Risk Factors Comparison 2024-03-08 to 2023-02-22 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

~~You should carefully consider the risk factors set forth below as well as the other information contained in this Report. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. As a result, the price of our common stock could decline and you could lose all or part of your investment in our common stock. Additional risks and uncertainties not currently known to us or those currently viewed by us to be immaterial may also materially and adversely affect our business, financial condition or results of operations. Risk Factors Summary~~ The following is a summary of the risk factors included herein. • We manufacture our products based on our estimates of customer demand, and if our estimates are incorrect, our financial results could be negatively impacted. • A significant portion of our sales comes from a relatively limited number of customers, the loss of which could adversely affect our financial results. • The average selling prices of our semiconductor products have at times declined rapidly and will likely do so in the future, which could harm our revenue and gross profit. • We are subject to risks associated with currency fluctuations, and changes in the exchange rates of applicable currencies could impact our results of operations. • Global shortages in manufacturing capacities could interrupt or negatively affect our operations, increase cost to manufacture and negatively impact our results of operations. • Expanded trade restrictions may limit our ability to sell to certain customers. • Recent changes in international trade policy and the imposition and threats of international tariffs, including tariffs applied to goods traded between the United States and China, could materially and adversely affect our business and results of operations. **19** • Our Korean subsidiary has been designated as a regulated business under Korean environmental law, and such designation could have an adverse effect on our financial position and results of operations. • Our compliance with the Serious Accidents Punishment Act (the " SAPA ") could require significant expenditures and management time and expose us to liability for violations. • Our business depends on international customers, suppliers and operations in Asia, and as a result we are subject to regulatory, operational, financial and political risks, which could adversely affect our financial results. • We cannot guarantee that our share repurchase program will be successfully consummated, or that it will enhance shareholder value, and share repurchases could affect the price of our common stock. • Provisions in our charter documents and Delaware Law may make it difficult for a third party to acquire us and could depress the price of our common stock. • We have not historically paid dividends and do not currently have any dividend or distribution policy, and therefore, investors may need to rely on sales of their common stock as the only way to realize any future gains on their investments. Risks Related to Our Business We operate in the highly cyclical semiconductor industry, which is subject to significant downturns that may negatively impact our results of operations. The semiconductor industry is highly cyclical and is characterized by constant and rapid technological change and price erosion, evolving technical standards, short product life cycles (for semiconductors and for the end- user products in which they are used) and wide fluctuations in product supply and demand. From time to time, these and other factors, together with changes in general economic conditions, cause significant upturns and downturns in the industry in general and in our business in particular. Periods of industry downturns have been characterized by diminished demand for end- user products, high inventory levels, underutilization of manufacturing capacity, changes in revenue mix and accelerated erosion of average selling prices. We have experienced these conditions in our business in the past and may experience renewed, and possibly more severe and prolonged, downturns in the future as a result of such cyclical changes. This may reduce our results of operations. ~~Over the prior two years, increases in demand for semiconductor products resulted in a global shortage of manufacturing capacities. As a result, we experienced increases in the costs to manufacture our products. We are not able to foresee when the current shortage of manufacturing capacity will subside. If we are unable secure manufacturing capacities from our current subcontractors, our ability to deliver our products to our customers may be negatively impacted. These factors could cause a negative impact on our results of operations. However, we are beginning to see some indicators of improvement of such supply shortage situation.~~ Current global macroeconomic conditions, including ~~COVID- 19 pandemic,~~ higher inflation and interest rates and uncertainty caused by the Russian- Ukraine war, **Israel- Hamas war, sustained military action and conflict in the Red Sea, and trade tensions between the U. S. and China** have led to weaker end- market demand and ~~an~~ **unstable** ~~oversupply~~ ---- **supply chain** ~~of inventory~~. We continue to monitor these trends and uncertainties, and any decline in end- market demand and increase in inventory levels could negatively impact our financial condition and results of operations. We base our planned operating expenses in part on our expectations of future revenue, and a significant portion of our expenses is relatively fixed in the short term. If revenue for a particular quarter is lower than we expect, we likely will be unable to proportionately reduce our operating expenses for that quarter, which would harm our operating results for that quarter. Our restructuring activities and dispositions of assets and businesses could result in lost business and other costs that could have a material adverse effect on our results of operations. From time to time, we may choose to sell assets, restructure business operations, shut down manufacturing lines or otherwise dispose of assets and businesses as part of management' s strategies to better align our product offerings with market demands and our customers' needs. In connection with these activities, we face risks that we will disrupt service to our customers, lose business and incur significant costs related to such activities. These risks include potential damage to our reputation and customer relationships if we are unable to effectively transition such customer relationships to other production lines or products or if we cannot effectively manage our supplier and vendor relationships during such activities. In addition, we may also face claims or costs 20 associated with transitioning or eliminating certain employee positions and modifying or terminating vendor relationships in connection with those exit activities. If we fail to develop new products and technologies or enhance our existing products in order to react to rapid technological change and market demands, our business will suffer. Our industry is subject to constant and rapid technological change and product obsolescence as customers and competitors create new and innovative products and technologies. Products or technologies developed by other companies may render our products or technologies obsolete or noncompetitive, and we may not be able to access advanced process technologies, including smaller geometries, or to license or otherwise obtain essential intellectual property required by our customers. We must develop new products and enhance our existing products to meet rapidly evolving customer requirements. We design products for customers that continually require higher performance and functionality at lower costs. We must, therefore, continue to enhance the performance and functionality of our products. The development process for these advancements is lengthy and requires us to accurately anticipate technological changes and market trends. Developing and enhancing these products is uncertain and can be time- consuming, costly and complex. Customer and market requirements can change during the development of a product. There is a risk that these developments and enhancements will be late, fail to meet customer or market specifications or not be competitive with products from our competitors that offer comparable or superior performance and functionality. Any new products, such as our expanding line of power management solutions, or product enhancements, may not be accepted in new or existing markets. Our business will suffer if we fail to develop and introduce new products or product enhancements on a timely and cost- effective basis. We manufacture our products based on our estimates of customer demand, and if our estimates are incorrect, our financial results could be negatively impacted. We make significant decisions, including determining the levels of business that we will seek and accept, production schedules, component procurement commitments, personnel needs and other resource requirements, based on our estimates of customer demand and expected demand for and success of their products. The short- term nature of commitments by many of our customers and the possibility of rapid changes in demand for their products reduces our ability to estimate accurately future customer demand for our products. On occasion, customers may require rapid increases in supply, which can challenge our production resources and reduce margins. We may not have sufficient capacity at any given time to meet our customers' increased demand for our products. Conversely, downturns in the semiconductor industry have caused and may in the future cause our customers to reduce significantly the amount of products they order from us. Because many of our costs and operating expenses are relatively fixed, a reduction in customer demand would decrease our results of operations, including our gross profit. Our customers may cancel their orders, reduce quantities or delay production, which would adversely affect our margins and results of operations. We generally do not obtain firm, long- term purchase commitments from our customers. Customers may cancel their orders, reduce quantities or delay production for a number of reasons. Cancellations, reductions or delays by a significant customer or by a group of customers, which we have experienced as a result of periodic downturns