Risk Factors Comparison 2024-02-28 to 2023-02-28 Form: 10-K

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Investing in our common stock involves a high degree of risk. Before making any investment decision with respect to our common stock, you should carefully consider the risks described below, together with the other risk factors set forth in this Item 1A, all other information included in this report, and the other reports and documents filed by us with the SEC. The risk factors described below are a summary of the principal risk factors associated with an investment in us. **Cybersecurity Risks • Actual or attempted security incidents or breaches, loss of data, or other disruptions could expose us to material liability and materially and adversely affect our business, financial condition, and our reputation.** Business and Strategy Risks • Our results of operations may fluctuate significantly from period to period and can be difficult to predict. • We have a history of losses, and we may not be able to sustain profitability. ~~We anticipate that~~ **At this time, we do not expect future material** revenues ~~resulting~~ from **the sale of** our COVID- 19 **tests and** testing **services** ~~will continue to decrease as and if the prevalence of COVID- 19 decreases~~ . • We may not be successful in our efforts to integrate any acquired businesses and technologies, and this may adversely affect our business and results of operations. We may incur unexpected liabilities as a result of our acquisitions ~~. • Actual or attempted security breaches, loss of data, or other disruptions could expose us to material liability and materially and adversely affect our business and our reputation~~ . • If our laboratory facilities become inoperable, if we are forced to vacate a facility, or if we are unable to obtain additional laboratory space as and when needed, we would be unable to perform our tests ~~,~~ and our business would be harmed. • We depend on our information technology systems and any material failure of these systems, due to hardware or software malfunctions, delays in operation, and / or material failures to implement new or enhanced systems or cybersecurity breaches, could materially harm our business. • Any inability to obtain additional capital when needed and on acceptable terms may limit our ability to execute our business plans, and our liquidity needs could be materially affected by market fluctuations and general economic conditions. **If we raise funds by issuing equity securities, our stockholders may experience substantial dilution. • Impairment charges relating to our goodwill and intangible assets could negatively affect our financial performance.** Reimbursement Risks • Our ability to achieve or sustain profitability also depends on our collection of payment for the tests we deliver, which we may not be able to do successfully **.** • Failure to comply with government laws and regulations related to submission of claims for our services could result in significant monetary damages and penalties and exclusion from the Medicare and Medicaid programs and corresponding foreign reimbursement programs **. We are also subject to governmental audits, such as the current HRSA Audit, that could result in material refunds or settlements. Our business, prospects and financial condition may be adversely affected as the result of the current HRSA Audit** . Regulatory Risks • Any changes in laws, regulations or the enforcement discretion of the FDA with respect to the marketing of diagnostic products, or violations of laws or regulations by us, could materially and adversely affect our business, prospects, results of operations or financial condition. • If we fail to comply with applicable federal, state, local and foreign laboratory licensing requirements, we could lose the ability to perform our tests ~~or~~ **and** experience material disruptions to our business. • We are subject to broad legal requirements regarding the information we test and analyze, and any failure to comply with these requirements could result in materially significant, penalties, materially damage our reputation and materially harm our business. • We conduct business in a heavily regulated industry. Complying with the numerous statutes and regulations pertaining to our business is expensive and time- consuming, and any failure by us, our consultants or commercial partners to comply could result in substantial and material penalties. • We may be required to modify our business practices, pay fines, incur significant expenses **,** or experience losses due to litigation or governmental investigations **as a result of voluntary disclosure processes** . Risk Related to the Development of ~~Therapeutic~~ **Drug** Candidates • **Our drug** ~~Fulgent Pharma' s therapeutic~~ candidates are in early stages of development and may fail or suffer delays that materially and adversely affect their future commercial viability. • Any **drug** ~~therapeutic product~~ candidate that **we** ~~Fulgent Pharma~~ may attempt to develop, manufacture **,** or market in the United States will be subject to extensive regulation by the FDA, including regulations relating to development, preclinical testing, performance of clinical trials, manufacturing **,** and post- approval commercialization and will be subject to extensive regulations outside of the United States. Satisfaction of these and other regulatory requirements is costly, time **-** consuming, uncertain **,** and subject to unanticipated delays. The time required to obtain FDA approval, and any other required approvals for pharmaceutical products, including any accelerated approval, is unpredictable but typically requires years to several years and may never be obtained. Intellectual Property Risks • **If we are unable to obtain and maintain patent protection for any product candidate we develop, our competitors could develop and commercialize products or technology similar to ours, and our ability to successfully commercialize any product candidate we may develop, and our technology, may be adversely affected. •** We ~~primarily~~ rely on trade secret protection, non- disclosure agreements, and invention assignment agreements to protect our proprietary information, which may not be effective. • Litigation or other proceedings or third- party claims of intellectual property infringement or misappropriation could require us to spend significant time and money and prevent us from selling our tests or developing ~~therapeutic~~ **drug** candidates. • If we fail to comply with our obligations under license or technology agreements with third parties, we could lose license rights that are ~~critical~~ **important** to our business. If our third- party licensors fail to comply with the terms of our license arrangements, we may be forced to engage in litigation to ~~protection~~ --- **protect** our rights, which may not be successful. Common Stock Risks • An active, liquid trading market for our common stock may not be sustained, which could make it difficult for stockholders to sell their shares of our common stock. • The price of our common stock may be volatile, and you could lose all or part of your investment. • Future issuances of our common stock or rights to purchase our common stock, including pursuant to our equity

incentive plan, could result in additional dilution to the percentage ownership of our stockholders and could cause the price of our common stock to fall. • We do not intend to pay dividends on our common stock, so any returns will be limited to the value of our common stock. In the ordinary course of our business,we generate,collect and store sensitive data,including ~~personal health information,or~~ PHI ~~;~~ **,** personally identifiable information ~~;~~ **,** intellectual property ~~;~~ **,** and proprietary and other business-critical information,such as research and development data,commercial data,and other business and financial information.We manage and maintain the data we generate ~~and~~ **,** collect and store ~~data~~ utilizing a combination of on- site systems and managed data center systems.We also communicate sensitive patient data when we deliver reports summarizing test results to our customers,which we deliver via our online encrypted web portal,encrypted email,or fax,or overnight courier.The secure processing,storage,maintenance ~~,~~ and transmission of this information is vital to our operations and business strategy,and we devote significant resources to protecting the confidentiality and integrity of this information.Although we have implemented security measures and other controls designed to protect sensitive information from unauthorized access,use,or disclosure, ~~as disclosed previously,in 2022,~~ one of our subsidiaries **has** experienced security incidents to its information systems that resulted in the unauthorized access,use,and disclosure of PHI and other confidential information. **To date,** ~~These~~ **these** incidents have not materially affected our business.A breach or interruption could result in material legal claims or proceedings and could result in material liability or penalties under federal,state,or foreign laws that protect the privacy of personal information,discussed below under " We are subject to broad legal requirements regarding the information we test and analyze,and any failure to comply with these requirements could result in materially significant,penalties,materially damage our reputation and materially harm our business." Additionally,unauthorized access,manipulation,loss,or dissemination could significantly damage our reputation and disrupt our operations,including our ability to perform our tests,analyze and provide test results,bill customers or other payors,process claims for reimbursement,provide customer service,conduct research and development activities,collect,process,and prepare company financial information,conduct education and outreach activities and manage the administrative aspects of our operations,as described further below under " We depend on our information technology systems and any material failure of these systems,due to hardware or software malfunctions,delays in operation,and / or material failures to implement new or enhanced systems or **cybersecurity breaches,could materially harm our business."** Our results of operations have experienced fluctuations from period to period, which we expect may continue in the future. These fluctuations can occur because of a variety of factors, including, among others, the amount and timing of sales of our tests and testing services, the prices we charge for our tests and testing services, customer or payor mix, general price degradation for our tests and testing services or other competitive factors, the rate and timing of our billings and collections, **our ability to obtain reimbursement for our tests from third- party payors, our ability to maintain a broad** and **flexible testing menu,** the timing and amount of our commitments and other payments **, and exchange rate fluctuations** , as well as the other risk factors discussed in this report. Our results have been, and may in the future be, impacted by events that may not recur regularly, in the same amounts or at all in the future. For instance **,** in 2020, we developed and began offering a series of COVID- 19 tests. We experienced substantial revenue growth in ~~recent years~~ **2020 and 2021** due primarily to the sales of, and growing demand, for these COVID- 19 tests ~~. We expect demand for~~ **, but we have seen a decrease in our COVID- 19 revenue in recent years due to** ~~these~~ -- **the** ~~tests to continue to~~ decline ~~when and as the pandemic recedes~~ **in prevalence of COVID- 19** . **The** ~~This recent growth and other~~ fluctuations in our operating results may render period- to- period comparisons less meaningful, and investors should not rely on the results of any one period as an indicator of future performance. These fluctuations in our operating results could cause our performance in any particular period to fall below the expectations of securities analysts or investors or guidance we have provided to the public, which could negatively affect the price of our common stock. We have a history of losses. Although we achieved profitability for the years ended December 31, 2020, 2021 **,** and 2022, we may not **again** be ~~able to maintain profitability~~ **profitable** in **any** future periods. Further, our revenue levels may not grow at historical rates or at all. We may incur additional losses in the future. While we experienced significant profitability in connection with the sale of our COVID- 19 tests **in previous years** , the demand for these tests has declined and **, currently,** we ~~anticipate will continue to decrease as~~ **do not expect future material revenue from** the ~~prevalence~~ **sale** of **our** COVID- 19 ~~decreases~~ **tests and testing services** . Even if there is a reoccurrence of demand for our COVID- 19 tests **or other substantial revenue growth** , we may be unable to again manage our resources to effectively respond to this demand such that our revenues ~~will~~ **would** again materially increase. Any ~~future~~ losses ~~may~~ **would** have an adverse effect on our stockholders' equity and working capital, which could negatively impact our operations and your investment in the Company. A failure to sustain or grow our revenue levels and to maintain profitability may negatively affect our business, financial condition, results of operations and cash flows, and ~~could cause~~ the market price of our common stock **may decline or continue** to decline. Our ability to integrate any organizations or technology that we may acquire ~~, including our acquisitions of CSI, Fulgent Pharma, and Inform Diagnostics,~~ is subject to a number of risks, including the following: • failure to integrate successfully the personnel, information systems, technology, and operations of the acquired business; • failure to maximize the potential financial and strategic benefits of the acquisition; • failure to realize the expected synergies of the acquired business; • possible impairment of relationships with employees and clients as a result of any integration of new businesses and management personnel; • impairment of goodwill **, such as the impairment charge we incurred in the fourth quarter of 2023** ; • increased demand on human resources and operating systems, procedures and controls; and • reductions in future operating results as a result of the amortization of intangible assets. Acquisitions are also accompanied by the risk that obligations and liabilities of an acquired business may not be adequately reflected in the historical financial statements of that business and the risk that historical financial statements may be based on assumptions, which are incorrect or inconsistent with our assumptions or approach to accounting policies. The acquisition and integration of businesses may not be managed effectively **,** and any failure to manage the integration process could lead to disruptions in the overall activities of the Company, a loss of clients and revenue **,** and increased expenses. Further, integration of an acquired business or technology could involve significant difficulties and could require management and

capital resources that otherwise would be available for ongoing development of our existing business or pursuit of other opportunities. We may also acquire contingent liabilities in connection with the acquisitions of a business, which may be material, and any estimates we might make regarding any acquired contingent liabilities and the likelihood that these liabilities will materialize could differ materially from the liabilities actually incurred. These circumstances could materially harm our business, results of operations **,** and prospects. We have previously and may again in the future acquire businesses or assets, form joint ventures, make investments in other companies or technologies, or establish other strategic relationships, any of which could harm our operating results or dilute our stockholders' ownership. As part of our business strategy, we have previously and may again in the future pursue acquisitions of complementary businesses or assets (such as our acquisitions of **Cytometry Specialist, Inc. or** CSI ~~,~~**;** Fulgent Pharma ~~,~~**;** and **Symphony Buyer, Inc., or** Inform Diagnostics), investments in other companies (such as our investment in Helio Health), technology licensing arrangements, joint ventures, or other strategic relationships. As an organization, we have relatively limited experience with respect to acquisitions, investments, or the formation of strategic relationships or joint ventures. If we pursue relationships with strategic partners or other strategic relationships, our ability to establish and maintain these relationships could be challenging due to several factors. Factors include competition with other testing companies and internal and external constraints placed on pharmaceutical and other organizations that limit the number and type of relationships they can establish with companies like ours. Moreover, we may not be able to identify or complete any future acquisition, investment, technology license, joint venture, or other strategic relationship in a timely manner, on a cost- effective basis **,** or at all ~~,~~**;** and we may not realize the anticipated benefits of any acquisition, investment, or joint venture as needed to recoup our costs. To finance any acquisitions, investments, joint ventures **,** or other strategic relationships, we may seek to raise additional funds through securities offerings, credit facilities, asset sales or collaborations **,** or licensing arrangements. To the extent these financing transactions call for the issuance of shares of our capital stock, our existing stockholder would experience dilution in their relative ownership of shares of our capital stock. Each of these methods of fundraising is subject to a variety of risks, including those discussed ~~above~~ **below** under " Any inability to obtain additional capital when needed and on acceptable terms may limit our ability to execute our business plans, and our liquidity needs could be materially affected by market fluctuations and general economic conditions. " Further, additional funds from capital- raising transactions may not be available when needed, on acceptable terms or at all. Any inability to fund any acquisitions, investments **,** or strategic relationships we pursue could cause us to forfeit opportunities we believe are promising or valuable, which could harm our prospects **. If we raise funds by issuing equity securities, our stockholders may experience substantial dilution** . Our mix of customers fluctuates from period to period, and our revenue is often concentrated among only a small number of customers, and the loss of or a reduction in sales to any of our customers could materially harm our business. The composition and concentration of our customer base often fluctuates from period to period, and in certain prior periods, a small number of customers accounted for a significant portion of our revenue. When customers who, to our knowledge, are under common control or otherwise affiliated with each other are aggregated, one **of our** ~~customer~~ **customers** ~~, the County of Los Angeles,~~ contributed ~~19~~ **$ 35. 7 million or 12** % of our total revenue during the year ended December 31, ~~2022~~ **2023 . We continue to see significant concentration in a single large customer** . For these customers and for customers generally, tests are purchased on a test- by- test basis and not pursuant to any long- term purchasing arrangements. As a result, any or all of our customers, including affiliated customers or customers under common control who purchase large quantities of tests, could decide at any time to decrease, delay, or discontinue their orders from us **,** which could adversely affect our revenue. We believe some of these fluctuations in customer demand may be attributable, in part, to the nature of our business. Our traditional genetic testing customers can experience significant volatility in their ~~genetic~~ testing demand from period to period in the ordinary course of their operations ~~.~~ **and certain of** ~~These~~ **these customers are experiencing significant financial distress.** ~~demand~~ **Demand** fluctuations, particularly for any ~~key~~ **large** customers, often have a significant impact on our period- to- period performance regardless of their cause. **For instance, during 2023, projects for certain of our BioPharma services clients were scaled back or terminated due to those customers experiencing significant financial distress. We have also experienced recent growth in demand from fertility clinics and other laboratory customers as a result of our Beacon Expanded Carrier screen. However, if demand for IVF or other assisted reproductive technologies declines, demand for our Beacon tests and services may also decline.** In ~~addition~~ **light of the recent overturn of Roe v. Wade and recent state court decisions** , ~~the~~ **there** ~~failure to receive payment on a timely basis negatively impacts~~ **is uncertainty regarding the potential regulatory treatment of embryos, which may cause demand for IVF,** ~~our~~ **or other assisted reproductive technologies, to decline or to decline in certain jurisdictions. Further, if our laboratory customers decided to perform certain testing services internally, our business and** results **of operations could be materially** and ~~cash flows~~ **adversely harmed** . Our ability to maintain or increase sales to our existing customers depends on a variety of factors, including the other risk factors discussed in this report, many of which are beyond our control. Because of these and other factors, sales to any of our customers, including any key, affiliated, or commonly controlled customers, may not continue in the amounts or at the rates as they have in the past, and such sales may never reach or exceed historical levels in any future period. The loss of any of our customers, or a reduction in orders or difficulties collecting payments for tests ordered by any of them, could significantly reduce our revenue and adversely affect our operating results. We face intense competition, which could intensify further in the future, and we may fail to maintain or again increase our revenue levels or sustain profitability if we cannot compete successfully. We operate our ~~business~~ **businesses** in very competitive and evolving fields ~~. Our competitors include dozens of companies focused on pathology, genetic, and diagnostic testing services, including specialty and reference laboratories that offer traditional single- gene and multi- gene tests. As such, we face intense competition from other life science, biotechnology, pharmaceutical, research and development, and diagnostic companies. This competition is subject to rapid change, could be significantly affected by new product or testing introductions and may intensify further in the future~~ . While we believe that we compare favorably to these competitors, some of our competitors may have technical, competitive, or other advantages over us

