

Risk Factors Comparison 2023-06-28 to 2022-06-29 Form: 10-K

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

An investment in our securities is highly speculative and involves a high degree of risk. We face a variety of risks that may affect our operations or financial results and many of those risks are driven by factors that we cannot control or predict. Investors should carefully consider the risks described below and all of the other information set forth in this Report, before deciding to invest in our common stock. If any of the risks described below occur, our business, financial condition, results of operations and prospects could be materially adversely affected. In that case, the market price of our common stock would likely decline and investors could lose all or a part of their investment. Only those investors who can bear the risk of loss of their entire investment should consider an investment in our securities. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our operations. Risks Related to Our Business and the Industry in Which We Operate We have a history of losses, anticipate increasing our operating expenses in the future, and may not be able to achieve or maintain profitability. If we cannot achieve or maintain profitability, stockholders could lose all or part of their investment. Since our inception in 2007, we have generated minimal revenue and substantial net losses as we have devoted our resources to the development of our technology, and our business model has not been proven. As of March 31, ~~2022~~ **2023**, we had an accumulated deficit of \$ ~~178.209.6~~ **209.6** million. For the ~~year~~ **years** ended March 31, **2023 and 2022**, ~~the three months ended March 31, 2021, and the year ended December 31, 2020~~, our net loss was \$ **30.6 million and \$ 10.2 million, \$ 6.6 million and \$ 17.9 million**, respectively. We expect our operating expenses to **continue to** increase in the future as we expand our sales and marketing efforts and continue to invest in our infrastructure and **the** research and development of our technologies. These efforts may be more costly than we expect, and we may not be able to increase our revenue to offset our increased operating expenses. Our revenue growth may be slower than anticipated or our revenue may decline for a number of other reasons, including slower growth of, or reduced demand for, GaN power management solutions, increased competition, or any failure to capitalize on growth opportunities. If we are unable to generate sufficient revenue, we may never become profitable or be able to maintain any future profitability. If this were to occur, our stockholders could lose all or part of their investment. **If we do not successfully complete the rights offering and the asset-based debt financing initiatives we are pursuing (together, the “Short-term Financing Arrangements”), we believe that our existing cash and cash equivalents and forecasted revenue will be sufficient to fund our operations into the second half of September 2023. We recently announced a rights offering for our common stock, which we expect to commence soon after the filing of this Report. If the rights offering is fully subscribed, we intend to raise up to \$ 15 million through the rights offering, to be used for working capital and general corporate purposes. We are also pursuing conventional asset-based debt financing initiatives that, if consummated and together with proceeds from a fully subscribed rights offering, would provide us with working capital well into the fiscal year ending March 31, 2025. There can be no assurance that the rights offering will be fully subscribed or that we will be successful in closing the debt financing. If the rights offering is completed but not fully subscribed or the debt financing is not closed, or does not raise the amounts that we hope for, our forecasted financial runway will be significantly reduced. If we are unable to secure any additional funding through the Short-term Financing Arrangements, we believe that our existing cash and cash equivalents and forecasted revenue will be sufficient to fund our operations into the second half of September 2023. If we do not obtain any other financing, we would need to cease operations, liquidate our assets, and may seek the protection of applicable bankruptcy laws. Because all of our liabilities are senior to our common stock in our capital structure, any such liquidation or bankruptcy would likely result in the complete loss of your investment in our common stock. Therefore, trading in our securities is highly speculative and poses substantial risks. Filing for bankruptcy would have a material adverse effect on our business, financial condition, results of operations and liquidity. If the bankruptcy proceeding was under Chapter 11 of the U. S. Bankruptcy Code, our senior management would be required to spend a significant amount of time and effort dealing with the reorganization instead of focusing exclusively on our business operations. Bankruptcy protection or any other liquidation proceedings would also make it very difficult to retain management and other key personnel necessary to operate our business, and we may lose our suppliers, customers and business partners, all of which would reduce the value of our assets and any potential value to our stockholders. We intend to initiate a strategic review of opportunities to enhance stockholder value, and there can be no assurance that this strategic review will result in any transaction or that such transaction, if pursued, can be completed on attractive terms, or at all, or that such transaction will lead to increased stockholder value. Assuming we are able to raise sufficient funds through the Short-term Financing Arrangements, we intend to initiate, in our second fiscal quarter ending September 30, 2023, a strategic review of opportunities to enhance stockholder value which may include, among other things, strategic partnerships with third parties with equity or debt investment, a sale of the Company or certain of our assets, strategic licensing, or other financing alternatives. Our strategic plans are not yet finalized and are subject to market conditions and other uncertainties. There can be no assurance that any strategic review will be successful, that it will result in a transaction on terms acceptable to us or our stockholders, or at all, or will result in increased stockholder value. If we are unable to successfully execute our strategic review, or enter into a transaction on acceptable terms, we may be required to delay, limit or terminate our operations, liquidate our assets or restructure our liabilities, including potentially under the protection of applicable bankruptcy laws, any of which could result in the complete loss of your investment in our common stock. Apart from the immediate capital needs that we hope to satisfy with the Short-term Financing Arrangements, our ability to continue as a going concern will still depend**

