

Risk Factors Comparison 2025-02-25 to 2023-08-28 Form: 10-K

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The **Our business involves significant risks and uncertainties, some of which are** described below ~~are not the only ones facing us~~. Other events that we do not currently anticipate or that we currently deem immaterial also may affect our business, financial condition, results of operations, cash flows, other key metrics and the trading price of our common stock. **You should carefully consider the risks and uncertainties described below, together with all the other information in this Annual Report, including “ Management’s Discussion and Analysis of Financial Condition and Results of Operations ” and the consolidated financial statements and the related notes. If any of the following risks actually occurs, our business, reputation, financial condition, results of operations, revenue, and future prospects could be seriously harmed. In addition, you should consider the interrelationship and compounding effects of two or more risks occurring simultaneously. Unless otherwise indicated, references to our business being harmed in these risk factors will include harm to our business, reputation, financial condition, results of operations, revenue, and future prospects. In that event, the market price of our common stock could decline, and you could lose part or all of your investment. You should not interpret our disclosure of any of the following risks to imply that such risks have not already materialized.** Risk Factor Summary **The following is a summary of the most significant risks and principal factors that make an investment in our common stock speculative or risky. Risks Related to our Delinquent SEC Reporting Obligations • Circumstances discussed in the Explanatory Note in this Annual Report; • Our failure in timely filing our SEC reports; • The outcome of litigation and other legal proceedings, disputes, claims, as well as regulatory examinations, investigations, proceedings and orders arising out of the circumstances discussed in the Explanatory Note in this Annual Report, and any orders, actions or rulings not in our favor; • Significant expenses related to the circumstances discussed in the Explanatory Note in this Annual Report; • The remediation of material weaknesses and deficiencies in our internal control over financial reporting and disclosure controls and procedures, and any resulting litigation; • The absence of timely and accurate financial information has hindered and may in the future hinder our ability to effectively manage our business and the ability to issue stock- based compensation to our employees; • Our availability to access outside financing; • Negative publicity and potential customers’ concerns;** Operational and Execution Risks • **Volatility of** Adverse economic conditions may harm our business. • ~~Recent events in eastern Europe and the Taiwan Strait present challenges and risks to us, and no assurances can be given that current or our future developments would not have a material adverse effect on our business, results of operations and financial condition. • Our quarterly operating results ; have fluctuated and will likely fluctuate in the future. • Our ability revenue and margins for a particular period are difficult to predict, and a shortfall in revenue or decline in margins may harm our operating results. • As we increasingly target larger customers and larger sales opportunities, our customer base may become more concentrated, our cost of sales may increase, our margins may be lower, our borrowings may be higher with effects on our cash flow, we are exposed to inventory risks, and our sales may be less predictable. • If we fail to meet any publicly announced financial guidance or other expectations about our business ; it could cause ; • Timely development of new products and enhancements to our existing products; • Our ability to maintain sufficient inventory; • Shortfall in revenue our- or stock to decline in value. margins; • We may be unable~~ **The exercise of security interests we take in products sold; • Concentration of our customer base; • Our ability to secure additional financing on favorable terms ; • Our cost structure , or at all ability to deliver server solutions to customers , which and ability to resolve warranty claims in turn could impair the rate of a timely manner; • Our ability to enhance our- or growth. upgrade our enterprise resource planning (“ ERP ”) systems and other IT applications, including challenges related to automating internal controls utilizing our ERP systems and maintaining internal controls over processes in other IT applications; • Increases in average selling prices for our Total IT Solutions solutions ; have historically significantly contributed to increases in net sales in some of the periods covered. Such prices are subject to decline if customers do not continue to purchase our latest generation products or additional components, which could harm our results of operations. • Changes Our cost structure and ability to deliver server solutions to customers in U. S. a timely manner may be adversely affected by volatility of the market for- or foreign policies** core components and certain materials for our products. • We may lose sales or incur unexpected expenses relating to insufficient, **geopolitical conditions, general economic conditions, and** excess or obsolete inventory. • Difficulties we encounter relating to automating internal controls utilizing our ERP systems or integrating processes that occur in other **factors beyond** IT applications could adversely impact our controls- **control;** environment. • System security violations, data protection breaches, cyber- attacks , and other related cyber- security issues ; could disrupt our internal operations or compromise the security of our products, and any such disruption could reduce our expected revenues, increase our expenses, damage our reputation and adversely affect our stock price. • Any failure **Failure** to adequately expand or retain our sales force ; will impede our growth. • **Potential Conflicts conflicts** of interest may arise with Ablecom and Compuware ; , and they may adversely affect our operations. • Our reliance on Ablecom could be subject to risks associated with our reliance on a limited source of contract manufacturing services and inventory warehousing - ; • ~~If negative~~ **Our ability to attract and retain key personnel; SMCI | 2024 Form 10- K | 11 • Our direct sales efforts and relationships with our indirect sales channel and with our OEMs; • Our ability to maintain good** publicity arises with respect to us, our employees, our third- party service providers or our partners ; , our business and operating results could be adversely affected, regardless of whether the negative publicity is true. • If we lose Charles Liang, our President, Chief Executive Officer and Chairman, or any other key employee, we may not be able to implement our business strategy in a timely manner. • Our direct sales efforts may create confusion for

our end customers and harm our relationships in our indirect sales channel and with our OEMs. • If we are unable to attract and integrate additional key employees in a manner that enables us to scale our business and operations effectively, or if we do not maintain competitive compensation policies to retain our employees, our ability to operate effectively and efficiently could be limited. Strategic and Industry Risks • If we do not successfully manage our business for growth and expansion, including the expansion of our international manufacturing capacity and business operations ;, our business could be harmed. • Our reliance on a limited number of suppliers We may not be able to successfully manage our business for growth certain components used to manufacture our products; • Our suppliers' ability to improve the functionality and expansion performance of materials and key components for our products; • Our ability to timely deliver high quality server and storage solutions; • Increased competition and our ability to compete effectively; • The AI industry has contributed to our success but also presents significant risks and uncertainties, including potential risks from its use by our workforce; • Our investments in corporate ventures and other investments; • Our growth into markets outside the United States ; exposes us to risks inherent in international business operations. • We depend upon the development of new products & enhancements to existing products. If we fail to predict or respond to emerging technological trends & our customers' changing needs, our operating results and market share may suffer. SMCI | 2023 Form 10-K | 9 • The market in which we participate is highly competitive. • Industry consolidation may lead to increased competition and may harm our operating results. • We must work closely with our suppliers to make timely new product introductions. • Our reliance suppliers' failure to improve the functionality and performance of materials and key components for our products may impair or delay our ability to deliver innovative products to our customers. • We rely on a limited number of suppliers for certain components used to manufacture our products. • We rely on indirect sales channels ; and any disruption in these channels could adversely affect our sales. • Our failure to deliver high quality server and storage solutions could damage our reputation and diminish demand for our products. • Our results of operations may be subject to fluctuations based upon our investment in corporate ventures. Legal and Regulatory Risks • Lawsuits Because our products and services may store other legal proceedings , disputes process and use data , some of claims, and government inquiries and investigations; • Compliance with laws, rules, regulations, as well as political and other actions related to export control to which our business is contains personal information, we are subject to complex and evolving ; • Compliance with laws and regulations regarding privacy, data protection and other matters ; ; • Our ability to protect our intellectual property; • Compliance operations could involve the use of regulated materials, and we must comply with environmental, health and safety laws and regulations , which can be expensive. • If we are unable to maintain effective internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock may decrease. • Failure to comply with the U. S. Foreign Corrupt Practices Act, other applicable anti-corruption and anti-bribery laws, outbound investment regulations, and applicable trade control other government regulation or laws related could subject us to our business; penalties and other adverse consequences. • Any failure to protect Anti-takeover provisions in our charter intellectual property could impair our brand -- and our competitiveness. bylaws; Financial Risks • Resolution of claims that we have violated Our indebtedness, liabilities, and contractual obligations; • Our ability to raise the funds necessary to repurchase the convertible notes or for may violate cash following a fundamental change (including the delisting intellectual property rights of others could require us to indemnify others or our common stock), to repay the outstanding principal and accrued interest upon an event of default, or to pay significant royalties to third parties. any cash amounts due upon conversion; • Provisions in the indentures governing of our governance documents and Delaware law might discourage, delay or our prevent convertible notes making it harder for a third-party to acquire us; • change of control of our company or changes in our management. Financial Risks associated with the capped call transactions; • Potential dilution caused by conversion of our convertible notes; • Our R & D expenditures, which as a percentage of our net sales, are considerably higher than many of our competitors ; ; • Our Change in our future effective income tax rates ; could be affected by changes in the relative mix of our operations and income among different geographic regions and by changes in domestic and foreign income tax laws. • Our Backlog backlog amount; does not provide a substantial portion of our net sales in any quarter. Risks Related to Owning our Common Stock • The Volatility of the trading price of our common stock ; is likely to be volatile. • A decline in our stock price caused by Future future sales of shares by existing stockholders ; ; including any shares that have vested or may in the future vest under the 2021 CEO Performance Award, could cause our stock price to decline. • The concentration of our capital stock ownership with insiders likely limits your ability to influence corporate matters ; ; • No expectation in paying We do not expect to pay any cash dividends for in the foreseeable future ; ; General Risks • Our products may not be viewed as supporting climate change mitigation in the IT sector ; and • Our Enactment of or changes to government regulation or laws related to our business . We face risks related to previously being delinquent in our SEC reporting obligations. Due to the circumstances discussed in the Explanatory Note in this Annual Report, our recent SEC filings, including this Annual Report, our Quarterly Reports on Form 10-Q for the quarterly periods ended September 30, 2024 and December 31, 2024 (the " Delinquent Reports ") were delinquent. On December 6, 2024, Nasdaq granted us and- an operations may be impacted-exception to Nasdaq' s Listing Rule 5250 (c) (1), allowing us to file all the Delinquent Reports by February 25 natural disaster events , 2025 including those brought on by climate change. • The use of AI by our workforce may present risks to our business. • Expectations relating to environmental, social and governance considerations expose us to potential liabilities, reputational harm and other unforeseen adverse effects on our business. SMCI | 2023-2024 Form 10-K | 10 Our business depends 12 While we filed all of the Delinquent Reports on the overall demand for- or accelerated compute platforms. Global before February 25, 2025, we expect to continue to face many of the risks and challenges related to previously being delinquent in our SEC reporting obligations, including the following: • We may fail to remediate material weaknesses in our internal control over financial reporting developments and downturns seemingly unrelated to us or our industry may harm us. If economic conditions;

