-	198,406	198,406
	\$ -	-	389,350	389,350

There were no transfers between Levels 1 and 2 for the nine months ended September 30, 2023 and 2022.

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The reconciliations of Level 3 fair value measurements of financial instruments were as follows:

	<u>Financial assets at fair value through profit or loss</u>			<u>Financial assets at fair value through other comprehensive income</u>	<u>Total</u>
	<u>Private equity funds</u>	<u>Derivative instruments-convertible bonds</u>	<u>Equity instruments</u>	<u>Equity instruments</u>	
January 1, 2023	\$ 34,444	-	282,903	431,697	749,044
Recognized in profit or loss	(5,094)	350	(36,481)	-	(41,225)
Recognized in other comprehensive income	-	-	-	29,079	29,079
Additions for the period	-	-	-	29,547	29,547
September 30, 2023	<u>\$ 29,350</u>	<u>350</u>	<u>246,422</u>	<u>490,323</u>	<u>766,445</u>
January 1, 2022	\$ 39,909	4,900	411,660	634,757	1,091,226
Recognized in profit or loss	2,915	(4,900)	(128,188)	-	(130,173)
Recognized in other comprehensive income	-	-	-	(160,619)	(160,619)
Additions for the period	-	-	2,395	28,494	30,889
Disposal and proceeds from capital reduction	-	-	(7,275)	(113,282)	(120,557)
September 30, 2022	<u>\$ 42,824</u>	<u>-</u>	<u>278,592</u>	<u>389,350</u>	<u>710,766</u>

(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, derivative 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.

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Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
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	<ul style="list-style-type: none"> · Discount for lack of marketability (September 30, 2023: 12.48%~30%, December 31, 2022: 7.69%~30% and September 30, 2022: 8.16%~30%) 	<ul style="list-style-type: none"> · The higher the discount for lack of marketability, the lower the fair value
Financial assets at fair value through other comprehensive income—equity investments without an active market	Income approach	<ul style="list-style-type: none"> · Sustainable revenue growth rate (September 30, 2023: 1.6%, December 31, 2022: 1.6% and September 30, 2022: 2.5%) · Weighted-average cost of capital (September 30, 2023: 6.25%~12.11%, December 31, 2022: 6.25%~12.11% and September 30, 2022: 7.02%~9.59%) · Discount for lack of marketability (September 30, 2023, December 31, 2022 and September 30, 2022: 15%) · Discount for non-controlling interest (September 30, 2023, December 31, 2022 and September 30, 2022: 15%) 	<ul style="list-style-type: none"> · 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

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<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss – equity investments without an active market and private equity funds	Asset-based approach	<ul style="list-style-type: none"> · Net Asset Value · Discount for lack of marketability (September 30, 2023, December 31, 2022 and September 30, 2022: 10%) · Discount for non-controlling interest (September 30, 2023, December 31, 2022 and September 30, 2022: 10%) 	No applicable

The fair values of derivatives instruments – convertible bonds is estimated by the binary tree convertible bond evaluation model, and the significant unobservable input value used is the stock price volatility. The stock price volatility adopted on September 30, 2023, December 31, 2022, and September 30, 2022, was 35.27%, 38.59% and 37.71%, respectively.

(27) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2022. Also, management believes that there were no significant changes in the Group’s capital management information as disclosed for the year ended December 31, 2022. Please refer to Note 6(27) of the consolidated financial statements for the year ended December 31, 2022 for related information.