on us being able to raise significant additional capital in the future to support fund our business operations, and this capital may be unavailable on attractive terms, if at all, and could dilute your investment. **Our recurring operating losses and current operating plans raise substantial doubt about our ability to continue as a going concern.** We currently incur and historically have incurred losses from operations and expect to do so in the foreseeable future. We have sustained recurring losses and negative cash flows from operations which previously raised substantial doubt about our ability to continue as a going concern. Our independent registered public accounting firm issued their audit report on the transition period of three months ended March 31, 2021, and the years ended December 31, 2020 and 2019, which included an explanatory paragraph as to our ability to continue as a going concern. During the year ended March 31, 2022-2023, we raised gross proceeds of \$ 50.16.90 million from selling shares of our common stock in private placements and, as used \$ 26.5 million of cash in operations. As of March 31, 2022-2023, we had \$ 33.15.45 million in cash and cash equivalents. In April 2023 While we believe that our existing cash and cash equivalents will be sufficient to fund our current operating plans for at least the next twelve months, we have based these estimates on assumptions that may prove to be wrong, and we could spend our available financial resources much faster than we currently expect and need to raise raised gross proceeds of \$ 7 additional funds sooner than we anticipate. 3 million from Our future ability to continue as a going concern will depend on us being able to raise significant additional capital to fund our operations and achieve our business objectives, as we do not expect to achieve profitability in the short-term exercise of warrants and \$ 2. We have outstanding 0 million from selling shares of our common stock in a private placement, but also used \$ 12.02 million of cash to repay our revolving loan with Nexperia when it that bears 6% annual interest and matures matured on the earlier of April 4, 2023 and the occurrence of specified change of control events. Even if We are also party to a joint venture agreement with a third party for the ownership and operations of GaNovation, which wholly owns AFSW, a wafer fabrication facility located in Aizu Wakamatsu, Japan. While we successfully close had a direct ownership interest in AFSW of 49% prior to August 2021, we now have an indirect ownership interest in AFSW of 25% through our ownership of GaNovation. For as long as we have had an ownership interest in AFSW, it has operated at a loss. Our share of the operating losses incurred by AFSW over the year ended March 31, 2022, the three the Short months ended March 31, 2021 and the year ended December 31, 2020 was approximately \$ 4.0 million, \$ 1.5 million and \$ 6.8 million, respectively. We have agreed to use our best efforts to maintain and continue the operations of AFSW until at least August 1, 2022, which will continue to negatively affect our cash flow. In addition, the ongoing COVID-19 term Financing Arrangements pandemic may negatively impact or slow down any efforts by us to secure additional business for AFSW. The future impact of the COVID-19 pandemic cannot be predicted with certainty and may make it more difficult or preclude us from raising additional capital, we increase our costs of capital and otherwise adversely affect our business, results of operations, financial condition and liquidity. We will be required to engage in additional equity or debt financings to secure additional funds. If we close one or more additional equity or convertible debt financings, our stockholders may experience significant dilution of their ownership interests, the rights given to new equityholders may be superior to those of our common stockholders and the per share value of our common stock could decline. Furthermore, if we engage in debt financing, the holders of debt would have priority over the holders of our common stock, and we may be required to accept terms that restrict our ability to run our business or incur additional indebtedness. The debt financing could also contain restrictive covenants that may impact how we run our business and could result in the loan being paid back in full immediately if we are in non-compliance. In addition, if the current global macroeconomic environment may make it more difficult or preclude us from raising additional capital, increase our costs of capital and otherwise adversely affect our business, results of operations, financial condition and liquidity. If we are unable to raise additional capital when needed or on acceptable terms, we may not be able to, among other things: • continue our business and operations; • develop or enhance our products; • continue to expand our sales and marketing and research and development organizations; • acquire complementary technologies, products or businesses; • expand operations, in the United States or internationally; • hire, train and retain employees; or • respond to competitive pressures or unanticipated working capital requirements. Our failure to do any of these things could harm our business, financial condition and results of operations or affect require us to restructure our liabilities, including potentially under the protection of applicable bankruptcy laws. Our joint venture arrangement involves numerous risks, including risks relating to the lack of full control of the joint venture (although key business decisions require unanimous consent), potential disagreements with our joint venture partner about how to manage the joint venture, conflicting interests of the joint venture, requirements to fund the joint venture and its business not being profitable. We are party to a joint venture agreement with a third party for the ownership and operations of GaNovation, which wholly owns AFSW, a wafer fabrication ability facility located in Aizu Wakamatsu, Japan that we rely on for all of our GaN fab- wafer requirements. From August 2021 to continue April 9, 2023, we held a 25% interest in GaNovation. Pursuant to our joint venture agreement, our interest in GaNovation increased to 32.5%, effective April 10, 2023. Accordingly, we are now responsible for 32.5% of the funding obligations and losses of AFSW through our ownership interest in GaNovation, subject to a maximum of \$ 12.0 million for the three-year period beginning August 1, 2021. As of March 31, 2023, we had provided \$ 5.3 million of this \$ 12.0 million commitment to GaNovation. For the years ended March 31, 2023 and 2022, GaNovation's primary business activity related to the businesses of AFSW. For as long as we have had an ownership interest in AFSW, it has operated at a going concern-loss. Our share of the operating losses incurred by our joint venture during the years ended March 31, 2023 and 2022 was \$ 2.7 million and \$ 4.0 million, respectively. We expect our loss in joint venture will increase during the year ended March 31, 2024 due to the increase in our ownership interest in GaNovation from 25% to 32.5%, effective April 10, 2023. In the future, we may enter into additional joint venture arrangements, including the addition of partners in AFSW or GaNovation, which could reduce our cash-funding obligations to AFSW. Although we take steps to carefully select our partners, our current and any future joint ventures may not be successful. Our joint venture partners may have economic, business or legal interests or goals that are inconsistent with ours, or those of the joint venture.

Moreover, if our joint venture partners fail to invest in the joint venture in the manner that is anticipated or otherwise fail to meet their contractual obligations, the joint venture may be unable to adequately perform and conduct its operations, requiring us to make additional investments or perform additional services to ensure the adequate performance and delivery of products and / or services to the joint venture's customers, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. Failure by us, or an entity in which we have a joint venture interest, to adequately manage the risks associated with such joint venture could have a material adverse effect on the financial condition or results of operations of our joint venture and, in turn, our business, financial condition, cash flows and results of operations. Our quarterly results of operations are likely to vary from period to period, which could cause the market price of our common stock to fluctuate or decline. Our results of operations have varied from period to period, and we expect that our quarterly results of operations will continue to vary as a result of a number of factors, many of which are outside of our control and may be difficult to predict, including: • our ability to raise additional financing in both the short- and long- term to continue our operations; • our ability to attract new and retain existing customers, including due to our perceived or actual financial condition; • the budgeting cycles and purchasing practices of customers; • the timing and length of our sales cycles, including the ability of our customers to design- in successfully with GaN power solutions; • changes in customer requirements or market needs, including market acceptance of GaN technology; • the timing and impact of new product introductions by us or our competitors or any other change in the competitive landscape of the semiconductor industry, including consolidation among our customers or competitors; • deferral of orders from customers in anticipation of new products or product enhancements announced by us or our competitors; • our ability to execute on our growth strategy and operating plans; • our ability to successfully expand our business domestically and internationally; • our ability to successfully compete with other companies in our market; • changes in our pricing policies or those of our competitors; • any disruption in, or termination of, our relationship with channel partners; • insolvency or credit difficulties confronting our customers, affecting their ability to purchase or pay for our products, or confronting our key suppliers, which could disrupt our supply chain; • the cost and potential outcomes of potential future litigation; • general economic conditions, both domestic and in our foreign markets; and • the amount and timing of operating costs and capital expenditures related to the expansion of our business. Any of the above factors, individually or in the aggregate, may result in significant fluctuations in our quarterly operating results. As a result of this variability, our historical results of operations should not be relied upon as an indication of future performance. Moreover, this variability and unpredictability could result in our failure to follow through on our operating plans or meet the expectations of investors for any period. If we fail to follow through on our operating plans or meet such expectations for these or other reasons, the market price of our common stock could fall substantially. Our business We are exposed to foreign currency exchange rate fluctuations. Although we hedge certain currency risks, our hedging strategies may not be successful in mitigating our risks and changes in foreign currency exchange rates may adversely affect our financial condition, cash flows and results of operations. We are exposed to fluctuations in foreign currency exchange rates, primarily the Japanese Yen, from our international operations. We translate revenues and other results denominated in foreign currencies into U. S. dollars for our consolidated financial statements. If the U. S. dollar strengthens relative to foreign currencies, particularly the Japanese Yen, there will be a negative impact on our operating results upon translation of those foreign operating results into the U. S. dollar and may distort period to period comparisons. For example, our loss from foreign currency exchange rate fluctuations was \$ 0. 2 million and \$ 0. 3 million for the years ended March 31, 2023 and 2022, respectively. While we recently began to hedge against certain exchange rate risks in an effort to minimize the impact of currency exchange rate fluctuations, we typically enter into hedging contracts with maturities of up to 12 months, leaving us exposed to longer term changes in exchange rates. These hedges may not fully offset the negative impacts on our financial condition from currency exchange rate fluctuations. To the extent that these hedges are inadequate, or if there are significant currency exchange rate fluctuations in currencies for which we do not have hedges in place, our reported financial results could be materially adversely affected by the effects of health epidemics or pandemics, including the ongoing COVID-19 global pandemic, in regions where we or third parties on which we rely have manufacturing or other business operations. Furthermore The effects of health epidemics or pandemics could materially affect our operations globally, if including at our headquarters in California and..... uncertain period of time, including as a result of travel restrictions, adverse effects on budget planning processes, business deterioration, and / or business shutdowns, all of which has impacted our business and results of operations. Some of our customers have experienced delays in their internal development programs and design cycles with our GaN products due to the effects of the COVID-19 pandemic, which have led to postponements of their orders of our products and postponements of determinations that our products will be used in their designs for new products under development with corresponding delays in their market introduction and our achievement of revenues. Our billings under our contract with the U. S. Navy have been lower than originally expected as a result of the pandemic. The pandemic has also led to delays for certain milestones in our development projects that are due in June 2022. We have taken precautionary measures intended to minimize the risk of the virus to our employees, our customers, and the communities in which we operate. For example, we have at times during the COVID-19 pandemic required our employees to work remotely unless they could not perform their essential functions remotely and suspended all non-essential travel. Although we continue to monitor the situation and may adjust our current policies as more information and public health guidance becomes available, temporarily suspending travel and restricting the ability to do business in person has impacted our customer success efforts, sales and marketing efforts, and may challenge our ability to enter into customer contracts or maintain or enter into new partnerships in a timely manner, slow down our recruiting efforts, or create operational or other challenges, any of which could harm our business, financial counterparty to condition and results of operations. Furthermore, if a natural disaster, power outage, connectivity issue, or our hedges experiences financial other event occurred that impacted our employees' ability to work remotely, it may be difficult difficulties or, in certain cases, not

possible, for ~~or~~ us to continue our business for a substantial period of time. There are no comparable recent events which may provide guidance as to the effect of the spread of COVID-19, and, as a result, the ultimate impact of the COVID-19 pandemic or a similar health epidemic is **otherwise unable to honor** highly uncertain and will depend on developments, including the duration and spread of the virus and its variants, its impact on our employees, customers, partners, suppliers and other ~~the~~ **terms** third-party providers, and actions that may be taken by governmental authorities. Some of our suppliers of certain ~~the~~ **foreign currency hedge, we may experience** materials ~~material~~ used in the production of our products are located in areas impacted by the COVID-19 pandemic, which could limit our ability to obtain sufficient materials for our products.