including inflation, increased interest rates, economic output and currency exchange rates, in these markets and other **material** key potential markets for our Total IT Solutions remain uncertain or further deteriorate, including as a result of the downturn in the global economy, the Russia-Ukraine conflict and related sanctions and trade restrictions, the effects of the COVID-19 pandemic or other reasons, customers may delay or reduce their spending. General economic weakness **weaknesses** may be **identified** also lead to longer collection cycles for payments due from our customers, an increase in **the future** customer bad debt, and impairment of investments. Furthermore, continued weakness and uncertainty in worldwide credit markets may harm our customers' available budgetary spending, which could lead to cancellations **adversely affect the accuracy and timing of our financial reporting**; • **Failure to timely file** delays in planned purchases of our Total IT Solutions. If our customers or our potential customers experience economic hardship **SEC reports and make our current financial information available has placed downward pressure on our stock price**, which has adversely affected, and may continue adversely affect, hiring and employee retention; • **Litigation and claims as well as regulatory examinations, investigations, proceedings and orders arising out of our failure to file SEC reports on a timely basis, including the reasons and causes for such failure to file, will continue to divert management attention and resources from the operation of our business**; • **We may not be able to recapture lost business or business opportunities due to ongoing reputational harm**; and • **Negative reports or actions on our commercial credit ratings would increase our costs of, or reduce our access to, future commercial credit arrangements and limit our ability to refinance existing indebtedness. The outcome of litigation and other legal proceedings, disputes, claims, as well as regulatory examinations, investigations, proceedings and orders arising out of the circumstances discussed in the Explanatory Note in this Annual Report, and any orders, actions or rulings not in our favor** could reduce the demand for our Total IT..... that current or future developments will not have a material adverse effect on our business, results of operations and financial condition. **Our** The crisis in eastern Europe continues to pose challenges to global companies **company and certain of our current and former executive officers and directors are defendants in certain legal proceedings and putative class actions. Please see Part I**, including us **Item 3**, which " **Legal Proceedings.** " **These proceedings** have customers **resulted in significant expenses** the impacted regions. The U. S. and other -- **the diversion** global governments have placed restrictions on how companies may transact with businesses in these regions, particularly Russia, Belarus and restricted areas in Ukraine. Because of **management attention from** these restrictions and the growing logistical and other challenges, we have paused sales to Russia, Belarus and the restricted areas in Ukraine. This decision, which is in line with the approach of other global technology companies, helps us comply with our obligations under the various requirements in the U. S. and around the world. While it is difficult to estimate the impact on our business **and financial position of both** (i..... be unable, to acquire materials needed). In addition, the **circumstances which gave** rises -- **rise to the** **circumstances discussed in the Explanatory Note in this Annual Report continue to create the risk of additional litigation and claims by investors and examinations, investigations, proceedings and orders by regulatory authorities. These include a broad range of potential actions that may be taken against us by the SEC or other regulatory agencies, including a cease- and- desist order and / or the assessment of possible civil monetary penalties. Any such further** exacerbate inflationary **actions could be expensive and damaging to our business, the results of operations, and financial condition. We have incurred and expect to continue to incur significant expenses related to the circumstances discussed in the Explanatory Note in this Annual Report, the remediation of deficiencies in our internal control over financial reporting and disclosure controls and procedures, and any resulting litigation. We have devoted and expect to continue to devote substantial internal and external pressures-- resources towards remediation efforts relating to the circumstances discussed in the Explanatory Note in this Annual Report, the management review process and other efforts to regain timely compliance with the filing of our future SEC periodic and other reports. As a result of these efforts, we have incurred and expect that we will continue to incur significant incremental fees and expenses for additional accounting, financial and other consulting and professional services, as well as the implementation and maintenance of systems and processes that will need to be updated, supplemented or replaced. Specifically, in connection with the circumstances discussed in the Explanatory Note in this Annual Report, audit and compliance efforts and related litigation and other proceedings, claims, governmental inquiries or investigation, and other demands, we have indirect impacts on our business incurred professional fees totaling \$ 18. 6 million through January 31**, such-2025. The expenses we are incurring in this regard, **as well as the substantial time devoted by** further increasing our logistics costs from rising fuel prices and / or **our management** continuing to increase our compensation expense. In addition, no assurances can be given that additional developments in the impacted regions, and responses thereto from the U. S. and other global governments, would **could not** have a material adverse effect on our business, results of operations, **and financial condition. The circumstances discussed in the Explanatory Note in this Annual Report have diverted, and continue to divert, management and other human resources from the operation of our business. The circumstances discussed in the Explanatory Note in this Annual Report have diverted, and continue to divert, management and other human resources from the operation of our business. The Board of Directors, members of management, and our accounting, legal, administrative and other staff have spent significant time on the circumstances discussed in the Explanatory Note in this Annual Report and will continue to spend significant time on related matters. These resources have been, and will likely continue to be, diverted from the strategic and day- to- day management of our business and may have an adverse effect on our ability to accomplish our strategic objectives. SMC | 2024 Form 10- K | 13** Additionally, due to the delay in filing the Annual Report as discussed in the Explanatory Note, our registration statements on Form S- 8 were ineffective until the Annual Report was filed with the SEC. This hindered the Company's ability to grant certain stock- based compensation under its existing compensation programs. The delay also prevented the Company from holding its annual meeting of stockholders, which would have allowed an increase in the number of common stock shares available for grant under its amended and restated 2020 Equity and Incentive Compensation Plan. The inability to issue sufficient stock- based

compensation could negatively impact our ability to attract and retain talent, potentially affecting our business growth, results of operations, and financial conditions. Our failure to file SEC reports timely has affected, and could continue to adversely affect our access to outside financing. As a result of the circumstances discussed in the Explanatory Note in this Annual Report, we chose to terminate our obligations under certain loan agreements early. The failure to timely file our Delinquent Reports also has resulted in an obligation to pay additional interest and special interest under the terms of the indenture governing our 0.00% Convertible Senior Notes due 2029 (the "2029 Convertible Notes") (the "2029 Convertible Notes Indenture"), which was subsequently amended on February 20, 2025 to, among others, provide for the 2029 Convertible Notes to bear interest from February 20, 2025 at an annual rate of 3.50%. Please see Note 16, "Subsequent Events" in the Notes to the Consolidated Financial Statements in this Annual Report for information regarding the amendment of the terms of the 2029 Convertible Notes. While we have filed all the Delinquent Reports within the extension period granted by Nasdaq, if any of our SEC periodic or other reports becomes delinquent in the future, any sources of financing that may be available to us could also be at higher costs and require us to satisfy more restrictive covenants, which could limit or restrict our operations, cash flows and earnings. We cannot ensure that additional financing will be available to us or be sufficient or available on satisfactory terms. In addition, unless we have filed all required reports with the SEC, we will be precluded from registering our securities with the SEC for offer and sale, and the failure to timely file our SEC reports will limit our ability to use "short-form" Form S-3 registration statements for registering our securities for sale with the SEC until we again meet the timely filing requirements of Form S-3. If we are unable to access outside financing in a timely manner, or we are not able to obtain additional financing on terms favorable to us, our business, results of operations, and financial condition could be adversely affected. Matters relating to or arising from the circumstances discussed in the Explanatory Note in this Annual Report, including adverse publicity and potential concerns from our customers, have had and could continue to have an adverse effect on our business and financial condition. We have been and could continue to be the subject of negative publicity focused on the matters underlying the circumstances discussed in the Explanatory Note in this Annual Report. We may be adversely impacted by negative reactions to this publicity from our customers or others with whom we do business, who may have concerns including the time and effort required to address our accounting and control environment and our ability to be a long-term provider to our customers. The continued occurrence of any of the foregoing could harm our business and have an adverse effect on our financial condition. We have identified material weaknesses in our internal control over financial reporting, which could, if not remediated, adversely affect our ability to report our financial condition and results of operations in a timely and accurate manner. Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, our management is required to report on the effectiveness of our internal control over financial reporting in our annual reports, and annually our independent auditors must attest to and report on the effectiveness of our internal control over financial reporting. It is necessary for us to maintain effective internal control over financial reporting to prevent fraud and errors and to maintain effective disclosure controls and procedures so that we can provide timely and reliable financial and other information. A failure to maintain adequate internal controls may adversely affect our ability to provide financial statements that accurately reflect our financial condition and report information on a timely basis. SMCI | 2024 Form 10-K | 14 We have concluded that our internal control over financial reporting was not effective as of June 30, 2024 due to the existence of material weaknesses in such controls, and we have also concluded that our disclosure controls and procedures were not effective as of June 30, 2024 due to material weaknesses in our internal control over financial reporting, all as described in Part II, Item 9A, "Controls and Procedures" of this Annual Report. While we have initiated remediation measures to address the identified material weaknesses, we cannot provide assurance that our remediation efforts will be adequate to allow us to conclude that such controls will be effective in the future. We also cannot assure you that additional material weaknesses in our internal control over financial reporting will not arise or be identified in the future. We intend to continue our control remediation activities and to continue to improve our overall control environment and our operational, information technology, financial systems, and infrastructure procedures and controls, as well as to continue to train and develop our personnel who are essential to effective internal controls. In doing so, we will continue to incur expenses and expend management time on compliance-related issues. If we are unable to successfully complete our remediation efforts in a timely manner and are, therefore, not able to favorably assess the effectiveness of our internal control over financial reporting, this could further cause investors to lose confidence, and our operating results, financial position, ability to accurately report our financial results and timely file our SEC reports, and stock price could be adversely affected. Moreover, because of the inherent limitations of any control system, material misstatements due to error or fraud may not be prevented or detected on a timely basis, or at all. If we are unable to provide reliable and timely financial reports in the future or if our financial statements are restated, our business and reputation may be further harmed. Restated financial statements and failures in internal controls may also cause us to fail to meet reporting obligations, negatively affect investor and customer confidence in our management or result in adverse publicity and concerns from investors and customers, any of which could have a negative effect on the price of our common stock, subject us to further regulatory investigations, potential penalties or stockholder litigation, and have a material adverse impact on our business and financial condition. Our quarterly operating results have fluctuated and will likely fluctuate in the future, which could cause rapid declines in our stock price. We believe that our quarterly operating results will continue to be subject to fluctuation due to various factors, many of which are beyond our control. Factors that may affect quarterly operating results include: • Fluctuations in demand for our products, in part due to changes in the global economic environment. Explanatory Note in this Annual Report; • Fluctuations in demand based upon seasonality, with the quarters ending March 31 and September 30 typically being weaker; SMCI | 2023 Form 10-K | 11 • Continuing lingering effects from the COVID-19 pandemic, the

occurrence of other global pandemics, and other events that impact the global economy or for one of our products more sectors thereof, in part due to factors such as the global economic downturn and recent events in eastern Europe; • The ability of our customers and suppliers to obtain financing or fund capital expenditures; • Fluctuations in the timing and size of large customer orders, including with respect to changes in sales and implementation cycles of our..... technologies and products, and our success in emergent and rapidly evolving markets (such as AI) March 31 and September 30 typically being weaker; • The ability of our customers and suppliers to obtain financing or fund capital expenditures; • Fluctuations in the timing and size of large customer orders, including with respect to changes in sales and implementation cycles of our products into our customers' spending plans and associated revenue; • Variability of our margins based on the mix of server and storage systems, subsystems and accessories we sell and the percentage of our sales to internet data center, cloud computing customers or certain geographical regions; • Fluctuations in availability and costs associated with key components, particularly semiconductors, memory, storage solutions, and other materials needed to satisfy customer requirements; • The timing of the introduction of new products by leading microprocessor vendors and other suppliers; • The introduction and market acceptance of new technologies and products, and our success in emergent and, and incorporating emerging technologies in our products, as well as the adoption of new standards; • Changes in our product pricing policies, including those made in response to new product announcements and fluctuations in availability and costs of key components; • Mix of whether customer purchases are of partially or fully integrated systems or subsystems and accessories and whether made directly or through our indirect sales channel partners; • The effect of mergers and acquisitions among our competitors, suppliers, customers, or partners; • General economic conditions in our geographic markets; • Geopolitical tensions, including regional conflicts, trade wars, tariffs and / or sanctions in our geographic markets; and SMCI | 2024 Form 10- K | 15 • Impact of regulatory changes (including export control) on our cost of doing business. In addition, customers may hesitate to purchase, or not continue to purchase, our products based upon past unwarranted the circumstances discussed in the Explanatory Note in this Annual reports- Report about security risks associated with the use of our products. Accordingly, our growth and results of operations may fluctuate on a quarterly basis. If we fail to meet expectations of investors or analysts, our stock price may fall rapidly and without notice. Furthermore, the fluctuation of quarterly operating results may render less meaningful period- to- period comparisons of our operating results, and you should not rely upon them as an indication of future performance. If we fail to meet any publicly announced financial guidance As a result of a variety of factors discussed in this Annual Report, our - or revenue and margins for a particular quarter are difficult to predict, especially in light of a challenging and inconsistent global macroeconomic environment, lingering impacts of the other expectations about COVID- 19 pandemic, the global economic downturn, recent events in eastern Europe, volatility in emergent and rapidly evolving markets (such as AI), steps we are taking in response thereto, increased competition, the effects of the ongoing trade disputes between the United States and China and related market uncertainty. Our revenue may grow at a slower rate than in past periods or our business, it could cause our stock to decline . Our ability to meet financial expectations could also be adversely affected if the nonlinear sales pattern seen in value some of our past quarters recurs in future periods. The timing of large orders can also..... 2023 Form 10- K | 13 We generally provide forward -looking financial guidance when we announce our financial results for the prior quarter. No assurances can be given that we will continue to provide forward -looking financial guidance, and if we do issue forward looking guidance, the uncertainties related to these items could cause us to revise such guidance. If issued, we undertake no obligation to update any forward- looking guidance at any time. In the past, our financial results have failed from time to time to meet the guidance we provided. There are a number of reasons why we have at times failed to meet guidance in the past and might fail again in the future, including, but not limited to, the factors described in these Risk Factors. We had net income depend upon the development of new products \$ 640. 0 million, \$ 285. 2 million and \$ 111- enhancements to our existing products, and if we fail to predict or respond to emerging technological trends and our customers' changing needs, our operating results and market share may suffer. 9 million The markets for our products are characterized by rapidly changing technology, evolving industry standards, new product introductions, and evolving methods of operations. While our revenues increased in fiscal years- year 2023 2024 , 2022 and 2021, respectively. We believe that our operating results depend on current cash, cash equivalents, borrowing capacity available from our credit facilities ability to develop and internally generated cash flows introduce new products into existing and emerging markets (such as AI) and to reduce the production costs of existing products. If our customers do not purchase our products, our business will be sufficient harmed. The process of developing products incorporating new technologies is complex and uncertain, and if we fail to support accurately predict customers' changing needs and emerging technological trends our operating businesses-- business could be harmed. We must commit significant resources, including the investments we have been making in our strategic priorities to developing new products before knowing whether our investments will result in products and maturing debt services the market will accept and interest payments investments to purchase inventory of key components for which the there have been periods 12 months following the issuance of supply constraint. If the financial statements included in industry does not evolve as we believe it will, or if our strategy for addressing this Annual Report. Nevertheless evolution is not successful , we intend to continue to grow many of our strategic initiatives and investments may be of no our- or business limited value. Suppliers of our key components may introduce new technologies that are critical to the functionality of our products more quickly than anticipated , which may render components could require additional capital. Since our initial public offering, we have on funded our growth primarily through the cash raised from our operations and hand credit facilities obsolete, saddling us with excess inventory banking institutions. We may need to..... and other financial and operational matters, which could make it more difficult for us to raise additional capital and to pursue our growth strategies. If we are unable to secure additional funding on favorable terms, or at all, when we seek it, we may not be able to continue utilize in our products or sell at prices we had anticipated. Conversely, suppliers of our key components may also introduce new technologies that are critical to the functionality of our products at a slower rate of than their