for the development of technologies and processes or greater experience in particular diagnostics or therapeutic development areas, and consolidation among pharmaceutical, diagnostic, and biotechnology companies can enhance such advantages. **More specifically,** ~~Many~~ **many** of our competitors have longer operating histories, larger customer bases, **larger research and development staffs,** more expansive brand recognition **, established manufacturing capabilities and facilities,** and deeper market penetration ~~,~~**;** substantially greater financial, technological and research and development resources and selling and marketing capabilities **with established sales forces;** and considerably more experience dealing with third- party payors. As a result, they may be able to respond more quickly to changes in customer requirements or preferences, develop faster and better advancements for their technologies **, product candidates** and tests, create and implement more successful strategies for the promotion and sale of their tests, obtain more favorable results from third- party payors regarding coverage and reimbursement for their offerings, adopt more aggressive pricing policies for their tests, secure supplies from vendors on more favorable terms or devote substantially more resources to infrastructure and systems development. In addition, competitors may be acquired by, receive investments from **,** or enter into other commercial relationships with larger, well- established and well- financed companies **, which may result in even more resources being concentrated among our competitors. Smaller or early- stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. Our laboratory services competitors include dozens of companies focused on pathology, genetic, and diagnostic testing services, including specialty and reference laboratories that offer traditional single- gene and multi- gene tests. As such, we face intense competition from other life science, biotechnology, pharmaceutical, research and development, and diagnostic companies. This competition is subject to rapid change, could be significantly affected by new product or testing introductions, and may intensify further in the future. With respect to our research and development business, these competitors also compete with us in recruiting and retaining top qualified scientific and management personnel and establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs. Our commercial opportunities could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, less expensive, more convenient or easier to administer, or have fewer or less severe effects than any products that we may develop. Our competitors also may obtain FDA, EMA, or other regulatory approval for their products more rapidly than we may obtain approval for our products, which could result in our competitors establishing a strong market position before we are able to enter the market. Even if our drug candidates achieve marketing approval, they may be priced at a significant premium over competitive products if any have been approved by then. The key competitive factors affecting the success of our product candidates are likely to be their efficacy, safety, and availability of reimbursement** . We may not be able to compete effectively against ~~these~~ **competitive** organizations. If we are unable to compete effectively, this could have a material adverse effect on our business and results of operations. In the ordinary course of our business..... could materially harm our business. ” If our laboratory facilities become inoperable, if we are forced to vacate a facility, or if we are unable to obtain additional laboratory space as and when needed, we would be unable to perform our tests **,** and our business would be harmed. We perform our tests at our CLIA- certified laboratories in ~~Temple City and~~ El Monte, California; Irving, Texas; Needham, Massachusetts; Phoenix, Arizona; Alpharetta, Georgia; and New York, New York. Our laboratories and the equipment we use to perform our tests would be costly to replace and could require substantial lead time to replace and qualify for use. Additionally, any other laboratory facilities or equipment we may use could be damaged or rendered inoperable by **severe weather events,** natural disasters, which may be exacerbated by the effects of climate change, or man-made disasters which could render it difficult or impossible for us to perform our tests for some period of time. The inability to perform our tests or the backlog that could develop if a laboratory becomes inoperable for even a short time could result in **adversely affected turnaround times,** the loss of customers or harm to our reputation. Although we maintain insurance for damage to our property and disruption of our business, this insurance may not be sufficient to cover all of our potential losses and may not continue to be available to us on acceptable terms, if at all. Further, if we need to relocate from one laboratory facility to another laboratory facility or obtain additional laboratory space, we may have difficulty locating suitable space in a timely manner, on reasonable terms or at all. Even if acceptable space was available, it would be challenging, time- consuming, and expensive to obtain or transfer the licensure and accreditation required for a commercial laboratory like ours and the equipment used to perform our tests. These challenges could be amplified if we or our joint ventures or other commercial partners seek to procure and maintain laboratory space outside the United States as we pursue international expansion. If we are unable to obtain or are delayed in obtaining new laboratory space as needed, we may not be able to provide our existing tests **, provide test results within acceptable turnaround times,** or develop and launch new tests, which could result in harm to our business, reputation, financial condition and results of operations. We rely on commercial courier delivery services to transport specimens to our laboratory facilities in a timely and cost- efficient manner, and if these delivery services are disrupted, our business could be materially harmed. Our business depends on our ability to quickly and reliably deliver test results to our customers. We typically receive specimens from customers within days of shipment, or in some cases overnight, for analysis at our laboratory facilities. Disruptions in delivery service, whether due to labor disruptions, bad weather or natural disasters (including severe weather, fires or other natural events which may be exacerbated by climate change), **labor strikes, work stoppages, or boycotts,** pandemics or epidemics, terrorist acts or threats **, force majeure events,** or for other reasons, could adversely affect specimen integrity and our ability to process specimens in a timely manner **, provide test results within acceptable turnaround times** and otherwise service our customers ~~, and~~ **. These circumstances could** ultimately materially and adversely affect our reputation and our business. In addition, if we are unable to continue to obtain expedited delivery services on commercially reasonable terms, our operating results may be materially and adversely affected. We depend on information technology and telecommunications systems for significant elements of our operations, such as our laboratory information management systems, including test validation, specimen tracking and quality control; our bioinformatics analytical

software systems; our reference library of information relating to genetic variants and their role in disease; personal information storage, maintenance, and transmission; our customer- facing web- based portal and customer service functions; our report production systems; our billing and reimbursement procedures; our scientific and medical data analysis and other research and development activities and programs; and our general and administrative activities, including disclosure controls, internal control over financial reporting and other public reporting functions. In addition, our third- party service providers depend on technology and telecommunications systems in order to provide contracted services for us. We expect we will need to continue to expand and strengthen a number of enterprise software systems that affect a broad range of business processes and functions, particularly if and as our operations grow, including, for example, systems handling human resources, financial and other disclosure controls and reporting, customer relationship management, regulatory compliance, security controls, and other infrastructure functions. Information technology and telecommunications systems are vulnerable to disruption and damage from a variety of sources, including power outages and other telecommunications or network failures, natural disasters, and the outbreak of war or acts of terrorism. Breaches resulting in the compromise, disruption, degradation, manipulation, loss, theft, destruction, or unauthorized disclosure of sensitive information can occur in a variety of ways, including but not limited to, negligent or wrongful conduct by employees or former employees or others with permitted access to our information technology systems and information, or wrongful conduct by hackers, competitors, or certain governments. Our third- party vendors and business partners face similar risks. Moreover, despite network security and back- up measures, our servers and other electronic systems are vulnerable to cybersecurity breaches, such as physical or electronic break- ins, computer viruses, ransomware attacks, phishing schemes, and similar disruptive events. Despite the precautionary measures we have taken to detect and prevent or solve problems that could affect our information technology and telecommunications systems, one of our subsidiaries has experienced security incidents to its information systems that resulted in the unauthorized access, use, and disclosure of PHI and other confidential information. To date, these incidents have not materially affected our business, however such incidents could cause significant downtime or failures of our systems or those used by our third- party service providers. Cyber- attacks come in many forms, including the deployment of harmful malware or ransomware, exploitation of vulnerabilities, phishing, and other use of social engineering, and other means to compromise the confidentiality, integrity, and availability of our ~~IT~~ **information technology** systems and confidential information. The techniques used by criminal elements to attack computer systems are sophisticated, change frequently and may originate from less regulated or remote areas of the world. Although we carry property, business interruption, and cyber liability insurance, the coverage may not be adequate to compensate for all losses that may occur in the event of system downtime or failure. Any such disruption or loss of information technology or telecommunications systems on which critical aspects of our operations depend could have a material adverse effect on our business and our reputation. Additionally, if and as our business grows, we will need to continually improve and expand the scope of our technology systems in order to maintain their adequacy for the scale of our operations. Any failure to make such improvements or any significant delay in the planned implementation of new or enhanced systems could render our systems obsolete or inadequate, in which case our service to our customers and our other business activities could suffer, and we could be more vulnerable to electronic breaches from outside sources. If our computer systems are compromised, we could be subject to significant fines, damages, reputational harm, litigation **,** and enforcement actions, and we could lose trade secrets, the occurrence of which could materially harm our business, in addition to possibly requiring substantial and material expenditures of resources to remedy. We rely on a limited number of suppliers and, in some cases, a sole supplier, for certain laboratory substances, equipment and other materials, and any delays or difficulties securing these materials could disrupt our laboratory operations and materially harm our business. We rely on a limited number of suppliers for certain laboratory substances used in the chemical reactions incorporated into our tests and testing services, which we refer to as reagents, as well as for the sequencers, collection kits, and various other equipment and materials we use in our laboratory operations. In particular, we rely on Illumina ~~, Inc.~~ as the sole supplier of the next generation sequencers and associated reagents we use to perform our genetic tests and as the sole provider of maintenance and repair services for these sequencers; on Roche Holdings AG for certain laboratory equipment, supplies and services for our immunohistochemistry services; on Beckman Coulter Diagnostics for certain laboratory equipment, supplies and services for our flow cytometry tests and testing services; **on Leica Biosystems for an automated digital scanning solution to scale up the digital pathology operations;** and on Abbott laboratories for certain laboratory equipment, supplies and services for our FISH tests and testing services **. Additionally, our therapeutic development business relies on ANP Technologies, Inc. for certain laboratory services, equipment, tools, and drug intermediates in connection with our research and development efforts** . We do not have long- term agreements with most of our suppliers and, as a result, they could cease supplying these materials and equipment generally to us at any time due to an inability to reach agreement with us on supply terms, disruptions in their operations, a determination to pursue other activities or lines of business, or they could fail to provide us with sufficient quantities of materials that meet our specifications, among other reasons. These suppliers may also be affected by natural disasters such as extreme weather events, fires or flooding (which may be exacerbated as a result of climate change), pandemics and health events, and disruptions of the global supply chain. While there are several sequencer suppliers that we believe could replace Illumina, and while we believe that we have sufficient alternative suppliers for our other needs, transitioning to a new supplier or locating a temporary substitute, if any are available, would be time- consuming and expensive, could result in interruptions in or otherwise affect the performance specifications of our laboratory operations or could require that we revalidate our tests. In addition, the use of equipment or materials provided by a replacement supplier could require us to alter our laboratory operations and procedures. Moreover, we believe there are currently only a few manufacturers that are capable of supplying and servicing certain equipment and other materials necessary for our laboratory operations, including sequencers and various associated reagents. As a result, replacement equipment and materials that meet our quality control and performance requirements may not be available on reasonable terms, in a timely manner or at all. If we encounter delays or difficulties securing, reconfiguring or revalidating the equipment, reagents and other

materials required for our tests our operations could be materially disrupted; **our anticipated turnaround times or ability to deliver our testing services in a timely manner could be adversely impacted; our development efforts may be delayed or interrupted;** and our business, financial condition, results of operations and reputation could be adversely affected. The loss of any member of our senior management team could adversely affect our business. Our success depends in large part on the skill, experience, and performance of our executive management team and others in key leadership positions, especially Ming Hsieh, our founder, Chief Executive Officer and Chairman of our board of directors; Paul Kim, our Chief Financial Officer; Dr. Han Lin Gao, our Chief Scientific Officer and Laboratory Director; and Jian Xie, our **President and** Chief Operating **Officer. Additionally, the success of our Fulgent Pharma business depends in large part on the skill, experience, and performance of our executive management team and others in key leadership positions, especially Ray Yin, its President and Chief Scientific** Officer. The continued efforts of these persons will be critical to us as we continue to develop our technologies and focus on growing our business. If we lose one or more of these key executives, we could experience difficulties maintaining our operations, including our ability to compete effectively, advance our technologies, develop new tests **,** and implement our business strategies. All of our executives and employees, including Messrs. Hsieh, Kim, and Xie ~~,~~**; Dr. Yin;** and Dr. Gao, are at-will, meaning either we or the executive may terminate his employment at any time. We do not carry key person insurance for any of our executives or other employees. In addition, we do not have long- term retention agreements in place with any of our executives or key employees. We rely on highly skilled personnel in a broad array of disciplines, and if we are unable to hire, retain, or motivate these individuals, we may not be able to maintain the quality of our tests or grow our business. Our business, including our research and development programs, laboratory operations, and administrative functions, largely depend on our continued ability to identify, hire, train, motivate, and retain highly skilled personnel for all areas of our organization, including biostatisticians, geneticists, software engineers, laboratory directors, and specialists, sales, and marketing experts and other scientific, technical, and managerial personnel. Competition in our industry for qualified executives and other employees is intense, and we may not be able to attract or retain the qualified personnel we need to execute our business plans due to high levels of competition for these personnel among our competitors, other life science businesses, universities **,** and public and private research institutions. In addition, our compensation arrangements may not be successful in attracting new employees and retaining and motivating our existing employees. If we are not able to attract and retain the necessary personnel to accomplish our business objectives, we may experience constraints that could adversely affect our ability to expand our business and support our clinical laboratory operations, and our sales and marketing and research and development efforts, which would negatively affect our prospects for future growth and success. Our reputation and business could be damaged by negative publicity. We have been and may again be subject to negative publicity. Reputational risk, including as a result of negative publicity, is inherent in our business. Negative publicity can result from actual or alleged conduct in a number of areas, including legal and regulatory compliance, corporate governance, litigation, inadequate protection of health information, illegal or unauthorized acts taken by third parties that supply products or services to us, and the conduct of our employees or agents. In particular, COVID-19 ~~has~~ **and access to fertility services have** been ~~a~~ politically controversial ~~topic~~ **topics** , and our provision of COVID- 19 testing and related services has subjected us to negative publicity **and we may again be subject to negative publicity in connection with our testing services provided to fertility clinics or provided in support of assisted reproductive technology** . Negative publicity can damage our reputation and business even if these statements about us are untrue. Damage to our reputation could adversely impact our ability to attract new and to maintain existing customers, employees, and business relationships. This damage and these circumstances may have a material adverse effect on our financial condition, prospects **,** and results of operations. We may not be successful in developing and marketing new tests, which could negatively impact our performance and prospects. We believe our future success will depend in part on our ability to continue to expand our test and testing service offerings and develop and sell new tests and testing services and on our ability to expand our presence in new and existing markets, including our presence in the molecular diagnostic and cancer testing markets. We may not be successful in launching or marketing any new tests we may develop; in expanding into any new or existing markets; and, even if we are successful, the demand for our tests could decrease or may not continue to increase at historical rates due to resulting sales of any new tests. Development of new tests is time- consuming and costly, as development and marketing of new tests requires us to conduct research and development activities regarding the new tests and to further scale our laboratory processes and infrastructure to be able to analyze increasing amounts of more diverse data. Further, we may be unable to discover or develop and launch new tests for a variety of reasons, including failure of any proposed test to perform as expected, lack of validation or reference data for the test **,** or failure to demonstrate the utility of the test. Any new test we are able to discover and develop may not be launched in a timely manner, meet applicable regulatory standards, successfully compete with other technologies and available tests, avoid infringing the proprietary rights of others, achieve coverage and adequate reimbursement from third- party payors, be capable of performance at commercial levels and at reasonable costs, be successfully marketed, or achieve sufficient market acceptance for us to recoup our time and capital investment in the development of the test. Any failure to successfully develop, market, and sell new tests could negatively impact our ability to attract and retain customers, our revenue **,** and prospects. We are exposed to additional business, regulatory, political, operational, financial, and economic risks related to our international operations. Our existing customer base includes international customers from a variety of geographic markets. As part of our strategy, we aim to increase our volume of direct sales to international customers in a variety of markets by conducting targeted marketing outreach activities and, if opportunities arise, engaging distributors or establishing other types of arrangements, such as additional joint ventures or other relationships. However, we may never be successful in achieving these objectives, and even if we are successful, these strategies may not result in meaningful or any increases in our customer base, test volumes **,** or revenue. Doing business internationally involves a number of risks, including, among others: • compliance with the laws and regulations of multiple jurisdictions, which may be conflicting or subject to increasing stringency or other changes, including privacy and data protection regulations, tax laws, employment laws, healthcare regulatory requirements, and other

related approvals, including permitting and licensing requirements; • logistics associated with the shipment of blood or other tissue specimens, including infrastructure conditions, transportation delays, and the impact of U. S. and local laws and regulations, such as export and import restrictions, tariffs, or other charges and other trade barriers, all of which involve increased risk related to the trade policies of the current administration, which may threaten existing and proposed trade agreements and impose more restrictive U. S. export- import regulations that impact our business; • limits on our ability to penetrate international markets, including legal and regulatory requirements that would force us to conduct our tests locally by building additional laboratories or engaging in joint ventures or other relationships in order to offer our tests in certain countries, which relationships could involve significant time and resources to establish, deny us control over certain aspects of the foreign operations, or reduce the economic value to us of these operations; • failure by us, any joint venturers, or other arrangements we have or may establish, or by any distributors or other commercial partners we have engaged or may engage to obtain any regulatory approvals required to market, sell, and use our tests in various countries; • challenges predicting the market for our tests and services generally and tailoring our test menu to meet varying customer expectations in different countries and territories; • difficulties gaining market share in territories in which we do not have a strong physical presence or brand awareness; • complexities and difficulties obtaining protection for and enforcing our intellectual property rights; • difficulties in staffing and managing foreign operations; • complexities associated with managing multiple payor coverage and reimbursement regimes, government payors, or patient self- pay systems; • financial risks, such as longer payment cycles, difficulty collecting trade accounts receivable and the impact of local and regional financial conditions on demand and payment for our tests; • **inflationary pressures, such as those the global market is currently experiencing, which have and may increase costs for materials, supplies, and services; •** exposure to foreign currency exchange rate fluctuations, conversions of currencies, and the risk of repatriation of certain foreign currencies; • natural disasters ~~,~~**;** political and economic instability, including wars ~~(e. g. the war in Ukraine)~~ , terrorism and political unrest, **such as conflicts in the Ukraine and the Middle East;** outbreak of disease ~~,~~**;** boycotts ~~,~~**;** and other business restrictions; and • regulatory and compliance risks related to applicable anti- bribery laws, including requirements to maintain accurate information and control over activities that may fall within the purview of these laws. Any of these factors could significantly harm our existing relationships with international customers or derail our international expansion plans, which would cause our revenue and results of operations to suffer. In addition, we are exposed to a number of additional risks and challenges related to our joint venture in China. These risks include, among others, difficulties predicting the market for genetic testing in Asia; competitive factors in this market, including challenges securing market share; local differences in customer demands and preferences and **the regulatory environment and** regulatory requirements; **the interpretation or enforcement of laws, regulations, and rules in China** and many of the other risks of doing business internationally that are discussed above. Although we believe this joint venture could result in expanded long- term opportunities to address the genetic testing market in Asia, this belief could turn out to be wrong, and we may never realize these or any other benefits we anticipate from our joint venture. Moreover, any joint venture we may seek to establish may never produce sufficient revenue for us to recover our capital and other investments in the joint venture, and we could become subject to liabilities based on our involvement in the joint venture' s operations. The materialization of any of these risks could materially harm our performance and prospects. If we are sued for product or professional liability, we could face substantial liabilities that exceed our resources. Our business depends on our ability to provide reliable and accurate test results, including tests that incorporate rapidly evolving information about the role of genes and gene variants in disease and clinically relevant outcomes associated with these variants. Hundreds of genes can be implicated in some disorders. Overlapping networks of genes and symptoms can be implicated in multiple conditions. As a result, and particularly with respect to pathology tests, substantial judgment is required in order to interpret the results of each test we perform and produce a report summarizing these results. Errors, such as failures to detect genomic variants with high accuracy, or mistakes, such as failures to completely and correctly identify the significance of gene variants or to detect disease, could subject us to product liability or professional liability claims. Any such claim against us could result in substantial damages and be costly and time- consuming to defend. Although we maintain liability insurance, including for errors and omissions, our insurance may not fully protect us from the financial impact of defending against these types of claims or any judgments, fines, or settlement costs arising out of any such claims. Additionally, any liability claim brought against us, with or without merit, could increase our insurance rates or prevent us from securing adequate insurance coverage in the future. Moreover, any liability lawsuit could damage our reputation or force us to suspend sales of our tests. The occurrence of any of these events could have a material adverse effect on our business, reputation and results of operations. Fulgent Pharma' s business ~~may involve~~ **involves** the testing of new drugs on patients in clinical trials **and will continue to involve the additional testing of drugs on patients** in the future ~~and, if marketing approval is granted, the availability of these drugs to be prescribed to patients~~ . Our involvement in the clinical trials and development process creates a risk of liability for personal injury to or death of patients, particularly those with life- threatening illnesses, resulting from adverse reactions to the drugs administered during testing or after product launch, respectively. Although we maintain the types and amounts of insurance we view as customary and appropriate in the industries and countries in which we operate, if we are required to pay significant damages or incur significant defense costs in connection with any personal injury claim that is outside the scope of indemnification agreements we have with our clients, if any indemnification agreement is not performed in accordance with its terms or if our liability exceeds the amount of any applicable indemnification limits or available insurance coverage, our financial condition, results of operations and reputation could be materially and adversely affected. In addition, insurance coverage is increasingly expensive and difficult to obtain. Inability to obtain or maintain sufficient insurance coverage at an acceptable cost or to otherwise protect against potential product or other legal or administrative liability claims could prevent or inhibit customer relationships, the clinical development, commercial production, and sale of any of our products and product candidates, which could adversely affect our business. We expect our capital expenditures and operating expenses to increase over the next several years as we seek to expand our infrastructure, other commercial operations, and research and