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

A. For leased right-of-use assets, please refer to note 6(11).

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

	<u>January 1, 2023</u>	<u>Cash flows</u>	<u>Foreign exchange movement and others</u>	<u>September 30, 2023</u>
Short-term borrowings	\$ -	287,658	2,772	290,430
Bonds payable	3,442,031	-	21,941	3,463,972
Long-term borrowings (including current portion)	164,932	(42,173)	-	122,759
Lease liabilities (current and non-current)	131,776	(34,451)	12,299	109,624
Guarantee deposits received (current and non-current)	<u>1,847,780</u>	<u>(597,243)</u>	<u>208,230</u>	<u>1,458,767</u>
Total liabilities from financing activities	<u>\$ 5,586,519</u>	<u>(386,209)</u>	<u>245,242</u>	<u>5,445,552</u>

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	January 1, 2022	Cash flows	Foreign exchange movement and others	September 30, 2022
Short-term borrowings	\$ 439,216	(412,995)	3,779	30,000
Bonds payable	3,412,855	-	21,797	3,434,652
Long-term borrowings (including current portion)	195,636	(23,020)	-	172,616
Lease liabilities (current and non-current)	40,030	(35,938)	137,053 (Note)	141,145
Guarantee deposits received (current and non-current)	<u>4,109</u>	<u>2,488,752</u>	<u>369,720</u>	<u>2,862,581</u>
Total liabilities from financing activities	<u>\$ 4,091,846</u>	<u>2,016,799</u>	<u>532,349</u>	<u>6,640,994</u>

Note: The Group has leased offices in Taipei for operation needs since the first quarter of 2022, therefore, lease liabilities of the Group increased \$100,116 thousand.

7. Related-party transactions

(1) Names and relationship with related parties

The followings are subsidiaries and related parties that have had transactions with the Group during the periods covered in the consolidated financial statements:

<u>Name of related party</u>	<u>Relationship with the Group</u>
Microtops Design Corporation	Associate
Hosin Global Electronics Co., Ltd. (SZ) (Hosin Global SZ)	Associate
Hosin Global Electronics Co., Ltd. (HK)	Hosin Global SZ's subsidiary
SiliTai Electronics Co., Limited	Hosin Global SZ's sub-subsiidiary
Hefei Core Storage Electronic Limited	Hosin Global SZ's subsidiary
Hefei Kaimeng Technology Co., Ltd.	Hosin Global SZ's sub- subsidiary
Xiamen Hongxinchuang Electronics Co., Ltd.	Hosin Global SZ's subsidiary
Shanghai Hongxinyu Microelectronics Technology Co., Ltd.	Hosin Global 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

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<u>Name of related party</u>	<u>Relationship with the Group</u>
Toshiba International Procurement HongKong, Ltd.	KIC's associate
Orient Semiconductor Electronics Ltd.	The Company had resigned in its position as the director on November 7, 2022; hence it was no longer a related party of the Group since then
Apacer Technology Inc.	The Company is its director
UD INFO Corp.	Since August 1, 2022, it became a subsidiary of Apacer Technology Inc.
ONE UPON Co. Ltd.	The Company's director is its chairman
LIU, TIAN-PAI	Other related party

(2) Significant transactions with related parties

A. Operating revenues

<u>Related Party Category / Name</u>	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Associates	\$ 1,203,441	1,240,433	1,932,695	5,175,345
Other related parties	586,845	735,065	1,451,442	2,451,747
	<u>\$ 1,790,286</u>	<u>1,975,498</u>	<u>3,384,137</u>	<u>7,627,092</u>

The credit terms to related parties were ranged from T/T in advance to EOM 90 days and that to non-related parties were ranged from T/T in advance to EOM 90 days. There was no significant difference between the sales price and credit terms of the Group for related parties and that for the third parties.

B. Purchase of goods and Processing costs

(a) Purchase of goods

<u>Related Party Category / Name</u>	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Other related parties – Kioxia Taiwan Corporation	\$ 1,699,183	2,507,732	6,377,562	10,434,234
Associates	30,793	(3,655)	30,793	(3,655)
Other related parties	-	-	20	-
	<u>\$ 1,729,976</u>	<u>2,504,077</u>	<u>6,408,375</u>	<u>10,430,579</u>

(b) Processing costs

<u>Related Party Category / Name</u>	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Other related parties	\$ -	615,581	-	1,903,526

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The payment terms to related parties were ranged from T/T in advance to EOM 30 days and that to non-related parties were ranged from T/T in advance to EOM 90 days. There was no significant difference between the purchase price and payment terms of the Group from related parties and that from the third parties.