competition, which could adversely impact our ability to timely develop and provide competitive offerings to our customers. Similarly, our business could be harmed if we fail to develop, or fail to develop in a timely fashion, offerings to address other transitions, or if the offerings addressing these other transitions that ultimately succeed are based on technology, or an approach to technology, different from our ours growth. In addition, our business could be adversely affected in the periods surrounding our new product introductions if customers delay purchasing decisions to qualify or otherwise evaluate the new product offerings. Furthermore, we may not successfully execute on our vision or strategy because of challenges with regard to product planning and timing, technical hurdles that we fail to overcome in a timely fashion, or a lack of appropriate resources. This could result in competitors, some of which may also be our suppliers, providing those solutions before we do and loss of market share, revenue, and earnings. The success of new products depends on several factors, including proper new product and service definition, component costs, timely completion and introduction of these products, differentiation of new products from those of our competitors, market acceptance of these products, and providing appropriate support of these products. There can be no assurance that in the event that we secure such financing that the proceeds thereof will successfully identify new be used effectively or result in growth. Increases in average selling prices for our solutions have significantly contributed to increases in net sales in some of the periods covered by this Annual Report. Such prices are subject to decline if customers do not continue to purchase our latest generation products - product opportunities or additional components, develop which could harm our results of operations. Increases in average selling prices for our server solutions have significantly contributed to increases in net sales in some of the periods covered by this Annual Report. The market for key components became, and bring continues to be, more volatile during the global economic downturn, the COVID-19 pandemic and lingering effects thereof, and recent events in eastern Europe. As with most electronics-based products, average selling prices of server and storage products are typically highest at the time of introduction of new products, which utilize the latest technology, and tend to decrease over market in a time timely as such manner, or achieve market acceptance of our products become commoditized or that products and technologies developed are ultimately replaced by even newer generation others will not render our products. We cannot predict the timing or amount of any decline in the average selling prices of our or technologies obsolete server solutions that we may experience in the future, which may be exacerbated by the global economic downturn, lingering effects from the COVID-19 pandemic, and recent events in eastern Europe. In some instances, our or agreements with noncompetitive. The products and technologies in our indirect sales channel partners limit our ability other product categories and key priority and growth areas may not prove to have reduce prices unless we make such price reductions available to them the market success we anticipate, or price protect and we may not successfully identify and invest in their other emerging inventory. If we are unable to either (i) decrease the average per unit manufacturing costs faster than the rate at which average selling prices decline or (ii) increase the average selling prices at the same pace at which average per unit manufacturing costs increase, our or new products business, financial condition and results of operations will be harmed. SMCI | 2023-2024 Form 10-K | 16 We may lose 14 Prices of certain materials and core components utilized in the manufacture of our server and storage solutions, such as GPUs, serverboards, chassis, CPUs, memory, hard drives and SSDs, represent a significant portion of our cost of sales. While we have increased our or incur unexpected purchases of certain critical materials and core components in response to the supply and demand uncertainties, we do not have long-term supply contracts for all critical materials and core components, but instead often purchase these materials and components on a purchase order basis. Prices and availability of these core components and materials are volatile, and, as a result, it is difficult to predict expense expenses relating to insufficient levels and operating results. In addition, if excess our or obsolete inventory business growth renders it necessary or appropriate to transition to longer term contracts with materials and core component suppliers, our costs may increase, and our gross margins could correspondingly decrease. Because we often acquire materials and key..... 2023 Form 10-K | 15 To offer greater choices and optimization of our products to benefit our customers, we maintain a high level of inventory. If we fail to maintain sufficient inventory, we may not be able to meet demand for our products on a timely basis, and our sales may suffer. If we overestimate customer demand for our products for whatever reason (including technology changing more rapidly than we anticipate), we could experience excess inventory of our products and be unable to sell those products at a reasonable price, or at all. As a result, we may need to record higher inventory reserves. In addition, from time to time we assume greater inventory risk in connection with the purchase or manufacture of more specialized components in connection with higher volume sales opportunities. In the past, we have taken certain actions including our increased purchase of certain critical materials and components as a part of our response planning for various uncertainties and risks, such as periods of supply constraint of key components and those related to lingering effects of the COVID-19 pandemic and lingering effects therefrom. Specifically, we sought to actively manage our supply chain for potential risks of shortage by first building inventories of critical components required for our motherboards and other system printed circuit boards and continued to, as well as add to our inventories of key components such as GPUs, CPUs, memory, and solid state drives ("SSDs") so and to a lesser extent GPUs such that customer orders can be fulfilled as rapidly as possible after they are received. We may continue to take similar actions in the future based upon our assessment of uncertainties and risks. Nevertheless, no assurances can be given that any such efforts will be successful to manage inventory, and we could be exposed to risks of insufficient, excess, or obsolete inventory. We have from time to time experienced inventory write downs associated with higher volume sales that were not completed as anticipated. We expect that we will experience such write downs from time to time in the future related to existing and future commitments, and potentially related to any proactive purchase of certain critical materials and components as part of our planning for uncertainties and risks. Excess or obsolete inventory levels for these or other reasons could result in unexpected expenses or increases in our reserves against potential future charges which would adversely affect our business, results of operations and financial condition. Because we often acquire materials and key components on an as needed basis, we may be limited in our ability to effectively and efficiently respond to customer orders because of the then current availability

or the terms and pricing of these materials and key components, particularly for GPUs during periods of growth of new emerging markets (such as for AI). ~~Our~~ While we have experienced an increase in demand for certain of our products in the recent past, our industry has experienced materials shortages and delivery delays in the past, including as a result of increased demand during periods of growth of new emerging markets (such as for AI), ~~challenges in the~~ **negative impact global supply chain as a result of conflict and pandemic COVID- 19**, and ~~the~~ **global economic downturn**. We may have experienced ~~and recent events in eastern Europe on global supply chains~~, or continue to ~~and we may~~ experience, shortages or delays of critical materials or increased logistics costs to obtain necessary materials in a timely manner ~~to meet in the future.~~ **The COVID- 19 pandemic, the other needs macroeconomic factors exacerbated by the COVID- 19 pandemic, lingering effects from the COVID- 19 pandemic, and other factors, have in the past resulted in, and may in future result in additional shortages of key semiconductors** ~~our increasing demand~~. From time to time, we have been forced to delay the introduction of certain of our products or the fulfillment of customer orders as a result of shortages of materials and key components, which can adversely impact our revenue. If shortages, supply or demand imbalances or delays arise, the prices of these materials and key components may increase or the materials and key components may not be available at all. In the event of shortages, some of our larger competitors may have greater abilities to obtain materials and key components due to their larger purchasing power. We may not be able to secure enough key components or materials at reasonable prices or of acceptable quality to build new products to meet customer demand ~~or timely resolve warranty claims~~, which could adversely affect our business, results of operations and financial condition. In addition, from time to time, we have accepted customer orders with various types of component pricing protection. Such arrangements have increased our exposure to component pricing fluctuations and have adversely affected our financial results in certain quarters. ~~SMCI | 2024 Form 10- K | 19~~ If we were to lose any of our current supply or contract manufacturing relationships, the process of identifying and qualifying a new supplier or contract manufacturer who meets our quality and delivery requirements, and who will appropriately safeguard our intellectual property, may require a significant investment of time and resources ~~(if an alternative supplier is available at all)~~, adversely affecting our ability to satisfy customer purchase orders ~~and warranty claims~~ and delaying our ability to rapidly introduce new products to market. Similarly, if any of our suppliers were to cancel, materially change contracts or commitments to us or fail to meet the quality or delivery requirements needed to satisfy customer demand for our products, whether due to shortages or other reasons, our reputation and relationships with customers could be damaged. ~~In addition, changes in supplier credit terms may have impacts on our ability to acquire materials and key components needed to meet customer demand or required for growth. An inability to meet such customer demand may have adverse impacts on our growth or our ability to maintain or grow market share.~~ We could also lose orders, be unable to develop or sell some products cost- effectively or on a timely basis, if at all, and have significantly decreased revenues, margins and earnings, which would **have a material adverse effect on our business, results of operations and financial condition.** ~~SMCI | 2023 Form 10- K | 15~~ . Many companies have experienced challenges with their ERP systems that have had a negative effect on their business. We have incurred and expect to continue to incur additional expenses related to our ERP systems, particularly as we continue to further enhance and develop them, including by automating certain internal controls **and updating systems which are approaching the end of their service life or may no longer be supported** . Any future disruptions, delays or deficiencies relating to automating internal controls utilizing our ERP systems ~~or~~, integrating processes that occur in other IT applications, **or updating systems** could adversely affect our ability to file reports with the SEC in a timely manner, deliver accurate financial statements and otherwise impact our controls environment. Any of these consequences could have an adverse effect on our business, results of operations and financial condition. **and** financial position of both (i) our pause in sales to Russia, Belarus and the restricted areas in Ukraine and the current or future sanctions and (ii) tensions in the Taiwan strait, our pause in sales and these sanctions and continuing rising tensions could have adverse impacts on us in future periods, although they have not been material to date. For example, with respect to Russia, Belarus and the restricted areas in Ukraine, we did not, prior to the imposition of restrictions, make a material portion of our sales or acquire a material portion of our parts or components directly from impacted regions; however, our suppliers and their suppliers may acquire raw materials for parts or components from the impacted regions. Supply disruptions may make it harder for them to find favorable pricing and reliable sources for materials they need, which may put further upward pressure on their costs and increasing the risks that our costs may increase and that it may be more difficult, or we may be unable, to acquire materials needed ~~Malicious computer programmers and~~, **malicious insiders, criminals, hackers and sophisticated organizations (including nation states)** may be able to penetrate our network and misappropriate or compromise our confidential information or that of third parties, create system disruptions or cause shutdowns **that could have a material adverse effect on our business, operations, or products** . ~~Such Computer computer programmers and~~, ~~hackers~~, **and organizations** also may be able to develop and deploy **ransomware, network intrusions, exploitation of zero- day vulnerabilities, distributed denial of service, man- in- the- middle, phishing, vishing, domain name system spoofing, password spraying,** viruses, worms and other malicious software programs that attack our products or otherwise exploit any security vulnerabilities of our products **that could likewise have a material adverse effect on our business**. There have been increases in the frequency and sophistication of such attacks, and we expect that these activities will continue. We may also face cybersecurity threats due to error or intentional misconduct by employees, contractors or other third- party service providers. **Certain aspects of effective cybersecurity are dependent upon our employees, contractors and / or other third- party service providers safeguarding our sensitive information and adhering to our security policies and access control mechanisms** . While we employ a number of protective measures, including firewalls, anti- virus and endpoint detection and response technologies, regular annual training of employees with respect to ~~cyber- cybersecurity, and testing employee competence with anti- security- phishing policies followed up by additional remedial training as needed~~, these measures may fail to prevent or detect **significant attacks on our systems** . **Additionally, the costs associated with cybersecurity tools and infrastructure and fierce competition for scarce cybersecurity and IT talent have at times limited, and may in the future limit, our ability to**