development activities. As of December 31, ~~2022~~ **2023**, we had cash, cash equivalents, and marketable securities of approximately $ ~~852~~ **847**. ~~9~~ **7** million ~~. We maintain our cash, cash equivalents, and marketable securities with high quality, accredited financial institutions. However, some of these accounts exceed federally insured limits, and, while we believe the Company is not exposed to significant credit risk due to the financial strength of these depository institutions or investments, the failure or collapse of one or more of these depository institutions or default on these investments could materially adversely affect our ability to recover these assets and / or materially harm our financial condition~~. We may seek to fund future cash needs through securities offerings, credit facilities, or other debt financings, asset sales, collaborations or licensing arrangements. Additional funding may not be available to us when needed, on acceptable terms or at all. For example, the COVID- 19 pandemic initially caused extreme disruption and volatility in the global capital markets **followed by** ~~and some investment banks and economists are predicting~~ a ~~recession~~ **period of high market demand for life science and diagnostic company equities and then a period of less demand for these equities** in **2022 and** 2023. These circumstances and high volatility in capital markets generally may reduce our ability to access capital and / or adversely affect the stability of the depository institutions maintaining our assets. If we raise additional funds by issuing equity securities, our existing stockholders could experience substantial dilution. Additionally, any preferred stock we issue could provide for rights, preferences, or privileges senior to those of our common stock, and our issuance of any additional equity securities, or the possibility of such an issuance, could cause the market price of our common stock to decline. The terms of any debt securities we issue or borrowings we incur, if available, could impose significant restrictions on our operations, such as limitations on our ability to incur additional debt or issue additional equity or other restrictions that could adversely affect our ability to conduct our business, and would result in increased fixed payment obligations. If we seek to sell assets or enter into collaborations or licensing arrangements to raise capital, we may be required to accept unfavorable terms or relinquish or license to a third party our rights to important or valuable technologies or tests we may otherwise seek to develop ourselves. Moreover, we may incur substantial costs in pursuing future capital, including investment banking, legal, and accounting fees, printing and distribution expenses and other similar costs. If we are unable to secure funding if and when needed and on reasonable terms, we may be forced to delay, reduce the scope of or eliminate one or more sales and marketing initiatives, research and development programs or other growth plans or strategies. In addition, we may be forced to work with a partner on one or more aspects of our tests or market development programs or initiatives, which could lower the economic value to us of these tests, programs or initiatives. Any such outcome could significantly harm our business, performance **,** and prospects. Inflation may adversely affect us by materially increasing our costs. Recently, inflation has increased throughout the U. S. economy. Inflation can adversely affect us by materially increasing the costs of clinical trials and research, the development of our tests and product candidates, administration **,** and other costs of doing business. We may experience material increases in the prices of labor and other costs of doing business. In an inflationary environment, cost increases may materially outpace our expectations, causing us to use our cash and other liquid assets faster than forecasted. If this happens, we may need to raise additional capital to fund our operations, which may not be available in sufficient amounts or on reasonable terms, if at all, sooner than expected. If we are unable to maintain effective internal control over financial reporting, investors could lose confidence in the accuracy and completeness of our reported financial information, and the market price of our common stock could decline. We are required to maintain internal control over financial reporting and report any material weaknesses in these internal controls. Section 404 of the Sarbanes- Oxley Act requires that we evaluate and determine the effectiveness of our internal control over financial reporting and annually provide a management report on these internal controls. **We have incurred and expect to continue to incur significant expenses and devote substantial management effort toward compliance with the auditor attestation requirements of Section 404 of the Sarbanes- Oxley Act.** Although we have implemented systems, processes and controls and performed this evaluation as of the end of ~~2022~~ **2023**, we will need to maintain and enhance these controls if and as we grow. Moreover, we may need to hire additional personnel and devote more resources to our financial reporting function in order to do so **, which will increase our operating expenses**. If one or more material weaknesses is identified during the process of evaluating our internal controls or if we do not detect errors on a timely basis, our financial statements may be materially misstated. In addition, in that event, our management would be unable to conclude that our internal control over financial reporting is effective. In addition, now that we are no longer an emerging growth company, we are required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. Any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could materially harm our results of operations, cause us to fail to meet our reporting obligations, result in a restatement of our financial statements for prior periods, or adversely affect the results of management evaluations and independent registered public accounting firm audits of our internal control over financial reporting that we are required to include in our periodic reports that will be filed with the SEC. If we or our auditors were to conclude that our internal control over financial reporting was not effective because one or more material weaknesses had been identified or if internal control deficiencies result in the restatement of our financial results, investors could lose confidence in the accuracy and completeness of our financial disclosures and the price of our common stock could decline. Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud. We are subject to the periodic reporting and other requirements of the Exchange Act. We have implemented disclosure controls and procedures designed to provide reasonable assurance that information we must disclose in reports we file or submit under the Exchange Act is accumulated and communicated to management and recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. However, any disclosure controls and procedures, no matter how well- conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. These inherent limitations include the realities that judgments in decision- making can be faulty and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. As a result,

because of these inherent limitations in our control system, misstatements or omissions due to error or fraud may occur and may not be detected, which could result in failures to file required reports in a timely manner and filing reports containing incorrect information. Any of these outcomes could result in SEC enforcement actions, monetary fines or other penalties, damage to our reputation and harm to our financial condition and stock price. Our investments in marketable securities are subject to certain risks which could affect our overall financial condition, results of operations, or cash flows. We invest a portion of our available cash and cash equivalents by purchasing marketable securities in a managed portfolio and direct investments in a variety of debt securities, including corporate debt securities, municipal bonds, U. S. government and agency debt securities, and debt instruments issued by foreign governments. The primary objective of our investment activity is to maintain the safety of principal, preserve capital and provide for future liquidity requirements while maximizing yields without significantly increasing risk. Should any of our investments or marketable securities lose value or have their liquidity impaired, it could materially affect our overall financial condition. Additionally, should we choose or are required to sell these securities in the future at a loss, our consolidated operating results or cash flows may be materially and adversely affected. We **maintain cash deposits in excess of federally insured limits. Adverse developments affecting financial institutions, including bank failures, could adversely affect our liquidity and financial performance. We maintain our cash, cash equivalents, and marketable securities with high quality, accredited financial institutions. However, some of these accounts exceed the Federal Deposit Insurance Corporation, or FDIC, insurance limit of $ 250, 000 and, while we believe the Company is not exposed to significant credit risk due to the financial strength of these depository institutions or investments, if any such depositary institution fails to return our deposits, or if a depository institution is subject to other adverse conditions in the financial or credit markets, this could further impact access to our invested cash or cash equivalents and could adversely impact our operating liquidity and financial performance. Further, the failure or collapse of one or more of these depository institutions or default on these investments could materially adversely affect our ability to recover these assets and / or materially harm our financial condition. We** have been the subject of a shareholder class action, which was ~~recently~~ dismissed without prejudice; and may be subject to further shareholder litigation in the future; our costs of defending such litigation, arbitration and other proceedings and any adverse outcome of such litigation, arbitration, or other proceeding may have a material adverse effect on our business and the results of our operations. We have been, and may from time to time in the future be, involved in and subject to material litigation and other legal proceedings **, including shareholder litigation** . These proceedings may not always resolve in our favor and may materially and adversely affect our business. While the recent shareholder class action was dismissed, it was dismissed without prejudice, so there is no assurance that another complaint may not be filed in the future. Regardless of outcome, litigation can have an adverse impact on us due to defense and settlement costs, diversion of management resources, negative publicity **,** and reputational harm, among other factors. **Political uncertainty may have an adverse impact** ~~Our ability to achieve or sustain profitability also depends~~ on our **operating performance and results of operations. General political uncertainty may have an adverse impact on our operating performance and results of operations. In particular, the United States continues to experience significant political events that cast uncertainty on global financial and economic markets, especially in light of the upcoming presidential** ~~collection~~ **election . It is presently unclear exactly what actions the new administration in the United States will implement, and if implemented, how these actions may impact the pharmaceutical and diagnostics industries in the United States. Any actions taken by a new U. S. administration may have a negative impact on the United States economies and on our business, financial conditions, and results** of ~~payment~~ **operations. We have previously and may again in the future pursue acquisitions of complementary businesses or assets, and we may not realize all the economic benefit from those acquisitions, which could cause an impairment of goodwill or intangibles. We assess goodwill and indefinite- lived intangibles** for **impairment at least annually or whenever events or changes in circumstances indicate** the **carrying value** ~~tests we deliver, which we~~ may not be ~~able~~ **recoverable. Events and conditions that could result in an impairment of our goodwill and intangible assets include a decline in our stock price and market capitalization, reduced future cash flow estimates, slower growth rates in industry segments in which we participate, or other factors leading** to ~~do successfully~~ **reduction in expected long- term growth or profitability. We may be required to record a significant charge in our consolidated financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined, which may negatively affect our financial condition and results of operations. For example, during our fiscal 2023 annual goodwill impairment analysis, we fully impaired goodwill of $ 71. 8 million associated with the acquisition of Inform Diagnostics, $ 27. 5 million associated with the acquisition of CSI, and $ 21. 0 million associated with the restructuring of Fujian Fujun Gene Biotech Co., Ltd, or FF Gene Biotech, which was principally driven by a sustained decline in our market price and capitalization** . We have historically focused primarily on providing our tests to hospitals, medical institutions and other laboratories, our traditional genetic testing customer base. Our customer base for our COVID- 19 tests is principally comprised of governmental bodies, municipalities, and large corporations who pay us directly or through third- party payors. In March 2020, the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act, was enacted, providing for reimbursement to healthcare providers for COVID- 19 tests provided to uninsured individuals through a program administered by HRSA. However, HRSA announced that the program ceased accepting COVID- 19 testing claims as of March 22, 2022, due to a lack of sufficient funds ~~. While we believe we are entitled to all claims submitted to HRSA, we may be unable to fully collect payment for any unpaid claims submitted to HRSA prior to that time~~ . Further, healthcare policy changes that influence the way healthcare is financed or other changes in the market that impact payment rates by institutional or non- institutional customers could also affect our collection rates. If we are unable to convince hospitals, medical institutions and other laboratories of the value and benefit provided by our tests and testing services, these customers may slow, or stop altogether, their purchases of our tests. Moreover, our ability to collect payment for our tests and testing services in a timely manner or at all from our healthcare provider customers may decline to the extent we expand our business into new healthcare

provider customer groups, including individual physicians and other practitioners, from which collection rates are often significantly lower than hospitals, medical institutions and other laboratories and which involve substantial additional risks that are discussed in these risk factors below. Our collection risks also include the potential for default or bankruptcy by the party responsible for payment and other risks associated with payment collection generally. Any inability to maintain our past payment collection levels could cause our revenue and ability to achieve profitability to decline and adversely affect our business, prospects and financial condition. If third- party payors do not provide coverage and adequate reimbursement for our tests and testing services, our potential for growth and our ability to collect revenue for these tests and testing services could be limited and our results of operations may be materially and adversely affected. Coverage and reimbursement by third- party payors, including managed care organizations, **other** private health insurers and government healthcare programs, such as Medicare and Medicaid, for the types of tests we perform can be limited and uncertain. Our customers may not order our tests or testing services unless third- party payors cover and provide adequate reimbursement for a substantial portion of the price of the tests. If we are not able to obtain coverage and an acceptable level of reimbursement for our tests from third- party payors, the patient for whom the test is ordered typically will owe a greater co- insurance, deductible or co- payment amount or may be expected to pay the entire cost of the test out- of- pocket, which could dissuade practitioners from ordering our tests and, if ordered, could result in a delay in or decreased likelihood of collecting payment, whether from patients or from third- party payors. We believe our ability to increase the amount of tests and testing services we sell to our healthcare provider customers and any corresponding revenue depends in part on our ability to achieve and maintain broad coverage and reimbursement for our tests from third- party payors. Coverage and reimbursement by a third- party payor depends on a number of factors, including a payor' s determination that a test or testing service is appropriate, medically necessary **,** and cost- effective. Each payor makes its own decision as to whether to establish a policy or enter into a contract to cover our tests and the amount it will reimburse for each test, and any determination by a payor regarding coverage and amount of reimbursement for our tests would likely be made on an indication- by- indication basis. Even if a test has been approved for reimbursement for any particular indication or in any particular jurisdiction, there is no guarantee this test will remain approved for reimbursement or that any similar or additional tests will be approved for reimbursement in the future. Moreover, there can be no assurance that any new tests we launch will be reimbursed at all or at rates comparable to the rates of any previously reimbursed tests. In addition, the coding procedure used by all third- party payors with respect to establishing payment rates for various procedures, including our tests, is complex, does not currently adapt well to the tests we perform and may not enable coverage and adequate reimbursement rates for our tests. If physicians fail to provide appropriate diagnosis codes for tests that they order, we may not be reimbursed for our tests. Additionally, if we are not able to obtain sufficient clinical information in support of our tests, third-party payors could designate our tests as experimental or investigational and decline to cover and reimburse our tests because of this designation. As a result of these factors, obtaining approvals from third- party payors to cover our tests and testing services and establishing adequate reimbursement levels is an unpredictable, challenging, time- consuming and costly process, and we may never be successful. To date, we have contracted directly with national health insurance companies to become an in-network provider and enrolled as a supplier in the Medicare program and a provider in some state Medicaid programs, and we have also received payment for our tests from other third- party payors as an out- of- network provider. Although becoming an in- network provider or enrolling as a supplier or provider means that we have agreed with these payors to provide certain of our tests at negotiated or set fee schedule rates, it does not obligate any physicians or other practitioners to order our tests or guarantee that we will receive reimbursement for our tests from these or any other payors at adequate levels. As a result, these payor relationships, any other similar relationships we may establish in the future, or any additional payments we may receive from other payors as an out- of- network provider, may not amount to acceptable levels of reimbursement for our tests or meaningful or any increases in our customer base or the number of tests we sell. We expect to focus on increasing coverage and reimbursement for our current tests and any future tests we may develop, but we cannot predict whether, under what circumstances, or at what payment levels payors will cover and reimburse us for our tests. Further, even if we are successful, we believe it could take several years to achieve coverage and adequate contracted reimbursement with third- party payors. If we fail to establish and maintain broad coverage and reimbursement for our tests, our ability to maintain or grow our test volume, customer base, collectability rates and revenue levels could be limited and our future prospects and our business could suffer.

Failure to comply with government laws and regulations related to submission of claims for our services could result in significant monetary damages and penalties and exclusion from the Medicare and Medicaid programs and corresponding foreign reimbursement programs. We are also subject to governmental audits that could result in material refunds or settlement. Our business, prospects and financial condition may be adversely affected as the result of the current HRSA Audit. We are subject to laws and regulations governing the submission of claims for payment for our services, such as those relating to: coverage of our tests and testing services under Medicare, Medicaid **, HRSA,** and other state, federal and foreign ~~health~~ **healthcare** ~~care~~ programs; the amounts that we may bill for our services; and the party to which we must submit claims. Our failure to comply with applicable laws and regulations could result in our inability to receive payment for our services or in attempts by state and federal ~~health~~ **healthcare** ~~care~~ programs, such as **HRSA,** Medicare and Medicaid, to recover payments already made. Submission of claims in violation of these laws and regulations **, identified through an audit or through the Company' s control processes,** can result **, as noted above,** in recoupment of payments already received, substantial civil monetary penalties, and exclusion from state and federal ~~health~~ **healthcare** ~~care~~ programs, and can subject us to liability under the federal False Claims Act and similar laws. The failure to report and return an overpayment to the **HRSA and** Medicare or Medicaid ~~program~~ **programs** within 60 days of identifying its existence can give rise to liability under the False Claims Act. Further, a government agency could attempt to hold us liable for causing the improper submission of claims by another entity for services that we performed if we were found to have knowingly participated in the arrangement at issue **. Similar to other laboratories in the industry, the Company is currently being audited by HRSA with respect to its**

reimbursement for COVID- 19 tests furnished to patients believed to be uninsured. The Company is fully cooperating and working with HRSA' s auditors to resolve any issues, including any reimbursed amounts that may need to be returned to HRSA. There is uncertainty with respect to the methodology HRSA will use and whether and how they will extrapolate audit results as well as uncertainty around the amount or settlement based on the audit results. The results of the HRSA audit may materially and adversely affect the Company' s business, prospects, and financial condition. See " Contingencies " in Note 8, Debt, Commitments and Contingencies for additional information . Billing and collections processing for our tests is complex and time- consuming, and any delay in transmitting and collecting claims could have an adverse effect on our revenue. Billing for our tests is complex, time- consuming and expensive. Depending on the billing arrangement and applicable law, we may bill various different parties for our tests. This includes billing customers directly, as in the case of our hospital and other medical institution customers, as well as billing through Medicare, Medicaid, insurance companies and patients, all of which may have different billing requirements. We may face increased risk in our collection efforts due to the complexities of these billing requirements, including long collection cycles and lower collection rates, which could adversely affect our business, results of operations and financial condition. Several factors make this billing process complex, including: • contractual restrictions in our customer contracts that may limit our ability to utilize certain third- party billing service providers; • differences between the list price for our tests and the reimbursement rates of payors; • compliance with complex federal and state regulations related to billing government healthcare programs, including Medicare and Medicaid; • disputes among payors as to which party is responsible for payment; • differences in coverage among payors and the effect of patient co- payments or co- insurance; • differences in information and billing requirements among payors; • incorrect or missing billing information; and • the resources required to manage the billing and claims appeals process. We have developed internal systems and procedures to handle these billing and collections functions, but we will need to make significant efforts and expend substantial resources to further develop our systems and procedures to handle these aspects of our business, which could become increasingly important as we focus on increasing test volumes from non- hospital and medical institution customer groups and establishing coverage and reimbursement policies with third- party payors. As a result, these billing complexities, along with the related uncertainty in obtaining payment for our tests, could negatively affect our revenue and cash ~~flow~~ **flows** , our ability to achieve or sustain profitability and the consistency and comparability of our results of operations. In addition, if claims for our tests are not submitted to payors on a timely basis, or if we are required to switch to a different provider to handle our processing and collections functions, our revenue and our business could be adversely affected. Any changes in laws, regulations, or the enforcement discretion of the FDA with respect to the marketing of diagnostic products, or violations of laws or regulations by us, could materially and adversely affect our business, prospects, results of operations **,** or financial condition. The laws and regulations governing the marketing of diagnostic products are evolving, extremely complex and in many instances, have no significant regulatory or judicial interpretations of these laws and regulations. Pursuant to its authority under the federal FDC Act, the FDA has jurisdiction over medical devices, including IVDs, and, therefore, potentially our clinical laboratory tests. Among other things, pursuant to the FDC Act and its implementing regulations, the FDA regulates the research, testing, manufacturing, safety, labeling, storage, recordkeeping, premarket clearance or approval, marketing and promotion, and sales and distribution of medical devices in the United States to ensure that medical products distributed domestically are safe and effective for their intended uses. In addition, the FDA regulates the import and export of medical devices. Although the FDA has statutory authority to assure that medical devices and IVDs, including potentially our tests, are safe and effective for their intended uses, the FDA ~~has~~ **had** historically exercised ~~its~~ enforcement discretion and not enforced applicable provisions of the FDC Act and regulations with respect to ~~laboratory developed tests, or~~ LDTs, which are a particular type of medical device. We ~~believe our tests are LDTs. As a result, we~~ believe our tests are not currently subject to the FDA' s ~~enforcement of its~~ medical device regulations and the applicable FDC Act provisions **due to their status as LDTs. However, in October 2023, the FDA issued a proposed rule aimed at regulating LDTs under the current medical device framework and proposing to phase out its existing enforcement discretion policy for this category of diagnostic tests. The agency' s proposal envisions that the LDT enforcement policy phase- out process would occur in gradual stages over a total period of four years, with pre- market approval applications for high- risk tests to be submitted by the 3. 5- year mark, although more details are expected to be provided with the upcoming final rule. The likelihood of the FDA finalizing the proposed rule in April 2024 (as is currently projected), as well as potential litigation challenging the agency' s authority to take such action, is uncertain at this time. Affected stakeholders continue to press for a comprehensive legislative solution to create a harmonized paradigm for oversight of LDTs by both the FDA and CMS, instead of implementation of the proposed FDA administrative action, which may be disruptive to the industry and to patient access to certain diagnostic tests** . Even though we **presently** commercialize our tests as LDTs, our tests may in the future become subject to more onerous regulation by the FDA. For example, the FDA may disagree with our assessment that our tests fall within the definition of an LDT and seek to regulate our tests as medical devices ~~. Moreover, the FDA issued draft guidance and a 2017 Discussion Paper to allow for~~ **or the proposed rule to regulate** ~~further public discussion about an appropriate LDT~~ **LDTs as medical devices may be implemented** ~~oversight approach and to give congressional committees the opportunity to develop a legislative solution. The FDA also solicited public input and published two final guidance documents in April 2018 relating to FDA oversight of NGS- based tests. These two guidance documents describe the FDA' s thinking and recommendations regarding test developer' s use of FDA- recognized standards to support analytical validity, and public human genetic variant databases to support clinical validity, of these tests~~ . Separately, members of Congress have been working with stakeholders for several years on a possible bill to reform the regulation of in vitro clinical tests including LDTs. ~~Most recently~~ **For example, as drafted and re- introduced for consideration by the current Congress, the Verifying Accurate, Leading- edge IVCT Development Act, or** the VALID Act **,** has been garnering bipartisan and bicameral support. The VALID Act would codify into law the term " in vitro clinical test " to create a new medical product category separate from medical devices that includes products currently