C. Receivable from related parties

<u>Related Party Category / Name</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Associates – Hosin Global Electronics Co., Ltd. (HK)	\$ 851,702	235,530	453,428
Associates	164,419	417,838	548,612
Other related parties	<u>505,999</u>	<u>567,815</u>	<u>612,707</u>
	1,522,120	1,221,183	1,614,747
Less: Loss allowance	<u>(2,587)</u>	<u>(22,110)</u>	<u>(9,173)</u>
	<u>\$ 1,519,533</u>	<u>1,199,073</u>	<u>1,605,574</u>

The outstanding accounts receivable from related parties are unsecured.

D. Payables to related parties

<u>Related Party Category / Name</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Other related parties – Kioxia Taiwan Corporation	\$ 925,444	578,866	2,053,361
Other related parties	<u>-</u>	<u>-</u>	<u>227,743</u>
	<u>\$ 925,444</u>	<u>578,866</u>	<u>2,281,104</u>

E. Other transactions

<u>Account Name</u>	<u>Related Party Category / Name</u>	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
		<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Operating costs	Associates	\$ 2,381	-	6,990	-
	Other related parties	<u>24</u>	<u>1,005</u>	<u>409</u>	<u>3,714</u>
		<u>\$ 2,405</u>	<u>1,005</u>	<u>7,399</u>	<u>3,714</u>
Operating Expenses	Associates	\$ 60,529	67,493	188,585	197,231
	Other related parties	<u>866</u>	<u>1,373</u>	<u>1,862</u>	<u>6,093</u>
		<u>\$ 61,395</u>	<u>68,866</u>	<u>190,447</u>	<u>203,324</u>
Non-operating incomes	Associates	\$ 231	446	693	997
	Other related parties (note)	<u>1,578</u>	<u>13,629</u>	<u>43,028</u>	<u>44,276</u>
		<u>\$ 1,809</u>	<u>14,075</u>	<u>43,721</u>	<u>45,273</u>

Note: The related parties distributed \$41,430 thousand and \$36,381 thousand cash dividend to the Group for the nine months ended September 30, 2023 and 2022, respectively.

Phison Electronics Corp. and subsidiaries
Notes to the Consolidated Financial Statements

As of September 30, 2023, December 31, 2022, and September 30, 2022, the receivables arising from abovementioned transactions were \$81 thousand, \$81 thousand and \$309 thousand, respectively (recognized as other receivables), and the payables arising from abovementioned transactions were \$43,274 thousand, \$399 thousand and \$56,215 thousand, respectively (recognized as other current liabilities).

On January 21, 2022, the Company's Board of Directors resolved to purchase the land from the related party, LIU, TIAN-PAI, for the Company to expand operation in the future. The total amount without VAT of the purchase was \$39,500 thousand.

The Group leased the 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. The related party leased the land to the Group with lease terms and prices determined based on mutual agreements. The payment term for rental is T/T in advance, with the related expense being classified under operating expenses.

(3) Key management personnel compensation

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Short-term employee benefits	\$ 46,484	63,957	106,127	357,957
Post-employment benefits	347	343	1,107	1,464
Share-based payments	4,451	5,751	10,870	34,519
	<u>\$ 51,282</u>	<u>70,051</u>	<u>118,104</u>	<u>393,940</u>

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

Please refer to note 6(21) for further explanations related to share-based payment.

8. Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	September 30, 2023	December 31, 2022	September 30, 2022
Property, plant and equipment	As collateral for loans and finance facilities	\$ 508,315	517,906	521,103
Pledged time deposits (recognized as financial assets at amortized cost — current)	As collateral for the tariff of imported raw materials	40,568	40,499	40,499
		<u>\$ 548,883</u>	<u>558,405</u>	<u>561,602</u>

Phison Electronics Corp. and subsidiaries
Notes to the Consolidated Financial Statements

9. Commitments and contingencies

(1) Significant commitments

A. The Group's unused letters of credit

	September 30, 2023	December 31, 2022	September 30, 2022
Unused letters of credit	\$ 1,160,000	1,160,000	1,160,000

B. In order to receive the research project grant, the Group obtain a performance guarantee letter from the bank as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
	\$ 34,052	26,400	26,400

C. In order to apply post release duty payment for imported goods, the Group obtain a customs duties guarantee from the bank as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
	\$ 1,000	1,000	-

(2) Purchase commitment

The Group entered into a long-term purchase agreement of material with a supplier. The relative purchase quantity and price of wafers are specified in the agreement. According to the agreement, the Group has to pay partial guarantee deposit before the appointment date. As of September 30, 2023, the Group has paid US\$56,000 thousand of guarantee deposit (recognized as other non-current assets).

(3) Long-term supply agreement

The Group entered into a long-term supply agreement with a customer in 2021, and received a guarantee deposit of US\$90,000 thousand as agreed. The Group was required to sell controllers to the customer in the amount agreed upon by both parties during the agreed period. As of September 30, 2023, the guarantee deposits received were classified as current liabilities of \$484,050 thousand (recognized as other current liabilities) and non-current liabilities of \$968,100 thousand (recognized as guarantee deposits received) based on the expected repayment period.

10. Losses due to major disasters: None.

11. Subsequent events

For the purpose of financial requirement for enhancing working capital in order to improve the capital movement capabilities, the Company's Board of Directors resolved to increase and issue the second unsecured convertible of corporate bonds on November 7, 2023.

Phison Electronics Corp. and subsidiaries
Notes to the Consolidated Financial Statements

12. Other

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

By item	By function	For the three months ended September 30,					
		2023			2022		
		Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Employee benefits							
Salary		198,299	2,070,736	2,269,035	249,981	1,513,569	1,763,550
Labor and health insurance		18,413	106,481	124,894	22,794	95,318	118,112
Pension		7,796	63,854	71,650	10,028	50,781	60,809
Others		9,075	44,652	53,727	11,591	39,597	51,188
Depreciation		51,713	117,809	169,522	55,202	117,641	172,843
Amortization		487	132,113	132,600	509	102,476	102,985

By item	By function	For the nine months ended September 30,					
		2023			2022		
		Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Employee benefits							
Salary		570,139	5,109,232	5,679,371	719,179	5,681,782	6,400,961
Labor and health insurance		58,435	344,274	402,709	65,732	281,170	346,902
Pension		23,667	188,087	211,754	27,511	137,819	165,330
Others		26,545	128,559	155,104	34,517	116,842	151,359
Depreciation		154,800	361,706	516,506	148,624	331,939	480,563
Amortization		1,477	391,689	393,166	1,559	272,933	274,492

- (2) The Company was served two complaints from Taiwan Hsinchu District Court on November 8, 2019 and December 13, 2019, that the Securities and Futures Investors Protection Center (“SFIPC”) filed the following two civil actions:
- A. To ask to remove Mr. K.S. Pua from the Company’s Board Director Position (“Removal Action”);
 - B. To claim monetary damage amounting New Taiwan Dollars \$697,389 thousand against the Company, its board of directors and other co-defendants on behalf of certain investors (“Class Action”).

Phison Electronics Corp. and subsidiaries
Notes to the Consolidated Financial Statements

These two civil actions were derivative litigations from the criminal litigation associated with the Company's financial case occurred on August 05, 2016. The Company has engaged attorneys to answer and ask the court to dismiss SFIPC's allegations. Of which, Taiwan High Court rendered judgment on December 20, 2022, to dismiss the Removal Action. SFIPC disagreed court judgment and filed petition for appeal to Supreme Court. Nevertheless, since Mr. K.S. Pua had resigned from the Company's chairman and board director position on November 18, 2021, the Removal Action's future development has no influence to the Company. With regard to the Class Action, even though its future development and possible consequence could not be assessed by the Company, at current stage it has no significant influence to the Company's finance and operations.