efficiently identify, eliminate, or remediate cyber or other security vulnerabilities or problems or enact changes to minimize the attack surface of our network. While there have been unauthorized intrusions into our network in the past, none of these intrusions, individually or in the aggregate, had a material adverse effect on our business, operations, or products. We have taken steps to enhance the security of our network and computer systems and we provide regular updates to our Board at our quarterly meetings with respect to ~~cyber security~~ **cybersecurity** matters. Despite these efforts, we may experience future intrusions, which could **materially and** adversely affect our business, operations, or products. In addition, our hardware and software or third- party components and software that we utilize in our products may contain defects in design or manufacture, including “ bugs ” and other problems that could unexpectedly interfere with the operation or security of the products , **which could have a material adverse effect on our business, operations, or products** . The costs to us to eliminate or mitigate cyber or other security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant and, if our efforts to address these problems are not successful, could result in **material** interruptions, delays, cessation of service and loss of existing or potential customers that may impede our sales, manufacturing, distribution or other critical functions. Any claim that our products or systems are subject to a ~~cyber security~~ **cybersecurity** risk, whether valid or not, could damage our reputation and **materially and** adversely impact our revenues and results of operations. ~~SMCI | 2023 Form 10- K | 16~~ We manage and store various proprietary information and sensitive or confidential data relating to our business as well as information from our suppliers and customers. Breaches of our or any of our third party suppliers’ security measures or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about us or our customers or suppliers, including the potential loss or disclosure of such information or data as a result of fraud, trickery or other forms of deception, could expose us or our customers or suppliers to a **material** risk of loss or misuse of this information, result in litigation and potential **material** liability for us, **materially** damage our brand and reputation or otherwise **materially** harm our business. To the extent we experience cyber- security incidents in the future, our relationships with our customers and suppliers may be materially impacted, our brand and reputation may be **materially** harmed and we could incur substantial costs in responding to and remediating the incidents and in resolving any investigations or disputes that may arise with respect to them, any of which would cause our business, operations, or products to be **materially and** adversely affected. In addition, the cost and operational consequences of implementing and adding further data protection measures could be significant . ~~SMCI | 2023 Form 10- K | 16~~ **SMCI | 2024 Form 10- K | 22** **Any failure to adequately expand or retain our sales force will impede our growth** . We expect that our direct sales force will continue to grow as larger customers increasingly require a direct sales approach. Competition for direct sales personnel with the advanced sales skills and technical knowledge we need is intense, and we face significant competition for direct sales personnel from our competitors. Our ability to grow our revenue in the future will depend, in large part, on our success in recruiting, training, retaining and successfully managing sufficient qualified direct sales personnel. New hires require significant training and may take six months or longer before they reach full productivity. Our recent hires and planned hires may not become as productive as we would like, we may be unable to hire **enough sufficient** numbers of qualified individuals in the future in the markets where we do business, and individuals we hire may not perform pursuant to our expectations in the event of inadequate supervision. If we are unable to hire, develop and retain **enough sufficient** numbers of productive sales personnel, our customer relationships and resulting sales of our server solutions will suffer. **Conflicts of interest may arise with Ablecom and Compuware, and they may adversely affect our operations.** We use Ablecom, a related party, for contract design and manufacturing coordination support and warehousing, and Compuware, also a related party and an affiliate of Ablecom, for distribution, contract manufacturing and warehousing. We work with Ablecom to optimize modular designs for our chassis and certain of other components. We outsource to Compuware a portion of our design activities and a significant part of our manufacturing of subassemblies, particularly power supplies. Our purchases of products from Ablecom and Compuware represented **4.3 %**, **6.6 %** ~~and~~ **8.3 %** ~~and 7.8 %~~ of our cost of sales for fiscal years **2024**, **2023** ~~and~~ **2022** ~~and~~ **2021**, respectively. Ablecom and Compuware’ s sales to us constitute a substantial majority of Ablecom’ s and Compuware’ s net sales. Ablecom and Compuware are both privately held Taiwan- based companies. In addition, we have ~~entered into a distribution agreement with Compuware, under which we have~~ appointed Compuware as a nonexclusive **authorized** distributor of our products in Taiwan, China and Australia. Each of Ablecom and Compuware are also developing campuses in close proximity to the campus we are developing in Malaysia to expand our manufacturing. Steve Liang, Ablecom’ s Chief Executive Officer and largest shareholder, is the brother of Charles Liang, our President, Chief Executive Officer and Chairman of our Board of Directors (the “ Board ”). Steve Liang owned no shares of our common stock as of June 30, **2024**, **2023** ~~or~~ **2022** ~~or~~ **2021**. Charles Liang and his spouse, Sara Liu, our Co- Founder, Senior Vice President and Director, jointly owned approximately 10.5 % of Ablecom’ s capital stock, while Mr. Steve Liang and ~~other his~~ family members owned approximately **28.35** ~~8.0~~ % of Ablecom’ s outstanding common stock as of June 30, **2023-2024** . Bill Liang, a brother of both Charles Liang and Steve Liang, is a member of the Board of Directors of Ablecom as well . **In addition, a sibling of Yih- Shyan (Wally) Liaw, who is our Senior Vice President, Business Development and a director on our Board, owns approximately 11.7 % of Ablecom’ s capital stock and 8.7 % of Compuware’ s capital stock** . In October 2018, our Chief Executive Officer, Charles Liang, personally borrowed approximately \$ 12.9 million from Chien- Tsun Chang, the spouse of Steve Liang. The loan is unsecured, has no maturity date and bore interest at 0.8 % per month for the first six months, increased to 0.85 % per month through February 28, 2020, and reduced to 0.25 % effective March 1, 2020. The loan was originally made at Mr. Liang’ s request to provide funds to repay margin loans to two financial institutions, which loans had been secured by shares of our common stock that he held. The lenders called the loans in October 2018, following the suspension of our common stock from trading on NASDAQ in August 2018 and the decline in the market price of our common stock in October 2018. As of June 30, **2023-2024** , the amount due on the unsecured loan (including principal and accrued interest) was approximately \$ **16.04** million. ~~SMCI | 2023 Form 10- K | 17~~ Bill Liang is also the Chief Executive Officer of Compuware, **Chairman** ~~a member~~ of Compuware’ s Board of Directors and a holder of a ~~significant~~ equity interest in

Compuware. Steve Liang is also a member of Compuware's Board of Directors and is an equity holder of Compuware. Mr. Charles Liang is our Chief Executive Officer and Chairman of the Board, is a significant stockholder of our company, and has considerable influence over the management of our business relationships. Accordingly, we may be disadvantaged by the economic interests of Mr. Charles Liang and his spouse, Ms. Sara Liu, as stockholders of Ablecom and Mr. Charles Liang's personal relationship with Ablecom's Chief Executive Officer and Compuware's Chief Executive Officer. We may not negotiate or enforce contractual terms as aggressively with Ablecom or Compuware as we might with an unrelated party, and the commercial terms of our agreements may be less favorable than we might obtain in negotiations with third parties. If our business dealings with Ablecom or Compuware are not as favorable to us as arms-length transactions, our results of operations may be harmed. **SMCI | 2024 Form 10-K | 23** If Ablecom or Compuware are acquired or sold, new ownership could reassess the business and strategy of Ablecom or Compuware, and as a result, our supply chain could be disrupted or the terms and conditions of our agreements with Ablecom or Compuware may change. As a result, our operations could be negatively impacted or costs could increase, either of which could adversely affect our margins and **the results of operations**. **Our reliance on Ablecom could be subject to risks associated with our reliance on a limited source of contract manufacturing services and inventory warehousing**. We plan to continue to maintain our manufacturing relationship with Ablecom in Asia. In order to provide a larger volume of contract manufacturing services for us, we anticipate that Ablecom will continue to warehouse for us an increasing number of components and subassemblies manufactured by multiple suppliers prior to shipment to our facilities in the United States and Europe. We also anticipate that we will continue to lease office space from Ablecom in Taiwan to support our research and development efforts. We operate a joint management company with Ablecom to manage the common areas shared by us and Ablecom for our separately constructed manufacturing facilities in Taiwan. If our commercial relationship with Ablecom deteriorates, we may experience delays in our ability to fulfill customer orders. Similarly, if Ablecom's facility in Asia is subject to damage, destruction or other disruptions, our inventory may be damaged or destroyed, and we may be unable to find adequate alternative providers of contract manufacturing services in the time that we or our customers require. We could lose orders and be unable to develop or sell some products cost-effectively or on a timely basis, if at all. Currently, we purchase contract manufacturing services primarily for our chassis products from Ablecom. If our commercial relationship with Ablecom were to deteriorate or terminate, establishing direct relationships with those entities supplying Ablecom with key materials for our products or identifying and negotiating agreements with alternative providers of warehouse and contract manufacturing services might take a considerable amount of time and require a significant investment of resources. Pursuant to our agreements with Ablecom and subject to certain exceptions, Ablecom has the exclusive right to be our supplier of the specific products developed under such agreements. As a result, if we are unable to obtain such products from Ablecom on terms acceptable to us, we may need to discontinue a product or develop substitute products, identify a new supplier, change our design and acquire new tooling, all of which could result in delays in our product availability and increased costs. If we need to use other suppliers, we may not be able to establish business arrangements that are, individually or in the aggregate, as favorable as the terms and conditions we have established with Ablecom. If any of these things should occur, our net sales, margins and earnings could significantly decrease, which would have a material adverse effect on our business, results of operations and financial condition. ~~SMCI | 2023 Form 10-K | 18 Negative publicity about our company or our products, even if inaccurate or untrue, could adversely affect our reputation and the confidence in our products, which could harm our business and operating results. For example, in October 2018, a news article was published alleging that malicious hardware chips were implanted on our motherboards during the manufacturing process at the facilities of a contract manufacturer in China. We undertook a thorough investigation of this claim with the assistance of a leading, independent third-party investigations firm wherein we tested a representative sample of our motherboards, including the specific type of motherboard depicted in the news article and motherboards purchased by companies referenced in the article, as well as more recently manufactured motherboards. After completing these examinations as well as a range of functional tests, the investigations firm reported that it had found no evidence of malicious hardware on our motherboards. In addition, neither the publisher of the news article nor any of our customers have ever provided a single example of any such altered motherboard. However, despite repeated denials of any tampering by our customers and us, and the announcement of the results of this independent investigation, the publication of this false allegation in 2018 had a substantial negative impact on the trading price of our common stock and our reputation. The October 2018 news article, the follow-up news article published in January 2021, and any similar future article making similar false allegations, may continue to have a negative impact in the future. Harm to our reputation can also arise from many other sources, including employee misconduct, which we have experienced in the past, and misconduct by our partners, consultants and outsourced service providers. Additionally, negative publicity with respect to our partners or service providers could also affect our business and operating results to the extent that we rely on these partners or if our customers or prospective customers associate our company with these partners. If we lose Charles Liang, our President, Chief Executive Officer and Chairman, or any other key employee or are unable to attract additional key employees, we may not be able to implement our business strategy in a timely manner. Our future success depends in large part upon the continued service of our current executive management team and other key employees. In particular, Charles Liang, our President, Chief Executive Officer and Chairman of the Board, is critical to the overall management of our company as well as to our strategic direction. Mr. Liang co-founded our company and has been our Chief Executive Officer since our inception. His experience in leading our business and his personal involvement in key relationships with suppliers, customers and strategic partners are extremely valuable to our company. We currently do not have a succession plan for the replacement of Mr. Liang if it were to become necessary. Additionally, we are particularly dependent on the continued service of our existing research and development personnel because of the complexity of our products and technologies. **Our While the vesting of certain long-term performance-based option awards granted to Mr. Liang are tied to Mr. Liang remaining as our CEO (or such other position as the Board may agree), our** employment arrangements with our executives and employees do not require them to provide services to us for~~