regulated as IVDs, as well as LDTs. The VALID Act would also create a new system for labs and hospitals to use to submit their tests electronically to the FDA for approval, which is aimed at reducing the amount of time it takes for the agency to approve such tests, and establish a new program to expedite the development of diagnostic tests that can be used to address a current unmet need for patients. It is unclear whether the VALID Act would be passed by Congress in its current form or signed into law by President Biden. Until the FDA ~~promulgates binding~~ **finalizes LDT** regulations through **the ongoing** notice- and-comment rulemaking **process** ~~regarding LDTs,~~ or the VALID Act or other legislation is passed reforming the federal government' s regulation of LDTs, it is unknown how the FDA may regulate our tests in the future and what testing and data may be required to support any required clearance or approval. If **Congress enacts comprehensive legislation to regulate in vitro diagnostics or if** the FDA **finalizes its proposal** ~~creates a new regulation~~ to enforce ~~its~~ medical device requirements for LDTs, or if the FDA disagrees with our assessment that our tests ~~are~~ **meet the criteria to be marketed** LDTs, we could, for the first time, be subject to enforcement of a variety of regulatory requirements, including registration and listing, medical device reporting and quality control, and we could be required to obtain premarket clearance or approval for our existing tests and any new tests we may develop, which may force us to cease marketing our tests until we obtain the required clearance or approval. The premarket review process can be lengthy, expensive, time- consuming and unpredictable. Further, obtaining premarket clearance may involve, among other things, successfully completing clinical trials. Clinical trials require significant time and cash resources and are subject to a high degree of risk, including risks of experiencing delays, failing to complete the trial or obtaining unexpected or negative results. If we are required to obtain premarket clearance or approval and / or conduct premarket clinical trials, our development costs could significantly increase, our introduction of any new tests we may develop may be delayed and sales of our existing tests could be interrupted or stopped. Any of these outcomes could reduce our revenue or increase our costs and materially adversely affect our business, prospects, results of operations or financial condition. Moreover, any cleared or approved labeling claims may not be consistent with our current claims or adequate to support continued adoption of and reimbursement for our tests. For instance, if we are required by the FDA to label our tests as investigational, or if labeling claims the FDA allows us to make are limited, order levels may decline and reimbursement may be adversely affected. As a result, we could experience significantly increased development costs and a delay in generating additional revenue from our existing tests or from tests we may develop. In addition, while we qualify all materials used in our products in accordance with the regulations and guidelines of CLIA, the FDA could promulgate regulations or guidance documents impacting our ability to purchase materials necessary for the performance of our tests. If any of the reagents we obtain from suppliers and use in our tests are affected by future regulatory actions, our business could be adversely affected, including by increasing the cost of testing or delaying, limiting or prohibiting the purchase of reagents necessary to perform testing with our products. Failure to comply with any applicable FDA requirements could trigger a range of enforcement actions by the FDA, including warning letters, civil monetary penalties, injunctions, criminal prosecution, recall or seizure, operating restrictions, partial suspension or total shutdown of operations and denial of or challenges to applications for clearance or approval, as well as significant adverse publicity ~~. If we fail to comply with applicable federal, state, local and foreign laboratory licensing requirements, we could lose the ability to perform our tests and experience material disruptions to our business~~ . We are subject to CLIA, a federal law that establishes quality standards for all laboratory testing and is intended to ensure the accuracy, reliability **,** and timeliness of patient results. CLIA requires that we hold a certificate specific to the categories of laboratory testing that we perform and that we comply with various standards with respect to personnel qualifications, facility administration, proficiency testing, quality control, quality assurance **,** and inspections. CLIA certification is required in order for us to be eligible to bill federal and state ~~health~~ **healthcare** ~~care~~ programs, as well as many private third- party payors, for our tests. We have obtained CLIA certification to conduct our tests at our laboratories in ~~Temple City and~~ El Monte, California; Irving, Texas; Needham, Massachusetts; Phoenix, Arizona; Alpharetta, Georgia; and New York, New York. In addition ~~to CLIA requirements~~ , we elect to have our laboratories accredited by CAP. CMS has deemed CAP standards to be equally or more stringent than CLIA regulations and has approved CAP as a recognized accrediting organization. Inspection by CAP is performed in lieu of inspection by CMS for CAP- accredited laboratories. Because we are accredited by CAP, we are deemed to also comply with CLIA. In addition, some countries outside the United States require CAP accreditation as a condition to permitting clinical laboratories to test samples taken from their citizens. Failure to maintain CAP accreditation could have a material adverse effect on the sales of our tests and the results of our operations. We are also required to maintain a license to conduct testing in the State of California. California laws establish standards for day- to- day operation of our clinical reference laboratory in ~~Temple City and~~ El Monte, including with respect to the training and skills required of personnel, quality control and proficiency testing requirements. In addition, because we receive test specimens originating from New York, we have obtained a state laboratory permit for our **California** ~~Temple City~~ laboratory from the New York State Department of Health, or DOH. The New York state laboratory laws and regulations are equal to or more stringent than CLIA. In addition, the laboratory director must maintain a Certificate of Qualification issued by New York' s DOH in permitted categories. We are subject to on-site routine and complaint- driven inspections under both California and New York state laboratory laws and regulations. If we are found to be out of compliance with either California or New York requirements, the CA Department of Public Health or New York' s DOH may suspend, restrict or revoke our license or laboratory permit, respectively (and, with respect to California, may exclude persons or entities from owning, operating or directing a laboratory for two years following such license revocation), assess civil monetary penalties, or impose specific corrective action plans, among other sanctions. Any such actions could materially and adversely affect our business by prohibiting or limiting our ability to offer testing. Moreover, certain other states require us to maintain out- of- state laboratory licenses or obtain approval on a test- specific basis to perform testing on specimens from these states. Additional states could adopt similar licensure requirements in the future, which could require us to modify, delay or discontinue our operations in such jurisdictions. We are also subject to regulation in foreign jurisdictions, which we expect will increase as we seek to expand international utilization of our tests or if jurisdictions in which we pursue

operations adopt new or modified licensure requirements. Foreign licensure requirements could require review and modification of our tests in order to offer them in certain jurisdictions or could impose other limitations, such as restrictions on the transport of human blood or other tissue necessary for us to perform our tests that may limit our ability to make our tests available outside the United States. Additionally, complying with licensure requirements in new jurisdictions may be expensive, time- consuming and subject us to significant and unanticipated delays. Failure to comply with applicable clinical laboratory licensure requirements could result in a range of enforcement actions, including license suspension, limitation or revocation, directed plan of correction, onsite monitoring, civil monetary penalties, civil injunctive suits, criminal sanctions and exclusion from the Medicare and Medicaid programs, as well as significant adverse publicity. Any sanction imposed under CLIA, its implementing regulations or state or foreign laws or regulations governing clinical laboratory licensure, or our failure to renew our CLIA certificate or any other required local, state or foreign license or accreditation, could have a material adverse effect on our business, financial condition and results of operations. In such case, even if we were able to bring our laboratory back into compliance, we could incur significant expenses and lose revenue while doing so. Our business is subject to federal and state laws that protect the privacy and security of personal information, including the HIPAA, HITECH, and similar state laws, as well as numerous other federal, state and foreign laws, including consumer protection laws and regulations, that govern the collection, dissemination, use, access to, confidentiality and security of patient health information. In addition, new laws and regulations that further protect the privacy and security of medical records or medical information are regularly considered by federal and state governments. Further, with the recent increase in publicity regarding data breaches resulting in improper dissemination of consumer information, federal and state governments have passed or are considering laws regulating the actions that a business must take if it experiences a data breach, such as prompt disclosure to affected customers. The FTC and states' Attorneys General have also brought enforcement actions and prosecuted some data breach cases as unfair and / or deceptive acts or practices under the FTC Act and comparable state laws. In addition to data breach notification laws, some states have enacted statutes and rules requiring businesses to reasonably protect certain types of personal information they hold or to otherwise comply with certain specified data security requirements for personal information. We intend to continue to comprehensively protect all personal information and to comply with all applicable laws regarding the protection of such information. Any failure to implement appropriate security measures to protect the confidentiality and integrity of personal information or any breach or other failure of these systems resulting in the unauthorized access, manipulation, disclosure, or loss of this information could result in our noncompliance with these laws. Penalties for failure to comply with a requirement of HIPAA and HITECH vary significantly depending on the failure and could include civil monetary or criminal penalties. The European Union formally adopted the GDPR, which applies to all European Union member states. The GDPR introduced stringent new data protection and operational requirements in the European Union for companies that receive or process personal data of European residents, as well as substantial fines for breaches of the data protection rules. It has increased our responsibility and liability in relation to personal data that we process **,** and we are required to maintain additional mechanisms ensuring compliance with the GDPR. The GDPR is a complex law **,** and the regulatory guidance is still evolving, including with respect to how the GDPR should be applied in the context of clinical studies and the collection, processing, and storage of sensitive personal data, including genetic information and testing. Furthermore, many of the countries within the European Union are still in the process of drafting supplementary data protection legislation in key fields where the GDPR allows for national variation, including the fields of clinical study and other health- related information. **Additionally, in 2021, the United Kingdom' s UK GDPR rules became effective.** These variations in the law may raise our costs of compliance and result in greater legal risks. On July 16, 2020, the highest Court of Justice of the European Union **,** or the CJEU, issued a landmark opinion in the case Maximilian Schrems vs. Facebook (Case C- 311 / 18), or Schrems II. This decision calls into question certain data transfer mechanisms as between the European Union member states and the U. S. The CJEU is the highest court in Europe, and the Schrems II decision heightens the burden on data importers to assess U. S. national security laws on their business and future actions of European Union data protection authorities are difficult to predict at this early date. Consequently, there is some risk of any such data transfers from the European Union being halted by one or more European Union member states. Any contractual arrangements requiring the transfer of personal data from the European Union to us in the United States will require greater scrutiny and assessments as required under Schrems II and may have an adverse impact on cross- border transfers of personal data or increase costs of compliance. In addition, many states, such as California (where one of our clinical laboratories is located), have implemented similar privacy laws and regulations, such as the **CMIA** ~~California Confidentiality of Medical Information Act~~, that impose restrictive requirements regulating the use and disclosure of patient health information and other personal information. In addition to fines and penalties imposed upon violators, some of these state laws also afford private rights of action to individuals who believe their personal information has been misused. California' s patient privacy laws, for example, provide for penalties of up to $ 250, 000 and permit injured parties to sue for damages. In addition to the **CMIA** ~~California Confidentiality of Medical Information Act~~, California also ~~recently~~ enacted the ~~California Consumer Privacy Act of 2018, or~~ CCPA, which became effective on January 1, 2020. The CCPA has been characterized as the first " GDPR- like " privacy statute to be enacted in the United States because it mirrors a number of the key provisions of the GDPR. The CCPA establishes a new privacy framework for covered businesses in the State of California by creating an expanded definition of personal information, establishing new data privacy rights for California residents, imposing special rules on the collection of personal data from minors, and creating a new and potentially severe statutory damages framework for violations of the CCPA and for businesses that fail to implement reasonable security procedures and practices to prevent data breaches. Additionally, the ~~California Privacy Rights Act, or~~ CPRA ~~,~~ took full effect on January 1, 2023. The CPRA amends and expands the CCPA significantly, potentially resulting in further uncertainty, additional costs and expenses in an effort to comply, and additional harm and liability for failure to comply. Among other things, the CPRA established the ~~California Privacy Protection Agency, or~~ CPPA, a new regulatory authority charged with administering and enforcing the CRPA and privacy rights in California. The

CPPA has the power to levy fines and bring other enforcement actions. The CPRA could impact our operations or that of our collaborators and business partners and impose new regulatory requirements and increase costs of compliance. **Texas,** Virginia, Connecticut, Utah, and Colorado enacted their own consumer privacy laws similar to CCPA and CPRA, all of which **became** ~~will take effect~~ **effective** at various points in 2023. Other states are considering similar legislation, adding to the complexity, costs, and risk of compliance. Like the GDPR and CCPA, many of these state laws categorize medical or health data, genetic data, and biometric data that can be **used to** identify a natural person as " sensitive data " and the processing or collection of such will require additional compliance obligations. The interplay of federal and state laws may be subject to varying interpretations by courts and government agencies, creating complex compliance issues for us and potentially exposing us to additional expense, adverse publicity and liability. Further, as regulatory focus on privacy issues continues to increase and laws and regulations concerning the protection of personal information expand and become more complex, these potential risks to our business could intensify. Additionally, the interpretation, application and interplay of consumer and health- related data protection laws in the United States, Europe and elsewhere are often uncertain, contradictory and in flux. As a result, it is possible that laws may be interpreted and applied in a manner that is inconsistent with our current practices. Moreover, these laws and their interpretations are constantly evolving and may become more stringent or inclusive over time. For example, increasing concerns about health information privacy have recently prompted the federal government to issue guidance taking a newly expansive view of the scope of the laws and regulations that they enforce. Complying with these laws or any new laws or interpretations of their application could involve significant time and substantial costs or require us to change our business practices and compliance procedures in a manner potentially adverse to our business. We may not be able to obtain or maintain compliance with the diverse privacy and security requirements in all of the jurisdictions in which we currently or plan to do business, and failure to comply with any of these requirements could result in material civil or criminal penalties, materially harm our reputation and materially adversely affect our business. Many states, **including** ~~such as~~ California **, New York,** and Massachusetts, have also implemented genetic testing ~~and~~ **, informed consent, or other** privacy laws imposing specific patient consent requirements and requirements for protecting certain test results. As regulatory focus on genetic privacy issues continues to increase and laws and regulations concerning the protection of personal information expand and become more complex, these potential risks to our business could intensify. Ethical, legal **,** and social concerns related to the use of genetic information could reduce demand for our tests. Genetic testing has raised ethical, legal **,** and social issues regarding privacy and the appropriate uses of the resulting information. Government authorities could, for social or other purposes, limit or regulate the use of genetic information or genetic testing or prohibit testing for genetic predisposition to certain conditions, particularly for those that have no known cure. Similarly, these concerns may cause patients to refuse to use, or physicians to be reluctant to order, genetic tests such as ours, even if permissible. These and other ethical, legal **,** and social concerns may limit market acceptance and adoption of our tests or reduce the potential markets for our tests, any of which could have an adverse effect on our business, financial condition and results of operations. In addition, California has enacted the Genetic Information Privacy Act that imposes privacy requirements on direct- to- consumer genetic testing companies that could change the discussion among patients and physicians related to genetic testing as a whole ~~,~~ and potentially reduce consumer interest in such testing more broadly **. We conduct business in a heavily regulated industry. Complying with the numerous statutes and regulations pertaining to our business is expensive and time- consuming, and any failure by us, our consultants, or commercial partners to comply could result in substantial and material penalties** . Our industry and our operations are heavily regulated by various federal, state, local and foreign laws and regulations, and the regulatory environment in which we operate could change significantly and adversely in the future. These laws and regulations currently include, among others: • CLIA' s and CAP' s regulation of our laboratory activities; • FDA laws and regulations, including but not limited to requirements for offering LDTs; • federal and state laws and standards affecting reimbursement by government ~~health~~ **healthcare** ~~care~~ programs, including certain coding requirements to obtain reimbursement and certain changes to the payment mechanism for clinical laboratory services resulting from ~~the Protecting Access to Medicare Act of 2014, or~~ PAMA; • HIPAA and HITECH, which establish comprehensive federal standards with respect to the privacy and security of PHI, and requirements for the use of certain standardized electronic transactions with respect to transmission of such information, as well as similar laws protecting other types of personal information; • state laws governing the maintenance of personally identifiable information of state residents, including medical information, and which impose varying breach notification requirements, some of which allow private rights of action by individuals for violations and also impose penalties for such violations; • the federal Anti- Kickback Statute, which generally prohibits knowingly and willfully offering, paying, soliciting or receiving remuneration, directly or indirectly, in return for or to induce a person to refer to an individual any good, facility, item or service that is reimbursable under a federal ~~health~~ **healthcare** ~~care~~ program; • the federal Stark Law, which generally prohibits a physician from making a referral for certain designated health services covered by the Medicare program, including laboratory and pathology services, if the physician or an immediate family member has a financial relationship with the entity providing the designated health services; • the federal False Claims Act, which imposes civil penalties, and provides for civil whistleblower or qui tam actions, against individuals or entities for knowingly presenting, or causing to be presented, to the federal government, claims for payment that are false or fraudulent or making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government; • the federal Civil Monetary Penalties Law, which generally prohibits, among other things, the offering or transfer of remuneration to a Medicare or Medicaid beneficiary if it is likely to influence the beneficiary' s selection of a particular provider, practitioner or supplier of services reimbursable by Medicare or Medicaid; • ~~the Eliminating Kickbacks in Recovery Act of 2018, or~~ EKRA, which imposes criminal penalties for knowing or willful payment or offer, or solicitation or receipt, of any remuneration, whether directly or indirectly, overtly or covertly, in cash or in kind, in exchange for the referral or inducement of laboratory testing (among other health care services) covered by ~~health~~ **healthcare** ~~care~~ benefit programs (including commercial insurers) unless a specific exception applies; • the ~~Affordable Care Act, or~~ ACA, which,