in the semiconductor industry, or failure to achieve design- wins, have affected and may continue to affect our results of operations adversely. These risks are exacerbated because many of our products are customized, which hampers our ability to sell excess inventory to the general market. We may incur charges resulting from the write- off of obsolete inventory. In addition, while we do not obtain long- term purchase commitments, we generally agree to the pricing of a particular product over a set period of time. If we **21** underestimate our costs when determining pricing, our margins and results of operations would be adversely affected. ~~21~~ Our fab manufacturing depends on high utilization of our manufacturing capacity, a reduction of which could have a material adverse effect on our business, financial condition and the results of our operations. An important factor in our success is the extent to which we are able to utilize the available capacity in our fabrication facility. As many of our costs are fixed, a reduction in capacity utilization, as well as changes in other factors, such as reduced yield or unfavorable product mix, could reduce our profit margins and adversely affect our operating results. A number of factors and circumstances may reduce utilization rates, including periods of industry overcapacity, the inability to source sufficient materials necessary for manufacturing, low levels of customer orders, operating inefficiencies, strategic evaluations and decisions by our Board related our overall business, divisions and business lines, mechanical failures and disruption of operations due to expansion or relocation of operations, power interruptions and fire, flood or other natural disasters or calamities. The potential delays and costs resulting from these factors and circumstances could have a material adverse effect on our business, financial condition and results of operations. A significant portion of our sales comes from a relatively limited number of customers, the loss of which could adversely affect our financial results. Historically, we have relied on a limited number of customers for a substantial portion of our total revenue. If we were to lose key customers or if customers cease to place orders for our high- volume products, particularly our display products, our financial results could be adversely affected. In addition, our arrangements with and reliance on key customers may make it less practicable to pursue certain opportunities with other potential new and existing customers. For the years ended December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , our ten largest customers accounted for 69. **2 %, 69.** 4 % ~~,~~ **and** 79. 8 ~~% and 87. 6~~ % of net sales from our standard products business, respectively. For the year ended December 31, **2023, sales to SAMT represented 16. 7 % of net sales from our standard products business, and Samsung Display represented 13. 4 % of net sales from our standard products business. For the year ended December 31,** 2022, sales to Samsung Display represented 19. 0 % of net sales from our standard products business **,** and ~~80~~ **SAMT represented 13** . ~~2~~ **8** % of net sales from our ~~Display Solutions business line, and SAMT represented 13. 8 % of net sales from our~~ standard products business ~~and 18. 1 % of net sales from our Power Solutions business line~~ . For the year ended December 31, 2021, sales to Samsung Display represented 42. 5 % of net sales from our standard products business **,** and ~~89~~ **SAMT represented 10** . ~~7~~ **4** % of net sales from our ~~Display Solutions business line, and SAMT represented 10. 4 % of net sales from our~~ standard products business ~~and 19. 8 % of net sales from our Power Solutions business line. For the year ended December 31, 2020, sales to Samsung Display represented 56. 2 % of net sales from our standard products business and 87. 5 % of net sales from our Display Solutions business line~~ . Significant reductions in sales to any of these customers, especially our few largest customers, the loss of other major customers or a general curtailment in orders for our high- volume products within a short period of time could adversely affect our business. The average selling prices of our semiconductor products have at times declined rapidly and will likely do so in the future, which could harm our revenue and gross profit. The semiconductor products we develop and sell are subject to rapid declines in average selling prices. From time to time, we have had to reduce our prices significantly to meet customer requirements, and we may be required to reduce our prices in the future. This would cause our gross profit to decrease. Our financial results will suffer if we are unable to offset any reductions in our average selling prices by increasing our sales volumes, reducing our costs or developing new or enhanced products on a timely basis with higher selling prices or gross profit. Our industry is highly competitive, and our ability to compete could be negatively impacted by a variety of factors. The semiconductor industry is highly competitive and includes hundreds of companies, a number of which have achieved substantial market share within both our product categories and end markets. Current and prospective customers for our products and services evaluate our capabilities against the merits of our **22** competitors. Some of our competitors are well established as independent companies and have substantially ~~22~~ greater market share and manufacturing, financial, research and development and marketing resources than we do. We also compete with emerging companies that are attempting to sell their products in certain of our end markets and with the internal semiconductor design and manufacturing capabilities of many of our significant customers. We expect to experience continuing competitive pressures in our markets from existing competitors and new entrants. Any consolidation among our competitors could enhance their product offerings and financial resources, further enhancing their competitive position. Our ability to compete will depend on a number of factors, including the following: • our ability to offer cost- effective and high quality products and services on a timely basis using our technologies; • our ability to accurately identify and respond to emerging technological trends and demand for product features and performance characteristics; • our ability to continue to rapidly introduce new products that are accepted by the market; • our ability to adopt or adapt to emerging industry standards; • the number and nature of our competitors and competitiveness of their products and services in a given market; • entrance of new competitors into our markets; ~~and~~ • our ability to enter the highly competitive power management market **; and • our ability to supply power products to our customers reliably through our own fabrication facility** . Many of these factors are outside of our control. In the future, our competitors may replace us as a supplier to our existing or potential customers, and our customers may satisfy more of their requirements internally. As a result, we may experience declining revenues and results of operations. Changes in demand for consumer electronics in our end markets can impact our results of operations. Demand for our products will depend in part on the demand for various consumer electronics products, in particular, mobile phones and multimedia devices, digital televisions, flat panel displays, mobile PCs and digital cameras, which in turn depends on general economic conditions and other factors beyond our control. If our customers fail to introduce new products that employ our products or component parts, demand for our products will suffer. To the extent that we cannot offset periods of reduced demand that may occur in these markets through greater penetration of these markets or reduction in our production and costs, our sales and gross profit may decline, which would negatively impact our business, financial condition and results of operations. If we fail to achieve design- wins for our semiconductor products, we may lose the opportunity for sales to customers for a significant period of time and be unable to recoup our investments in our products. We expend considerable resources on winning competitive selection processes, known as design- wins, to develop semiconductor products for use in our customers' products. These selection processes are typically lengthy and can require us to incur significant design and development expenditures. We may not win the competitive selection process and may never generate any revenue despite incurring significant design and development expenditures. Once a customer designs a semiconductor into a product, that customer is likely to continue to use the same semiconductor or enhanced versions of that semiconductor from the same supplier across a number of similar and successor products for a lengthy period of time due to the significant costs associated with qualifying a new supplier and potentially redesigning the product to incorporate a different semiconductor. If we fail to achieve initial design- wins in a customer' s qualification process, we may lose the **23** opportunity for significant sales to that customer for a number of products and for a lengthy period of time. This may cause us to be unable to recoup our investments in our semiconductor products, which would harm our business. ~~23~~ We have lengthy and expensive design- to- mass production and manufacturing process development cycles that may cause us to incur significant expenses without realizing meaningful sales, the occurrence of which would harm our business. The cycle time from the design stage to mass production for some of our products is long and requires the investment of significant resources with many potential customers without any guarantee of sales. Our design- to- mass production cycle typically begins with a three- to- twelve month semiconductor development stage and test period followed by a three- to- twelve month end- product qualification period by our customers. The fairly lengthy front end of our sales cycle creates a risk that we may incur significant expenses but may be unable to realize meaningful sales. Moreover, prior to mass production, customers may decide to cancel their products or change production specifications, resulting in sudden changes in our product specifications, increasing