any specific length of time, and they can terminate their employment with us at any time, with or without notice, without penalty. The loss of services of any of these executives or of one or more other key members of our team could seriously harm our business. **SMCI | 2024 Form 10- K | 24 Our direct sales efforts may create confusion for our end customers and harm our relationships in our indirect sales channel and with our OEMs.** We expect our direct sales force to continue to grow as our business grows. As our direct sales force becomes larger, our direct sales efforts may lead to conflicts in our indirect sales channel and with our OEMs, who may view our direct sales efforts as undermining their efforts to sell our products. If an indirect sales channel partner or OEM deems our direct sales efforts to be inappropriate, they may not effectively market our products, may emphasize alternative products from competitors, or may seek to terminate our business relationship. Disruptions in our indirect channels could cause our revenues to decrease or fail to grow as expected. Our failure to implement an effective direct sales strategy that maintains and expands our relationships in our indirect sales channel and with our OEMs could lead to a decline in sales, harm relationships and adversely affect our business, results of operations and financial condition. **SMCI | 2023 Form 10- K | 19 If negative publicity arises with respect to us, our employees, our third party service providers or our partners, our business and operating results could be adversely affected, regardless of whether the negative publicity is true. Negative publicity about our company or our products, even if inaccurate or untrue, could adversely affect our reputation and confidence in our products, which could harm our business and operating results. For example, on August 27, 2024, a news article was published by a short seller alleging evidence of accounting manipulation, sibling self-dealing and sanctions evasion (the " Report "). We indicated that such Report contained false or inaccurate statements about us, including misleading presentations of information we previously shared publicly. However, despite these statements related to the allegations in the Report, and the announcement of the results of Special Committee investigation, the publication of the Report and the circumstances discussed in the Explanatory Note in this Annual Report contributed to a substantial negative impact on the trading price of our common stock and our reputation, and may continue to have a negative impact in the future. Harm to our reputation can also arise from many other sources, including employee misconduct, which we have experienced in the past, and misconduct by our partners, consultants and outsourced service providers. Additionally, negative publicity with respect to our partners or service providers could also affect our business and operating results to the extent that we rely on these partners or if our customers or prospective customers associate our company with these partners. If we are unable to attract and integrate additional key employees in a manner that enables us to scale our business and operations effectively, or if we do not maintain competitive compensation policies to retain our employees, our ability to operate effectively and efficiently could be limited.** To execute our growth plan, we must attract additional highly qualified personnel, including **a Chief Financial Officer, a Chief Compliance Officer, a General Counsel and additional in- house attorneys,** additional engineers and executive staff. Competition for qualified personnel is intense, especially in Silicon Valley, where we are headquartered. We have experienced and may continue to experience difficulty in hiring and retaining highly skilled employees with appropriate qualifications. If we are unable to attract and integrate additional key employees in a manner that enables us to scale our business and operations effectively, or if we do not maintain competitive compensation policies to retain our employees, our ability to operate effectively and efficiently could be limited. **Since inception, we have conducted a..... to successfully manage our employee headcount. We must work closely with** continue to hire, train and manage new employees as needed. If our new hires perform poorly, or **our suppliers** if we are unsuccessful in hiring, training, managing and integrating these new employees, or if we are not successful in retaining our employees, our business may be harmed. A growth in headcount would continue to increase our cost base, which would make **timely** it more difficult for us to offset..... changing technology, evolving industry standards, new product introductions , and evolving methods of operations....., operating results, and financial condition . We rely on our close working relationships with our suppliers, including Intel, AMD and NVIDIA, to anticipate and deliver new products on a timely basis when new generation materials and key components are made available. If we are not able to maintain our relationships with our suppliers or continue to leverage their research and development capabilities to develop new technologies desired by our customers, our ability to quickly offer advanced technology and product innovations to our customers would be impaired. We have no long- term agreements that obligate our suppliers to continue to work with us or to supply us with products. **SMCI | 2023-2024 Form 10- K | 23 business operations,our business could be harmed.** Since inception,we have conducted ~~the a~~ majority of our manufacturing operations in San Jose,California.We continue to increase our manufacturing capacity in Taiwan and in the Netherlands and have sought to accelerate manufacturing in Taiwan **in order** to better diversify our geographical manufacturing concentration.In order to continue to successfully increase our operations in Taiwan,we must efficiently manage our Taiwan operations from our headquarters in San Jose,California and continue to develop a strong local management team.We are also pursuing an expansion of our manufacturing operations into Malaysia. **If During the second quarter of fiscal year 2023,we entered into a letter of understanding to acquire land in Malaysia.A definitive agreement to acquire such land,subject to various conditions,was subsequently executed in January 2023.We are obtaining early access to such land prior to acquisition,and we anticipate significant capital expenditures will be required for such initiative.To the extent we are unable to recoup expenditures made during our period of early access to such land and we are subsequently unable to complete the acquisition of the land,we could be materially and adversely affected.Furthermore,if** we are unable to successfully ramp up our international manufacturing capacity in Taiwan,the Netherlands,Malaysia,or any other jurisdictions we pursue,including the associated construction,increased logistics and warehousing,we may incur unanticipated costs,difficulties in making timely delivery of products or suffer other business disruptions which could adversely impact our results of operations .~~We may not be able to successfully manage our business for growth and expansion.~~ We expect to continue to make investments to pursue new customers,expand our product and service offerings to grow our business,and pursue new business markets and opportunities.We also expect that our annual operating expenses will continue to increase as we invest in sales and marketing,research and development,manufacturing and production

infrastructure, software and product service offerings, strengthen customer service and support resources for our customers, and pursue new business markets and opportunities. Our failure to expand operational and financial or internal control systems timely or efficiently could result in additional operating inefficiencies, which could increase our costs and expenses more than we had planned and prevent us from successfully executing our business plan. We may not be able to offset the costs of operation expansion by leveraging the economies of scale from our growth in negotiations with our suppliers and contract manufacturers. Additionally, if we increase our operating expenses in anticipation of the growth of our business and this growth does not meet our expectations, our financial results will be negatively impacted. There are also no assurances that investments we make to pursue new business markets and opportunities (such as ecommerce in B2B and B2C markets and data center offerings) will be successful or profitable, given the investment costs necessary to pursue these markets and opportunities, which includes investments in technology, people, time, and other overhead costs. As our business continues to ~~grow~~ **grows**, we will have to manage additional product design projects, materials procurement processes and sales efforts and marketing for an increasing number of SKUs, provide and update an increasing amount of software utilized in our hardware offerings, provide more sophisticated product service offerings to support our customers, expand the number and scope of our relationships with suppliers, distributors and end customers, and (for new business markets and opportunities we pursue) manage different and increasingly complex regulatory landscapes they are subject to. If we fail to manage these additional responsibilities and relationships successfully, we may incur significant costs, which may negatively impact our operating results. Additionally, in our efforts to be first to market with new products with innovative functionality and features, we may devote significant research and development resources to products and product features for which a market does not develop quickly, or at all. If we are not able to predict market trends accurately, we may not benefit from such research and development activities, and our results of operations may suffer. **SMCI | 2023 Form 10- K | 20** Managing our business for long- term growth also requires us to successfully manage our employee headcount. ~~We must continue to hire, train and manage new employees as needed. If our new hires perform poorly, or if we are unsuccessful in hiring, training, managing and integrating these new employees, or if we are not successful in retaining our employees, our business may be harmed. A growth in headcount would continue to increase our cost base, which would make it more difficult for us to offset any future revenue shortfalls by offsetting expense reductions in the short term. If we fail to successfully manage~~ We need our material and key component suppliers, such as Intel, AMD and NVIDIA, to provide us with components that are innovative, reliable and attractive to our customers. Due to the pace of innovation in our industry, many of our customers may delay or reduce purchase decisions until they believe that they are receiving best of breed products that will not be rendered obsolete by an impending technological development. Accordingly, demand for new server and storage systems that incorporate new products and features is significantly impacted by our suppliers' new product introduction schedules and the functionality, performance and reliability of those new products. If our materials and key component suppliers fail to deliver new and improved materials and components for our products, we may not be able to satisfy customer demand for our products in a timely manner, or at all. If our suppliers' components do not function properly, we may incur additional costs and our relationships with our customers may be adversely affected. ~~Certain components used in the manufacture of~~ **Our failure to deliver high quality server and storage solutions could damage our reputation and diminish demand for** our products ~~are available from a limited number of suppliers. Shortages could occur in these essential materials.....~~ **2023 Form 10- K | 24** Our server and storage solutions are critical to our customers' business operations. Our customers require our server and storage solutions to perform at a high level, contain valuable features and be extremely reliable. The design of our server and storage solutions is sophisticated and complex, and the process for manufacturing, assembling and testing our server solutions is challenging. Occasionally, our design or manufacturing processes may fail to deliver products of the quality that our customers require. For example, in the past certain vendors have provided us with defective components that failed under certain applications. As a result, our products needed to be repaired, and we incurred costs in connection with the recall and diverted resources from other projects. New flaws or limitations in our server and storage solutions may be detected in the future. Part of our strategy is to bring new products to market quickly, and first-generation products may have a higher likelihood of containing undetected flaws. If our customers discover defects or other performance problems with our products, our customers' ~~businesses~~ **business**, and our reputation, may be damaged. Customers may elect to delay or withhold payment for defective or underperforming server and storage solutions, request remedial action, terminate contracts for untimely delivery, or elect not to order additional products, which could result in a decrease in revenue, an increase in our provision for doubtful accounts or in collection cycles for accounts receivable or subject us to the expense and risk of litigation. We may incur expense in recalling, refurbishing or repairing defective server and storage solutions sold to our customers or remaining in our inventory. If we do not properly address customer concerns about our products, our reputation and relationships with our customers may be harmed. For all of these reasons, customer dissatisfaction with the quality of our products could substantially impair our ability to grow our business. ~~be materially and adversely impacted.~~ Our workforce may use AI tools on an unauthorized basis which poses additional risks relating to the protection of data, including the potential exposure of our proprietary confidential information to unauthorized recipients and the misuse of our or third- party intellectual property. Use of AI technology by our workforce may result in allegations or claims against us related to violation of third- party intellectual property rights, unauthorized access to or use of proprietary information and failure to comply with open -source software requirements. AI technology may also produce inaccurate responses that could lead to errors in our decision- making, solution development or other business activities, which could have a negative impact on our business, operating results and financial condition. Our ability to mitigate these risks will depend on our continued effective training, monitoring and enforcement of appropriate policies and procedures governing the use of AI technology, and compliance by our workforce. **Many governments, regulators, investors, employees, customers** ~~Our results of operations may be subject to fluctuations based upon our investment in corporate ventures and other investments we make~~ **stakeholders are increasingly focused on environmental, social and governance considerations relating to businesses, including** We have a 30 % minority