Furthermore, the pandemic may negatively impact our ability to secure additional business for AFSW. The pandemic has and will continue to adversely affect global economies and financial **losses** markets, resulting in an economic downturn that could affect demand for our products and impact our operating results. Even after the COVID-19 pandemic has subsided, we may continue to experience an adverse impact to our business as a result of the continued global economic impact of the pandemic. Any of the foregoing could significantly harm our business, and we cannot anticipate all of the ways in which health epidemics such as COVID-19 could adversely impact our business. We may not be able to develop new technologies and products to satisfy changes in customer demand or industry standards, and our competitors could develop products that decrease the demand for our products. Rapidly changing technologies and industry standards, along with frequent new product introductions, characterize the industries of many of our customers and potential customers. Our financial performance depends, in part, on our ability to design, develop, manufacture, assemble, test, market and support new products and enhancements on a timely and cost-effective basis. Our products have not been proven commercially on the scale of conventional power semiconductor products. The principal focus of our research and development activities has been to improve processes and support our ongoing development of GaN power management solutions. These projects are subject to various risks and uncertainties we are not able to control, including changes in customer demand or industry standards and the introduction of new or superior technologies by others. Moreover, any failure by us in the future to develop new technologies or timely react to changes in existing technologies could materially delay our development of new products, which could result in product obsolescence, decreased revenues and a loss of our market share to our competitors. In addition, products or technologies developed by others may render our products or technologies obsolete or non-competitive. Further, if our products are not in compliance with prevailing industry standards, such non-compliance could materially and adversely affect our financial condition, cash flows and results of operations. Our results of operations may fluctuate, in part, because of the resource intensive nature of our sales efforts, the length and variability of our sales cycle and the short-term difficulty in adjusting our operating expenses. To the extent our competitors develop products that our prospective customers view as equivalent or superior to ours, the average duration of our sales cycles may increase, and our sales efforts may be less successful. Because the length of time required to close a sale varies substantially from customer to customer, it is difficult to predict exactly when, or even if, we will make a sale with a potential customer. As a result, individual sales have, in some cases, occurred. We must commit resources to development, design and production prior to receipt of purchase commitments and could lose some or all of the associated investment. Our sales are typically made pursuant to individual purchase orders, rather than pursuant to long-term supply contracts. Many of these purchase orders may be revised or canceled without penalty. As a result, we typically must commit resources to the design, development, and production of products without any advance purchase commitments from customers. Any inability to sell a product after we devote resources to it could materially and adversely affect our financial condition, cash flows **and results of operations. Unfavorable**

worldwide economic conditions (including inflation), may negatively affect our business, financial condition and results of operations. The global economic downturn and volatility and adverse conditions in the capital and credit markets have negatively affected levels of business and consumer spending, heightening concerns about the likelihood of a global recession and potential default of various national bonds and debt backed by individual countries. Such developments, as well as the politics impacting these, could adversely affect our financial results. Uncertainty about worldwide economic conditions poses a risk as businesses may further reduce or postpone spending in response to reduced budgets, tight credit, negative financial news and declines in income or asset values, which could adversely affect our business, financial condition and results of operations and increase the volatility of our stock price. Inflation has also risen globally to historically high levels. If the inflation rate continues to increase, the costs of labor and other expenses could also increase. There is no assurance that our revenues will increase at the same rate that costs could increase. Inflation and government efforts to combat inflation, such as raising the benchmark interest rate, have increased and could continue to increase market volatility and have an adverse effect on the financial market and global economy. Such adverse conditions could negatively impact demand for our products, which could adversely affect our business, financial condition and results of operations. We compete in highly competitive markets, and competitive pressures from existing and new companies may adversely impact our business and operating results. The markets in which we compete are highly competitive. We expect competition to intensify in the future as existing competitors and new market entrants introduce new products into our markets. This competition could result in increased pricing pressure, reduced profit margins, increased sales and marketing expenses, and the loss of market share, any of which could seriously harm our business, financial condition and results of operations. If we do not keep pace with product and technology advances and otherwise keep our product offerings competitive, there could be a material and adverse effect on our competitive position, revenue and prospects for growth. Many of our existing competitors, such as silicon-based product providers (e. g., Infineon, ST Microelectronics, Toshiba and ON Semiconductor), silicon carbide-based product providers (e. g., Rohm, Infineon and Wolfspeed) and other high-voltage GaN product providers (e. g., Power Integrations, Infineon, Panasonic, GaN Systems, Navitas, Texas Instruments and Innoscience), have, and some of our potential competitors could have, substantial competitive advantages such as: • greater name recognition, longer operating histories and larger customer bases; • larger sales and marketing budgets and resources; • broader distribution and established relationships with channel partners and customers; • broader and deeper product lines; • greater customer