our production time and costs. Failure to meet such specifications may also delay the launch of our products or result in lost sales. Research and development investments may not yield profitable and commercially viable products, and thus will not necessarily result in increases in revenues for us. We invest significant resources in our research and development. Our research and development efforts, however, may not yield profitable or commercially viable products. During each stage of research and development, there is a substantial risk that we will have to abandon a potential product that is no longer marketable and in which we have invested significant resources. In the event we are able to develop viable new products, a significant amount of time will have elapsed between our investment in the necessary research and development effort and the receipt of any related revenues. We face numerous challenges relating to executing our growth strategy, and if we are unable to execute our growth strategy effectively, our business and financial results could be materially and adversely affected. Our growth strategy is to leverage our advanced analog and mixed- signal technology platform, continue to innovate and deliver new products, increase business with existing customers, broaden our customer base, aggressively grow our power business, and drive execution excellence. If we are unable to execute our growth strategy effectively, we may not be able to take advantage of market opportunities, execute our business plan or respond to competitive pressures. Moreover, if our allocation of resources does not correspond with future demand for particular products, we could miss market opportunities and our business and financial results could be materially and adversely affected. We are subject to risks associated with currency fluctuations, and changes in the exchange rates of applicable currencies could impact our results of operations. Historically, a portion of our revenues and greater than the majority of our operating expenses and costs of sales have been denominated in non- U. S. currencies, principally the Korean won, and we expect that this will remain true in the future. Because we report our results of operations in U. S. dollars, changes in the exchange rate between the Korean won and the U. S. dollar could materially impact our reported results of operations and distort period to period comparisons. In particular, because of the difference in the amount of our consolidated revenues and expenses that are in U. S. dollars relative to Korean won, a depreciation in the U. S. dollar relative to the Korean won could result in a material increase in reported costs relative to revenues, and therefore could cause our profit margins and operating income to appear to decline materially, particularly relative to prior periods. The converse is true if the U. S. dollar were to appreciate relative to the Korean won. For example, foreign currency fluctuations had ~~an~~ **a** ~~unfavorable~~ -- **favorable** impact on our reported profit margins and operating income from **24** operations for the fiscal year ended December 31, ~~2021~~ **2023** ~~due to a relatively stronger Korean won during the period, while we had a favorable impact on our reported profit margins~~ and ~~operating income from operations for the fiscal year ended December 31,~~ 2022 due to a relatively weaker Korean won during the ~~period~~ **periods** . Moreover, our foreign currency gain or loss would be affected by changes in the exchange rate between the Korean won and the ~~24~~ U. S. dollar as a substantial portion of non- cash translation gain or loss is associated with the intercompany long- term loans to our Korean subsidiary, which is denominated in U. S. dollars. As of December 31, ~~2022~~ **2023** , the outstanding intercompany loan balance including accrued interests between our Korean subsidiary and our Dutch subsidiary was $ ~~311~~ **285** . ~~0~~ **1** million. Our Dutch subsidiary uses the U. S. dollar as their functional currency. As a result of foreign currency fluctuations, it could be more difficult to detect underlying trends in our business and results of operations. In addition, to the extent that fluctuations in currency exchange rates cause our results of operations to differ from our expectations or the expectations of our investors, the trading price of our common stock could be adversely affected. From time to time, we may engage in exchange rate hedging activities in an effort to mitigate the impact of exchange rate fluctuations. Our Korean subsidiary enters into foreign currency forward and zero cost collar contracts in order to mitigate a portion of the impact of U. S. dollar- Korean won exchange rate fluctuations on our operating results. These foreign currency forward and zero cost collar contracts typically require us to sell specified notional amounts in U. S. dollars and provide us the option to sell specified notional amounts in U. S. dollars during successive months to our counterparty in exchange for Korean won at specified exchange rates. Obligations under these foreign currency forward and zero cost collar contracts must be cash collateralized if our exposure exceeds certain specified thresholds. These forward and zero cost collar contracts may be terminated by the counterparty in a number of circumstances, including if our total cash and cash equivalents is less than $ 30 million at the end of a fiscal quarter. We cannot assure that any hedging technique we implement will be effective. If our hedging activities are not effective, changes in currency exchange rates may have a more significant impact on our results of operations. See “ Item 7. Management’ s Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting our Results of Operations ” for further details. The loss of our key employees would materially adversely affect our business, and we may not be able to attract or retain the technical or management employees necessary to compete in our industry. Our key executives have substantial experience and have made significant contributions to our business, and our continued success is dependent upon the retention of our key management executives. The loss of such key personnel would have a material adverse effect on our business. In addition, our future success depends on our ability to attract and retain skilled technical and managerial personnel. We do not know whether we will be able to retain all of these employees as we continue to pursue our business strategy. The loss of the services of key employees, especially our key design and technical personnel, or our inability to retain, attract and motivate qualified design and technical personnel, could have a material adverse effect on our business, financial condition and results of operations. This could hinder our research and product development programs or otherwise have a material adverse effect on our business. If we encounter future labor problems, we may fail to deliver our products and services in a timely manner, which would adversely affect our revenues and profitability. As of December 31, ~~2022~~ **2023** , ~~485~~ **470** employees, or approximately ~~56~~ **55** % of our employees, were represented by the Magnachip Semiconductor Labor Unions. We can offer no assurance that any issues with the labor union and other employees will be resolved favorably for us in the future, that we will not experience work stoppages or other labor problems in future years or that we will not incur significant expenses related to such issues. We may incur costs to engage in future business combinations or strategic investments, and we may not realize the anticipated benefits of those transactions. As part of our business strategy, we may seek to enter into business combinations, investments, joint ventures and other strategic alliances with other companies in order to maintain and grow revenue and market presence as well as to provide us with access to technology, products and services. Any such transaction would **25** be accompanied by risks that may harm our business, such as difficulties in assimilating the operations, personnel and products of an acquired business or in realizing the projected benefits, disruption of our ongoing business, ~~25~~ potential increases in our indebtedness and contingent liabilities and charges if the acquired company or assets are later determined to be worth less than the amount paid for them in an earlier original acquisition. In addition, our indebtedness may restrict us from making acquisitions that we may otherwise wish to pursue. The failure to achieve acceptable manufacturing yields could adversely affect our business. The manufacturing of semiconductors involves highly complex processes that require precision, a highly regulated and sterile environment and specialized equipment. Defects or other difficulties in the manufacturing process can prevent us from achieving acceptable yields in the manufacturing of our products, which could lead to higher costs, a loss of customers or delay in market acceptance of our products. Slight impurities or defects in the photomasks used to print circuits on a wafer or other factors can cause significant difficulties, particularly in connection with the production of a new product, the adoption of a new manufacturing process or any expansion of our manufacturing capacity and related transitions. We may also experience manufacturing problems in achieving acceptable yields as a result of, among other things, transferring production to other facilities, upgrading or expanding existing facilities or changing our process technologies. Yields below our target levels can negatively impact our gross profit and may cause us to eliminate underperforming products. We rely on a number of independent subcontractors and the failure of any of these independent subcontractors to perform as required could adversely affect our operating results. A substantial portion of our net sales are derived from semiconductor devices assembled in packages or on film. The packaging and testing of semiconductors require technical skills and specialized equipment. For the portion of packaging and testing that we outsource, we use subcontractors located in Korea and China. We rely on these subcontractors to package and test our devices with acceptable quality and yield levels, and, while we specify quality standards, we are not able to directly oversee their day- to- day operations and the packaging