interest in a China corporate venture that was established to market and sell corporate venture branded systems in China based upon products and technology we supply. We record earnings and losses from the corporate venture using the equity method of accounting. Our loss exposure is limited to the remainder of our equity investment in the corporate venture which as of June 30, **2024 and 2023 and 2022** was \$ **4.6 million and \$ 2.0 million and \$ 5.3 million**, respectively. We currently do not intend to make any additional investment in this corporate venture. See **Part II, Item 8, Note 9-10**, “ Related Party Transactions ” **to in the Notes to the consolidated Consolidated financial Financial statements Statements** in this Annual Report **-We may make investments in other corporate ventures**. We do not control this corporate venture and any fluctuation in the results of operations of the corporate venture or any other similar transaction that we may enter into in the future could adversely impact, or result in fluctuations in, our results of operations. In June 2020, the third- party parent company that controls our corporate venture was placed on a U. S. government export control list, along with several related entities. In addition, the United States has further prohibitions on conducting business with certain entities in China **and**, continued to impose additional tariffs **, and has placed export control restrictions on products which contain high- end GPUs**. If economic conditions or trade disputes, including trade restrictions and tariffs such as those between the United States and China, in the areas in which we market and sell our products and other key potential markets for our products continue to remain uncertain or deteriorate, **or if additional export control restrictions are placed on additional products**, it may further affect the value of our investment in the corporate venture **We we** are subject to U.S. and other applicable trade control regulations that restrict with whom we may transact business, including the trade sanctions enforced by the U.S. Treasury, Office of Foreign Assets Control **and the export controls enforced by the U.S. Commerce Department’s Bureau of Industry and Security**. If we fail to comply with laws and regulations restricting dealings with sanctioned countries or companies and / or persons on restricted lists, we may be subject to civil or criminal penalties. Any future violations could have an adverse impact on our ability to sell our products to United States federal, state and local government and related entities. We have business relationships with companies in China and elsewhere in eastern Europe who have been, or may in the future be, added to **a the** restricted party list. We take steps to minimize business disruption when these situations arise; however, we may be required to terminate or modify such relationships if our activities are prohibited by U.S. **or other applicable** laws. Further, our association with these parties could subject us to greater scrutiny or reputational harm among current or prospective customers, partners, suppliers, investors, other parties doing business with us or using our products, **government enforcement agencies**, or the general public. The United States and other countries continually update their lists of export- controlled items and technologies, and may impose new or more- restrictive export requirements on our products in the future. As a result of regulatory changes, we may be required to obtain licenses or other authorizations to continue supporting existing customers or to supply existing products to new customers in China, eastern Europe and elsewhere. Further escalations in trade restrictions or hostilities, particularly between the United States and China, could impede our ability to sell or support our products. **Although we historically sold We do not sell products into or provide services to the Russian Federal Security Service (the “ FSB ”). We had last recorded revenue from Russia before broad sanctions on February 23, 2022. In addition,** . Because our products and services may store, process and use data, some of which contains personal information, we are subject to complex and evolving domestic and international laws and regulations regarding privacy, data protection and other matters, which are subject to change. Because our products and services store, process and use data, some of which contains personal information, we are subject to complex and evolving domestic and international laws and regulations regarding privacy, data protection, rights of publicity, content, protection of minors and consumer protection. Many of these laws and regulations, which can be particularly restrictive outside of the U. S., are subject to change and uncertain interpretation. Even our inadvertent failure to comply with such laws and regulations could result in investigations, claims, damages to our reputation, changes to our business practices, increased cost of operations and declines in user growth, retention or engagement, any of which could materially adversely affect our business, results of operations and financial condition. Costs to comply with and implement these privacy- related and data protection measures could be significant. SMCI | **2023-2024** Form 10- K | **25-33** Global privacy legislation, enforcement, and policy activity for privacy and data protection are rapidly expanding and creating a complex regulatory compliance environment. Costs to comply with and implement these privacy- related and data protection measures could be significant. For example, the EU General Data Protection Regulation 2016 / 679 (“ GDPR ”), and further amendments and interpretations thereof, impose stringent EU data protection requirements on companies established in the European Union or companies that offer goods or services to, or monitor the behavior of, individuals in the European Union. The GDPR establishes a robust framework of data subjects’ rights and imposes onerous accountability obligations on companies, including certain data transfer and security mechanisms. Noncompliance with the GDPR can trigger steep fines of up to the greater of 20 million euros or four percent of annual global revenue. Jurisdictions outside of the European Union are also considering and / or enacting comprehensive data protection legislation. For example, on July 8, 2019, Brazil enacted the General Data Protection Law, or the LGPD, and on June 5, 2020, Japan passed amendments to its Act on the Protection of Personal Information, or the APPI. Both laws broadly regulate the processing of personal information in a manner comparable to the GDPR, and violators of the LGPD and APPI face substantial penalties. We also continue to see jurisdictions, such as Russia, imposing data localization laws, which under Russian laws require personal information of Russian citizens to be, among other data processing operations, initially collected, stored, and modified in Russia. Similarly, on November 1, 2021, China’ s Personal Information Protection law came into effect, which places restrictions on the transfer of personal information to third parties within China or overseas. These regulations may deter customers from using services such as ours, and may inhibit our ability to expand into those markets or prohibit us from continuing to offer services in those markets without significant financial burden. In addition, numerous states in the U. S. are also expanding data protection through legislation. For example, California’ s Consumer Privacy Act (“ CCPA ”) gives California residents expanded privacy rights and protections and provides for civil penalties for violations and a private right of action for data breaches. Further, California voters approved the ballot initiative known as the California Privacy Rights Act of 2020 (“ CPRA ”), enforcement of which began on July 1, 2023. The

CPRA significantly expands privacy rights for California consumers and creates additional obligations on businesses, which could subject us to additional compliance costs as well as potential fines, individual claims and commercial liabilities. The CPRA also establishes the California Privacy Protection Agency, which has the power to implement and enforce the CCPA and CPRA through administrative actions, including administrative fines. The effects of the CCPA and the CPRA are potentially significant and may require us to modify our data collection or processing practices and policies and to incur substantial costs and expenses ~~in an effort~~ to comply and increase our potential exposure to regulatory enforcement and / or litigation. Other U. S. states have also enacted data privacy laws that began to take effect in 2023 and impose similar privacy obligations to the CCPA and CPRA. We anticipate that more states may enact legislation similar to these laws, by providing consumers with new privacy rights and increasing the privacy and security obligations of entities handling certain personal information of such consumers. The CCPA continues to prompt a number of proposals for new federal and state- level privacy legislation. Such proposed legislation, if enacted, may add additional complexity, variation in requirements, restrictions and potential legal risk, require additional investment of resources in compliance programs, impact strategies and the availability of previously useful data and could result in increased compliance costs and / or changes in business practices and policies. We have developed and implemented policies and procedures to address applicable data privacy and protection law requirements. However, because the interpretation and application of many privacy and data protection laws, commercial frameworks, and standards are uncertain, it is possible that these laws, frameworks, and standards may be interpreted and applied in a manner that is inconsistent with our existing data protection practices. If so, we and our customers are at risk of enforcement actions taken by data protection authorities or litigation from consumer advocacy groups acting on behalf of data subjects. In addition to the possibility of fines, lawsuits, breach of contract claims, and other claims and penalties, we could be required to fundamentally change our business activities and practices or modify our solutions, which could materially adversely affect our business, results of operations and financial condition. **Furthermore, applicable data privacy and security obligations may require us to notify relevant stakeholders, including affected individuals, customers, regulators and investors, of security incidents, and mandatory disclosure of such incidents could lead to negative publicity.** ~~SMCI | 2023-2024 Form 10- K | 26-34~~ Any failure to protect our intellectual property rights, trade secrets and technical know- how could impair our brand and our competitiveness. Our ability to prevent competitors from gaining access to our technology is essential to our success. If we fail to protect our intellectual property rights adequately, we may lose an important advantage in the markets in which we compete. Trademark, patent, copyright and trade secret laws in the United States and other jurisdictions as well as our internal confidentiality procedures and contractual provisions are the core of our efforts to protect our proprietary technology and our brand. Our patents and other intellectual property rights may be challenged by others or invalidated through administrative process or litigation, and we may initiate claims or litigation against third parties for infringement of our proprietary rights. Such administrative proceedings and litigation are inherently uncertain and divert resources that could be put towards other business priorities. We may not be able to obtain a favorable outcome and may spend considerable resources in our efforts to defend and protect our intellectual property. ~~SMCI | 2023 Form 10- K | 28~~ Furthermore, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Effective patent, trademark, copyright and trade secret protection may not be available to us in every country in which our products are available. The laws of some foreign countries may not be as protective of intellectual property rights as those in the United States, and mechanisms for enforcement of intellectual property rights may be inadequate. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property and using our technology for their competitive advantage. Any such infringement or misappropriation could have a material adverse effect on our business, results of operations **and financial condition.** Our operations could involve the use of regulated materials, and we must comply with environmental, health and safety laws and regulations, which can be expensive, and may affect our business, results of operations and financial condition. We are subject to federal, state and local regulations relating to the use, handling, storage, disposal and human exposure to materials, including hazardous and toxic materials. If we were to violate or become liable under environmental, health and safety laws in the future as a result of our inability to obtain permits, human error, accident, equipment failure or other causes, we could be subject to fines, costs or civil or criminal sanctions, face third- party property damage or personal injury claims or be required to incur substantial investigation or remediation costs, any of which could have a material adverse effect on business, results of operations and financial condition. We also face increasing complexity in our product design as we adjust to new requirements relating to the materials composition, energy efficiency and recyclability of our products, including EU eco- design requirements for servers and data storage products (Commission Regulation (EU) 2019 / 424). We are also subject to laws and regulations providing consumer warnings, such as California' s " Proposition 65 " which requires warnings for certain chemicals deemed by the State of California to be dangerous. We expect that our operations will be affected by other new environmental laws and regulations on an ongoing basis that will likely result in additional costs and could require that we change the design and / or manufacturing of products, and could have a material adverse effect on business, results of operations or financial condition. We are also subject to the Section 1502 of the Dodd Frank Act concerning the supply of certain minerals coming from the conflict zones in and around the Democratic Republic of Congo and adhere to broader industry best practices to source minerals responsibly from all Conflict- Affected and High- Risk Areas (" CAHRA "). These requirements and best practices can affect the cost and ease of sourcing minerals used in the manufacture of electronics. ~~As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in such internal controls. Section 404 of the Sarbanes- Oxley Act of 2002, or Section 404, requires that we evaluate and determine the effectiveness of our internal control over financial reporting and provide a management report and attestation from our independent registered public accountant on our internal control over financial reporting. Both our evaluation and the external attestation have and will continue to increase our and our independent public accountant costs and expenses. In the past, we have had one or more material weaknesses, which we have remediated. If we identify one or more material weaknesses in our internal control over~~

financial reporting, we will be unable to assert that our internal controls are effective, which could cause our stock price to decline. A “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. If we have material weaknesses in our internal control over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. If we identify material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of Section 404 in a timely manner, if we are unable to assert that our internal control over financial reporting is effective or if our independent registered public accounting firm is unable to attest that our internal control over financial reporting is effective, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could decrease. We could also become subject to stockholder or other third-party litigation as well as investigations by the stock exchange on which our securities are listed, the SEC or other regulatory authorities, which could require additional financial and management resources and could result in fines, penalties, trading suspensions or other remedies. SMCI | 2023-2024 Form 10-K | 27-35

Failure to comply with the U. S. Foreign Corrupt Practices Act, other applicable anti-corruption and anti-bribery laws, and applicable trade control laws could subject us to penalties and other adverse consequences.

We manufacture and sell our products in several countries outside of the United States, both to direct and OEM customers as well as through our indirect sales channel. Our operations are subject to the U. S. Foreign Corrupt Practices Act (the “FCPA”) as well as the anti-corruption and anti-bribery laws in the countries where we do business. The FCPA prohibits covered parties from offering, promising, authorizing or giving anything of value, directly or indirectly, to a “foreign government official” with the intent of improperly influencing the official’s act or decision, inducing the official to act or refrain from acting in violation of lawful duty or obtaining or retaining an improper business advantage. The FCPA also requires publicly traded companies to maintain records that accurately and fairly represent their transactions, and to have an adequate system of internal accounting controls. In addition, other applicable anti-corruption laws prohibit bribery of domestic government officials, and some laws that may apply to our operations prohibit commercial bribery, including giving or receiving improper payments to or from non-government parties, as well as so-called “facilitation” payments. In addition, we are subject to U. S. 23, 2022. In addition, while we have implemented policies, internal controls and other measures reasonably designed to promote compliance with applicable anti-corruption and anti-bribery laws and regulations, ~~and certain safeguards designed to ensure compliance with U. S. trade control laws,~~ our employees or agents have in the past engaged and may in the future engage in improper conduct for which we could be held responsible. If we, or our employees or agents acting on our behalf, are found to have engaged in practices that violate these laws and regulations, we could suffer severe fines and penalties, profit disgorgement, injunctions on future conduct, securities litigation, bans on transacting government business and other consequences that may have a material adverse effect on our business, results of operations and financial condition. In addition, our brand and reputation, our sales activities or our stock price could be adversely affected if we become the subject of any negative publicity related to actual or potential violations of anti-corruption, anti-bribery or ~~trade control~~ **other similar applicable** laws and regulations. **Any failure to protect our intellectual.....**

attention of our technical and management resources. Provisions of our certificate of incorporation and bylaws and Delaware law might discourage, delay or prevent a change of control of our company or changes in our management and, as a result, depress the trading price of our common stock. Our certificate of incorporation and bylaws contain provisions that could discourage, delay or prevent a change in control of our company or changes in our management that the stockholders of our company may deem advantageous. These provisions: • Establish a classified Board of Directors so that not all members of our Board are generally elected at one time; • Require super-majority voting to amend some provisions in our certificate of incorporation and bylaws; • Authorize the issuance of “blank check” preferred stock that our Board could issue to increase the number of outstanding shares and to discourage a takeover attempt; • Limit the ability of our stockholders to call special meetings of stockholders; • Prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders; • Provide that our Board is expressly authorized to adopt, alter or repeal our bylaws; and • Establish advance notice requirements for nominations for election to our Board or for proposing matters that can be acted upon by stockholders at stockholder meetings. In addition, we are subject to Section 203 of the Delaware General Corporation Law, which, subject to some exceptions, prohibits “business combinations” between a Delaware corporation and an “interested stockholder,” which is generally defined as a stockholder who becomes a beneficial owner of 15 % or more of a Delaware corporation’s voting stock for a three-year period following the date that the stockholder became an interested stockholder. Section 203 could have the effect of delaying, deferring or preventing a change in control that our stockholders might consider to be in their best interests. These anti-takeover defenses could discourage, delay or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and cause us to take corporate actions other than those stockholders’ desire. SMCI | 2023-2024