support resources; • greater resources to make acquisitions; • lower labor and research and development costs; • substantially greater financial and other resources; and • larger scale manufacturing operations. In addition, some of our larger competitors have substantially broader product offerings and may be able to leverage their relationships with channel partners and customers based on other products to gain business in a manner that discourages users from purchasing our products, including by selling at zero or negative margins or product bundling. Potential customers may also prefer to purchase from their existing suppliers rather than a new supplier regardless of product performance or features. As a result, even if the features of our products are superior, customers may not purchase our products. In addition, innovative start-up companies, and larger companies that are making significant investments in research and development, may invent similar or superior products and technologies that compete with our products. Our current and potential competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their resources. If we are unable to compete successfully, or if competing successfully requires us to take costly actions in response to the actions of our competitors, our business, financial condition and results of operations could be adversely affected. We rely on third-party channel partners to sell our products. If our partners fail to perform, our ability to sell our products and services could be limited, and if we fail to optimize our channel partner model going forward, our operating results could be harmed. A portion of our revenue is generated through sales by our channel partners, which include distributors and resellers. To the extent our channel partners are unsuccessful in selling our products, we are unable to enter into arrangements with, and retain, a sufficient number of effective channel partners in each of the regions in which we sell products or we are unable to keep our channel partners motivated to sell our products, our ability to sell our products and our operating results could be harmed. The termination of our relationship with any significant channel partner may adversely impact our sales and operating results. We rely on limited sources of wafer fabrication, packaged products fabrication and product testing, the loss of which could delay and limit our product shipments. AFSW currently satisfies all of our GaN fab-wafer requirements (i. e., when a GaN epiwafer undergoes various processes at a wafer fabrication facility). While we believe AFSW has sufficient capacity for our near-term business needs and is reasonably scalable as our demand for throughput increases, any disruption in the AFSW fabrication facilities may severely impact our supply. In the event we are unable to continuously sustain the AFSW fabrication facility, securing supply from another source and adapting our process at such source would lead to a significant set of challenges, additional costs and delays. We also utilize relatively standard back-side wafer processing services such as wafer-thinning and wafer back-side metalization from foundries in Asia. These suppliers also offer such services to other companies, which may lead to us not having access to adequate capacity for our needs and our customers' needs. We may have less control over delivery schedules and overall support versus other customers and users of those facilities. If the wafer foundries we use are unable or unwilling to manufacture our products in our required volumes, or at specified times, we may have to identify and qualify acceptable additional or alternative foundries. This qualification process could typically take three to six months and we may not find sufficient capacity in a timely manner or at an acceptable cost to satisfy our production requirements. We additionally use outsourced assembly and test providers ("OSATs") for packaging and testing of our products. We utilize multiple OSATs for various package types and a single OSAT for each type of package. These OSATs may take time, or may be unable, to respond if our throughput demands increase, particularly if we expect a rapid increase in production and could harm our ability to meet unexpected rises in demand in an acceptable time frame. If the OSATs we use are unable or unwilling to package and test our products in our required volumes, or at specified times, we may have to identify and qualify acceptable additional or alternative OSATs. This qualification process would typically take three to nine months and we may not find sufficient capacity in a timely manner or at an acceptable cost to satisfy our production requirements. Some companies that supply products to our customers are similarly dependent on a limited number of suppliers. These other companies' products may represent important components of power adapters, inverters and other products into which our products are designed. If these companies are unable to produce the volumes demanded by our customers, our customers may be forced to slow down or halt production on the equipment for which our products are designed, which could materially impact our order levels. **We rely on third parties for supply of raw materials and parts, assembly and test services, and transportation, among other things, and we generally cannot control their availability or conditions of supply or services. We rely on third-party suppliers and service providers, including raw material and components suppliers, OSATs, freight carriers and distributors, in manufacturing our products. This reliance involves several risks, including reduced control over availability, capacity utilization, delivery schedules, costs, and supply chain allocations. We currently source all of our package and test requirements from OSATs that are located predominantly in the Philippines and to a lesser extent in Taiwan and China. Since these OSATs might also provide services to our competitors, periods of increased industry demand may result in capacity constraints. We obtain our wafer products from our joint venture wafer fabrication facility located in Japan, and we manufacture our epi-wafers at our facilities in California and Japan. In the future, we plan to additionally obtain our epi-wafers from a facility in Taiwan. With respect to suppliers and other service providers located in Taiwan, geopolitical changes in China-Taiwan relations could disrupt their operations, which could adversely affect our ability to scale certain products and as a result, could adversely affect our business and results of operations. Our and our vendors' manufacturing processes require availability of certain raw materials and supplies. Limited or delayed access to these items could adversely affect our results of operations. In certain instances, one of our vendors may be the sole source of highly specialized processing services or materials. If such vendor is unable or unwilling to manufacture and deliver components to us on the time schedule and of the quality or quantity that we require, we may be forced to seek to engage an additional or replacement vendor, which could result in additional expenses and delays in product development or shipment of product to our customers. If additional or replacement vendors are not available, we may also experience delays in product development or shipment which could, in turn, result in the temporary or permanent loss of customers and as a result could adversely affect our business and results of operations. We cannot predict the extent to which the United States or**

other countries will impose quotas, duties, tariffs, taxes or other similar restrictions on the import or export of goods in the future, nor can we predict future trade policy or the terms of any renegotiated trade agreements and their impact on our business. The adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental action related to tariffs or trade agreements or policies has the potential to adversely impact demand for our products, our costs, our customers, our suppliers, and the U. S. economy, which in turn could have a material adverse effect on our business, financial condition and results of operations. Because we depend on third- party manufacturers to build portions of our products, we are susceptible to manufacturing delays and pricing fluctuations that could prevent us from shipping customer orders on time, if at all, or on a cost- effective basis, which may result in the loss of sales, income and customers. We depend on third- party manufacturers to build several stages of our products. Our reliance on these third- party manufacturers reduces our control over the manufacturing process and exposes us to risks, including reduced control over quality assurance, product costs, and product supply and timing. Any manufacturing disruption by these third- party manufacturers could severely impair our ability to fulfill orders. Our reliance on third- party manufacturers also creates the potential for infringement or misappropriation of our intellectual property. If we are unable to manage our relationships with third- party manufacturers effectively, or if our third- party manufacturers experience delays or disruptions for any reason, increased manufacturing lead- times, capacity constraints or quality control problems in their manufacturing operations, or if they otherwise fail to meet our future requirements for timely delivery, our ability to ship products to our customers would be severely impaired, and our business and results of operations would be seriously harmed. Our ~~operations globally~~, including at our headquarters in California and at our subsidiaries in Japan. For example, ~~the COVID- 19 pandemic has resulted in~~ government authorities around the world ~~implemented~~ ~~implementing~~ numerous measures to try to contain the COVID- 19 virus, such as travel bans and restrictions, quarantines, shelter- in- place or stay- at- home orders, and business shutdowns. ~~The~~ ~~During the~~ COVID- 19 pandemic ~~continues~~, we also took precautionary measures intended to minimize ~~impact our business and has adversely disrupted and will further disrupt~~ the risk ~~operations at certain~~ of the virus to our employees, our customers, partners, suppliers and the other communities in which we operate. For example ~~third- party providers for an uncertain period of time~~, including as we at times sales and marketing efforts during that time. In addition, as a result of the COVID- 19 pandemic, some of our customers experienced delays in their internal development programs and design cycles ~~can~~ with our GaN products, which led to postponements of their orders of our products and postponements of determinations that our products will be long- used in their designs for new products under development with corresponding delays in their market introduction and our achievement of revenues. We may continue to experience and - an unpredictable, and adverse impact to our business as sales efforts require considerable time and expense. As a result of the continued global economic impact of the pandemic. An earthquake, terrorist attack ~~our~~ or other man- made revenue is difficult to predict and may vary substantially from period to period, which may cause our or natural disaster could negatively impact our business and operating results of operations to fluctuate significantly. ~~The~~ Our results of operations may fluctuate,..... have, in some cases, occurred ~~occurrence~~ in quarters subsequent to or in advance of those we anticipated, or have not occurred at all, which makes it difficult for us to forecast our revenue accurately in any catastrophic quarter. Because a substantial portion of our expenses are relatively fixed in the short term, our results of operations will suffer if our revenue falls below expectations in a particular quarter, which could cause the market price of our common stock to decline. Our current operations are concentrated in one location and in the event of, including an earthquake, fire, flood, tsunami, the effects of climate change, or other weather event, power loss, telecommunications failure, software or hardware malfunctions, epidemic or pandemic diseases, cyber- attack, military conflict or war, or terrorist attack or other disaster affecting this location or those of our major suppliers, could materially impair our operations globally may be interrupted and our business may be harmed. Our ~~For example, our~~ principal executive offices and primary epiwafer operating facilities are situated near Santa Barbara, California, and most of our major suppliers, which are wafer foundries and assembly houses, are located in areas that have been subject to severe earthquakes and are susceptible to other disasters such as tropical storms, typhoons or tsunamis. In the event of a disaster, such as an earthquake and tsunami in Japan, we or one or more of our major suppliers may be temporarily unable to continue operations and may suffer significant property damage. Any interruption in our ability, or that of our major suppliers, to continue operations could delay the development and shipment of our products and have a substantial negative impact on our financial results. As part of our risk management policy, we maintain insurance coverage at levels that we believe are appropriate for our business. However, in the event of an accident or incident at these facilities, we cannot assure you that the amounts or coverage of insurance will be sufficient to satisfy any damages and losses, particularly as climate change continues to increase the risk of climate- related natural disasters. We rely on our management team and other key employees and will need additional personnel to grow our business. The loss of one or more key employees or our inability to attract and retain qualified personnel could harm our business. Our future success is substantially dependent on our ability to attract, retain and motivate the members of our management team and other key employees throughout our organization. The loss of one or more members of our management team or other key employees could materially impact our sales or our research and development programs and materially harm our business, financial condition, results of operations and prospects. We do not maintain key person life insurance policies on any of our management team members or key employees. Competition for highly skilled personnel is intense. We may not be successful in attracting or retaining qualified personnel to fulfill our current or future needs. For positions in our offices near Santa Barbara, California in particular, we may experience challenges hiring new and mid- level employees in part due to the high local housing costs. Our competitors may be successful in recruiting and hiring members of our management team or other key employees, and it may be difficult for us to find suitable replacements on a timely basis, on competitive terms, or at all. If we fail to effectively manage our growth, our business, financial condition and results of operations would be harmed. We are a development stage company with 108- 126 employees as of March 31, 2022- 2023 and are subject to the strains of ongoing development and growth, which