and testing of our devices. Onboarding of a new subcontractor, including as a result of switching from one subcontractor to another, takes approximately three to six months to verify the subcontractor' s capabilities and an additional six to twelve months to receive approval from our customers to use such subcontractor. We could be adversely affected by political disorders, labor disruptions, public health issues (including viral outbreaks such as COVID- 19) and natural disasters where our subcontractors are located due to the time it would take to onboard a new subcontractor. If our semiconductor packagers and test service subcontractors experience problems in packaging and testing our semiconductor devices, experience prolonged quality or yield problems, experience shutdowns or delays associated with public health issues (such as those associated with COVID- 19), or decrease the capacity of their operations available to us, our operating results could be adversely affected. We cooperate with independent foundries to produce certain Display Solutions and Power Solutions products, and the failure of such independent foundries to satisfy our demand could materially disrupt our business. We use independent foundry services for certain of our ~~OLED~~ Display Solutions products and Power Solutions products. Silicon wafer production at these facilities is allocated solely by our vendors and beyond our direct control. Therefore, any disruption in wafer supply from these vendors could have a material impact on our revenue and results of operations. Global shortages in manufacturing capacities could interrupt or negatively affect our operations, increase cost to manufacture and negatively impact our results of operations. Increases in demand for semiconductor products **have in the past and may again in the future** ~~resulted~~ -- **result** in a global shortage of manufacturing capacity ~~over the prior two years~~ . As a result, we may experience increases in the costs to manufacture our products and may not be able to manufacture and deliver all of the orders placed by our customers. ~~We are not able to foresee when the current shortage of manufacturing capacity will subside.~~ If we are unable **to** secure manufacturing capacities from our current subcontractors, our ability to deliver our products to **26** our customers may be negatively impacted. Also, our subcontractors may increase their fees, which would result in an increase in our ~~26~~ manufacturing costs, which we may not be fully able to pass to our customers. These factors could cause a negative impact on our results of operations. We depend on successful parts and materials procurement for our manufacturing processes, and a shortage or increase in the price of these materials could interrupt our operations and result in a decline of revenues and results of operations. We procure materials and electronic and mechanical components from international sources and original equipment manufacturers. We use a wide range of parts and materials in the production of our semiconductors, including silicon, processing chemicals, processing gases, precious metals and electronic and mechanical components, some of which, such as silicon wafers, are specialized raw materials that are generally only available from a limited number of suppliers. If demand increases or supply decreases for any reason, the costs of our raw materials could significantly increase. For example, worldwide supplies of silicon wafers, an important raw material for the semiconductors we manufacture, have been constrained in recent years due to an increased demand for silicon. We from time to time may enter into multi- year agreements, which specify future quantities and pricing of materials to be supplied by the vendors of these materials; however, this option may not be available to us and we cannot assure that supply increases will match demand increases. If we cannot obtain adequate materials in a timely manner or on favorable terms for the manufacture of our products, revenues and results of operations will decline. Compliance with regulations regarding the use of " conflict minerals " could limit the supply and increase the cost of certain raw materials used in manufacturing our products. The SEC, as mandated by the Dodd- Frank Wall Street Reform and Consumer Protection Act of 2010, adopted disclosure regulations for public companies that manufacture products containing certain minerals that are mined from the Democratic Republic of Congo and adjoining countries and procedures pertaining to a manufacturer' s efforts regarding the source of such minerals. These " conflict minerals " are commonly found in metals used in the manufacture of semiconductors. Manufacturers are also required to disclose their efforts to prevent the sourcing of such minerals and metals produced from them. The implementation of these requirements could adversely affect the sourcing, availability and pricing of metals used in the manufacture of our products. We may also incur additional costs to comply with the disclosure requirements, including costs related to determining the source of any of the relevant minerals used in our products. We may also face difficulties in satisfying customers who may require that our products be certified as free of " conflict materials, " which could harm our relationships with these customers and lead to a loss of revenue. We face warranty claims, product return, litigation and liability risks and the risk of negative publicity if our products fail. Our semiconductors are incorporated into a number of end products, and our business is exposed to product return, warranty and product liability risk and the risk of negative publicity if our products fail. Although we maintain insurance for product liability claims, the amount and scope of our insurance may not be adequate to cover a product liability claim that is asserted against us. In addition, product liability insurance could become more expensive and difficult to maintain and, in the future, may not be available on commercially reasonable terms, or at all. In addition, we are exposed to the product liability risk and the risk of negative publicity affecting our customers. Our sales may decline if any of our customers are sued on a product liability claim. We also may suffer a decline in sales from the negative publicity associated with such a lawsuit or with adverse public perceptions in general regarding our customers' products. Further, if our products are delivered with impurities or defects, we could incur additional development, repair or replacement costs, and our credibility and the market' s acceptance of our products could be harmed. 27 We could suffer adverse tax and other financial consequences as a result of changes in, or differences in the interpretation of, applicable tax laws, or the adoption of new U. S. or international tax legislation. Our company' s organizational structure was created in part based on certain interpretations and conclusions regarding various tax laws, including withholding tax and other tax laws of applicable jurisdictions. Our interpretations and conclusions regarding tax laws, however, are not binding on any taxing authority and, if these interpretations and conclusions are incorrect, if our business were to be operated in a way that rendered us ineligible for tax exemptions or caused us to become subject to incremental tax, or if the authorities were to change, modify or have a different interpretation of the relevant tax laws, we could suffer adverse tax and other financial consequences, and the anticipated benefits of our organizational structure could be materially impaired. Our company' s organizational structure and other tax positions are subject to review by tax authorities in the local and other jurisdictions where we operate our business. Our provision for income taxes is subject to volatility and could be negatively affected by earnings being (i) lower than anticipated in jurisdictions that have lower statutory tax rates or (ii) higher than anticipated in jurisdictions that have higher statutory tax rates. In addition, our provision for income taxes could be negatively affected by changes in the valuation of our deferred tax assets and liabilities, changes to global intangible low- tax income tax laws, transfer pricing adjustments, or changes in tax laws, regulations, or accounting principles. Additional changes in the U. S. tax regime or in how U. S. multinational corporations are taxed on foreign income, including changes in how existing tax laws are interpreted or enforced, could adversely affect our business, financial condition or results of operations. For example, the Organization for Economic Cooperation and Development (OECD) has recommended changes to numerous long- standing international tax principles through its base erosion and profit shifting (BEPS) project. These changes, to the extent adopted, may increase tax uncertainty, result in higher compliance costs and adversely affect our provision for income taxes, results of operations and / or cash flow. On August 16, 2022, the U. S. enacted the Inflation Reduction Act of 2022 (the " IRA "), which, among other things, implements a 15 % alternative minimum tax on the adjusted financial statement income of large corporations with average annual financial income exceeding $ 1 billion, a 1 % excise tax on net stock repurchases and several tax incentives to promote clean energy. The IRA provisions are effective for tax years beginning after December 31, 2022. On December 12, 2022, the European Union member states agreed to implement the OECD' s Pillar 2 global ~~corporate~~ minimum **effective** tax rate of 15 % on ~~companies~~ **multinational enterprise (" MNE ") groups** with **consolidated** revenues of at least EUR 750 million **during two of the four preceding fiscal years** , which will be effective for fiscal years beginning on January 1, 2024. Additionally, South Korea became one of the first countries to enact **global** minimum tax rules. At this time, we do not anticipate that changes in the tax laws will have a material impact to our consolidated tax provision for the year ending December 31, ~~2022~~ **2023** or December 31, ~~2023~~ **2024** . We will continue to monitor as new information and guidance becomes available. We are also subject to regular reviews, examinations and audits by the IRS and other taxing authorities, including the Korean National Tax Service, with respect to income and