among other things, establishes a requirement for providers and suppliers to report and return any overpayments received from the Medicare and Medicaid programs; • other federal and state fraud and abuse laws, such as anti- kickback laws, prohibitions on self- referral, fee- splitting restrictions, insurance fraud laws, anti- markup laws, prohibitions on the provision of tests at no or discounted cost to induce physician or patient adoption and false claims acts, some of which may extend to services reimbursable by any third- party payor, including private payors; • the federal Physician Payments Sunshine Act and various state laws on reporting relationships with health care providers and customers, which could be determined to apply to our LDTs; • the prohibition on reassignment of Medicare claims and other Medicare and Medicaid billing and coverage requirements; • state laws that prohibit other specified healthcare practices, such as billing physicians for tests that they order, waiving coinsurance, copayments, deductibles and other amounts owed by patients, business corporations practicing medicine or employing or engaging physicians to practice medicine and billing a state Medicaid program at a price that is higher than what is charged to one or more other payors; • ~~the U. S. Foreign Corrupt Practices Act, or~~ FCPA ~~,~~ and applicable foreign anti- bribery laws; • federal, state and local regulations relating to the handling and disposal of regulated medical waste, hazardous waste and biohazardous waste and workplace safety for healthcare employees; • laws and regulations relating to health and safety, labor and employment, public reporting, taxation and other areas applicable to businesses generally, all of which are subject to change, including, for example, the significant changes to the taxation of business entities were enacted in December 2017; and • similar foreign laws and regulations that apply to us in the countries in which we operate or may operate in the future. The genetic testing industry is currently under a high degree of government scrutiny. The **OIG** ~~Office of Inspector General for the Department of Health and Human Services~~ and a variety of states' Attorneys General have issued fraud alerts regarding a variety of cancer genetic testing fraud schemes, and the Department of Justice has announced indictments and guilty pleas in such fraud schemes involving a variety of individuals and entities, including genetic testing and other laboratories, physicians who ordered genetic testing for a large volume of patients without treating them, and third parties who arranged for the genetic testing by approaching patients through telemarketing calls, booths at public events, health fairs, and door- to- door visits. These individuals then shared the proceeds received from Medicare, TRICARE, and other third- party payors, and these activities allegedly violated the federal Anti- Kickback Statute and other criminal laws. This increased regulatory scrutiny could decrease demand for our testing services or increase our costs of regulatory compliance, either of which could have a material adverse effect on our business. Any future growth of our business, including, in particular, growth of our international business and continued reliance on consultants, commercial partners and other third parties, may increase the potential for violating these laws. In some cases, our risk of violating these or other laws and regulations is further increased because of the lack of their complete interpretation by applicable regulatory authorities or courts, and their provisions are thus open to a variety of interpretations. Our Picture Genetics line of at- home genetic test offerings are patient- initiated screening tests, which may receive greater scrutiny from regulatory authorities than our traditional testing services that are offered directly to health care providers. We have adopted policies and procedures designed to comply with these laws and regulations and, in the ordinary course of our business, we conduct internal reviews of our compliance with these laws. Our compliance is also subject to review by applicable government agencies. It is not always possible to identify and deter misconduct by employees, distributors, consultants and commercial partners, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from government investigations or other actions or lawsuits stemming from a failure to comply with applicable laws or regulations. Any action brought against us for violation of these or other laws or regulations, even if we successfully defend against it, could cause us to incur significant legal expenses, divert our management' s attention from the operation of our business and materially harm our reputation. **In relation to a recent advisory opinion issued by the OIG, the Company' s subsidiary, Inform Diagnostics, initiated a voluntary disclosure process with the appropriate government contact. The Company currently has estimated and recorded $ 6. 9 million as a liability in its financial statements in connection with this voluntary disclosure. This estimate may be incorrect, and the actual amount of liability may be lower or may materially exceed this estimate.** If our operations, including the conduct of our employees, consultants and commercial partners, are found to be in violation of any of these laws and regulations **, (including in connection with the voluntary disclosure process described above)** , we may be subject to applicable penalties associated with the violation, including administrative, civil and criminal penalties, damages, fines, individual imprisonment, exclusion from participation in federal healthcare programs, refunding of payments received by us and curtailment or cessation of our operations, which could materially harm our reputation, business, prospects or results of operations. **We may be required to modify our business practices, pay fines, incur significant expenses, or experience losses due to litigation or governmental investigations.** From time to time and in the ordinary course of our business, we have been and again may be subject to litigation or governmental investigation on a variety of matters in the United States or foreign jurisdictions, including, without limitation, regulatory, intellectual property, product liability, antitrust, consumer, false claims, whistleblower, Qui Tam, privacy, anti- kickback, anti- bribery, environmental, commercial, securities and employment litigation and claims and other legal proceedings that may arise from the conduct of our business. **As noted above, we are currently subject to the HRSA audit and have initiated the voluntary disclosure process.** Our activities relating to our products and services are subject to extensive regulation in the United States and foreign jurisdictions. Like many companies in our industry, we have in the ordinary course of business received inquiries, subpoenas, civil investigative ~~demand~~ **demands** , or CIDs, and other types of information requests from government authorities. As previously disclosed, we have received a CID issued by the U. S. Department of Justice pursuant to the False Claims Act related to its investigation of allegations of medically unnecessary laboratory testing, improper billing for laboratory testing, and remuneration received or provided in violation of the Anti- Kickback Statute and the Stark Law. This CID requests information and records relating to certain of our customers named in the CID ~~, which represent a small portion of our revenues~~ . As we also disclosed in prior filings, we are also aware that the SEC is conducting a non- public formal investigation, which appears to relate to the **subject** matters raised in the CID requests and

our related disclosures and revenues reported in our Exchange Act reports filed for 2018 through 2020. We are fully cooperating with both the SEC and the U. S. Department of Justice and are responding promptly to their requests. We ~~do not presently expect these matters to have a material adverse impact on our business. However, we~~ cannot predict when the investigations will be resolved, the outcome of the investigations, or the potential impact on our business, which may ultimately be greater than we expect. In addition, government investigations and litigation generally may divert the attention of our management team and resources from our core business. As such, the time and attention of our management team in responding to these matters may limit their time available to devote to our business, and we may also incur significant expenses or experience losses in relation to these matters. As a result of these matters, we may also be required to alter the conduct of our operations or be subject to other penalties. Any of these circumstances may adversely affect our business, prospects, reputation and results of operations. Healthcare policy changes, including recently enacted and proposed new legislation reforming the U. S. healthcare system, could cause significant harm to our business, operations and financial condition. The ACA made a number of substantial changes to the way healthcare is financed both by governmental and private payors. The ACA also introduced mechanisms to reduce the per capita rate of growth in Medicare spending if expenditures exceed certain targets. Any such reductions could affect reimbursement payments for our tests. The ACA also contains a number of other provisions, including provisions governing enrollment in federal and state healthcare programs, reimbursement matters and fraud and abuse, which we expect will impact our industry and our operations in ways that we cannot currently predict. In April 2014, Congress passed PAMA, which included substantial changes to the way in which clinical laboratory services are be paid under Medicare **CLFS** ~~Clinical Laboratory Fee Schedule~~. Under PAMA, certain clinical laboratories are required to periodically report to CMS private payor payment rates and volumes for their tests, and laboratories that fail to report the required payment information may be subject to substantial civil monetary penalties. Medicare reimbursement for **CDLTs** ~~clinical laboratory diagnostic tests~~ is based on the weighted- median of the payments made by private payors for these tests, rendering private payor payment levels even more significant than in the past. As a result, future Medicare payments may fluctuate more often and become subject to the willingness of private payors to recognize the value of diagnostic tests generally and any given test individually. The impact of this payment system on rates for our tests, including any current or future tests we may develop, is uncertain. **Additionally, state legislatures have increasingly passed legislation and implemented regulations designed to control the cost of health care services, including clinical laboratory and pathology services. States may pursue a variety of strategies to control spending growth, including but not limited to promoting competition, reducing prices through regulation, imposing spending targets and promoting payment reform. These cost containment strategies may result in less favorable reimbursement rates and in some cases could negatively impact our ability to change or expand our operations in certain states.** Further, the impact on our business of the expansion of the federal and state governments' role in the U. S. healthcare industry generally, including the social, governmental **,** and other pressures to reduce healthcare costs while expanding individual benefits, is uncertain. Any future changes or initiatives could have a materially adverse effect on our business, financial condition, results of operations and cash flows. Changes in laws and regulations, or in their application, may adversely affect our business, financial condition and results of operations. The clinical laboratory testing industry is highly regulated, and failure to comply with applicable regulatory, supervisory, accreditation, registration or licensing requirements may adversely affect our business, financial condition and results of operations. In particular, the laws and regulations governing the marketing and research of clinical diagnostic testing are extremely complex and in many instances there are no clear regulatory or judicial interpretations of these laws and regulations, increasing the risk that we may be found to be in violation of these laws. Furthermore, the genetic testing industry as a whole is a growing industry and regulatory agencies such as HHS or the FDA may apply heightened scrutiny to new developments in the field, or the U. S. Congress may do so. Since 2017, Congress has been working on legislation to create an LDT and IVD regulatory framework that would be separate and distinct from the existing medical device regulatory framework, and recent momentum appears to be building around a comprehensive bill called the VALID Act. The VALID Act would codify into law the term " in vitro clinical test " to create a new medical product category separate from medical devices, and bring all such products within the scope of the FDA' s oversight. It is unclear whether the VALID Act would be passed by Congress in its current form or signed into law by President Biden **. Although the VALID Act was re- introduced in the current Congress but not otherwise considered, the FDA' s October 2023 publication of an LDT proposed rule that would apply the existing medical device framework to laboratory- developed products has renewed stakeholder calls for a more targeted approach to modernizing federal oversight of clinical diagnostic tests. It remains possible that congressional action in this area could displace the need for the FDA to complete its recently proposed rulemaking** . In addition, there has been a recent trend of increased U. S. federal and state regulation, scrutiny and enforcement relating to payments made to referral sources, which are governed by laws and regulations including the Stark law, the federal Anti- Kickback Statute, the federal False Claims Act, as well as state equivalents of such laws. For example, EKRA was passed in October 2018 as part of the Substance Use- Disorder Prevention that Promotes Opioid Recovery and Treatment for Patients and Communities Act. EKRA imposes criminal penalties for knowing or willful payment or offer, or solicitation or receipt, of any remuneration, whether directly or indirectly, overtly or covertly, in cash or in kind, in exchange for the referral or inducement of laboratory testing (among other health care services) payable by a **" "** ~~health~~ **healthcare** ~~care~~ benefit program **" "** (which includes private insurance companies), unless a specific exception applies. We cannot assure you that our relationships with physicians, sales representatives, hospitals, customers, or any other party will not be subject to scrutiny or will survive regulatory challenge under such laws. If imposed for any reason, sanctions under the EKRA could have a negative effect on our business. If the hazardous materials we use in our operations cause contamination or injury, we could be liable for resulting damages. Our operations require the use of regulated medical waste, hazardous waste and biohazardous waste, including chemicals, biological agents and compounds and blood and other tissue specimens. We are subject on an ongoing basis to federal, state and local laws and regulations governing the use, storage, handling and disposal of these hazardous materials and

other specified waste products. Although we typically use licensed or otherwise qualified outside vendors to dispose of this waste, applicable laws and regulations could hold us liable for damages and fines if our or others' business operations or other actions result in contamination to the environment or personal injury due to exposure to hazardous materials. We cannot eliminate the risk of contamination or injury, and any liability imposed on us for any resulting damages or injury could exceed our resources or any applicable insurance coverage. The cost to secure such insurance coverage and to comply with these laws and regulations could become more significant in the future and any failure to comply could result in substantial costs and other business and reputational consequences, any of which could negatively affect our operating results. If we were deemed to be an investment company under the Investment Company Act of 1940, as amended, applicable restrictions could make it impractical for us to continue our business as currently conducted and could have a material adverse effect on our business, financial condition and results of operations. Under the Investment Company Act of 1940, or 1940 Act, a company generally will be deemed to be an " investment company " for purposes of the 1940 Act if (1) it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities or (2) it engages, or proposes to engage, in the business of investing, reinvesting, owning, holding or trading in securities and it owns or proposes to acquire investment securities having a value exceeding 40 % of the value of its total assets (exclusive of U. S. government securities and cash items) on an unconsolidated basis. We do not believe that we are an " investment company, " as such term is defined in either of those sections of the 1940 Act and we intend to conduct our operations so that we will not be deemed an investment company. However, if we were to be deemed an investment company, restrictions imposed by the 1940 Act, including limitations on our capital structure and our ability to transact with affiliates, could make it impractical for us to continue our business as it is currently being conducted and could have a material adverse effect on our business, financial condition **,** and results of operations. Our joint venture in China is subject to risks and uncertainties relating to the laws and regulations of China and the changes in relations between the United States and China **. If the Chinese government determines that our joint venture does not comply with applicable regulations, our business could be adversely affected. If the regulatory agencies of the People' s Republic of China, or the PRC, determine that the agreements that establish the structure and relationship for our operations in China do not comply with PRC regulatory restrictions on foreign investment, we could be subject to severe penalties** . Under its current leadership, the government of China has been pursuing economic reform policies, including by encouraging foreign trade and investment. However, there is no assurance that the Chinese government will continue to pursue such policies, that such policies will be successfully implemented, that such policies will not be significantly altered, or that such policies will be beneficial to our partnerships or activities in China. China' s system of laws can be unpredictable, especially with respect to foreign investment and foreign trade. The ~~United States~~ **U. S.** government has called for substantial changes to foreign trade policy with China and has raised, and has proposed to further raise in the future, tariffs on several Chinese goods. China has retaliated with increased tariffs on ~~United States~~ **U. S.** goods. Moreover, China' s legislature has adopted a national security law to substantially change the way Hong Kong has been governed since the territory was handed over by the United Kingdom to China in 1997. This law increases the power of the central government in Beijing over Hong Kong, limits the civil liberties of residents of Hong Kong and could restrict the ability of businesses in Hong Kong to continue to conduct business or to continue to with business as previously conducted. The U. S. State Department has indicated that the United States no longer considers Hong Kong to have significant autonomy from China. The U. S. State Department has recently enacted sanctions related to China' s governing of Hong Kong. Any further changes in ~~United States~~ **U. S.** trade policy could trigger retaliatory actions by affected countries, including China, resulting in trade wars. Any regulatory changes and changes in United States and China relations may have a material adverse effect on our partnerships or activities in China, which could materially harm our business and financial condition. **In addition, there are uncertainties regarding the interpretation and application of PRC laws, rules, and regulations, including, but not limited to, the laws, rules and regulations governing the validity and enforcement of our joint venture in China. Because many laws and regulations are relatively new, the interpretations of many laws, regulations and rules are not always uniform. Moreover, the interpretation of statutes and regulations may be subject to government policies reflecting domestic political agendas. Enforcement of existing laws or contracts based on existing law may be uncertain and sporadic. We cannot assure you that the PRC regulatory authorities will not determine that our joint venture in China does not violate PRC laws, rules or regulations. If the PRC regulatory authorities determine that our current joint venture or any joint ventures, we may enter into in the future are in violation of applicable PRC laws, rules or regulations, our joint venture in China may become invalid or unenforceable, which will substantially affect our operations adversely. The PRC has broad discretion in dealing with violations of laws and regulations, including levying fines, revoking business and other licenses and requiring actions necessary for compliance. In particular, licenses and permits issued or granted by relevant governmental agencies may be revoked at a later time by other regulatory agencies. We cannot predict the effect of the interpretation of existing or new PRC laws or regulations on our business. Any of these or similar actions could significantly disrupt our operations or restrict us from conducting a substantial portion of our operations, which could materially and adversely affect our business, financial condition and results of operations. There can be no assurance that the U. S. government will refrain from imposing additional restrictions or constraints on dealings or investments in China, including our joint venture.** We could be adversely affected by violations of the FCPA and other anti- bribery laws. Our international operations are subject to various anti- bribery laws, including the FCPA and similar anti- bribery laws in the non- U. S. jurisdictions in which we operate. The FCPA prohibits companies and their intermediaries from offering, making, or authorizing improper payments to non- U. S. or foreign officials for the purpose of obtaining or retaining business or securing any other improper advantage. These laws are complex and far- reaching in nature, and we may be required in the future to alter one or more of our practices to be in compliance with these laws or any changes to these laws or their interpretation. We currently engage in significant business outside the United States, and we plan to increase our international operations in the future. These operations could involve