has placed significant demands on our management and our operational and financial infrastructure. To manage any growth effectively, we must continue to improve our operational, financial and management systems and controls by, among other things: • effectively attracting, training and integrating new employees, particularly members of our sales, applications and research and development teams; • further improving our key business applications, processes and IT infrastructure to support our business needs; • enhancing our information and communication systems to ensure that our employees and offices around the world are well coordinated and can effectively communicate with each other and our channel partners and customers; and • appropriately documenting and testing our IT systems and business processes. These and other improvements in our systems and controls will require significant capital expenditures and the allocation of valuable management and employee resources. If we fail to implement these improvements effectively, **or do not have the financial resources to pursue and implement these actions in full, or at all**, our ability to manage growth and ensure ongoing operation of key business systems would be impaired, and our business, financial condition and results of operations would be harmed. We are subject to a number of risks associated with international sales and operations. We have small teams that are engaged in marketing, selling and supporting our products internationally. As a result, we must hire and train experienced personnel to staff and manage our foreign operations. To the extent that we experience difficulties in recruiting, training, managing and retaining international employees, particularly managers and other members of our international sales team, we may experience difficulties in sales productivity in, or market penetration of, foreign markets. We also enter into strategic distributor and reseller relationships with companies in certain international markets where we do not have a local presence. If we are not able to maintain successful strategic distributor and reseller relationships with our international channel partners or recruit additional channel partners, our future success in these international markets could be limited. Investments in us may be subject to U. S. foreign investment regulations which may impose conditions on or limit certain investors' ability to purchase or hold our common stock, potentially limiting our ability to enter into or maintain strategic relationships and making our common stock less attractive to investors. Under section 721 of the U. S. Defense Production Act of 1950, as amended (the "DPA"), the U. S. President has the power to disrupt or block certain foreign investments in U. S. businesses if the President determines that such a transaction threatens U. S. national security. The Committee on Foreign Investment in the United States ("CFIUS") has the authority to conduct national security reviews of certain foreign investments. CFIUS may clear a transaction, negotiate or impose mitigation measures as a prerequisite to granting clearance of a transaction, or recommend that the President impose conditions or block the transaction or force divestment if the transaction has closed. The Foreign Investment Risk Review Modernization Act ("FIRRMA"), enacted in 2018, amended the DPA to, among other things, expand CFIUS' s jurisdiction beyond acquisitions of control of U. S. businesses. ~~Now~~, CFIUS also has jurisdiction over certain foreign non- controlling investments in U. S. businesses that involve critical technology or critical infrastructure, or that collect and maintain sensitive personal data of U. S. citizens ("TID U. S. Businesses"). We are a TID U. S. Business because we develop and design technologies that would be considered critical technologies. Certain foreign investments in TID U. S. Businesses are subject to mandatory filing with CFIUS. We have received and may continue to receive foreign investments, some of which may be subject to CFIUS jurisdiction. The enhanced scrutiny and potential restrictions on the ability of foreign persons to invest in us could limit our ability to engage in strategic transactions that could benefit our stockholders, including a change of control, and could also affect the price that an investor may be willing to pay for our common stock. We are subject to government regulation, including import, export and economic sanctions laws and regulations that may expose us to liability and increase our costs. Our products and technology are subject to U. S. export controls, including the U. S. Department of Commerce' s Export Administration Regulations and economic and trade sanctions regulations administered by the U. S. Treasury Department' s Office of Foreign Assets Controls. These regulations may limit the export of our products and technology, and provision of our services outside of the United States, or may require export authorizations, including by license, a license exception, or other appropriate government authorizations and conditions, including annual or semi- annual reporting. Export control and economic sanctions laws may also include prohibitions on the sale or supply of certain of our products to embargoed or sanctioned countries, regions, governments, persons, and entities. In addition, various countries regulate the importation of certain products, through import permitting and licensing requirements, and have enacted laws that could limit our ability to distribute our products. The exportation, re-exportation, and importation of our products and technology and the provision of services, including by our partners, must comply with these laws or else we may be adversely affected, through reputational harm, government investigations, penalties, and a denial or curtailment of our ability to export our products and technology. Complying with export control and sanctions laws may be time- consuming and may result in the delay or loss of sales opportunities. Although we take precautions to prevent our products and technology from being provided in violation of such laws, our products and technology may have previously been, and could in the future be, provided inadvertently in violation of such laws, despite the precautions we take. If we are found to be in violation of U. S. sanctions or export control laws, it could result in substantial fines and penalties for us and for the individuals working for us. Export or import laws or sanctions policies are subject to rapid change and have been the subject of recent U. S. and non- U. S. government actions. Changes in export or import laws or sanctions policies, may adversely impact our operations, delay the introduction and sale of our products in international markets, or, in some cases, prevent the export or import of our products and technology to certain countries, regions, governments, persons, or entities altogether, which could adversely affect our business, financial condition and results of operations. Our sales to government customers subject us to uncertainties regarding fiscal funding approvals, renegotiations or terminations at the discretion of the government, as well as audits and investigations, which could result in litigation, penalties and sanctions including early termination, suspension and debarment. Our multi- year contracts signed with agencies and departments of the U. S. government are generally subject to annual fiscal funding approval and may be renegotiated or terminated at the discretion of the government. Termination, renegotiation or the lack of funding approval for a contract could adversely affect our sales, revenue and reputation. Additionally, our government contracts are generally subject to requirements that are not typically present in commercial