non- income based taxes both within and outside the U. S. In connection with the OECD' s BEPS project, companies are required to disclose more information to tax authorities on operations around the world, which may lead to greater audit scrutiny of income earned in various countries. Economic and political pressures to increase tax revenues in jurisdictions in which we operate, or the adoption of new or reformed tax legislation or regulation, may make resolving tax disputes more difficult and the final resolution of tax audits and any related litigation could differ from our historical provisions and accruals, resulting in an adverse impact on our business, financial condition or results of operations. Expanded trade restrictions imposed by the United States may limit our ability to sell to certain customers. On August 17, 2020, the U. S. Department of Commerce expanded the scope of export restrictions as applied to products directed to Huawei and its affiliates listed on the Bureau of Industry and Security' s Entity List ~~28~~ (collectively, " Huawei "). While prior restrictions had minimal effect on our ability to supply to customers, the **28** newly expanded restrictions would limit our ability to supply to a variety of customers who we believe incorporate our products to those customers' products directly or indirectly sold to Huawei. As of the date of this Annual Report, we are uncertain on the seriousness of the restrictions' impact or duration and the future trajectory of our business from customers who directly or indirectly supply Huawei with products that incorporate our products. For export of some of our products, we have successfully obtained the necessary export licenses, and if exports of other products require export licenses due to the restrictions, we will consider applying for the necessary export licenses to continue to sell to the affected customers. Although we have thus far successfully obtained the necessary export licenses for exporting some of our products, we are unsure whether our other applications will be successful. There is also a possibility that export restrictions may be further expanded to target companies in addition to Huawei, which may have an additional impact on our ability to sell to our customers. Export restrictions may also affect our contractors, suppliers or customers, and we cannot assure that they will not violate the restrictions, and any such violations may result in fines or criminal sanctions against us and damage our reputation. Additionally, the U. S. has published significant changes to U. S. export control regulations with respect to Russia and China, and we anticipate additional changes to export control regulations in the future. For example, the U. S. government has implemented controls on advanced computing ICs, computer commodities that contain such ICs, and certain semiconductor manufacturing items, as well as controls on transactions involving items for supercomputer and semiconductor manufacturing end- users. The new controls expand the scope of foreign- produced items subject to license requirements for certain entities on the U. S. government' s Entity List. Future changes in the U. S. export control regulations, including changes in the enforcement and scope of such regulations, may create delays in the introduction of our products or services in international markets or could prevent our customers with international operations from deploying our products or services globally. In some cases, such changes could prevent the export or import of our products, which could have a material impact on our future results of operations and financial condition. Expanded trade restrictions imposed by South Korea may limit our ability to sell to certain customers or engage in any potential strategic opportunities. Under the ITA, any export (including various means of outflow, such as sale or transfer outside Korea) of National Core Technology by **the** MOTIE requires the filing of a prior- report with, and the acceptance of the same by, **the MOTIE. Under the Special Act, any export of NHST requires prior approval from** the MOTIE. Any such export of NCT without the acceptance of the prior- report with the MOTIE may be subject to corrective orders by the relevant authorities, and failure to comply with such corrective orders may potentially result in criminal liabilities. **Any such export of NHST without the prior approval from the MOTIE may be subject to corrective orders by the relevant authorities and may also be subject to criminal sanctions.** The Notification

Regarding Designation of National Core Technologies issued by the MOTIE was amended on July 14, 2021 to add certain technologies to the list of National Core Technology designated by the MOTIE, and the amended list includes the **OLED DDI** design technology for **driving display panels. On June 2, 2023, the MOTIE designated 17 technologies, including the** OLED DDI **design technology for driving display panels, as NHST under the Special Act** . In the ordinary course of business, our Korean subsidiary may provide certain information relating to its products, including OLED DDI, to customers, suppliers or vendors, and such disclosure of information may be subject to ~~the~~ **both** NCT **and NHST restrictions** ~~- related regulations under the ITA~~ , and therefore the MOTIE' s acceptance of prior reports **and prior approval** . Since the amendment of the foregoing NCT list in July 2021, we have filed prior- reports with the MOTIE for the export of our OLED DDI product- related information to certain overseas vendors that manufacture our products, and all such reports have thus far been accepted by the MOTIE. There is no assurance, however, that any future prior- reports for the export of our product- related information will be accepted by the MOTIE **or we will obtain any future prior approval for the export from the MOTIE** . In the event that any future prior- report **or application** is not accepted **or not approved** , we may be unable to continue our business with the overseas customers, suppliers or vendors, including the manufacturing and delivery of our OLED DDI products. **29** In addition, in the event that there is any M & A transaction with respect to our Korean subsidiary that results in non- Korean ownership of 50 % or more, or exertion of control over the appointment of officers / management ~~29~~ by a non- Korean person or entity as the largest shareholder, a prior- report with and the acceptance by the MOTIE is required under the ITA **and a prior approval from the MOTIE is required under the Special Act** . There is no assurance that any report for an M & A transaction involving non- Korean acquirers or investors will be accepted by the MOTIE **, nor we can assure approval for the M & A transaction from the MOTIE** when such transaction is pursued in the future. Recent changes in international trade policy and the imposition and threats of international tariffs, including tariffs applied to goods traded between the United States and China, could materially and adversely affect our business and results of operations. Since the beginning of 2018, there have been increasing public threats and, in some cases, legislative or executive action, from U. S. and foreign leaders regarding instituting tariffs against foreign imports of certain materials. More specifically, since March of 2018, the U. S. and China have applied tariffs to certain of each other' s exports. The institution of trade tariffs globally, and between the U. S. and China specifically, may negatively impact the affected countries' economic conditions, which could negatively affect demand for our products in those countries and materially and adversely affect our business and results of operations of our customers serving the affected markets. Imposition of tariffs could increase costs of the end- user products we supply that we may not be able to pass on to our customers, which could in turn cause a decrease in the sales of our products and materially and adversely affect our business and results of operations. Our ability to compete successfully and achieve future growth will depend, in part, on our ability to protect our intellectual property, proprietary technology and know- how, as well as our ability to operate without infringing the proprietary rights of others. We attempt to protect our intellectual property rights, both in the U. S. and in foreign countries, through a combination of patent, trademark, copyright, mask works and trade secret laws, as well as licensing agreements and third- party nondisclosure and assignment agreements. Because of the differences in foreign trademark, patent and other laws concerning proprietary rights, our intellectual property rights may not receive the same degree of protection in foreign countries as they would in the U. S. In particular, the validity, enforceability and scope of protection of intellectual property in China, where we derive a significant portion of our net sales, and certain other countries where we derive net sales, are uncertain and still evolving and historically have not protected, and may not protect in the future, intellectual property rights to the same extent as do the laws and enforcement procedures in the U. S. Our failure to obtain or maintain adequate protection of our intellectual property rights for any reason could have a material adverse effect on our business, results of operations and financial condition. We seek to protect our proprietary technologies and know- how through the use of patents, trade secrets, confidentiality agreements and other security measures. The process of seeking patent protection takes a long time and is expensive. There can be no assurance that patents will issue from pending or future applications or that, if patents issue, they will not be challenged, invalidated or circumvented, or that the rights granted under the patents will provide us with meaningful protection or any commercial advantage. Many of our patents are subject to cross licenses, several of which are with our competitors. Some of our technologies are not covered by any patent or patent application. The confidentiality agreements on which we rely to protect these technologies may be breached and may not be adequate to protect our proprietary technologies. Further, it is possible that others will independently develop the same or similar technologies, even without access to our proprietary technologies. We rely on our