Form 10-K | 29-36 **The U. S. Government implemented an outbound investment review mechanism effective January 2, 2025, which may prevent us from taking advantage of investment opportunities outside the United States that could otherwise be advantageous to our stockholders. On October 28, 2024, the Office of Investment Security of the U. S. Department of the Treasury issued a final rule to implement President Biden’s August 2023 Executive Order on Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern (the “EO”). The EO provided for the establishment of a new and targeted national security regulatory framework directed at controlling outbound investment from the United States in certain sensitive industry sectors in China (including Hong Kong and Macau), effective January 2, 2025. The new framework imposes notification requirements and prohibitions on specified investments by U. S. persons in the semiconductor and microelectronics sector, quantum information technologies, and artificial intelligence systems. Within the semiconductor and microelectronics sector, prohibited investments will include certain covered investments in electronic design automation software; certain**

fabrication and advanced packaging tools; the design, fabrication, or packaging of certain advanced integrated circuits, and supercomputers. Notifiable investments will include any covered investments related to the design, fabrication, or packaging of integrated circuits not otherwise covered by the prohibition. Given the breadth of the notification requirement as applicable within the semiconductor industry, we will likely be subject to increased regulatory burden to engage in certain investments in China. Such a mechanism could negatively impact our ability to realize value from certain existing and future investments, including by limiting exit opportunities or causing us to favor buyers that may avoid complex notification requirements, even in circumstances where other buyers may offer better terms or more consideration. There can be no assurances that we will be able to maintain or proceed with investments on terms acceptable to us. It is possible that the outbound investment reporting requirements and prohibitions could adversely affect our business, financial condition, and operating results. Our indebtedness, liabilities, and other contractual obligations could limit the cash flow available for our operations, expose us to risks that could adversely affect our business, financial condition and results of operations and impair our ability to meet those obligations. As of June 30, 2024, we had approximately \$ 2. 2 billion of consolidated indebtedness, including \$ 1. 7 billion principal amount of the 2029 Convertible Notes. As of January 31, 2025, we had approximately \$ 1. 9 billion of consolidated indebtedness, including \$ 1. 7 billion principal amount of our 2029 Convertible Notes and on February 20, 2025, we issued \$ 700. 0 million aggregate principal amount of our 2028 Convertible Notes. We may also incur additional indebtedness to meet future financing needs. Our indebtedness could have significant negative consequences for our security holders and our business, results of operations and financial condition by, among other things: • Increasing our vulnerability to adverse economic and industry conditions; • Limiting our ability to obtain additional financing; • Requiring the dedication of a substantial portion of our cash flow from operations to service our indebtedness, which will reduce the amount of cash available for other purposes • Limiting our flexibility to plan for, or react to, changes in our business; • Diluting the interests of our existing stockholders as a result of issuing shares of our common stock upon conversion of the 2029 Convertible Notes or 2028 Convertible Notes, as applicable; and • Placing us at a possible competitive disadvantage with competitors that are less leveraged than us or have better access to capital. SMCI | 2024 Form 10- K | 37 Our business may not generate sufficient funds, and we may otherwise be unable to maintain sufficient cash reserves to pay amounts due under our indebtedness, including the Convertible Notes, as well as other contractual obligations. For example, in connection with the MCSA we entered into in June 2024, we executed a long- term data center space from a supplier and concurrently sublicensed all of our rights and obligations related to such data center space to another party. While we are charging an additional monthly charge to the party to whom we are sublicensing the data center space, on top of the estimated over \$ 600. 0 million financial obligation we have to the supplier for the term of the lease for the data center space, no assurances can be given that this arrangement will be successful or profitable, particularly if the party to whom we are sublicensing the data center space defaults on its obligations to us. If we are unsuccessful in recovering our costs related to our lease of data center space, or if we are otherwise unable to meet our obligations under the MCSA, our business, financial condition, and results of operations may be adversely affected. For more information about the MCSA and the data center space lease arrangements, see Part I, Item 1. “ Business- Data Center Space Lease ” and Note 13, “ Commitments and Contingencies ” in the Notes to the Consolidated Financial Statements. Additionally, we plan to continue making significant investments to support our business growth and may require additional funds to address business challenges. Our future capital requirements may vary materially from those currently planned and will depend on many factors including our growth rate and the continuing market acceptance of our products. Any future indebtedness that we may incur may contain financial and other restrictive covenants and obligations that limit our ability to operate our business, raise capital or make payments under our other indebtedness or contractual obligations. Failure to comply with these covenants or obligations, or to make required payments on time, could result in a default or material breach, potentially accelerating the repayment of that debt or resulting in the breach of contracts, which could in turn harm our business. See also, “ Risks Related to our Delinquent SEC Reporting Obligations. ” We may be unable to raise the funds necessary to repurchase the 2029 Convertible Notes or the 2028 Convertible Notes for cash following a fundamental change, to repay the outstanding principal and accrued interest upon an event of default, or to pay any cash amounts due upon conversion, and there may be other limits on our ability to repurchase the 2029 Convertible Notes or 2028 Convertible Notes or pay cash upon their conversion. Noteholders may require us to repurchase their 2029 Convertible Notes or 2028 Convertible Notes, as applicable, following a fundamental change (as defined in the respective indenture for such notes, which includes the delisting of our common stock) at a cash repurchase price generally equal to the principal amount of the relevant series of convertible notes to be repurchased, plus accrued and unpaid interest. Upon an event of default (as defined in the indenture for such notes), we may be required to repay the outstanding principal amount of the 2029 Convertible Notes or the 2028 Convertible Notes, plus accrued and unpaid interest. In addition, upon conversion, we will satisfy part or all of our conversion obligations in cash unless we elect to settle conversions solely in shares of our common stock (other than cash in lieu of any fractional shares). We may not have enough available cash or be able to obtain financing at the time we are required to repurchase the 2029 Convertible Notes or the 2028 Convertible Notes, repay the amounts owed under the relevant convertible notes in an event of default, or pay any cash amounts due upon conversion. Our ability to pay cash upon conversion of the relevant series of convertible notes depends in part on our future performance, which is subject to economic, financial, competitive and other factors including, but not limited to, rising inflation, elevated interest rates, and other negative macroeconomic factors, some of which are out of our control. Our business may not generate cash flow to service our debt. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive, which could

have a material adverse effect on our financial condition. In addition, applicable law, regulatory authorities and agreements governing our other indebtedness may restrict our ability to repurchase the 2029 Convertible Notes or 2028 Convertible Notes, as applicable, or pay any cash amounts due upon conversion. Our failure to repurchase the 2029 Convertible Notes or 2028 Convertible Notes, as applicable, or pay any cash amounts due upon conversion when required will constitute a default under the 2029 Convertible Notes Indenture or the indenture governing the 2028 Convertible Notes (the “2028 Convertible Notes Indenture”), as applicable. A default under the 2029 Convertible Notes Indenture or the 2028 Convertible Notes Indenture or the fundamental change itself could also lead to a default under agreements governing our other indebtedness, which may result in that other indebtedness becoming immediately payable in full. We may not have sufficient funds to satisfy all amounts due under the other indebtedness and the 2029 Convertible Notes or the 2028 Convertible Notes. See also, “Risks Related to our Delinquent SEC Reporting Obligations.” SMCI | 2024 Form 10- K | 38 Provisions in the 2029 Convertible Notes Indenture and the 2028 Convertible Notes Indenture could delay or prevent an otherwise beneficial takeover of us. Certain provisions in the 2029 Convertible Notes, the 2028 Convertible Notes, and the indentures governing such convertible notes could make a third- party attempt to acquire us more difficult or expensive. For example, if a takeover constitutes a fundamental change, then noteholders will have the right to require us to repurchase their convertible notes for cash. In addition, if a takeover constitutes a make- whole fundamental change (as defined in the 2029 Convertible Notes Indenture and the 2028 Convertible Notes Indenture, as applicable), then we may be required to temporarily increase the conversion rate of the 2029 Convertible Notes or 2028 Convertible Notes, as applicable, which could increase the cash cost of acquiring us or increase dilution to the potential acquiror. In either case, and in other cases, our obligations under the 2029 Convertible Notes, the 2028 Convertible Notes, the 2029 Convertible Notes Indenture, and the 2028 Convertible Notes Indenture could increase the cost of acquiring us or otherwise discourage a third party from acquiring us or removing incumbent management, including in a transaction that noteholders or holders of our common stock may view as favorable. The capped call transactions entered into in connection with the issuance of the 2029 Convertible Notes may affect our common stock. In connection with the offering of the 2029 Convertible Notes, we entered into privately negotiated capped call transactions with the capped call counterparties. The capped call transactions are expected generally to reduce the potential dilution to our common stock upon any conversion of the 2029 Convertible Notes or offset any potential cash payments we are required to make in excess of the principal amount of converted 2029 Convertible Notes, as the case may be, with such reduction or offset subject to a cap. In connection with the amendment of the 2029 Convertible Notes, we entered into agreements to amend certain terms of the capped call transactions. Following such amendment of the capped call transactions, the capped call counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the 2029 Convertible Notes (and are likely to do so during any observation period related to a conversion of 2029 Convertible Notes or following any repurchase of the 2029 Convertible Notes by us to the extent we elect to unwind a corresponding portion of the capped call transactions in connection with such repurchase). This activity could also cause or avoid an increase or a decrease in the market price of our common stock. In addition, if any capped call counterparties or their respective affiliates unwind their hedge positions with respect to our common stock, it could adversely affect the value of our common stock. We do not make any representation or prediction as to the direction or magnitude of any potential effect that the transactions described above may have on the price of our common stock. In addition, we do not make any representation that the capped call counterparties will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice. We are subject to counterparty risk with respect to the capped call transactions, and the capped call transactions may not operate as planned. The capped call counterparties are, or are affiliates of, financial institutions, and we will be subject to the risk that they might default under the capped call transactions. Our exposure to the credit risk of the capped call counterparties will not be secured by any collateral. Global economic conditions have from time to time resulted in the actual or perceived failure or financial difficulties of many financial institutions. If a capped call counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under our transactions with that capped call counterparty. Our exposure will depend on many factors, but, generally, the increase in our exposure will be correlated with increases in the market price or the volatility of our common stock. In addition, upon a default by a capped call counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our common stock. We can provide no assurances as to the financial stability or viability of any capped call counterparty. In addition, the capped call transactions are complex, and they may not operate as planned. For example, the terms of the capped call transactions may be subject to adjustment, modification or, in some cases, renegotiation if certain corporate or other transactions occur, including in connection with the amendment to the 2029 Convertible Notes, which lowered the applicable cap price to align with the amended terms of the 2029 Convertible Notes. Accordingly, these transactions may not operate as we intend if we are required to adjust their terms as a result of transactions in the future or upon unanticipated developments that may adversely affect the functioning of the capped call transactions. SMCI | 2024 Form 10- K | 39 Conversion of our 2029 Convertible Notes or 2028 Convertible Notes may dilute the ownership interest of existing stockholders or may otherwise depress the price of our common stock. Despite the entry into the capped call transactions in connection with the 2029 Convertible Notes, the conversion of some or all of the 2029 Convertible Notes or the conversion of some or all of the 2028 Convertible Notes, to the extent we deliver shares upon conversion, will likely dilute the ownership interests of existing stockholders. We did not enter into equivalent capped call transactions with respect to the 2028 Convertible Notes, so we do not have any protection against dilution or