contracts, such as various Federal Acquisition Regulation or Defense Federal Acquisition Regulation clauses. These clauses place certain requirements upon us such as compliance with equal opportunity employment, safeguarding of contractor information systems, executive compensation restrictions and reporting of certain lobbying activities. Government contracts are also subject to audits and investigations. Failure to meet contractual requirements could result in various civil and criminal actions and penalties, and administrative sanctions, including termination of contracts, refund of a portion of fees received, forfeiture of profits, suspension of payments, fines and suspensions or debarment from doing business with the government, any of which could materially adversely affect our business, financial condition and results of operations. Failure to comply with anti-bribery, anti-corruption and anti-money laundering laws could subject us to penalties and other adverse consequences. We are subject to the U. S. Foreign Corrupt Practices Act (“FCPA”) and other anti-corruption, anti-bribery, and anti-money laundering laws in the jurisdictions in which we do business, both domestic and abroad. These laws generally prohibit us and our employees from improperly influencing government officials or commercial parties in order to obtain or retain business, direct business to any person or gain any improper advantage. The FCPA and similar applicable anti-bribery and anti-corruption laws also prohibit our third-party business partners, representatives and agents from engaging in corruption and bribery. We and our third-party business partners, representatives and agents may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We may be held liable for the corrupt or other illegal activities of these third-party business partners and intermediaries, our employees, representatives, contractors, channel partners and agents, even if we do not explicitly authorize such activities. These laws also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions. Any violation of the FCPA or other applicable anti-bribery, anti-corruption laws and anti-money laundering laws could result in whistleblower complaints, adverse media coverage, investigations, imposition of significant legal fees, loss of export privileges, severe criminal or civil sanctions or suspension or debarment from U. S. government contracts, substantial diversion of management’s attention, drop in stock price or overall adverse consequences to our business, all of which may have an adverse effect on our reputation, business, financial condition, and results of operations. Our business may be affected by litigation and government investigations. We may from time to time receive inquiries and subpoenas and other types of information requests from government authorities and others and we may become subject to claims and other actions related to our business activities. While the ultimate outcome of investigations, inquiries, information requests and legal proceedings is difficult to predict, defense of litigation claims can be expensive, time-consuming and distracting, and adverse resolutions or settlements of those matters may result in, among other things, modification of our business practices, costs and significant payments, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Risks Related to Our Intellectual Property Any failure by us to protect our proprietary technologies or maintain the right to use certain technologies may negatively affect our ability to compete. To compete effectively, we must protect our intellectual property. We rely on a combination of patents, trademarks, copyrights, trade secret laws, confidentiality procedures and licensing arrangements to protect our intellectual property rights. We hold numerous patents and have a number of pending patent applications. However, our portfolio of patents evolves as new patents are issued and older patents expire and the expiration of patents could have a negative effect on our ability to prevent competitors from duplicating certain or all of our products. We might not succeed in obtaining patents from any of our pending applications. Even if we are awarded patents, they may not provide any meaningful protection or commercial advantage to us, as they may not be of sufficient scope or strength, or may not be issued in all countries where our products can be sold. In addition, our competitors may be able to design around our patents. There can be no assurance that an issued patent will remain valid and enforceable in a court of law through the entire patent term. Should the validity of a patent be challenged, the legal process associated with defending the patent can be costly and time consuming. Issued patents can be subject to oppositions, interferences and other third party challenges that can result in the revocation of the patent or limit patent claims such that patent coverage lacks sufficient breadth to protect subject matter that is commercially relevant. Competitors may be able to circumvent our patents. In cases where market ramp of our products may encounter delays it is possible that some patents or licensed patents covering the product has expired or will be in force for only a short period of time following such market ramp. We cannot predict with any certainty if any third party U. S. or foreign patent rights, or other proprietary rights, will be deemed infringed by the use of our technology. Nor can we predict with certainty which, if any, of these rights will or may be asserted against us by third parties. To protect our product technology, documentation and other proprietary information, we enter into confidentiality agreements with our employees, customers, consultants and strategic partners. We require our employees to acknowledge their obligation to maintain confidentiality with respect to our products. Despite these efforts, we cannot guarantee that these parties will maintain the confidentiality of our proprietary information in the course of future employment or working with other business partners. We develop, manufacture and sell our products in Asia and other countries that may not protect our intellectual property rights to the same extent as the laws of the United States. This makes piracy of our technology and products more likely. Steps we take to protect our proprietary information may not be adequate to prevent theft of our technology. We may not be able to prevent our competitors from independently developing technologies and products that are similar to or better than ours. Vigorous protection and pursuit of intellectual property rights or positions characterize the semiconductor industry. This often results in expensive and lengthy litigation. We, and our customers or suppliers, may be accused of infringing patents or other intellectual property rights owned by third parties in the future. An adverse result in any litigation against us or a customer or supplier could force us to pay substantial damages, stop manufacturing, using and selling the infringing products, spend significant resources to develop non-infringing technology, discontinue using certain processes or obtain licenses to use the infringing technology. In addition, we may not be able to develop non-infringing technology or find appropriate licenses on reasonable terms or at all. Patent disputes in the semiconductor industry between industry participants are often settled through cross-licensing arrangements. Our portfolio of patents may not have the breadth to enable us to settle an alleged patent infringement claim through a cross-licensing arrangement, especially for patent disputes brought by non-practicing entities

(patent holders who do not manufacture products but only seek to monetize patent rights) that cannot be settled through cross-licensing and cannot be avoided through cross-licensing with industry practitioners. We may therefore be more exposed to third-party claims than some of our larger competitors and customers. Customers may make claims against us in connection with infringement claims made against them that are alleged to relate to our products or components included in our products, even where we obtain the components from a supplier. In such cases, we may incur monetary losses due to cost of defense, settlement or damage award and non-monetary losses as a result of diverting valuable internal resources to litigation support. To the extent that claims against us or our customers relate to third-party intellectual property integrated into our products, there is no assurance that we will be fully or even partially indemnified by our suppliers against any losses. Furthermore, we may initiate claims or litigation against third parties for infringing our proprietary rights or to establish the validity of our proprietary rights. This could consume significant resources and divert the efforts of our technical and management personnel, regardless of the litigation's outcome. If we fail to comply with our obligations under any license, collaboration or other agreements, we may be required to pay damages and could lose certain intellectual property rights. Our current licenses impose, and any future licenses we enter into are likely to impose, various development, commercialization, funding, milestone, royalty, diligence, sublicensing, insurance, patent prosecution and enforcement and other obligations on us. If we breach any of these obligations, or use the intellectual property licensed to us in an unauthorized manner, we may be required to pay damages and the licensor may have the right to terminate the license, which could result in us being unable to develop, manufacture and sell products that are covered by the licensed technology or could enable a competitor to gain access to the licensed technology. Moreover, our licensors may own or control intellectual property that has not been licensed to us and, as a result, we may be subject to claims, regardless of their merit, that we are infringing or otherwise violating the licensor's rights in such unlicensed intellectual property. The amount of our future royalty obligations will depend on the technology and intellectual property we use in products that we successfully develop, manufacture and commercialize, if any. Therefore, even if we successfully develop and commercialize products, we may be unable to achieve or maintain profitability. **Additionally For example, our cooperation option agreement with Nexperia, establishes the parameters pursuant to which Nexperia, in certain limited instances (some of which may be beyond our control), is key-permitted to exercise our business, contains certain terms that, if triggered, could have a material adverse effect on our business, financial condition, results of operations and prospects. For instance, the LSA contains customary events of default including, among others, payment defaults, breaches of covenants defaults, the occurrence of a material adverse change, bankruptcy and insolvency defaults, cross defaults with certain material indebtedness, judgment defaults, and the occurrence of a change of control. In addition, an event of default will occur if the DLA is terminated under certain circumstances or we fail to timely deliver reports related to statements of work under the DLA. Upon the occurrence and during the continuance an event of default, Nexperia may declare all or a portion-- option (of our outstanding obligations to be immediately due and payable and exercise other-- the "rights and remedies provided for under the LSA. If specified events of default occur and remain continuing for more than 30 consecutive days, we are required to assign a portion-- Option ") of our patent portfolio constituting collateral to acquire Nexperia in satisfaction of our obligations under the LSA. During the existence of an event of default, interest on the obligations could be increased to 3.0% above the otherwise applicable interest rate. Additionally, pursuant to an intracompany license agreement with our wholly owned subsidiary, Transphorm Japan Epi, Inc. ("TJE"). In general, if the Option is exercisable upon (i) certain events acquisitions of securities or assets of us or our subsidiaries by a Competitor (some as defined in the option agreement) that results in us, directly or indirectly, owning less than a majority of TJE, which acquisition is followed by any material breach (may be beyond our control) occur, we could be forced to sell TJE at fair market value to a third party that is approved not cured within a specified time period) by us and/or a subsidiary of our obligations with respect to epiwafer supply to Nexperia under our supply agreement with Nexperia, or (ii) the unilateral termination by us of the supply agreement.** While TJE's epiwafer capacity currently is not required for production of our products, if such a "forced sale" event were to happen in the future, we could be required to purchase a portion of our epiwafer requirements from the a third party that purchases TJE. This could impact our epiwafer costs, reduce any overall profits, or cause us to lose a portion of our capacity, requiring us to generate more epiwafer capacity earlier than planned. This would result in greater capital expenditure than anticipated, which could have a material adverse effect on our business, financial condition, results of operations and prospects. Risks Related to Our Financial Control Environment Being a public company can be administratively burdensome and expensive. As a public reporting company, we are subject to the information and reporting requirements of the Securities Act, the Exchange Act and other federal securities laws, rules and regulations related thereto, including compliance with the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), and the Dodd-Frank Wall Street Reform and Consumer Protection Act. In addition, we are subject to the listing standards of the Nasdaq Capital Market. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Among other things, we are required to: • maintain and evaluate a system of internal controls over financial reporting in compliance with the requirements of Section 404 of the Sarbanes-Oxley Act and the related rules and regulations of the SEC and the Public Company Accounting Oversight Board; • maintain policies relating to disclosure controls and procedures; • prepare and distribute periodic reports in compliance with our obligations under federal securities laws; • institute a more comprehensive compliance function, including with respect to corporate governance; and • involve, to a greater degree, our outside legal counsel and accountants in the above activities. The costs of preparing and filing annual and quarterly reports, proxy statements and other information with the SEC and furnishing audited reports to stockholders is expensive and compliance with these rules and regulations will require requires us to continue to hire additional financial reporting, internal controls and other finance personnel, and will continue to involve a material increase in regulatory, legal and accounting expenses and the attention of our board of directors and management. In addition, being a public company makes it more expensive for us to obtain director and officer liability insurance. In the future, we may be required to accept reduced coverage or incur substantially higher costs to obtain this coverage. These factors could also make it