trademarks, trade names, and brand names to distinguish our products from the products of our competitors, and have registered or applied to register many of these trademarks. We cannot assure you that our trademark applications will be approved. Third parties may also oppose our trademark applications, or otherwise challenge our use of the trademarks. In the event that our trademarks are successfully challenged, we **30** could be forced to rebrand our products, which could result in loss of brand recognition, and could require us to devote resources advertising and marketing new brands. Further, we cannot assure you that competitors will not infringe our trademarks, or that we will have adequate resources to enforce our trademarks. Our ability to compete successfully depends on our ability to operate without infringing the proprietary rights of others. We have no means of knowing what patent applications have been filed until they are published. ~~30~~ In addition, the semiconductor industry is characterized by frequent litigation regarding patent and other intellectual property rights. We may need to file lawsuits to enforce our patents or intellectual property rights, and we may need to defend against claimed infringement of the rights of others. Any litigation could result in substantial costs to us and divert our resources, and we cannot assure you that we will prevail. Any claims of intellectual property infringement or misappropriation against use, even those without merit, could require us to: • pay substantial damages or indemnify customers or licensees for damages they may suffer if the products they purchase from us or the technology they license from us violate the intellectual property rights of others; • stop our manufacture, use, sale or importation of the accused products; • redesign, reengineer or rebrand our products, if feasible; • expend significant resources to develop or acquire non- infringing technologies; • discontinue processes; or • obtain licenses to a third party' s intellectual property. There can be no assurance that we would be successful in such development or acquisition or that such licenses would be available under reasonable terms, or at all. We license certain intellectual property from third parties. The termination of key third- party licenses relating to the use of intellectual property in our products and our design processes would adversely affect certain areas of our business. We are subject to many environmental laws and regulations that could affect our operations or result in significant expenses. We are subject to a variety of environmental, health and safety laws and regulations in each of the jurisdictions in which we operate, governing, among other things, air emissions, wastewater discharges, the generation, use, handling, storage and disposal of, and exposure to, hazardous substances (including asbestos) and wastes, soil and groundwater contamination and employee health and safety. These laws and regulations are complex, change frequently and have tended to become more stringent over time. Among them is the Act on Remediation and Compensation for Damages arising from Environmental Contamination which came into effect in Korea on January 1, 2016 and provides for strict liability of business entities in violation of the act and alleviates the burden of proof for the damaged party. Further, under the amendment to the Act on the Control and Aggravated Punishment of Environmental Offenses that becomes effective on November 27, 2020, certain environmental offenses such as illegally emitting specified hazardous air pollutants or emitting air pollutants without necessary permits will be subject to penalties of up to 5 % of the sales amount generated from the relevant business. Moreover, to effectively respond to environmental crimes, on November 14, 2022, a joint investigation team was established, consisting of experts from both national and local governments, including the prosecutor' s office, the Ministry of Environment. As a result, we have increased potential exposure to liability for environmental contaminations that might have existed in the past or would arise in the future. There can be no assurance that we have been, or will be, in compliance with all such laws and regulations or that we will not incur material costs or liabilities in connection with these laws and regulations in the future. The adoption of new environmental, health and safety laws, the failure to comply with new or existing laws, or issues relating to hazardous substances could subject us to material liability (including substantial fines or penalties), impose the **31** need for additional capital equipment or other process requirements upon us, curtail our operations or restrict our ability to expand operations. ~~31~~ Our Korean subsidiary has been designated as a regulated business under Korean environmental law, and such designation could have an adverse effect on our financial position and results of operations. Since 2015, our Korean subsidiary has been subject to K- ETS, a new set of greenhouse gas emissions regulations, under the Act on Allocation and Trading of Greenhouse Gas Emission Allowances. Under K- ETS, our Korean subsidiary was allocated a certain amount of emissions allowance in accordance with the National Allocation Plan prepared by the Korean government, and is required to meet its allocated target by either reducing emissions or purchasing allowances from other participants or the government in the emission trading market. Reduction of our emissions or energy consumption may result in additional and potentially costly compliance or remediation expenses, including potentially the installation of equipment and changes in the type of materials we use in manufacturing, as well as cost of procuring emission allowances to cover the excess emissions, which could adversely affect our financial position and results of operations. During the first implementation period from 2015 to 2017 and second implementation period from 2018 to 2020, we did not exceed the allocated emission amount. Our Korean subsidiary has been allocated emissions allowance in the third implementation period from 2021 to 2025, and we do not expect to exceed the allocated emission amount during the third implementation period. If, however, our Korean subsidiary exceeds the allocated emission amount the third implementation period, we will be required to pay for the excess emissions and may be subject to other regulatory action. We will continue to monitor our compliance with the emissions allowance on a yearly basis. In addition, from time to time, if we assess that we have excess allowances, we may sell such excess allowances to manufacturers in the emission market in Korea. Furthermore, the Korean legislature enacted the Framework Act on Carbon Neutrality and Green Growth for Responding to Climate Change (the " Carbon Neutrality Framework Act ") on September 24, 2021. The Carbon Neutrality Framework Act aims to reduce greenhouse gas emissions by more than 35 % by 2030 (compared to 2018) and proclaims the achievement of carbon neutrality by 2050 as a national vision. The Carbon Neutrality Framework Act is significant in that it legislates carbon neutrality and greenhouse gas reduction objectives, and enables the central administrative agencies, local governments and public institutions to implement various measures towards such objectives. On March 25, 2022, the Enforcement Decree of the Carbon Neutrality Framework Act (the " Enforcement Decree ") was enacted. The Enforcement Decree aims to provide details required for the execution of items prescribed under the Carbon Neutrality Framework Act. The key provisions of the Enforcement Decree include those setting the mid- to long- term greenhouse gas reduction goal at 40 % and implementing the climate change impact assessment scheme. **Based on that, On April 11, 2023, the Korean government published the 1st National Basic Plan for Carbon Neutrality and Green Growth (the " Basic Plan "). The Basic Plan is a national plan for responding to the climate crisis and sustainable development. Including annual reduction goals and implementation measures for each sector (e. g., industry and transportation), the Basic Plan will be updated every five years over the next 20 years between 2023 and 2042.** It is anticipated that the Carbon Neutrality Framework Act **and the Basic Plan** , which aims to promote the harmonious development of the economy and the environment in conjunction with active greenhouse gas reduction measures, will serve as the foundation for the government' s climate change response policy going forward. Our compliance with the Serious Accidents Punishment Act (the " SAPA ") could require significant expenditures and management time and expose us to liability for violations. Enacted on January 26, 2021 and effective as of January 27, 2022 in Korea, the SAPA will impose enhanced liability exposure for workplace accidents. The legislative goal of the SAPA is to prevent serious accidents by prescribing punishments and punitive damages liability for business owners or responsible management personnel who have violated safety and health measures in the event of such serious accidents (serious industrial accidents and serious civil accidents). Since the law applies to businesses in Korea with 50 or more full- time employees starting from January 27, 2022, our Korean subsidiary becomes subject to the law after the effective **32** date. According to the SAPA, if a serious occupational accident occurs that results in at least one deceased person, at least two persons wounded for six months or more, or at least three persons suffering from occupational diseases within a one year period, if the " business owners or responsible management personnel " of the relevant business place is found to have failed to perform its " obligation to secure safety and health, " that person may be subject to imprisonment for up to 7 year or a fine of up to KRW 100 million (in case of death, imprisonment for not less than 1 year or a fine of not less than KRW 1 billion). Additionally, if there was negligence of the company in giving due attention and supervision to prevent such accident, the company will be ~~32~~ subject to **a fine up to KRW 1 billion (in case of death,** a fine up to KRW 5 billion **)** under joint penalty provisions. Relevant responsible management personnel will also be required to spend more time, effort and cost to comply with the SAPA and