cash payments upon conversion of the 2028 Convertible Notes above the applicable conversion price. Any sales in the public market of the 2029 Convertible Notes or the 2028 Convertible Notes or our common stock issuable upon conversion of the relevant convertible notes could adversely affect prevailing market prices of our common stock. In addition, the existence of the 2029 Convertible Notes or the 2028 Convertible Notes may encourage short selling by market participants because the conversion of the 2029 Convertible Notes or the 2028 Convertible Notes could be used to satisfy short positions, or anticipated conversion of the 2029 Convertible Notes or the 2028 Convertible Notes into shares of our common stock could depress the price of our common stock. Our research and development expenditures, as a percentage of our net sales, are considerably higher than many of our competitors and our earnings will depend upon maintaining revenues and margins that offset these expenditures. One of our key strategies is to focus on being consistently first-to-market with flexible and application optimized server and storage systems that take advantage of our own internal development and the latest technologies offered by microprocessor manufacturers and other component vendors. Consistent with this strategy, we believe we spend higher amounts, as a percentage of revenues, on research and development costs than many of our competitors. If we cannot sell our products in sufficient volume and with adequate gross margins to compensate for such an investment in research and development, our earnings may be materially and adversely affected. Our future effective income tax rates could be affected by changes in the relative mix of our operations and, our relative income among different geographic regions and by changes in domestic and foreign income tax laws, which could affect our future operating results, financial condition and cash flows. We receive significant tax benefits from sales to our non- U. S. customers. These benefits are contingent upon existing tax laws and regulations in the U. S. and in the countries in which our international operations are located. Future changes in domestic or international tax laws and regulations or a change in how we manage our international operations could adversely affect our ability to continue realizing these tax benefits. In recent years, numerous Many countries around the world are beginning to implement legislation-legislative, judicial, and other guidance-administrative changes have been made to align their international tax rules with the laws applicable to us and similar companies. The Organization for Economic Co- operation and Development (the " OECD ") has introduced a framework's Base Erosion and Profit Shifting recommendations and related action plans that aim to implement a standardize and modernize global minimum corporate tax policy of 15 % applicable to large multinational corporations, referred to as Pillar Two or the minimum tax directive. Many countries, including changes-countries in which we operate, have enacted or are in the process of enacting laws based on the Pillar Two proposal that will start to cross-border-become effective for our fiscal year ending June 30, 2025 (" fiscal year 2025 "). While we do not currently expect the minimum tax directive to have, transfer-pricing documentation rules and nexus-based tax incentive practices. As a material impact on result, many of these changes, if enacted, could increase our worldwide effective tax rate, our analysis is ongoing as the OECD continues to release additional guidance and countries implement legislation. To the extent additional changes take place in the countries in which we operate, it is possible that these legislative changes and efforts may increase uncertainty and have and- an harm-adverse impact on our effective tax rates our- or operating operations results, financial condition, and cash flows. Our future effective tax rate could-may also be adversely affected by a variety of factors, including changes in our business or statutory rates, our mix of earnings in countries with differing statutory tax rates, available tax incentives, credits and deductions, the expiration of statutes of limitations, changes in accounting principles, adjustments to income taxes upon finalization of tax returns, increases in expenses not deductible for tax purposes, the estimates of our deferred tax assets and liabilities and deferred tax asset valuation allowances, changing interpretation of existing laws and-or regulations and interpretations of such laws and regulations- the which in turn would negatively impact of accounting for business combinations, as well as changes in the domestic our- or earnings-international organization of our business and structure cash and cash equivalent balances we currently maintain. Additionally- Furthermore, the tax effects of accounting for stock-based compensation and volatility in our stock price may significantly impact our effective tax rate could also be in the period in which they occur. An increase in our stock price may result in increased future tax benefits from stock-based compensation, decrease our effective tax rate and positively affect our financial results. Conversely, a decline in our stock price may result in reduced future tax benefits from stock- based compensation, increase our effective tax rate and adversely affected-- affect if there is our financial results. SMCI | 2024 Form 10- K | 40 Backlog does not provide a substantial portion of change in international operations, our net sales in any quarter tax structure and how our operations are managed and structured, and as a result, we could experience harm to our operating results and financial condition. While we had greater than normal backlog during certain periods of fiscal year 2023-2024, historically, our net sales are difficult to forecast because we do not have sufficient backlog of unfilled orders or sufficient recurring revenue to meet our quarterly net sales targets at the beginning of a quarter. Rather, a majority of our net sales in any quarter depend upon customer orders that we receive and fulfill in that quarter. Because our expense levels are based in part on our expectations as to future net sales and to a large extent are fixed in the short term, we might be unable to adjust spending in time to compensate for any shortfall in net sales. Accordingly, any significant shortfall of revenues in relation to our expectations would harm our operating results. Risks Related to Owning Our Stock The trading price of our common stock has been and is likely to be volatile, and you might not be able to sell your shares at or above the price at which you purchased the shares. The trading prices of technology company securities historically have been highly volatile. In addition, the global markets have been volatile, and experienced volatility as a result of matters such as the prior COVID- 19 pandemic, the a global economic downturn and regional conflict recent events in eastern Europe. The trading price of our common stock has been and is likely to continue to be subject to wide fluctuations. Factors, in addition to those outlined elsewhere in this filing, that may affect the trading price of our common stock include: • If our common stock is delisted or the possibility thereof; • False or misleading press releases or articles regarding our company or our products, including the Report and similar publications; • Actual or anticipated variations in our operating results, including failure to achieve previously provided guidance; SMCI | 2023 Form 10- K | 30 • Announcements of

technological innovations, new products or product enhancements, strategic alliances or significant agreements by us or by our competitors; • **Continued rapid evolution of the markets in which we compete, including AI**; • Changes in recommendations by any securities analysts that elect to follow our common stock; • The financial projections we may provide to the public, any changes in these projections or our failure to meet these projections; • ~~False or misleading press releases or articles regarding our company or our products.~~ • The loss of a key customer **or supplier**; • The loss of key personnel; • Technological advancements rendering our products less valuable; • Lawsuits filed against us; • Changes in **laws or regulations applicable to us (including export control regulations)**; • **Increased scrutiny from stockholders, regulators, and others regarding our corporate sustainability practices**; • **Changes in** operating performance and stock market valuations of other companies that sell similar products; • Price and volume fluctuations in the overall stock market; • Market conditions in our industry, the industries of our customers and the economy as a whole; and • Other events or factors, including those resulting from war, incidents of terrorism, political instability, pandemics or responses to these events. **SMCI | 2024 Form 10- K | 41**

Future sales of shares by existing stockholders, including any shares that have vested or may in the future vest under each of the 2021 CEO Performance Award and the 2023 CEO Performance Award, could cause our stock price to decline. Attempts by existing stockholders to sell substantial amounts of our common stock **in on** the public market could cause the trading price of our common stock to decline significantly. All ~~of~~ our shares are eligible for sale in the public market, including shares held by directors, executive officers and other affiliates, sales of which are subject to volume limitations and other requirements under Rule 144 under the Securities Act. In addition, shares subject to outstanding options and reserved for future issuance under our stock option plans, including those underlying **each of** the 2021 **CEO Performance Award and the 2023** CEO Performance Award that have vested or vest in the future, are eligible for sale in the public market to the extent permitted by the provisions of various vesting agreements. See “Item 11. Executive Compensation – Compensation Discussion and Analysis (“CD & A”) – Fiscal Year ~~2023-2024~~ **2023-2024** CEO Compensation – Discussion and Analysis of ~~2021-2023~~ **2023** CEO Performance Award.” If these additional shares are sold, or if it is perceived that they will be sold in the public market, the trading price of our common stock could decline. **The 10,000,000 shares of our common stock underlying the 2021 CEO Performance Award have fully vested and are subject to the risks discussed above.** Furthermore, ~~additional~~ **additional** tranches of the ~~2021-2023~~ **2023** CEO Performance Award may vest, subject to the achievement of specified annualized revenue milestones (the “Annualized Revenue Milestones”) and a matching stock price milestone, and if such ~~additional~~ **additional** tranches do vest, they would be subject to the risks discussed above. In connection therewith, the Company has determined that ~~the all five~~ **the all five** Annualized Revenue Milestones ~~that have not yet been achieved~~ **specified in the 2023 CEO Performance Award** are “probable of achievement,” for purposes of determining whether to recognize expense associated with the applicable tranche. Such determination is based upon management’s subjective judgment and is not a guarantee that it will be achieved. See Note ~~10-11~~ **10-11**, “Stock-based Compensation and Stockholders’ Equity” in the Notes to Consolidated Financial Statements. **The concentration of our capital stock ownership with insiders likely limits your ability to influence corporate matters.** As of ~~July~~ **January** 31, ~~2023-2025~~ **2025**, our executive officers, directors, current five percent or greater stockholders and affiliated entities together beneficially owned ~~42-38~~ **3-5**% of our common stock, net of treasury stock. As a result, these stockholders, acting together, have significant influence over all matters that require approval by our stockholders, including the election of directors and approval of significant corporate transactions. Corporate action might be taken even if other stockholders oppose them. This concentration of ownership might also have the effect of delaying or preventing a change of control of our company that other stockholders may view as beneficial. We do not **expect to pay any cash dividends in the foreseeable future. We do not** anticipate that we will pay any cash dividends to holders of our common stock in the foreseeable future. ~~In addition, under the terms of the credit agreement with Bank of America, dated April 19, 2018, we cannot pay any dividends, with limited exceptions.~~ Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking cash dividends in the foreseeable future should not purchase our common stock. **SMCI | 2023 Form 10- K | 31**

Our products may not be viewed as supporting climate change mitigation in the IT sector. Our ability to create energy saving products will be a part of climate change mitigation, and we believe **it is** one of the keys to our business success. In addition, climate change reporting and product certification are increasingly sought by customers and regulators. If we do not satisfy customer requirements for products that help mitigate climate change, and document how they contribute to such change, it could have a material adverse impact on our business, operating results, and financial conditions. **SMCI | 2024 Form 10- K | 42** **Expectations and evolving laws and regulations relating to environmental, social and governance considerations expose us to potential liabilities, reputational harm and other unforeseen adverse effects on our business. Many governments, regulators, investors, employees, customers and other stakeholders are increasingly focused on environmental, social and governance considerations relating to businesses, including climate change and greenhouse gas emissions, human capital and diversity, equity and inclusion. We make statements about our environmental, social and governance goals and initiatives through information provided on our website, press statements and other communications. Responding to these environmental, social and governance considerations and implementation of these goals and initiatives involves risks and uncertainties and requires ongoing investments. The success of our goals and initiatives may be impacted by factors that are outside our control. In addition, some stakeholders may disagree with our goals and initiatives and the focus and views of stakeholders may change and evolve over time and vary depending on the jurisdictions in which we operate. Also, we and our suppliers are subject to, and may become subject to, evolving laws and regulations pertaining to ESG matters. Changing rules and regulations have resulted in, and are likely to continue to result in, increased general and administrative expenses and increased management time and attention spent complying with or meeting such regulations. Any failure, or perceived failure, by us to achieve our goals, further our initiatives, adhere to our public statements, make complete or accurate statements with respect to such matters, comply with federal, state or international environmental, social and**

governance laws and regulations, or meet evolving and varied stakeholder expectations and views could materially adversely affect our business, reputation, results of operations, financial position and stock price. Our business and operations may be impacted by natural disaster events, including those brought on by climate change. Land, sea and air routes between economic centers are subject to weather events exacerbated by climate change and can disrupt commercial activity. Our most significant business offices, research and development, and manufacturing locations, are in the San Jose, California area and in Taiwan. We are also in the process of developing manufacturing operations in Malaysia. Each region is subject to climate change events and **is known for earthquakes . For example, extreme heat and wind coupled with dry conditions in Northern California may lead to power safety shut offs due to wildfire risk, which can have adverse implications for our San Jose, California headquarter offices, including impairing the ability of our employees to work effectively** . While we have adopted a business continuity plan and are taking steps to further diversify our manufacturing locations, there is no certainty it will be effective for significant natural disasters, which could have a material adverse impact on business, operating results, and financial condition. **Growing concerns over Our workforce may use AI tools on..... governance considerations relating to businesses, including climate change and greenhouse may also lead to transition risks, such gas- as changes in customer preferences emissions, human capital and diversity, equity and inclusion. We make statements about our - or changing regulatory environmental, social and governance goals-legal requirements. Shifts in customer preferences could increase demand for more sustainable solutions and initiatives through information provided on-services, potentially forcing us to incur additional costs our- or alter our operations website, press statements and other communications** Responding to **meet these environmental demands. Additionally** , social and governance considerations and implementation **we may face increased costs for supplies or components that meet specific regulatory standards, potentially affecting the pricing of our products. If we fail to manage these transition goals and initiatives involves risks and uncertainties and requires ongoing investments. The success of our goals and initiatives may be impacted by factors that are outside our control. In addition, customer demand some stakeholders may disagree with our goals and initiatives and the focus and views of stakeholders may change and evolve over time and vary depending on the jurisdictions in which we operate. Any failure, or for perceived failure, by us to achieve our goals, further our initiatives, adhere to our public statements, comply with federal, state or our products international environmental, social and services governance laws and regulations, or meet evolving and varied stakeholder expectations and views could decrease materially adversely affect our business, reputation, results of operations, financial position and stock price.**