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. Securities held as of September 30, 2023 (excluding investment in subsidiaries, associates and joint ventures) : Please refer to Table 1.

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

G. 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.

H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 3.

I. Trading in derivative instruments: Please refer to Notes 6(2).

J. Business relationships and significant intercompany transactions: Please refer to Table 4.

(2) Information on investees (excluding information on investees in Mainland China): Please refer to Table 5.

(3) Information on investment in Mainland China:

A. The names of investees in Mainland China, the main businesses and products, and other information: Please refer to Table 6.

B. Limitation on investment in Mainland China: Please refer to Table 6.

Phison Electronics Corp. and subsidiaries
Notes to the Consolidated Financial Statements

C. Significant transactions:

For the nine months ended September 30, 2023, 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”.

(4) Major shareholders:

(in units of shares)

Shareholder's Name	Shareholding	Shares	Percentage
Trust Investment Account of KIOXIA Corporation by First Bank		19,821,112	9.69 %

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of differences in the basis of preparation.

Note 2: If the aforementioned data contains shares which are held in trust by the shareholders, the data is disclosed as a separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10%, in accordance with the Securities and Exchange Act, the shareholding ratio includes the self-owned shares and shares held in trust, and at the same time, the shareholder has the power to decide how to allocate the trust assets. For the information on the reported share equity of insider, please refer to the Market Observation Post System.

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 and the flash peripheral application integration design, manufacturing and sales business. As a result, the Group has only one operating segment. The segment engages mainly in the design and sale of flash memory controllers and the flash peripheral application integration, such as the application design, manufacturing and sale of SSDs (included SATA, PCIe), Embedded Memory (included eMMC, UFS), USB and memory cards, etc.

The basis for the measurement of income from operations is the same as that for the preparation of the financial statements. Refer to the consolidated statements of comprehensive income for the related segment revenue and operating results.

Phison Electronics Corp. and Subsidiaries
Securities held as of September 30, 2023 (excluding investment in subsidiaries, associates and joint ventures)
September 30, 2023

Table 1

(Shares in Thousands / 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	<u>Beneficiary certificates – open-end funds</u>							
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss – current	13,747	200,195	-	200,195	
	FSITC Taiwan Money Market Fund	-	Same as above	6,235	100,098	-	100,098	
	Capital Money Market Fund		Same as above	12,109	<u>200,202</u>	-	200,202	
					<u>500,495</u>			
The Company	<u>Common shares</u>							
	Apacer Technology Inc.	-	Financial assets at fair value through profit or loss – current	12,555	686,736	10.23	686,736	
	Orient Semiconductor Electronics, Ltd.	-	Same as above	3,072	129,039	0.37	129,039	
	Acer Synergy Tech Corp.	-	Same as above	90	<u>7,875</u>	0.41	7,875	
						<u>823,650</u>		
	AppWorks Fund II Co., Ltd.	-	Financial assets at fair value through profit or loss – non-current	5,355	94,964	11.11	94,964	
	Taiwan Capital Buffalo Fund Co., Ltd.(formerly known as Taishan Buffalo Investment Co., Ltd.)	-	Same as above	46,300	35,611	1.08	35,611	
	Innorich Venture Capital Corp.	-	Same as above	3,000	13,814	5.61	13,814	
JAFCO ASIA TECHNOLOGY FUND VI L.P.	-	Same as above	1,000	<u>5,144</u>	0.67	5,144		
					<u>149,533</u>			