perform the necessary additional duties imposed by the law to ensure compliance. We may need additional capital in the future, and such capital may not be available on acceptable terms or at all, which would have a material adverse effect on our business, financial condition and results of operations. We may require more capital in the future from equity or debt financings to fund operating expenses, such as research and development costs, finance investments in equipment and infrastructure, acquire complementary businesses and technologies, and respond to competitive pressures and potential strategic opportunities. If we raise additional funds through further issuances of equity or other securities convertible into equity, our existing stockholders could suffer significant dilution, and any new shares we issue could have rights, preferences or privileges senior to those of the holders of our common stock. There can be no assurance that any additional equity or debt financing would be available to us, or if available, that such financing would be on favorable terms to us. Accordingly, if we are unable to obtain additional capital or our business does not generate sufficient cash flows from operating activities to fund our working capital needs and planned capital expenditures, and our cash reserves are depleted, we may need to take various actions, such as down- sizing and / or eliminating certain operations, which could include additional exit costs, reducing or delaying capital expenditures, selling assets, or other restructuring actions. There can be no assurance that we would be successful in taking such actions and, in any event, such actions may result in a material adverse effect on our business and results of operations. In addition, our indebtedness limits our ability to incur additional indebtedness under certain circumstances. Our business depends on international customers, suppliers and operations in Asia, and as a result we are subject to regulatory, operational, financial and political risks, which could adversely affect our financial results. We rely on, and expect to continue to rely on, suppliers, subcontractors and operations located primarily in Asia. As a result, we face risks inherent in international operations, such as unexpected changes in regulatory requirements, tariffs and other market barriers, political, social and economic instability, adverse tax consequences, war, civil disturbances and acts of terrorism, public health issues (including viral outbreaks such as COVID- 19), difficulties in accounts receivable collection, extended payment terms and differing labor standards, enforcement of contractual obligations and protection of intellectual property. These risks may lead to increased costs or decreased revenue growth, or both ~~. Our business, results of operations and financial condition and prospects may be materially and adversely affected by the ongoing COVID- 19 pandemic or any future pandemic, epidemic or outbreak of any other highly infectious disease. As a result of COVID- 19, including the emergence of various variants, governments in affected countries have imposed travel bans, quarantines and other emergency public health measures. In response to the virus, national and local governments in numerous countries around the world have implemented substantial business restrictions and lockdown measures and may continue to impose similar policies in the future from time to time in response to further outbreaks of the virus. Private sector companies have also taken precautionary measures, such as requiring employees to work remotely, imposing travel restrictions and temporarily closing businesses and facilities. These restrictions have had, and these and future prevention and mitigation measures, may continue to have, an adverse impact on global economic conditions, which could materially adversely affect our future operations. These measures have impacted and may further impact our workforce and operations, the operations of our customers, and those of our respective vendors, suppliers, and partners. The disruptions to our operations caused by the COVID- 19 outbreak may result in inefficiencies, delays and additional costs in our research and development, sales and marketing, and customer service efforts that we cannot fully mitigate through remote or 33 other alternative work arrangements. Also, some suppliers of materials used in the production of our products may have been or will be more severely impacted by COVID- 19, which could limit our ability to obtain sufficient materials for our products. In addition, the severe global economic disruption caused by COVID- 19 may cause our customers and end- users of our products to suffer significant economic hardship, which could result in decreased demand for our products in the future and materially adversely affect our business, results of operations, financial condition (including liquidity) and prospects. The full extent to which COVID- 19, or any future pandemic, epidemic or outbreak of any other highly infectious disease, impacts our operations and causes disruptions on our customers, end- users, overall demand for our products, supply chain, and the related financial impact to us, will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of such pandemic, the emergence and characteristics of new variants, the actions taken to contain the pandemic or mitigate its impact, including the adoption, administration and effectiveness of available COVID- 19 vaccines, and the direct and indirect economic effects of the pandemic and containment measures, among others. Should such disruptions continue for an extended period of time, the impact could have a more severe adverse effect on our business, results of operations and financial condition (including liquidity). Additionally, weaker economic conditions generally could result in impairment in value of our tangible or intangible assets, or our ability to raise additional capital, if needed~~ . Tensions with North Korea could have an adverse effect on us and the market value of our shares. Relations between South Korea and North Korea have been tense throughout Korea' s modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events. In particular, in recent years, there have been heightened security concerns stemming from North Korea' s nuclear weapon and long- range missile programs and increased uncertainty regarding North Korea' s actions and possible responses from the international community. North Korea' s economy also faces severe challenges, and any adverse economic developments may further aggravate social and political tensions within North Korea. **33** Although we do not derive any revenue from, nor sell any products in, North Korea, any future increase in tensions between South Korea and North Korea that may occur, for example, if North Korea experiences a leadership crisis, high- level contacts between South Korea and North Korea break down, or military hostilities occur, could have a material adverse effect on the South Korean economy and on our business, financial condition, results of operations and the market value of our common stock. We may be subject to disruptions, breaches or cyber- attacks of our secured networks and information technology systems that could damage our reputation, harm our business, expose us to liability and materially adversely affect our results of operations. In the ordinary course of our business, we collect and store sensitive data, including IP and other proprietary information about our business and that of our customers, suppliers and business partners. Secure maintenance, processing and transmission of this information is critical to our operations and business strategy. We may be subject to disruptions, breaches or cyber- attacks of our secured networks and information technology systems caused by illegal hacking, criminal fraud or impersonation, computer viruses, acts of vandalism or terrorism or employee error, and our security measures or those of any third party service providers we use may not detect or prevent such security breaches. We may incur significant costs to eliminate or alleviate cybersecurity breaches and vulnerabilities, which could be significant, and our efforts to protect against such breaches or vulnerabilities may not be successful and could result in system interruptions that may materially impede our sales, manufacturing, distribution, finance or other critical functions. Any such compromise of our information security could also result in the unauthorized publication of our confidential business or proprietary information or that of other parties with which we do business, an interruption in our operations, the unauthorized transfer of cash or ~~34~~ other assets, the unauthorized release of customer or employee data or a violation of privacy or other laws in the jurisdictions in which we operate. Any of the foregoing could irreparably damage our reputation and business and / or expose us to material monetary liability, which could have a material adverse effect on our results of operations. You may not be able to bring an action or enforce any judgment obtained in United States courts, or bring an action in any other jurisdiction, against us or our subsidiaries or our directors, officers or independent auditors that are organized or residing in jurisdictions other than the United States. Most of our subsidiaries are organized or incorporated outside of the U. S. and some of our directors and executive officers as well as our independent auditors are organized or reside outside of the U. S. Most of our and our subsidiaries' assets are located outside of the U. S. and in particular, in Korea. Accordingly, any judgment obtained in the U. S. against us or our subsidiaries may not be collectible in the U. S. As a result, it may not be possible for you to effect service of process within the U. S. upon these persons or to enforce against them or us court judgments obtained in the U. S. that are predicated upon the civil liability provisions of the federal securities laws of the U. S. or of the securities laws of any state of the U. S. In particular, there is doubt as to the enforceability in Korea or any other jurisdictions outside the U. S., either in original actions or in actions for enforcement of judgments of U. S. courts, of civil liabilities predicated on the federal securities laws of the U. S. or the securities laws of any state of the U. S. We are a holding company and depend on the