dealings with governments, foreign officials , and state- owned entities, such as government hospitals, outside the United States. In addition, we may engage distributors, other commercial partners or third- party intermediaries, such as representatives or contractors, or establish joint ventures or other arrangements to manage or assist with promotion and sale of our tests abroad and obtaining necessary permits, licenses and other regulatory approvals. Any such third parties could be deemed to be our agents and we could be held responsible for any corrupt or other illegal activities of our employees or these third parties, even if we do not explicitly authorize or have actual knowledge of such activities. We have instituted policies, procedures, and internal controls reasonably designed to promote compliance with the FCPA and other anti- corruption laws and we exercise a high degree of vigilance in maintaining, implementing and enforcing these policies and controls. However, these policies and controls could be circumvented or ignored, and we cannot guarantee compliance with these laws and regulations. Any violations of these laws or allegations of such violations could disrupt our operations, involve significant management distraction, involve significant costs and expenses, including legal fees, and harm our reputation. Additionally, other U. S. companies in the medical device and pharmaceutical fields have faced substantial fines and criminal penalties in the recent past for violating the FCPA and we could also incur these types of penalties, including criminal and civil penalties, disgorgement, and other remedial measures, if we violate the FCPA or other applicable anti- bribery laws. Any of these outcomes could result in a material adverse effect on our business, prospects, financial condition, or results of operations. Our services present the potential for embezzlement, identity theft , or other similar illegal behavior by our employees, consultants, service providers or commercial partners. Our operations involve the use and disclosure of personal and business information that could be used to impersonate third parties or otherwise gain access to their data or funds. If any of our employees, consultants, service providers , or commercial partners takes, converts or misuses these funds or data, we could be liable for any resulting damages, which could harm our financial condition and damage our business reputation. We could be adversely affected by alleged violations of the FTC Act or other truth- in- advertising and consumer protection laws. Our advertising for laboratory services ~~and tests~~ is subject to federal truth- in- advertising laws enforced by the FTC, as well as comparable state consumer protection laws. Under the FTC Act, the FTC is empowered, among other things, to (a) prevent unfair methods of competition and unfair or deceptive acts or practices in or affecting commerce; (b) seek monetary redress and other relief for conduct injurious to consumers; and (c) gather and compile information and conduct investigations relating to the organization, business, practices, and management of entities engaged in commerce. The FTC has very broad enforcement authority, and failure to abide by the substantive requirements of the FTC Act and other consumer protection laws can result in administrative or judicial penalties, including civil penalties, injunctions affecting the manner in which we would be able to market services or products in the future, or criminal prosecution. In conjunction with the launch of our Picture Genetics line of at- home genetic test offerings that are initiated by consumers, we plan to increase our advertising activities that would be subject to these federal and state truth- in- advertising laws. Any actual or perceived non- compliance with those laws could lead to an investigation by the FTC or a comparable state agency ~~,~~ or could lead to allegations of misleading advertising by private plaintiffs. Any such action against us would disrupt our business operations, cause damage to our reputation , and result in a material adverse effect on our business. Risks Related to the Development of ~~Therapeutic~~ **Drug** Candidates **We are** ~~Fulgent Pharma is~~ early in ~~its~~ **our** development efforts, with only one ~~therapeutic~~ **drug** candidate having entered clinical trials (FID- 007). Generally, before obtaining marketing approval for the commercial distribution of ~~therapeutic~~ **drug** candidates, **we** ~~Fulgent Pharma~~ must conduct preclinical tests and clinical trials to demonstrate sufficient safety and efficacy of ~~its therapeutic~~ **our drug** candidates in patients. Failure can occur at any time during the development or clinical trial process and **our** ~~Fulgent Pharma' s~~ future clinical trial results may not be successful. As a result, we may not have, or we may deem it imprudent to use, additional financial resources to continue development of a ~~therapeutic~~ **drug** candidate if there are issues that could delay or prevent marketing approval of, or ability to commercialize, **our drug** ~~Fulgent Pharma' s therapeutic~~ candidates, including: • negative or inconclusive results from clinical trials, or the clinical trials of others for similar ~~therapeutic~~ **drug** candidates, leading to a decision or requirement to conduct additional preclinical testing or clinical trials or abandon a program; • therapeutic- related side effects experienced by participants in its clinical trials or by individuals using drugs or other **drugs** ~~therapeutic products~~ similar to its ~~therapeutic~~ **drug** candidates; • delays in submitting ~~investigational new drug applications, or~~ INDs ~~,~~ or comparable foreign clinical trial applications or delays or failure in obtaining the necessary approvals from regulators to commence a clinical trial, or a suspension or termination of a clinical trial once commenced; • conditions imposed by the FDA or comparable foreign authorities regarding the scope or design of clinical trials; • delays in enrolling research subjects or high drop- out rates of research subjects enrolled in clinical trials; • delays or difficulties in its clinical trials due to quarantines or other restrictions resulting from the COVID- 19 pandemic or other public health emergencies; • unfavorable FDA or other regulatory agency inspection and review of a clinical trial site or the manufacturing location (s) for a ~~therapeutic~~ **drug** candidate; • inadequate supply or quality of ~~therapeutic~~ **drug** candidate clinical material or other raw materials or supplies necessary for the conduct of our clinical trials; • failure of third- party contractors or investigators to comply with regulatory requirements or otherwise meet their contractual obligations in a timely manner, or at all; • delays and changes in regulatory requirements, policy and guidelines, including with respect to our technology in particular; or • varying interpretations of data by the FDA and similar foreign regulatory agencies. The ~~therapeutic~~ **drug** candidates **we** ~~Fulgent Pharma pursues~~ **pursue** ~~or has pursued~~ may not demonstrate the necessary safety or efficacy requirements for marketing approval. ~~Further~~ **Clinical trials are costly** , ~~a~~ **time consuming and inherently risky, and we may fail to demonstrate safety and efficacy to the satisfaction of applicable regulatory authorities, and may never obtain regulatory approval for, or successfully commercialize certain or any of our drug candidates. Clinical development is expensive, time consuming and involves significant risk. We cannot guarantee that any clinical trials will be conducted as planned or completed on schedule, if at all. A failure of one or more clinical trials can occur at any stage of development. Events that may prevent successful or timely completion of clinical development include but are not limited to: • potential delays in patient enrollment for our clinical trials due to public health emergencies or pandemics,**

natural disasters, staffing shortages, or other events, which may affect our ability to initiate and / or complete preclinical studies, conduct ongoing clinical trials, and delay initiation of planned and future clinical trials; • inability to generate satisfactory preclinical, toxicology or other in vivo or in vitro data or to develop diagnostics capable of supporting the initiation or continuation of clinical trials; • delays in reaching agreement on acceptable terms with CROs, and clinical trial **sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and clinical trial sites; • delays or failure in obtaining required an IRB approval at each clinical trial site; • failure to obtain or delays in obtaining a permit from regulatory authorities to conduct a clinical trial; • delays in recruiting or failure to recruit sufficient eligible volunteers or subjects in our clinical trials; • failure by clinical trial sites or CROs or other third parties to adhere to clinical trial requirements; • failure by our clinical trial sites, CROs or other third parties to perform in accordance with the good clinical practices requirements of the FDA or applicable foreign regulatory guidelines; • subjects withdrawing from our clinical trials; • adverse events or other issues of concern significant enough for the FDA, or comparable foreign regulatory authority, to put a clinical trial or an IND on clinical hold; • occurrence of adverse events associated with our drug candidates; • changes in regulatory requirements and guidance that require amending or submitting new clinical protocols; • the cost of clinical trials of our drug candidates; • negative or inconclusive results from our clinical trials which may result in us deciding, or regulators requiring us, to conduct additional clinical trials or abandon development programs in other ongoing or planned indications for a drug candidate; and • delays in reaching agreement on acceptable terms with third- party manufacturers or an inability to manufacture sufficient quantities of our drug candidates for use in clinical trials. Any inability to successfully complete clinical development and obtain regulatory approval for one or more of our drug candidates could result in additional costs to us or impair our ability to generate revenue. In addition, if we make manufacturing or formulation changes to our drug candidates, we may need to conduct additional nonclinical studies and / or clinical trials to show that the results obtained from such new formulation are consistent with previous results. Clinical trial delays could also shorten any periods during which our drug candidates have patent protection and may allow competitors to develop and bring products to market before we do, which could impair our ability to successfully commercialize our drug candidates and may harm our business and results of operation. Further, a clinical trial** may be suspended or terminated by the company, the ~~institutional review boards, or~~ IRBs ~~,~~ of the institutions in which such trials are being conducted, the Data Safety Monitoring Board, or DSMB, for such trial or by the FDA or other regulatory authorities due to a number of factors, including failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols, inspection of the clinical trial operations or trial site by the FDA or other regulatory authorities resulting in the imposition of a clinical hold, unforeseen safety issues or adverse side effects, failure to demonstrate a benefit from using an investigational drug, changes in governmental regulations, administrative actions or lack of adequate funding to continue the clinical trial. Clinical holds may be placed prior to a clinical trial even beginning, in order to address potential safety and risk concerns of regulatory authorities, and partial or complete clinical holds can be imposed at any time during a trial. Furthermore, while **we** ~~Fulgent Pharma performs~~ **perform** certain similar functions internally, we expect ~~it~~ to rely on ~~contract research organizations, or~~ CROs ~~,~~ and clinical trial sites to ensure proper and timely conduct of our clinical trials and while we expect ~~it~~ to enter into agreements governing those CROs' committed activities we ~~and Fulgent Pharma~~ have limited influence over their actual performance. If there are delays in the completion of, or termination of, any clinical trial of ~~therapeutic~~ **drug** candidates, the commercial prospects of those ~~therapeutic~~ **drug** candidates may be harmed. In addition, any delays in completing clinical trials will increase costs, slow down product development and approval processes, and jeopardize the ability to commence product sales and generate revenue. Any of these occurrences may materially and adversely affect our ~~or Fulgent Pharma's~~ business, financial condition, results of operations **,** and prospects. In addition, many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of marketing approval of ~~therapeutic~~ **drug** candidates. **Product development involves a lengthy and expensive process with an uncertain outcome, and results of earlier preclinical studies and clinical trials may not be predictive of future clinical trial results. Clinical testing is expensive and generally takes many years to complete, and the outcome is inherently uncertain. Failure can occur at any time during the clinical development process. Clinical trials may produce negative or inconclusive results, and we or any current or future collaboration partners may decide, or regulators may require us, to conduct additional clinical trials or non- clinical studies. We will be required to demonstrate with substantial evidence through well- controlled clinical trials that our drug candidates are safe and effective for use in a diverse population before we can seek marketing approvals for their commercial sale. The results of preclinical studies and early clinical trials of our drug candidates may not be predictive of the results of larger, later- stage controlled clinical trials. Drug candidates that have shown promising results in early- stage clinical trials may still suffer significant setbacks or failure in subsequent clinical trials. Our clinical trials to date have been conducted on a small number of subjects in limited numbers of clinical trial sites for a limited number of indications. We will have to conduct larger, well- controlled trials in our proposed indications to verify the results obtained to date and to support any regulatory submissions for further clinical development. A number of companies in the biopharmaceutical industry have suffered significant setbacks or failure in advanced clinical trials due to lack of efficacy or adverse safety profiles despite promising results in earlier, smaller clinical trials. Moreover, from time to time, we may publish or report interim or preliminary data from our clinical trials. For example, we have previously announced and included interim data for our drug candidate, FID- 007 in this Annual Report. Interim or preliminary data from clinical trials that we may conduct, including any interim data we have reported for FID- 007, may not be indicative of the final results of the trial and are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available. Interim or preliminary data also remain subject to audit and verification procedures that may result in the final data being materially different from the interim or preliminary data.**

As a result, interim or preliminary data should be viewed with caution until the final data is available. In some instances, there can be significant variability in safety and efficacy results between different clinical trials of the same drug candidate due to numerous factors, including changes in trial protocols, differences in size and type of the patient populations, differences in and adherence to the dosing regimen and other trial protocols and the rate of dropout among clinical trial participants. We therefore do not know whether any clinical trials we may conduct will demonstrate consistent or adequate efficacy and safety sufficient to obtain marketing approval to market our drug candidates. Any **drug** ~~therapeutic product~~ candidate that **we** ~~Fulgent Pharma~~ may attempt to develop, manufacture **,** or market in the United States will be subject to extensive regulation by the FDA, including regulations relating to development, preclinical testing, performance of clinical trials, manufacturing and post- approval commercialization and will be subject to extensive regulations outside of the United States. Satisfaction of these and other regulatory requirements is costly, time consuming, uncertain and subject to unanticipated delays. The time required to obtain FDA approval, and any other required approvals for pharmaceutical products, including any accelerated approval, is unpredictable but typically requires years to several years and may never be obtained. Any product that **we** ~~Fulgent Pharma~~ may wish to develop, manufacture or market in countries other than the United States will also be subject to numerous foreign regulatory requirements governing the conduct of clinical trials, manufacturing and marketing, pricing and third- party reimbursement among other things in such countries. The foreign marketing approval process includes all of the risks and uncertainties associated with FDA approval described above as well as risks attributable to the satisfaction of local regulations in such foreign jurisdictions. Obtaining marketing approval for pharmaceutical products requires the submission of extensive preclinical and clinical data and supporting information to FDA and comparable regulatory authorities for each therapeutic indication to establish the product candidate' s safety and efficacy. Securing marketing approval also typically requires the submission of information about the product manufacturing process, and in many cases the inspection of manufacturing, processing, and packaging facilities by the regulatory authorities. Our product candidates may not be effective, may be only moderately effective or may prove to have undesirable or unintended side effects, toxicities or other characteristics that may preclude our obtaining marketing approval or prevent or limit commercial use, or there may be deficiencies in manufacturing compliance by **us** ~~Fulgent Pharma~~ or by ~~its~~ **our** contract manufacturing organizations **and partners** that could result in the candidate not being approved. Moreover, ~~neither~~ we ~~nor Fulgent Pharma~~ have **not** obtained marketing approval for any ~~therapeutic~~ **drug** candidate in any jurisdiction and it is possible that none of our existing ~~therapeutic~~ **drug** candidates or any ~~therapeutic~~ **drug** candidates we may seek to develop in the future will ever obtain marketing approval. ~~Therapeutic~~ **Drug** candidates could fail to receive, or could be delayed in receiving, marketing approval for many reasons, including any one or more of the following: • the FDA, European Medicines Agency, or EMA, or comparable foreign regulatory authorities may disagree with the design or implementation of clinical trials; • **we** ~~Fulgent Pharma~~ may be unable to demonstrate to the satisfaction of the FDA, EMA or comparable foreign regulatory authorities that a product candidate is safe and effective for its proposed indication (s) for use; • the results of clinical trials may not meet the level of statistical significance required by the FDA, EMA or comparable foreign regulatory authorities for marketing approval; • **we** ~~Fulgent Pharma~~ may be unable to demonstrate that a product candidate' s clinical and other benefits outweigh its safety risks; • the FDA, EMA or comparable foreign regulatory authorities may disagree with our interpretation of data from preclinical studies or clinical trials; • the data collected from clinical trials of product candidates may not be sufficient to support the submission of an application to obtain marketing approval in the United States or elsewhere; • upon review of clinical trial sites and data, the FDA or comparable foreign regulatory authorities may find record keeping or the record keeping of clinical trial sites to be inadequate or may identify other deficiencies related to the trials; • the manufacturing processes or facilities of third- party manufacturers with which we or Fulgent Pharma contract for clinical and commercial supplies may fail to meet the requirements of the FDA, EMA or comparable foreign regulatory authorities; or • the medical standard of care or the approval policies or regulations of the FDA, EMA or comparable foreign regulatory authorities may significantly change in a manner that renders our clinical data insufficient for approval. It is possible that none of the ~~therapeutic~~ **drug** candidates we ~~or Fulgent Pharma~~ may develop will obtain the marketing approvals necessary for us or our collaborators to sell the products either in the United States or any other country. Furthermore, approval by the FDA of a therapeutic product does not assure approval by regulatory authorities outside the United States or vice versa. Even if approval for a therapeutic product is obtained, such approval may be subject to limitations on the indicated uses or appropriate patient population that could result in a significantly reduced potential market size for the product. **We** ~~Fulgent Pharma expects~~ **expect** to utilize the FDA' s Section 505 (b) (2) pathway for most of ~~its~~ **our** product candidates, which are being developed using its nano- drug delivery platform technology. If that pathway is not available, the development of such product candidates will likely take significantly longer, cost significantly more and entail significantly greater complexity and risk than currently anticipated, and, in any case, may not be successful. **We** ~~Fulgent Pharma intends~~ **intend** to develop and seek approval for ~~its product~~ **our drug** candidates developed using ~~its~~ **our** nano- drug delivery platform technology, including FID- 007 and other candidates it may develop, pursuant to the FDA' s 505 (b) (2) pathway. If the FDA determines that ~~it~~ **we** may not use this regulatory pathway, then ~~it~~ **we** would need to seek regulatory approval via a " full " or " stand- alone " ~~new drug application, or~~ NDA ~~,~~ under Section 505 (b) (1) of the **FDC** ~~Federal Food, Drug, and Cosmetic~~ Act ~~, or FDCA~~ . This would require **us** ~~Fulgent Pharma~~ to conduct additional clinical trials, provide additional safety and efficacy data and other information, and meet additional standards for regulatory approval, including possibly nonclinical data. If this were to occur, the time and financial resources required to obtain FDA approval, as well as the development complexity and risk associated with these programs, would likely substantially increase, which could have a material adverse effect on our business and financial condition. The Drug Price Competition and Patent Term Restoration Act of 1984, informally known as the Hatch- Waxman Act, added Section 505 (b) (2) to the ~~FDCA~~ **FDC Act** . Section 505 (b) (2) permits the filing of an NDA where at least some of the information required for approval comes from studies and information that were not conducted by or for the applicant and for which the applicant has not obtained a right of reference. Utilization of the Section

505 (b) (2) NDA pathway could expedite the development program for **our** ~~Fulgent Pharma' s~~ lead ~~product~~ **drug** candidate, FID- 007. Notwithstanding the approval of an increasing number of products by the FDA under Section 505 (b) (2) over the last few years, certain brand- name pharmaceutical companies and others have objected to the FDA' s interpretation of Section 505 (b) (2). If the FDA' s interpretation of Section 505 (b) (2) is successfully challenged, or Congress were to amend the statute to alter the currently available regulatory pathway, the FDA may change its 505 (b) (2) policies and practices, which could delay or even prevent the FDA from approving any NDA **we** ~~Fulgent Pharma submits~~ **submit** under Section 505 (b) (2). In addition, the pharmaceutical industry is highly competitive, and Section 505 (b) (2) NDAs are subject to special requirements designed to protect the patent rights of sponsors of previously approved drugs referenced in a Section 505 (b) (2) NDA. Even if **we are** ~~Fulgent Pharma is~~ able to utilize the Section 505 (b) (2) regulatory pathway for one or more of ~~its~~ **our** candidates, there is no guarantee this would ultimately lead to faster product development or earlier approval. Moreover, any delay resulting from **our** ~~Fulgent Pharma' s~~ inability to pursue the FDA' s 505 (b) (2) pathway could result in new competitive products reaching the market more quickly than its product candidates, which may have a material adverse impact on ~~its~~ **our** competitive position and prospects. Even if **we are** ~~Fulgent Pharma is~~ allowed to pursue the FDA' s 505 (b) (2) pathway for one or more of ~~its~~ **our** drug ~~product~~ candidates, we cannot assure you that such candidates will receive the requisite approvals for commercialization. **Our commercial success will depend upon attaining significant market acceptance of our drug candidates, if approved, among physicians, patients, third- party payors and other members of the medical community. Even if we obtain regulatory approval for our drug candidates, the approved products may nonetheless fail to gain sufficient market acceptance among physicians, third- party payors, patients and other members of the medical community, which is critical to commercial success. If an approved product does not achieve an adequate level of acceptance, we may not generate significant product revenues or any profits from operations. The degree of market acceptance of any drug candidate for which we receive approval depends on a number of factors, including: • the efficacy and potential advantages compared to alternative treatments or competitive products; • perceptions by the medical community, physicians, and patients, regarding the safety and effectiveness of our products and the willingness of the target patient population to try new therapies and of physicians to prescribe these therapies; • the size of the market for such drug candidate, based on the size of the patient subsets that we are targeting, in the territories for which we gain regulatory approval and have commercial rights; • the safety of the drug candidate as demonstrated through broad commercial distribution; • the ability to offer our drug candidates for sale at competitive prices; • the availability of adequate reimbursement and pricing for our products from governmental health programs and other third- party payors; • relative convenience and ease of administration compared to alternative treatments; • cost- effectiveness of our product relative to competing products; • the prevalence and severity of any side effects; • the adequacy of supply of our drug candidates; • the timing of any such marketing approval in relation to other product approvals; • any restrictions on concomitant use of other medications; • support from patient advocacy groups; and • the effectiveness of sales, marketing and distribution efforts by us and our licensees and distributors, if any. Our drug candidates may cause undesirable side effects that could delay or prevent their marketing approval, limit the commercial profile of an approved label, or result in significant negative consequences following marketing approval, if any. Undesirable side effects caused by our drug candidates could cause us, our collaborators or regulatory authorities, to interrupt, delay or halt clinical trials. These circumstances could result in a more restrictive label or the delay or denial of marketing approval by the FDA or other regulatory authorities. Results of our clinical trials or the clinical trials of our collaborators could reveal a high and unacceptable severity of adverse side effects and it is possible that patients enrolled in these clinical trials could respond in unexpected ways. Such side effects could also affect patient recruitment or the ability of enrolled patients to complete the trial or result in potential product liability claims. Further, clinical trials by their nature utilize a sample of the potential patient population. Rare and severe side effects of our drug candidates may only be uncovered with a significantly larger number of patients exposed to our drug candidates. In the event that any of our drug candidates receives marketing approval and we, our collaborators or others identify undesirable side effects caused by a product or any other similar drugs, any of the following adverse events could occur: • regulatory authorities may withdraw their approval of the product; • additional restrictions may be imposed on the marketing of the particular product or the manufacturing processes for the product or any component of the product; • we may be subject to fines, injunctions or the imposition of civil or criminal penalties; • regulatory authorities may require the addition of safety- related labeling statements, such as a " black box " warning or a contraindication; • we may be required to create a Medication Guide outlining the risks of such side effects for distribution to patients or to implement other aspects of a REMS such as a restricted distribution program or educational programs for prescribers; • we could be sued and held liable for harm caused to patients; • the product may become less competitive; and • our reputation may suffer. In addition, adverse side effects caused by any drugs that may be similar in nature to our drug candidates could delay or prevent marketing approval of our drug candidates, limit the commercial profile of an approved label for our drug candidates, or result in significant negative consequences for our drug candidates following marketing approval. Any of the above described events could prevent us from achieving or maintaining market acceptance of our drug candidates, if approved, and could delay, impede and / or substantially increase the costs of commercializing our drug candidates thus significantly impacting our ability to successfully commercialize our drug candidates and generate revenue. Any of the above described occurrences may materially and adversely affect our business, financial condition, results of operations and prospects. If our drug candidates are approved for marketing and commercialization and we are unable to develop sales, marketing and distribution capabilities on our own or enter into agreements with third parties to perform these functions on acceptable terms, we will be unable to commercialize successfully any such drug candidates.** We ~~primarily~~ **currently have no sales, marketing, or distribution capabilities for prescription pharmaceutical products. If any of our**