more difficult for us to attract and retain qualified executives and members of our board of directors. Any failure to maintain effective internal controls over our financial reporting could materially and adversely affect us. Section 404 of the Sarbanes-Oxley Act requires us to include in our annual reports on Form 10-K an assessment by management of the effectiveness of our internal controls over financial reporting. However, **while for as long as** we remain an emerging growth **company or a smaller reporting** company, we will not be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. We are also continuing to improve our internal control over financial reporting. We have expended, and anticipate that we will continue to expend, significant resources in order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting. Despite our efforts, there is a risk that we will not be able to conclude that our internal control over financial reporting is effective as required by Section 404. For example, in connection with the audit of our consolidated financial statements for the **year-years** ended March 31, **2023 and** 2022, the three - month transition period ended March 31, 2021 , and the year ended December 31, 2020, we identified material weaknesses in our internal control over financial reporting. We cannot predict the outcome of our testing in future periods. If we identify additional material weaknesses in the future or are unable to remediate the material weakness we currently have, our financial statements may be inaccurate and investors could lose confidence in the reliability of our financial statements, which in turn could negatively affect the market price of our common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the Nasdaq Capital Market. We have identified a material weakness in our internal control over financial reporting that, if not properly remediated, could result in material misstatements in our consolidated financial statements in future periods. We have limited accounting and financial reporting personnel and other resources with which to address our internal controls and related procedures. As disclosed in Item 9A of this Report, in connection with the audit of our consolidated financial statements for the **year-years** ended March 31, **2023 and** 2022, we identified one material weakness in our internal control over financial reporting related to insufficient personnel with technical accounting knowledge and financial reporting experience **and resulting in** inadequate performance of review controls with respect to certain areas of **the our** financial statements. Accordingly, we were not able to assert that our internal control over financial reporting was effective as of **March 31, 2023 or** March 31, 2022. 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. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. **Management has initiated corrective actions and procedures to remediate the identified material weakness, including hiring additional personnel with technical accounting knowledge and financial reporting experience, and has started to implement processes to support the complexity of our financial statements. We anticipate that these initiatives will be at least partially, if not fully, implemented by the end of fiscal year 2024. However, our ability to continue these remediation efforts is contingent upon our ability to raise significant additional funding.** Remediation of the material weakness will require management attention and cause us to incur additional expenses , **and is dependent on our ability to raise significant additional funding to support our operations, including these initiatives** . If we fail to remediate the material weakness, or if we are unable to maintain effective controls and procedures in the future, our ability to record, process, summarize and report financial information accurately and within the time periods specified in SEC rules and forms could be adversely affected. This failure could negatively affect the market price and trading liquidity of our common stock, cause investors to lose confidence in our reported financial information, subject us to civil and criminal investigations and penalties, and generally materially and adversely impact our business and financial condition. If our estimates or judgments relating to our critical accounting policies are based on assumptions that change or prove to be incorrect, our results of operations could fall below the expectations of investors, resulting in a decline in the market price of our common stock. The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the amounts reported in our financial statements. Significant assumptions and estimates used in preparing our financial statements include those related to assets, liabilities, revenue, expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of investors, resulting in a decline in the market price of our common stock. Changes in accounting rules and regulations, or interpretations thereof, could result in unfavorable accounting charges or require us to change our compensation policies. Accounting methods and policies for companies such as ours, including policies governing revenue recognition, leases, research and development and related expenses, and accounting for stock- based compensation, are subject to review, interpretation and guidance from our auditors and relevant accounting authorities, including the SEC. Changes to accounting methods or policies, or interpretations thereof, may require us to reclassify, restate or otherwise change or revise our historical financial statements, including those contained in this Report. Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited. We have incurred substantial losses during our history, do not expect to become profitable in the near future and may never achieve profitability. To the extent that we continue to generate taxable losses, unused losses will carry forward to offset future taxable income, if any, until such unused losses expire. Under Sections 382 and 383 of the Internal

Revenue Code of 1986, as amended, if a corporation undergoes an “ownership change,” generally defined as a greater than 50 % change (by value) in its equity ownership over a three- year period, the corporation’ s ability to use its pre- change net operating loss carryforwards (“NOLs”), and other pre- change tax attributes (such as research tax credits) to offset its post- change income or taxes may be limited. The Merger, our prior equity offerings and other changes in our stock ownership may have resulted in ownership changes. In addition, we may experience ownership changes in the future as a result of subsequent shifts in our stock ownership, some of which are outside of our control. As a result, if we earn net taxable income, our ability to use our pre- change NOLs to offset U. S. federal taxable income may be subject to limitations, which could potentially result in increased future tax liability to us. In addition, at the state level, there may be periods during which the use of NOLs is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed. ~~For example, California’s 2020 Budget Act temporarily suspended the use of NOLs and limited the utilization of the research credit to \$ 5 million annually for 2020, 2021 and 2022.~~ Risks Related to Ownership of Our Common Stock We are an “emerging growth company” and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies will make our common stock less attractive to investors. We are an “emerging growth company” as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including (1) not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes- Oxley Act, (2) reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and (3) exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could be an emerging growth company until the last day of our fiscal year ending March 31, 2026, although circumstances could cause us to lose that status earlier. Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to use the extended transition period under the JOBS Act until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates. Even after we no longer qualify as an emerging growth company, we may still qualify as a “smaller reporting company” which would allow us to take advantage of many of the same exemptions from disclosure requirements including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes- Oxley Act and reduced disclosure obligations regarding executive compensation. If we rely on these exemptions, investors may find our common stock less attractive, which could result in a less active trading market, if any, for our common stock and more volatility or a decline in our stock price. We are a smaller reporting company, and we cannot be certain if the reduced disclosure requirements applicable to smaller reporting companies will make our common stock less attractive to investors. We are currently a “smaller reporting company,” meaning that we are not an investment company, an asset- backed issuer, or a majority- owned subsidiary of a parent company that is not a smaller reporting company and the market value of our stock held by non- affiliates, or our public float, is less than \$ 250 million. In the event our public float increases, we will remain a smaller reporting company if we continue to have annual revenues of less than \$ 100 million during our most recently completed fiscal year and our public float is less than \$ 700 million. If we are still considered a smaller reporting company at such time as we cease being an “emerging growth company,” we will be required to provide additional disclosure in our SEC filings. However, similar to emerging growth companies, smaller reporting companies are able to provide simplified executive compensation disclosures in their filings; are exempt from the provisions of Section 404 (b) of the Sarbanes- Oxley Act requiring that independent registered public accounting firms provide an attestation report on the effectiveness of internal control over financial reporting; and have certain other decreased disclosure obligations in their SEC filings, including, among other things, only being required to provide two years of audited financial statements in annual reports. Decreased disclosures in our SEC filings due to our status as a smaller reporting company may make it harder for investors to analyze our results of operations and financial prospects, and may cause some investors not to invest in or hold our stock. Our principal stockholders and management have substantial control over us and could delay or prevent a change in corporate control. As of June 15-16, 2022 2023, KKR Phorm Investors L. P. (“Phorm”) beneficially owned approximately 40-38.45 % of our outstanding common stock, and our executive officers and directors, together with holders of ten percent or more of our outstanding common stock and their respective affiliates, beneficially owned approximately 42-40.23 % of our outstanding common stock. As a result, these stockholders, acting together, or Phorm individually, have the ability to significantly impact the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation, or sale of all or substantially all of our assets. In addition, these stockholders, acting together or Phorm individually, have the ability to significantly impact the management and affairs of our company. Pursuant to the terms of a stockholders agreement with Phorm (the “Phorm Stockholders Agreement”), Phorm has the right to nominate (i) a majority of the board so long as it beneficially owns at least 40 % of our then- outstanding shares of common stock, (ii) 33 % of the directors (rounded up to the nearest whole number) so long as it beneficially owns at least 20 % but less than 40 % of our then- outstanding shares of common stock, and (iii) 10 % of the directors (rounded up to the nearest whole number) so long as it beneficially owns at least 10 % but less than 20 % of our then- outstanding shares of common stock. Further, pursuant to the Phorm Stockholders Agreement, so long as Phorm beneficially owns 20 % or more of the outstanding shares of our common stock, we will take all necessary action to cause a director nominated by Phorm to serve as chair of our board of directors. The interests of these stockholders may not be the same as or may even conflict with your interests. The concentration of ownership and Phorm’ s rights under the Phorm Stockholders Agreement might decrease the market price of our common stock by: • delaying, deferring, or preventing a change in control of the company, which could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company or our assets and might affect the prevailing market price of our common stock; • impeding a merger,