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	CAL-COMP INDUSTRIA DE SEMICONDUCTORES S.A.	-	Financial assets at fair value through other comprehensive income – non-current	11,966	158,852	17.16	158,852	
	AppWorks Fund III Co., Ltd.	-	Same as above	8,385	63,770	2.92	63,770	
	Adam Elements International Co., Ltd.	-	Same as above	1,710	19,289	19.00	19,289	
	Gomore Inc.	-	Same as above	16,925	11,831	1.86	11,831	
	H3 Platform, Inc.	-	Same as above	18,400	2,289	12.14	2,289	
	Gospal Ltd.	-	Same as above	811,857	3,709	3.19	3,709	
	AppWorks Fund IV L.P.	-	Same as above	42,000	42,000	9.86	42,000	
	Aptos Technology Inc.	-	Same as above	212	-	0.35	-	
	THLight Co., Ltd.	-	Same as above	6,388	-	12.79	-	
	GeoThings, Inc.	-	Same as above	150	-	3.13	-	
	Ironyun Incorporated	-	Same as above	5,000	-	2.94	-	
	Deep Mentor Inc.	-	Same as above	700	16,800	3.72	16,800	
						<u>318,540</u>		
	<u>Private equity funds</u>							
	Fuh Hwa Smart Energy Fund	-	Financial assets at fair value through profit or loss – non-current	6,000	29,350	3.78	29,350	
Lian Xu Dong Investment Corporation	<u>Common shares</u>							
	Translink Capital Partners III L.P	-	Financial assets at fair value through profit or loss – non-current	1,500	55,187	1.18	55,187	
	Translink Capital Partners IV L.P	-	Same as above	930	41,702	0.59	41,702	
					<u>96,889</u>			

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	
Lian Xu Dong Investment Corporation	Liquid, Inc. (preference shares)	-	Financial assets at fair value through other comprehensive income – non-current	2,111	46,268	4.75	46,268	
	Translink Capital Partners V, L.P.	-	Same as above	930	20,412	1.71	20,412	
	Taiwania Capital Buffalo Fund V, LP.	-	Same as above	50,000	40,166	3.19	40,166	
	Cathy Private Equity Smart Technology Limited Partnership	-	Same as above	30,000	23,250	7.39	23,250	
	New Future III Limited Partnership	-	Same as above	28,003	21,277	3.38	21,277	
	Omni Media International Incorporation	-	Same as above	1,714	13,783	2.60	13,783	
					<u>165,156</u>			
Emtops Electronics Corporation	My Digital Discount, Inc.	-	Financial assets at fair value through other comprehensive income – non-current	-	-	19.00	-	
Phisontech Electronics	<u>Beneficiary certificates-open-end funds</u>							
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss – current	167	30,472	-	30,472	
	Franklin Templeton Sinoam Money Market Fund	-	Same as above	1,917	20,304	-	20,304	
	FSITC Taiwan Money Market Fund	-	Same as above	1,295	20,319	-	20,319	
	Mega Diamond Money Market Fund	-	Same as above	1,580	20,321	-	20,321	
	Capital Money Market Fund	-	Same as above	1,229	20,322	-	20,322	
					<u>111,738</u>			

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	
Super Storage Technology Corporation	<u>Common shares</u> Power Research Technology Corp.	-	Financial assets at fair value through other comprehensive income – non-current	833	<u>6,627</u>	12.53	6,627	

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 nine months ended September 30, 2023

Table 2

(Amounts in Thousands)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sales	Amount	Percentage of Total Purchases/Sales (%)	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Receivable (Payable) (%)	
The Company	Kioxia Taiwan Corporation	The subsidiary of KIC	Purchase	6,377,562	37	Net 30 days after monthly closing	None	None	(925,444)	(15)	
	Super Storage Technology Corporation	Sub-subsiary	Processing cost	357,437	2	Net 30 days after monthly closing	None	None	(101,388)	(2)	Note 2
	Kioxia Corporation	The Company's director	Sales	(193,192)	(1)	Net 60 days after monthly closing	None	None	39,346	-	
	Solid State Storage Technology Corporation (including Hsinchu Science Park Branch)	The subsidiary of KIC	Sales	(350,717)	(1)	Net 60~90 days after monthly closing	None	None	128,368	2	
	Apacer Technology Inc.	The Company is its director	Sales	(641,545)	(2)	Net 45 days after monthly closing	None	None	260,264	3	
	UD INFO Corp.	The Company is its Parent Company's director	Sales	(237,271)	(1)	Net 45 days after monthly closing	None	None	76,332	1	