business of our subsidiaries to make payments to us. We are a holding company with no independent operations of our own. Our subsidiaries conduct substantially all of the operations necessary to fund our obligations. Our ability to pay dividends or to make payments on any future obligations will depend on our subsidiaries' cash flow and their payment of funds to us. Our subsidiaries' ability to make payments to us will depend on: • their earnings; • covenants contained in ~~any debt agreements to which we may then be subject, including any debt agreements of our subsidiaries; • covenants contained in other~~ agreements to which we or our subsidiaries are or may become subject; • business and tax considerations; and **34** • applicable law, including any restrictions under Korean law that may be imposed on our Korean subsidiary that would restrict its ability to make payments on intercompany loans from our Dutch subsidiary. We cannot assure that the operating results of our subsidiaries at any given time will be sufficient to make distributions or other payments to us. We may at times need to incur impairment, restructuring and other restructuring related charges, which could materially affect our results of operations and financial condition. During industry downturns and for other reasons, we may need to record impairment, restructuring or other restructuring related charges. In the future, we may need to record additional impairment charges or to further restructure our business or incur additional restructuring charges, any of which could have a material adverse effect on our results of operations or financial condition. We are subject to litigation risks, which may be costly to defend and the outcome of which is uncertain. All industries, including the semiconductor industry, are subject to legal claims, with and without merit, that may be particularly costly and which may divert the attention of our management and our resources in general. ~~35~~ We are involved in a variety of legal matters, most of which we consider routine matters that arise in the normal course of business. These routine matters typically fall into broad categories such as those involving customers, employment and labor and intellectual property. Even if the final outcome of these legal claims does not have a material adverse effect on our financial position, results of operations or cash flows, defense and settlement costs can be substantial. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal claim or proceeding could have a material effect on our business, financial condition, results of operations or cash flows. The price of our common stock may be volatile and you may lose all or a part of your investment. The trading price of our common stock might be subject to wide fluctuations. Factors, some of which are beyond our control, that could affect the trading price of our common stock may include: • actual or anticipated variations in our results of operations from quarter to quarter or year to year; • announcements by us or our competitors of significant agreements, technological innovations or strategic alliances; • changes in recommendations or estimates by any securities analysts who follow our securities; • addition or loss of significant customers; • recruitment or departure of key personnel; • changes in economic performance or market valuations of competing companies in our industry; • price and volume fluctuations in the overall stock market; • market conditions in our industry, end markets and the economy as a whole; • subsequent sales of stock and other financings; and • litigation, legislation, regulation or technological developments that adversely affect our business. In the past, following periods of volatility in the market price of a public company' s securities, securities class action litigation often has been instituted against the public company. Regardless of its outcome, this type of litigation could result in substantial costs to us and a likely diversion of our management' s attention. You may not receive a positive return on your investment when you sell your shares, and you could lose some or the entire amount of your investment. **35** We cannot guarantee that our share repurchase program will be successfully consummated, or that it will enhance shareholder value, and share repurchases could affect the price of our common stock. On December 21, 2021, the Board of Directors authorized us to repurchase up to $ 75. 0 million of our outstanding common stock and we entered into an accelerated stock repurchase agreement (the " ASR Agreement ") with JPMorgan Chase Bank, National Association (" JPM ") to repurchase an aggregate of $ 37. 5 million of our common stock. Pursuant to the terms of the ASR Agreement, we paid JPM $ 37. 5 million in cash and received an initial delivery of 994, 695 shares of our common stock. Upon final settlement of the ASR Agreement, we received an additional 1, 031, 576 shares of common stock from JPM. On August 31, 2022, the Board of Directors authorized an expansion of our previously announced stock repurchase program from $ 75 million to $ 87. 5 million of our common stock. The remaining $ 50 million of the expanded $ 87. 5 million program was planned to be repurchased in the open market or through privately negotiated transactions. **From September 2022 to June 2023, we repurchased 4, 941, 093 shares of common stock under the expanded stock repurchase program using the remaining $ 50 million through open market purchases. On July 19, 2023, the Board of Directors authorized a new $ 50 million stock buyback program. Purchases have been and will be made in the open market or through privately negotiated transactions, depending upon market conditions and other factors.** In connection with the repurchase program, we established a stock trading plan with ~~Oppenheimer~~ **Needham** & **Company, LLC** ~~Co. Inc.~~ in accordance with Rule 10b5- 1 under the Securities Exchange Act ~~of 1934, as amended~~ . This share repurchase program could affect the price of our common stock, increase volatility and diminish our cash reserves. The IRA enacted in August 2022 imposes a 1 % excise tax on the fair market value of stock repurchases made by covered corporations after December 31, 2022. The total taxable value of shares repurchased is reduced by the fair market ~~36~~ value of any newly issued shares during the taxable year. ~~We are assessing the potential impact of the stock repurchase excise tax. Based on our preliminary assessment, we do not expect a material impact on our overall share repurchase program or our consolidated financial statements.~~ See " Item 8. Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements — Note ~~13~~ **12** . Stockholders' Equity and Stock- Based Compensation " for more information ~~. Significant ownership of our common stock by certain stockholders could adversely affect our other stockholders. The concentration of ownership of our common stock by certain stockholders may limit the ability of other stockholders to influence corporate matters and, as a result, we may take actions that our public stockholders do not view as beneficial. For example, any concentration of ownership could have the effect of delaying or preventing a change in control or otherwise discouraging a potential acquirer from attempting to obtain control of us, which in turn could cause the market price of our common stock to decline or prevent our stockholders from realizing a premium over the market price for their shares of our common stock. Under our certificate of incorporation, our non- employee directors and non- employee holders of five percent or more of our outstanding common stock do not have a duty to refrain from engaging in a corporate opportunity in the same or similar activities or lines of business as those engaged in by us, our subsidiaries and other related parties. Also, we have renounced any interest or expectancy in such business opportunities even if the opportunity is one that we might reasonably have pursued or had the ability or desire to pursue if granted an opportunity to do so~~ . Provisions in our charter documents and Delaware Law may make it difficult for a third party to acquire us and could depress the price of our common stock. Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management. Among other things, our certificate of incorporation and bylaws: • authorize our Board of Directors to issue, without stockholder approval, preferred stock with such terms as the Board of Directors may determine; • prohibit action by written consent of our stockholders; • prohibit any person other than our Board of Directors, the chairman of our Board of Directors, our Chief Executive Officer or holders of at least 25 % of the voting power of all then outstanding shares of capital stock of the corporation entitled to vote generally in the election of directors to call a special meeting of our stockholders; and • specify advance notice requirements for stockholder proposals and director nominations. In addition, we are subject to the provisions of Section 203 of the Delaware General Corporation Law (the " DGCL "), regulating corporate takeovers and which has an anti- takeover effect with respect to transactions not approved in advance by our Board of Directors, including discouraging takeover attempts that might result in a premium over the market price for shares of our common stock. In general, those provisions prohibit a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that the stockholder became an interested stockholder, unless: • the transaction is approved by the board of directors before the date the interested stockholder attained that status; **36** • upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85 % of the voting stock of the corporation outstanding at the time the transaction commenced; or **• on or after such date, the business combination is approved by the board of directors and authorized at a meeting of stockholders, and not by written consent, by at least two- thirds of the outstanding voting stock that is not owned by the interested stockholder. In general, DGCL Section 203 defines a business combination to include the following: • any merger or consolidation involving the corporation and the interested stockholder; • any sale, transfer, pledge or other disposition of 10 % or more of the assets of the corporation involving the interested stockholder; • subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;** 37