drug candidates is approved for marketing in the U. S. or elsewhere, we will need to expand our internal sales, marketing and distribution capabilities to commercialize such approved drug candidates in the United States and other territories, or we will need to enter into collaborations with third parties to perform these services. Any internal effort would be expensive and time- consuming, and we would need to commit significant financial and managerial resources to develop an internal marketing and sales force with technical expertise and the related supporting distribution, administration and compliance capabilities. If we were to rely on additional third parties with these capabilities to market our future therapeutics or were to decide to co- promote products with any of our current or future collaborators, we would need to establish and maintain or revise existing marketing and distribution arrangements with these partners, and there can be no assurance that we will be able to enter into such arrangements on acceptable terms or at all. Further, there can be no assurance that these third parties will establish adequate sales and distribution capabilities or be successful in gaining market acceptance of any approved product. If we are not successful in commercializing any product approved in the future, either on our own or through third parties, our business, financial condition, results of operations and prospects could be materially and adversely affected. We rely on third parties to conduct portions of our clinical trials and certain of our non- clinical studies and intend to continue to do so. If these third parties do not perform as contractually required, fail to satisfy regulatory or legal requirements, or miss expected deadlines, our development programs could be delayed with material and adverse effects on our business, financial condition, results of operations and prospects. While we expect to continue our current clinical trials and expect to initiate clinical trials in the near term for other drug candidates, we do not independently conduct clinical trials. In particular, while we perform certain functions internally, we currently rely and intend to continue to rely on third- party CROs, clinical data management organizations and consultants to help us design, conduct, supervise and monitor clinical trials of our drug candidates. As a result, we will have less control over the timing, quality and other aspects of our clinical trials than we would have had we conducted them on our own. There is a limited number of third- party service providers that specialize or have the expertise required to achieve our business objectives. If any of our relationships with these third- party CROs or clinical investigators terminate, we may not be able to enter into arrangements with alternative CROs or investigators or to do so on commercially reasonable terms. Further, these investigators, CROs and consultants are not our employees, and we have limited control over the amount of time and resources that they dedicate to our programs. These third parties may have contractual relationships with other entities, some of which may be our competitors, which may draw time and resources from our programs. The third parties with which we contract might not be diligent, careful or timely in conducting our non- clinical studies or clinical trials. These third parties may also be susceptible to disruption as a result of health crises such as the COVID- 19 pandemic or periods of societal unrest or conflict. If we cannot contract with acceptable third parties on commercially reasonable terms, or at all, or if these third parties do not carry out their contractual duties, satisfy the legal and regulatory requirements for the conduct of non- clinical studies or clinical trials or meet expected deadlines for any reason, our clinical development programs could be delayed and otherwise adversely affected. In all events, we will be responsible for ensuring that each of our non- clinical studies and clinical trials is conducted in accordance with the general investigational plan and protocols for the relevant study or trial. The FDA requires non- clinical studies to be conducted in accordance with good laboratory practices and clinical trials to be conducted in accordance with GCPs including practices and requirements for designing, conducting, recording and reporting the results of non- clinical studies and clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of clinical trial participants are protected. Our reliance on third parties we do not control will not relieve us of these responsibilities and requirements. Any adverse development or delay in our clinical trials could have a material and adverse effect on our business, financial condition, results of operations and prospects. We rely on third parties to supply and manufacture our drug candidates, and we expect to continue to rely on third parties to manufacture and supply our therapeutics, if approved. The development of drug candidates and the commercialization of any drug candidates, if approved, could be stopped, delayed, or made less profitable if any of these third parties fail to provide us with sufficient quantities of drug candidates or therapeutics, fail to do so at acceptable quality levels or prices, or fail to maintain or achieve satisfactory regulatory compliance. We do not currently have, nor do we plan to acquire, the infrastructure or capability internally to develop and manufacture our drug candidates for use in the conduct of our trials or for commercial supply, if our therapeutics are approved. Instead, we rely on, and expect to continue to rely on third- party providers to manufacture the supplies for our non- clinical studies and clinical trials. We currently rely on a limited number of third- party contract manufacturers for our required raw materials and other components for our non- clinical research and clinical trials, as well as for the manufacture of supplies for our drug candidates. To the extent any of our manufacturing partners are unable to fulfill these obligations in a timely manner, our clinical trials may be delayed, and our business may be adversely affected. In general, reliance on third- party providers may expose us to more risk than if we were to manufacture our drug candidates ourselves. We do not control the operational processes of the contract manufacturing organizations with whom we contract, and are dependent on these third parties for the production of our drug candidates in accordance with relevant regulations (such as cGMP), which include, among other things, quality control and the maintenance of records and documentation. Our success depends in large part on our ability to obtain and maintain patent protection in the United States and other countries with respect to any product candidate and other technologies we may develop. Given that the development of our drug and therapeutic technology is at an early stage, our intellectual property portfolio with respect to certain aspects of our technology and any drug and any product candidates; however, there can be no assurance that any such patent applications will issue as granted patents. Composition of matter patents for biological and pharmaceutical products are generally considered to be the

strongest form of intellectual property protection for those types of products, as such patents provide protection without regard to any method of use. We cannot be certain, however, that the claims in our future patent applications covering the composition of matter of any product candidates will be considered patentable by the United States Patent and Trademark Office (" USPTO "), or by patent offices in foreign countries, or that the claims in any of its issued patents will be considered valid and enforceable by courts in the United States or foreign countries. Furthermore, in some cases, we may not be able to obtain issued claims covering compositions of matter relating to any product candidates it develops and instead may need to rely on filing patent applications with claims covering a method of use and / or method of manufacture. Method of use patents protect the use of a product for the specified method. This type of patent does not prevent a competitor from making and marketing a product that is identical to any product we develop for an indication that is outside the scope of the patented method. Moreover, even if competitors do not actively promote their products for its targeted indications, physicians may prescribe these products " off- label " for those uses that are covered by its method of use patents. Although off- label prescriptions may infringe or contribute to the infringement of method of use patents, the practice is common, and such infringement is difficult to prevent or prosecute. There can be no assurance that any such patent applications will issue as granted patents, and even if they do issue, such patent claims may be insufficient to prevent third parties, such as our competitors, from utilizing our technology. Any failure to obtain or maintain patent protection with respect to any product candidate we develop could have a material adverse effect on our business, financial condition, results of operations, and prospects. We rely on trade secret protection, non- disclosure agreements **.** and invention assignment agreements to protect our proprietary information, which may not be effective. We ~~currently~~ rely on trade secret protection, non- disclosure agreements and invention assignment agreements with our employees, consultants and third- parties to protect our confidential and proprietary information. Although our competitors have utilized and are expected to continue to utilize technologies and methods similar to ours and have aggregated and are expected to continue to aggregate libraries of genetic information similar to ours, we believe our success will depend in part on our ability to develop proprietary methods and libraries and to defend any advantages afforded to us by these methods and libraries relative to our competitors. If we do not protect our intellectual property and other confidential information adequately, competitors may be able to use our proprietary technologies and information and thereby erode any competitive advantages our intellectual property and other confidential information provide us. We will be able to protect our proprietary **trade secret** rights from unauthorized use by third parties only to the extent these rights are effectively maintained as confidential. We expect to rely primarily on trade secret and contractual protections for our confidential and proprietary information **,** and we have taken security measures we believe are appropriate to protect this information. These measures, however, may not provide adequate protection for our trade secrets, know- how **,** or other confidential information. We seek to protect our proprietary information by, among other things, entering into confidentiality agreements with employees, consultants and other third parties. These confidentiality agreements may not sufficiently safeguard our trade secrets and other confidential information and may not provide adequate remedies in the event of unauthorized use or disclosure of this information. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret or other proprietary information could be difficult, expensive **,** and time- consuming **;** and the outcome could be unpredictable. In addition, trade secrets or other confidential information could otherwise become known or be independently developed by others in a manner that could prevent legal recourse by us. If any of our trade secrets or other confidential or proprietary information were disclosed or misappropriated or if any such information was independently developed by a competitor, our competitive position could be harmed **,** and our business could suffer. We believe our ability to succeed will depend in part on our avoidance of infringement of patents and other proprietary rights owned by third parties, including the intellectual property rights of competitors. There are numerous third- party- owned U. S. and foreign patents, pending patent applications and other intellectual property rights that cover technologies relevant to our testing and testing services. We may be unaware of patents or other intellectual property rights that a third ~~-~~party might assert are infringed by our business, and there may be pending patent applications that, if issued, could be asserted against us. As a result, our existing or future operations may be alleged or found to infringe existing or future patents or other intellectual property rights of others. Moreover, as we continue to sell our existing tests and if we launch new tests and enter new markets, competitors may claim that our tests infringe or misappropriate their intellectual property rights as part of strategies designed to impede our existing operations or our entry into new markets. If a patent infringement or misappropriation of intellectual property lawsuit was brought against us, we could be forced to discontinue or delay our development or sales of any tests or other activities that are the subject of the lawsuit while it is pending, even if it is not ultimately successful. In the event of a successful claim of infringement against us, we could be forced to pay substantial damages, including treble damages and attorneys' fees if we were found to have willfully infringed patents; obtain one or more licenses, which may not be available on commercially reasonable terms when needed or at all; pay royalties, which may be substantial; or redesign any infringing tests or other activities, which may be impossible or require substantial time and expense. In addition, third parties making claims against us for infringement or misappropriation of their patents or other intellectual property rights could seek and obtain injunctive or other equitable relief, which, if granted, could prohibit us from performing some or all of our tests. Further, defense against these claims, regardless of their merit or success, could cause us to incur substantial expenses, be a substantial diversion to our management and other employee resources and significantly harm our reputation. Any of these outcomes could delay our introduction of new tests, significantly increase our costs **,** or prevent us from conducting certain of our essential activities, which could materially adversely affect our ability to operate and grow our business. We may be subject to claims challenging the inventorship of our patents and other intellectual property. We may be subject to claims that former employees, collaborators or other third parties have an interest in our owned patents, trade secrets, or other intellectual property as an inventor or co- inventor. For example, we may have inventorship disputes arise from conflicting obligations of consultants or others who are involved in developing our products or product candidates and other proprietary technologies we may develop. Litigation may be necessary to defend

against these and other claims challenging inventorship or our ownership of our owned patents, trade secrets , or other intellectual property. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, intellectual property that is important to our products, product candidates and other proprietary technologies we may develop. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects. Developments in patent law could have a negative impact on our business. From time to time, the Supreme Court, other federal courts, the U. S. Congress or the ~~U. S. Patent and Trademark Office, or~~ USPTO ~~,~~ may change the standards of patentability, and any such changes could have a negative impact on our business. Three cases involving diagnostic method claims and " gene patents " have been decided by the Supreme Court in recent years. In March 2012, the Supreme Court issued a decision in Mayo Collaborative v. Prometheus Laboratories, or Prometheus, a case involving patent claims directed to optimizing the amount of drug administered to a specific patient, holding that the applicable patents' claims failed to incorporate sufficient inventive content above and beyond mere underlying natural correlations to allow the claimed processes to qualify as patent- eligible processes that apply natural laws. In June 2013, the Supreme Court decided Association for Molecular Pathology v. Myriad Genetics, or Myriad, a case challenging the validity of patent claims relating to the breast cancer susceptibility genes BRCA1 and BRCA2, holding that isolated genomic DNA that exists in nature, such as the DNA constituting the BRCA1 and BRCA2 genes, is not patentable subject matter, but that cDNA, which is an artificial construct created from ~~RNA~~ **ribonucleic acid** transcripts of genes, may be patent eligible. In June 2014, the Supreme Court decided Alice Corporation Pty. Ltd. v. CLS Bank International, or Alice, which affirmed the Prometheus and Myriad decisions and provided additional interpretation. If we make efforts to seek patent protection for our product candidates, products, technologies , and tests, these efforts may be negatively impacted by the Prometheus, Myriad and Alice decisions, rulings in other cases or guidance or procedures issued by the USPTO. However, we cannot fully predict the impact of the Prometheus, Myriad and Alice decisions on the ability of genetic testing, biopharmaceutical , or other companies to obtain or enforce patents relating to DNA, genes or genomic- related discoveries in the future, as the contours of when claims reciting laws of nature, natural phenomena or abstract ideas may meet patent eligibility requirements are not clear and may take years to develop via interpretation at the USPTO and in the courts. There are many previously issued patents claiming nucleic acids and diagnostic methods based on natural correlations that issued before these recent Supreme Court decisions and, although many of these patents may be invalid under the standards set forth in these decisions, they are presumed valid and enforceable until they are successfully challenged and third parties holding these patents could allege that we infringe or request that we obtain a license under such patents. Whether based on patents issued before or after these Supreme Court decisions, we could be forced to defend against claims of patent infringement or obtain license rights, if available, under these patents. In particular, although the Supreme Court has held in Myriad that isolated genomic DNA is not patent- eligible subject matter, third parties could allege that our activities infringe other classes of gene-related patent claims. There are numerous risks associated with any patent infringement claim that may be brought against us, as discussed above under " ~~—~~Litigation or other proceedings or third- party claims of intellectual property infringement or misappropriation could require us to spend significant time and money and prevent us from selling our tests or developing ~~therapeutic~~ **drug** candidates. " In addition, the Leahy- Smith America Invents Act, or America Invents Act, which was signed into law in 2011, includes a number of significant changes to U. S. patent law. These changes include a transition from a " first-to- invent " system to a " first- to- file " system, changes to the way issued patents are challenged , and changes to the way patent applications are disputed during the examination process. These changes may favor larger and more established companies that have greater resources to devote to patent application filing and prosecution. The USPTO has developed new regulations and procedures to govern the full implementation of the America Invents Act, but the impact of the America Invents Act on the cost of prosecuting any patent applications we may file, our ability to obtain patents based on our discoveries if we pursue them , and our ability to enforce or defend any patents that may issue remains uncertain. These and other substantive changes to U. S. patent law could affect our susceptibility to patent infringement claims and our ability to obtain any patents we may pursue and, if obtained, to enforce or defend them, any of which could have a material adverse effect on our business . **Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment, and other requirements imposed by government patent agencies, and its patent protection could be reduced or eliminated for non- compliance with these requirements. Periodic maintenance fees, renewal fees, annuity fees, and various other government fees on patents and applications will be due to be paid to the USPTO and various government patent agencies outside of the United States over the lifetime of its owned patents and applications. The USPTO and various non- U. S. government agencies require compliance with several procedural, documentary, fee payment, and other similar provisions during the patent application process. In some cases, an inadvertent lapse can be cured by payment of a late fee or by other means in accordance with the applicable rules. There are situations, however, in which non- compliance can result in abandonment or lapse of the patent or patent application, resulting in a partial or complete loss of patent rights in the relevant jurisdiction. In such an event, potential competitors might be able to enter the market with similar or identical products or technology, which could have a material adverse effect on our business, financial condition, results of operations, and prospects. Worldwide, we own or exclusively in- license over 30 issued or allowed patents and over 10 active patent applications as of December 31, 2023. This includes 10 issued or allowed US patents. Patent applications in these patent families, if granted, are expected to expire as far out as 2044 subject to any patent term disclaimers, adjustments, or extensions. Patents and / or patent applications in these families are active in multiple jurisdictions, including, the United States, Australia, Canada, China, European Patent Organization, German, New Zealand, Japan, and Switzerland. In addition to these owned and exclusively licensed patents and active patent applications, we also license patents on a non- exclusive and / or territory- restricted basis. Our intellectual property**