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sales	Amount	Percentage of Total Purchases/Sales (%)	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Receivable (Payable) (%)	
The Company	Hosin Global Electronics Co., Ltd. (HK)	The subsidiary of Hosin Global (SZ)	Sales	(1,327,722)	(4)	Net 45 to 75 days after monthly closing	None	None	850,254	10	
	Hefei DATANG Storage Technology Co., Ltd.	The subsidiary of Hefei Xinpeng	Sales	(100,291)	-	T/T in advance to net 45 days after monthly closing	None	None	20,444	-	
	Nextorage Corporation	Subsidiary	Sales	(467,514)	(1)	Net 60 days after monthly closing	None	None	95,136	1	Note 2
	Phison Technology Inc.	Sub-subsidiary	Sales	(280,089)	(1)	Net 45 days after monthly closing	None	None	94,329	1	Note 2
	ProGrade Digital Incorporated	Associate	Sales	(301,355)	(1)	Net 30 days after receipt date	None	None	65,523	1	

Note 1: The sales and purchase prices 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
September 30, 2023

Table 3

(Amounts in Thousands)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note)	Allowance for Bad Debts	Note
					Amount	Action Taken			
The Company	Apacer Technology Inc.	The Company is its director	260,264	4.34	-	-	39,971	443	
	Solid State Storage Technology Corporation (including Hsinchu Science Park Branch)	The subsidiary of KIC	128,368	5.46	-	-	68,685	219	
	Hosin Global Electronics Co., Ltd. (HK)	The subsidiary of Hosin Global (SZ)	850,254	3.29	-	-	193,620	1,448	

Note: Information as of October 30, 2023.

Phison Electronics Corp. and Subsidiaries
Business relationships and significant intercompany transactions
For the nine months ended September 30, 2023

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	Ostek Corporation	1	Manufacturing cost	21,644	General trading terms	0.07
		Super Storage Technology Corporation	1	Processing cost	357,437	General trading terms	1.10
			1	Accounts payable	101,388	General trading terms	0.17
			1	Right-of-use assets	10,105	General trading terms	0.02
			1	Lease liabilities	10,168	General trading terms	0.02
		Phison Technology Inc.	1	Sales	280,089	General trading terms	0.86
			1	Accounts receivable	94,329	General trading terms	0.16
			1	Marketing expenses	339,760	General trading terms	1.05
			1	Other payables	35,490	General trading terms	0.06
		Nextorage Corporation	1	Sales	467,514	General trading terms	1.44
			1	Accounts receivable	95,136	General trading terms	0.16
		Power Storage Technology (Shenzhen) Limited	1	Marketing expenses	43,229	General trading terms	0.13
			1	Other payables	16,247	General trading terms	0.03
Phison Electronics Japan Corp.	1	Marketing expenses	13,187	General trading terms	0.04		

Note 1: 1.Parent Company to its subsidiaries

Note 2: The amount of significant transaction should exceed \$10,000 thousand.

Phison Electronics Corp. and Subsidiaries
Information on Investees (Excluding Information on Investees in Mainland China)
For the nine months ended September 30, 2023