consolidation, takeover, or other business combination involving us; or • discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of the company. The significant concentration of stock ownership may also adversely affect the trading price of our common stock due to investors' perception that conflicts of interest may exist or arise. Sales of substantial amounts of our common stock in the public markets, or the perception that such sales might occur, could cause the market price of our common stock to decline significantly, even if our business is doing well. Sales of a substantial number of shares of our common stock into the public market, particularly sales by our directors, executive officers and principal stockholders, or the perception that these sales might occur in large quantities, could cause the market price of our common stock to decline. If our stockholders sell, or the market perceives that our stockholders intend to sell, a substantial amount of our common stock in the public market, the market price of our common stock could decline significantly. **If you are eligible to participate in the rights offering and do not exercise your subscription rights in full, your percentage ownership and voting rights in the Company will be diluted. If you are eligible to participate in the rights offering because you were a stockholder of record as of 5: 00 p. m., Eastern Daylight Time, on June 26, 2023 and you choose not to exercise your subscription rights, you will retain your current number of shares of our common stock. However, if other eligible stockholders fully exercise their basic subscription rights, exercise a greater proportion of their basic subscription rights than you exercise, or purchase shares in excess of their basic subscription rights in connection with the over- subscription privilege in the rights offering, the percentage of our common stock owned by these other stockholders will increase relative to your ownership percentage, and your voting and other rights in the Company will accordingly be diluted.** We **may could** be subject to certain liquidated damages pursuant to the registration rights agreement we entered into with certain holders of our securities. Pursuant to registration statements that were declared effective by the SEC on June 19, 2020, January 27, 2021, December 1, 2021 **and**, December 27, 2021, **July 13, 2022, and May 1, 2023** (collectively, the "Resale Registration Statements"), we registered shares of our common stock for resale by the stockholders named therein. Pursuant to the registration rights agreements we entered into with certain holders of our securities, subject to certain exceptions, if (i) the Resale Registration Statements cease to remain continuously effective or such holders are otherwise not permitted to utilize the Resale Registration Statements to resell their registrable securities for a period of more than 15 consecutive trading days, or (ii) trading of our common stock is suspended or halted for more than three full, consecutive trading days, we **may could** be subject to certain liquidated damages up to a maximum amount equal to the aggregate purchase price paid by the holders for their registrable securities. If securities or industry analysts do not publish research or reports about our business, or if they issue an adverse or misleading opinion regarding our stock, our stock price and trading volume could decline. The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. We cannot assure you that brokerage firms will provide analyst coverage of our company in the future, or continue such coverage if started. In addition, investment banks may be less likely to agree to underwrite secondary offerings on our behalf than they might if we became a public reporting company by means of an underwritten initial public offering, because they may be less familiar with our company as a result of more limited coverage by analysts and the media, which could harm our ability to raise additional funding in the future. The failure to receive research coverage or support in the market for our shares will have an adverse effect on our ability to develop a liquid market for our common stock, which will negatively impact the trading price of our common stock. If any of the analysts who cover us issue an adverse or misleading opinion regarding us or if our operating results fail to meet the expectations of analysts, our stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. Anti- takeover provisions in our charter documents could make an acquisition of us more difficult and may prevent attempts by our stockholders to replace or remove our management. Provisions in our amended and restated certificate of incorporation and in our amended and restated bylaws may delay or prevent an acquisition of us or a change in our management. These provisions include a classified board of directors, a prohibition on actions by written consent of our stockholders, supermajority voting requirements to amend certain provisions of our certificate of incorporation and bylaws, and the ability of our board of directors to issue preferred stock without stockholder approval. Although we believe these provisions collectively will provide for an opportunity to receive higher bids by requiring potential acquirers to negotiate with our board of directors, they would apply even if the offer may be considered beneficial by some stockholders. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove then- current management by making it more difficult for stockholders to replace members of the board of directors, which is responsible for appointing the members of management. In addition, we have opted out of the provisions of Section 203 of the Delaware General Corporation Law ("DGCL"), which generally prohibit a Delaware corporation from engaging in any of a broad range of business combinations with any interested stockholder for a period of three years following the date on which the stockholder became an interested stockholder. However, our amended and restated certificate of incorporation provides substantially the same limitations as are set forth in Section 203 but also provides that Phorm and its affiliates and any of their direct or indirect transferees and any group as to which such persons are a party do not constitute interested stockholders for purposes of this provision. Our bylaws designate the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, and also provide that the federal district courts will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act, each of which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents. Our bylaws provide that, unless we consent in writing to an alternative forum, the Court of Chancery of the State of Delaware, or if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware, will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, stockholders, officers or other employees to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the

DGCL or our certificate of incorporation or bylaws (as either may be amended from time to time) or (iv) any action asserting a claim that is governed by the internal affairs doctrine, in each case subject to the Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein and the claim not being one which is vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery or for which the Court of Chancery does not have subject matter jurisdiction. Our bylaws also provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States will be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. Any person or entity purchasing or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and to have consented to these provisions of our bylaws. These exclusive- forum provisions may limit a stockholder' s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, employees or agents, which may discourage such lawsuits against us and our directors, officers, employees and agents even though an action, if successful, might benefit our stockholders. Stockholders who do bring a claim in the Court of Chancery could face additional litigation costs in pursuing any such claim, particularly if they do not reside in or near Delaware. The Court of Chancery or a federal district court may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action, and such judgments or results may be more favorable to us than to our stockholders. Alternatively, if a court were to find either of these provisions of our bylaws inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could have a material adverse effect on our business, financial condition or results of operations. We do not intend to pay dividends for the foreseeable future so any returns will be limited to changes in the value of our common stock. We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. Any future determination about the payment of dividends will be made at the discretion of our board of directors and will depend upon our results of operations, cash flows and financial condition, operating and capital requirements, contractual restrictions, including any loan or debt financing agreements, and such other factors as our board of directors deems relevant. As a result, stockholders must rely on sales of their common stock after price appreciation as the only way to realize any future gains on their investment, which may never occur.