portfolio includes important patents and patent applications directed to our technologies. This includes patent filings relating to our nano- drug delivery platform technology for delivery of water insoluble or poorly soluble drugs for treatments of disease conditions, including cancer. In particular, as of December 31, 2023, we own or exclusively in-license 28 issued patents and 5 patent applications relating to FID- 007. Individual patent terms extend for varying periods of time, depending upon the date of filing of the patent application, the date of patent issuance, and the legal term of patents in the countries in which they are obtained. In June 2017, Fulgent Pharma LLC entered into an exclusive license agreement with ANP, as amended December 28, 2017. Under the agreement, ANP granted Fulgent Pharma LLC an exclusive, worldwide, royalty bearing, perpetual, irrevocable, and sublicensable license to certain rights in patents and patent applications under which we may develop and commercialize FID- 007 and related formulations for human therapeutic, prophylactic, and diagnostic uses. As of December 31, 2023, this IP suite includes 28 patents and 5 patent applications that relate to FID- 007. Patents and / or patent applications in these families are active in multiple jurisdictions, including, the United States, Australia, Canada, China, European Patent Organization, German, New Zealand, Japan, and Switzerland. Patents in these patent families, if granted, are expected to expire in 2034 subject to any patent term disclaimers, adjustments, or extensions. Our future issued patents covering product candidates we develop could be found invalid or unenforceable if challenged in court or before administrative bodies in the United States or abroad. In patent litigation in the United States, defendant counterclaims alleging invalidity or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including lack of novelty, obviousness, or non- enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the USPTO, or made a misleading statement, during prosecution. Third parties may raise claims challenging the validity or enforceability of our owned patents before administrative bodies in the United States or abroad, even outside the context of litigation. Such mechanisms include re- examination, post- grant review, inter partes review, interference proceedings, derivation proceedings, and equivalent proceedings in foreign jurisdictions (e. g., opposition proceedings). Such proceedings could result in the revocation of, cancellation of, or amendment to our future patents in such a way that they no longer cover its product candidate or other technologies. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to the validity question, for example, we cannot be certain that there is no invalidating prior art, of which we and the patent examiner were unaware during prosecution. If a third party were to prevail on a legal assertion of invalidity or unenforceability, we would lose at least part, and perhaps all, of the patent protection on any product candidates it develops or other technologies. Such a loss of patent protection would have a material adverse impact on our business, financial condition, results of operations, and prospects. Patent terms may be inadequate to protect our competitive position on our products and services for an adequate amount of time. Patents have a limited lifespan. Patent terms may be shortened or lengthened by, for example, terminal disclaimers, patent term adjustments, supplemental protection certificates, and patent term extensions. Although extensions may be available, the life of a patent, and the protection it affords, is limited. Patent term extensions and supplemental protection certificates, and the like, may be impacted by the regulatory process and may not significantly lengthen patent term. Non- payment or delay in payment of patent fees or annuities, delay in patent filings or delay in extension filing, whether intentional or unintentional, may also result in the loss of patent rights important to our business. In such an event, competitors might be able to enter the market earlier than would otherwise have been the case. In addition, certain countries have compulsory licensing laws under which a patent owner may be compelled to grant licenses to other parties. Furthermore, many countries limit the enforceability of patents against other parties, including government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of any patents. In the United States and abroad, if all maintenance fees / annuity fees are timely paid, the natural expiration of a patent is generally 20 years from its earliest non- provisional filing date. The protection a patent affords is limited. Even if patents covering our products are obtained, once the patent life has expired, we may be open to competition from competitive products. Given the amount of time required for the development, testing, and regulatory review of new products, patents protecting such products might expire before or shortly after such products are commercialized. As a result, our future owned and licensed patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours. If we do not obtain patent term extension and / or data exclusivity for any product candidate that we may develop, our business may be materially harmed. Depending upon the timing, duration, and specifics of any FDA marketing approval of any product candidate we may develop, one or more of our future owned U. S. patents may be eligible for limited patent term extension under the Hatch- Waxman Act. The Hatch- Waxman Act permits a patent term extension of up to five years as compensation for patent term lost during the FDA regulatory review process. A patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval, only one patent may be extended, and only those claims covering the approved drug, a method for using it, or a method for manufacturing it may be extended. Similar extensions as compensation for patent term lost during regulatory review processes are also available in certain foreign countries and territories, such as in Europe under a Supplementary Patent Certificate. However, we may not be granted an extension in the United States and / or foreign countries and territories because of, for example, failing to exercise due diligence during the testing phase or regulatory review process, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant future patents, or otherwise failing to satisfy applicable requirements. Moreover, the applicable time period or the scope of patent protection afforded could be less than we request. If we are unable to obtain patent term extension, or the term of any such extension is shorter than what we request, our competitors may obtain approval of competing products following our patent expiration, and our business, financial condition, results of

operations, and prospects could be materially harmed. We may be subject to claims challenging the inventorship of its patents and other intellectual property. We may be subject to claims that former employees, collaborators, or other third parties have an interest in its owned patent rights, trade secrets, or other intellectual property as an inventor or co-inventor. For example, we may have inventorship disputes arise from conflicting obligations of employees, consultants, or others who are involved in developing its product candidate or other technologies. Litigation may be necessary to defend against these and other claims challenging inventorship or its ownership of its owned patent rights, trade secrets, or other intellectual property. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, intellectual property that is important to its product candidate, and other technologies. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects . We may not be able to enforce our intellectual property rights outside the United States. The laws of some foreign countries do not protect proprietary rights to the same extent as the laws of the United States, and many companies have encountered significant challenges in establishing and enforcing their proprietary rights outside the United States. These challenges can be caused by the absence of rules and methods for the establishment and enforcement of intellectual property rights in certain jurisdictions. In addition, the legal systems of some countries, particularly developing countries, do not favor the enforcement of certain intellectual property protection, especially relating to healthcare. These aspects of many foreign legal systems could make it difficult for us to prevent or stop the misappropriation of our intellectual property rights in these jurisdictions. Moreover, changes in the law and legal decisions by courts in foreign countries could affect our ability to obtain adequate protection for our technologies and enforce our intellectual property rights. **Many countries have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In addition, many countries limit the enforceability of patents against government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of such patent. If we or any of our licensors is forced to grant a license to third parties with respect to any patents relevant to our business, our competitive position may be impaired, and our business, financial condition, results of operations, and prospects may be adversely affected.** As a result, our efforts to protect and enforce our intellectual property rights outside the United States may prove inadequate, in which case our ability to remain competitive and grow our business and revenue could be materially harmed **. We do not have intellectual property rights in every country throughout the world. Filing, prosecuting, and defending patents on drug candidates in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States and Europe can be less extensive than those in the United States. In addition, the laws of foreign countries do not protect intellectual property rights to the same extent as federal and state laws of the United States. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States, or from selling or importing products made using our inventions in and into the United States or other jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and, further, may export otherwise infringing products to territories where we have patent protection but where enforcement is not as strong as that in the United States. These products may compete with our drug candidates, and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing** . Third parties may assert that our employees or consultants have wrongfully used or disclosed confidential information or misappropriated trade secrets. We employ individuals who were previously employed at universities and biometric solution, genetic testing, diagnostic **,** or other healthcare companies, including our competitors or potential competitors. Further, we may become subject to ownership disputes in the future arising from, for example, conflicting obligations of consultants or others who are involved in developing our and other parties' technologies and intellectual property rights. Although we try to ensure that our employees and consultants do not use the proprietary information or know- how of others in their work for us, we may be subject to claims that we or our employees or consultants have inadvertently or otherwise used or disclosed intellectual property rights, including trade secrets or other proprietary information, of a former employer or other third- party. Litigation may be necessary to defend against these claims, should they arise. If we fail in defending against any such claims, we could be subject to monetary damages and the loss of valuable intellectual property rights or personnel. Even if we are successful in defending against any such claims, litigation could result in substantial costs, distract management and other employees **,** and damage our reputation ~~. If we fail to comply with our obligations under license or technology agreements with third parties, we could lose license rights that are important to our business. If our third- party licensors fail to comply with the terms of our license arrangements, we may be forced to engage in litigation to protection our rights, which may not be successful~~ . We license certain intellectual property, including technologies and patents, from third parties, that is important to our research and development efforts ~~,~~ **;** and in the future we may enter into additional agreements that provide us with licenses to valuable intellectual property or technology. **For example, our business is substantially dependent upon certain intellectual property rights that we license from ANP under the ANP License Agreement. Under the ANP License Agreement, ANP granted Fulgent Pharma LLC an exclusive, worldwide, royalty bearing, perpetual, irrevocable, and sublicensable license to certain rights in patents and patent applications under which we may develop and commercialize FID- 007 and related formulations for human therapeutic, prophylactic, and diagnostic uses. Therefore, our commercial success will depend to a large extent on our ability to maintain and comply with our obligations under the ANP License Agreement. The ANP License Agreement provides ANP the right to terminate for an uncured breach by us, or if we are insolvent, the subject of a bankruptcy proceeding, or potentially other reasons. If ANP were to terminate the ANP License Agreement, the development and commercialization of FID- 007 would be adversely affected, our potential for generating revenue from this program would be adversely affected and attracting new partners would**

be made more difficult. As a result, we would likely be subject to increased competition within our market. We expect that other technology in- licenses that we may enter into in the future will contain similar provisions and impose similar obligations on us. If we fail to comply with any of the obligations under our license agreements, we may be required to pay damages and the licensor may have the right to terminate the license. Termination by the licensor could cause us to lose valuable rights, prevent us from continuing related research and development activities **,** or otherwise materially and negatively impact our business. If our licensors fail to abide by the terms of a license agreement, **if they** fail to enforce licensed intellectual property against infringing third parties, if the licensed intellectual property ~~are~~ **is** found to be invalid or unenforceable, or if we are unable to enter into necessary license agreements on acceptable terms or at all, we may be forced to engage in litigation to enforce our rights. This litigation may not be successful and may consume substantial amounts of time and resources. These circumstances could have a material adverse effect on our business, development efforts, financial condition **,** or results of operations. An active trading market for our common stock may not be sustained. Further, Mr. Hsieh, our founder, Chief Executive Officer and Chairman of our board of directors, beneficially owns approximately ~~28~~ **29** % of our outstanding voting equity as of December 31, ~~2022~~ **2023** . As a result, fewer shares are actively traded in the public market, which reduces the liquidity of our common stock. The lack of an active trading market could impair our stockholders' ability to sell their shares at the desired time or at a price considered reasonable. Further, an inactive trading market may impair our ability to raise capital by selling shares of our common stock in the future, and may impair our ability to enter into strategic relationships or acquire companies or technologies using shares of our common stock as consideration. Our common stock is listed on the Nasdaq Global Market, or Nasdaq, under the symbol " FLGT. " If we fail to satisfy the continued listing standards of Nasdaq, however, we could be de- listed, which would negatively impact the price and liquidity of our common stock. The price of our common stock may be volatile and you could lose all or part of your investment. The trading price of our common stock has experienced, and may continue to experience, wide fluctuations and significant volatility. This volatility may be exacerbated by the relatively small and illiquid market for our common stock. Other factors that may contribute to this volatility include, among others: • actual or anticipated fluctuations in our operating results; • competition from existing tests or new tests that may emerge, particularly if competitive factors in our industry, including prices for testing and testing services, become more acute **or the introduction of new products by our competitors** ; • failures to meet or exceed financial estimates and projections of the investment community or guidance we have provided to the public; • issuance of new or updated research or reports by securities analysts or changed recommendations for our common stock; • announcements by us or our competitors of significant acquisitions, investments, strategic relationships, joint ventures, collaborations or capital commitments; • the timing and amount of our investments in our business and the market' s perception of these investments and their impact on our prospects; • actual or anticipated changes in laws or regulations applicable to our business or our tests **; • whether and when we are able to obtain marketing approval to market any of our drug candidates and the outcome of meetings with applicable regulatory agencies, including the FDA; • the outcome, success, costs and timing of preclinical studies and clinical trials for our current or future drug candidates; • failure of any our drug candidates, if approved, to achieve commercial success** ; • additions or departures of key management or other personnel; • changes in coverage and reimbursement by current or potential payors; • inability to obtain additional funding as and when needed on reasonable terms; • disputes or other developments with respect to our or others' intellectual property rights; • product liability claims or other litigation; • sales of our common stock by us or our stockholders; • general economic, political, industry and market conditions, including factors not directly related to our operating performance or the operating performance of our competitors, such as increased uncertainty in the U. S. regulatory environment for healthcare, trade and tax- related matters; • events that affect, or have the potential to affect, general economic conditions, including but not limited to political unrest, global trade wars, natural disasters, act of war, terrorism, or disease outbreaks; • and the other risk factors discussed in this report. In addition, the stock market in general, and the market for the stock of companies in the life sciences and technology industries in particular, has experienced extreme price and volume fluctuations in recent years that have, at times, been unrelated or disproportionate to the operating performance of specific companies. These broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance. In addition, in the past, following periods of volatility in the overall market and the market price of a particular company' s securities, securities class action litigation has often been instituted against such company. This type of litigation, if instituted against us, could result in substantial costs, a diversion of our management' s attention and resources and could damage our reputation. Our principal stockholders and management own a significant percentage of our capital stock and are able to exert significant control over matters subject to stockholder approval. Our executive officers, directors, beneficial owners of 5 % or more of our outstanding voting equity and their respective affiliates collectively beneficially own approximately ~~44~~ **45** % of our outstanding voting equity as of December 31, ~~2022~~ **2023** , and of this, Mr. Hsieh, our founder, Chief Executive Officer and Chairman of our board of directors, by himself beneficially owns approximately ~~28~~ **29** % of our outstanding voting equity as of December 31, ~~2022~~ **2023** . As a result, these stockholders have the ability to control matters submitted to our stockholders for approval, including elections of directors, amendments to our organizational documents or approval of any merger, sale of assets or other major corporate transaction. This concentration of ownership may prevent or discourage unsolicited acquisition proposals or offers to acquire our common stock that some of our stockholders feel are in their best interests, as the interests of these stockholders may not coincide with the interests of our other stockholders and they may act in a manner that advances their best interests and not necessarily those of all of our stockholders. Further, this concentration of ownership could adversely affect the prevailing market price for our common stock. Sales of a substantial number of shares of our common stock in the public market, or the perception that such sales could occur, could cause the price of our common stock to fall. Sales of a substantial number of shares of our common stock in the public market could occur at any time. Any such sales, or the perception in the market that sales are pending or could occur, could reduce the market price of our common stock. The vast majority of the outstanding shares of our common stock are freely tradable without restriction in

the public market, subject to certain volume and manner of sale limitations applicable to shares held by our affiliates, as that term is defined in the Securities Act. In addition, subject to similar limitations and any other applicable legal and contractual limitations, all of the shares of our common stock subject to outstanding equity- based awards or reserved for issuance pursuant to such awards we may grant in the future are registered under the Securities Act or are otherwise eligible under applicable securities laws for free trading in the public market upon their issuance. To raise capital or for other strategic purposes, we may sell common stock, convertible securities or other equity securities in one or more transactions at prices and in a manner we determine from time to time. We also may issue common stock or grant other equity awards for compensatory purposes under our equity incentive plan. If we issue common stock, convertible securities or other equity securities, including equity awards under our equity incentive plan, our then- existing stockholders could be materially diluted by such issuances and, if we otherwise issue preferred stock, new investors could gain rights, preferences and privileges senior to the holders of our common stock, any of which could cause the price of our common stock to decline. We currently anticipate that we will retain any future earnings to finance the continued development, operation and expansion of our business. As a result, we do not anticipate declaring or paying any cash dividends or other distributions in the foreseeable future. Further, if we were to enter into a credit facility or issue debt securities or preferred stock in the future, we may become contractually restricted from paying dividends. If we do not pay dividends, our common stock may be less valuable because stockholders must rely on sales of their common stock after price appreciation, which may never occur, to realize any gains on their investment. If securities or industry analysts do not publish research or reports about our business or if they issue an adverse or misleading opinion regarding our common stock, our stock price and trading volume could decline. The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, we could lose visibility in the financial markets, which could cause the price and trading volume of our common stock to decline. Further, if any of these analysts issues an adverse or misleading opinion regarding us, our business model, our industry or our stock performance or if our operating results fail to meet analyst expectations, the price of our common stock could also decline. Provisions in our charter documents and Delaware law could discourage, delay or prevent a change in control of our company or changes in our management and depress the market price of our common stock. Our certificate of incorporation and bylaws contain provisions that could depress the market price of our common stock by acting to discourage, delay or prevent a change in control of our company or changes in our management that our stockholders may deem advantageous. These provisions, among other things: • authorize our board of directors to issue, without further action by our stockholders, up to 1. 0 million shares of undesignated or " blank check " preferred stock; • prohibit stockholder action by written consent, thus requiring all stockholder actions to be taken at a duly noticed and held meeting of our stockholders; • specify that special meetings of our stockholders can be called only by our board of directors, the Chairman of our board of directors or our President, thereby eliminating the ability of our stockholders to call special meetings; • permit only our board of directors to establish the number of directors and fill vacancies on the board of directors, except as may be required by law; • permit our board of directors to amend our bylaws, subject to the power of our stockholders to repeal any such amendment; • do not permit cumulative voting by our stockholders on the election of directors; and • establish advance notice requirements for stockholders to propose nominees for election as directors or matters to be acted upon at annual meetings of stockholders. In addition, we are subject to Section 203 of the Delaware General Corporation Law, or DGCL, which imposes certain restrictions on mergers, business combinations and other transactions between us and holders of 15 % or more of our common stock. Section 203 may have the effect of discouraging, delaying or preventing a change in control of our company. Holders of our common stock could be adversely affected if we issue preferred stock. Pursuant to our certificate of incorporation, our board of directors is authorized to issue up to 1. 0 million shares of preferred stock without any action by our stockholders. Our board of directors also has the power, without stockholder approval, to set the terms of any series of preferred stock that may be issued, among others, including voting rights, dividend rights and preferences over our common stock with respect to dividends or in the event of a dissolution, liquidation or winding up. If we issue preferred stock in the future that has preferences over our common stock with respect to payment of dividends or upon a liquidation, dissolution or winding up, or if we issue preferred stock that is convertible into our common stock at greater than a one- to- one ratio, the voting and other rights of the holders of our common stock and the market price of our common stock could be adversely affected. Our certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a judicial forum they consider favorable for disputes with us or our directors, officers or other employees. Our certificate of incorporation and bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for: • any derivative action brought on our behalf; • any direct action brought by a stockholder against us or any of our directors, officers or other employees, alleging a breach of a fiduciary duty; • any action brought by a stockholder against us or any of our directors, officers or other employees, alleging a violation of the DGCL, our certificate of incorporation or our bylaws; and • any action brought by a stockholder against us or any of our directors, officers or other employees, asserting a claim against us governed by the internal affairs doctrine. We refer to the forgoing limitations as the Exclusive Forum Provisions. The Exclusive Forum Provisions do not apply to (i) actions in which the Court of Chancery in the State of Delaware concludes that an indispensable party is not subject to the jurisdiction of the Delaware courts, and (ii) actions in which a federal court has assumed exclusive jurisdiction of a proceeding. Accordingly, the Exclusive Forum Provisions do not apply to actions brought to enforce a duty or liability created by the Exchange Act or the rules and regulations thereunder, or Exchange Act Claims. Further, the clause in our certificate of incorporation excepting " actions in which a federal court has assumed exclusive jurisdiction of a proceeding " from the Exclusive Forum Provisions is not intended to mean that a federal court must take any actual or affirmative action to assume jurisdiction over an Exchange Act Claim, as Section 27 of the Exchange Act creates exclusive federal jurisdiction over all Exchange Act Claims, regardless of whether a federal court takes

any action. The Exclusive Forum Provisions also do not apply to federal and state suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder, or Securities Act Claims. To the extent applicable or enforceable, the Exclusive Forum Provisions may limit a stockholder' s ability to bring a claim in a judicial forum it finds favorable for disputes with us or our directors, officers or other employees, which may discourage these lawsuits. Alternatively, for Securities Act Claims, Exchange Act Claims or claims for which a court were to find these Exclusive Forum Provisions inapplicable or unenforceable for one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving these matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.