Table 5

(Amounts in Thousands)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2023			Net Income (Losses) of Investee	Share of Profits/Losses of Investee	Note
				September 30, 2023	December 31, 2022	Shares	Percentage of Ownership (%)	Carrying Value			
The Company	Global Flash Limited	Samoa	Investment and trade	726,307	726,307	22,100,000	100.00	2,268,899	(777,884)	(777,884)	Subsidiary and note 2
	Regis Investment (Samoa) Limited	Samoa	Investment	655,995	655,995	21,900,000	100.00	1,014,663	(393,291)	(393,291)	Subsidiary and note 2
	Phisontech Electronics Taiwan Corp.	Taiwan	Investment and trade	581,363	581,363	55,000,000	100.00	741,528	37,863	37,875	Subsidiary and note 2
	Lian Xu Dong Investment Corporation	Taiwan	Investment	650,000	650,000	65,000,000	100.00	521,106	2,126	2,126	Subsidiary and note 2
	EpoStar Electronics (BVI) Corporation	British Virgin Islands	Investment	79,531	79,531	6,288,523	30.51	230,190	464	141	Investee accounted for using the equity method
	Emtops Electronics Corporation	Taiwan	Investment	380,000	380,000	38,000,000	100.00	397,579	(5,604)	(5,604)	Subsidiary and note 2
	Nextorage Corporation	Japan	R&D, design, manufacture and sale of flash memory application products	219,715	219,715	12,000	100.00	423,264	36,327	36,327	Subsidiary and note 2
	Power Flash (Samoa) Limited	Samoa	Investment and trade	150,190	150,190	4,800,000	100.00	157,947	4,709	4,709	Subsidiary and note 2
	ProGrade Digital Inc.	USA	Flash memory related products and market development	83,439	83,439	2,785,000	28.71	142,997	64,013	18,378	Investee accounted for using the equity method

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2023			Net Income (Losses) of Investee	Share of Profits/Losses of Investee	Note
				September 30, 2023	December 31, 2022	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	27,805	610	610	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	9,586	629	629	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	<u>27,297</u>	3,220	<u>1,578</u>	Investee accounted for using the equity method
								<u>5,962,861</u>		<u>(1,074,406)</u>	
Lian Xu Dong Investment Corporation	Ostek Corporation	Taiwan	Manufacture and trade of electronic components	9,000	9,000	900,000	100.00	25,994	(1,124)	Note 1	Sub-Subsidiary and note 2
Emtops Electronics Corporation	Phison Technology Inc.	USA	Sales and service office	90,419	90,419	3,000,000	100.00	129,756	(8,543)	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	-	-	629	Note 1	Subsidiary and note 2
Phisontech Electronics Taiwan Corp.	Super Storage Technology Corporation	Taiwan	Manufacture and trade of electronic components	452,954	452,954	34,842,595	100.00	621,462	37,092	Note 1	Sub-subsidiary and note 2
Global Flash Limited	Core Storage Electronic (Samoa) Limited	Samoa	Investment and trade	636,593	636,593	19,150,000	100.00	2,257,375	(778,541)	Note 1	Sub-subsidiary and note 2
Power Flash (Samoa) Limited	Power Flash (HK) Limited	Hong Kong	Sales and trade of electronic products	98,754	98,754	3,000,000	100.00	105,208	3,004	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	1,033,192	(393,352)	Note 1	Sub-subsidiary and note 2

Note 1: The share of profits/losses of the investee company is not disclosed herein as such amount is already included in the share of profits/losses 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 nine months ended September 30, 2023

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, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2023	Net Income (Losses) of the Investee	Percentage of Ownership (%)	Investment Income (Losses)	Book Value	Accumulated Remittance of Earnings in as of September 30, 2023	Note
					Outflow	Inflow							
Ruhan Electronic Technology Limited	Design, R&D, sale of electronics product and technical support service and rendering of related services and investment	182,825	2(1)	182,825	-	-	182,825	(31,917)	100.00	(31,917)	141,250	-	Note 3
Hefei Xinpeng Technology Co., Ltd.	R&D, production and sale of electronic product and technical service and rendering of related services and investment	735,136	2(1)	-	-	-	-	(131,664)	24.23	(31,905)	132,837	-	-
Hosin Global Electronics Co., Ltd. (SZ)	R&D and sale of electronic product and technical service and rendering of related services	1,892,786	2(1) and 2(2)	442,780	-	-	442,780	(2,891,453)	37.08	(1,146,447)	2,661,691	-	-
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	1,348	100.00	1,348	45,920	-	Note 3

(2) Limitation on investment in Mainland China

Accumulated Investment in Mainland China as of September 30, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 2)
669,125	1,380,908	24,456,632

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: 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 3: The aforementioned inter-company transactions and balance have been eliminated in the consolidated financial statements.