UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2023

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number: 001-41295

transphorm

Transphorm, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**82-1858829**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
75 Castilian Drive	
Goleta, California	**93117**
(Address of principal executive offices)	(Zip Code)

(805) 456-1300
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value $0.0001 per share	TGAN	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer,"

“accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of February 6, 2024, 63,266,180 shares of the registrant’s common stock were outstanding.

Transphorm, Inc.
FORM 10-Q

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Glossary of Terms and Abbreviations

The following is a glossary of technical terms used in this Quarterly Report on Form 10-Q (this "Report"):

AC – alternating current

AEC-Q101 – Automotive Electronic Council's electronic components stress qualification standard

AFSW – Aizu Fujitsu Semiconductor Wafer Solution Limited, the wafer fabrication facility located in Aizu Wakamatsu, Japan that is owned by GaNovation, our joint venture company

DC – direct current

Epi/Epiwafer/Epimaterials – GaN device layers grown on a substrate, from which active GaN-based devices are subsequently manufactured in a wafer fabrication facility

FET – field effect transistor, a type of switching transistor

GaN – gallium nitride

JEDEC – Joint Electron Device Engineering Council, an independent semiconductor engineering trade organization and standardization body that represents all areas of the electronics industry

MOCVD – metal organic chemical vapor deposition, a technique for layering GaN layers onto substrates such as a silicon substrate and making the starting GaN semiconductor material (i.e., an epiwafer)

Power converters / Inverters – electronic systems used to convert electricity from AC to DC (such as a charger), DC-AC (such as an inverter) or in some cases AC-AC or DC-DC within the systems converting from one voltage level to another

Risk Factor Summary

Our business is subject to significant risks and uncertainties that make an investment in us speculative and risky. Below we summarize what we believe are the principal risk factors but these risks are not the only ones we face, and you should carefully review and consider the full discussion of our risk factors in the section titled "Risk Factors," together with the other information in this Report. If any of the following risks actually occurs (or if any of those listed elsewhere in this Report occur), our business, reputation, financial condition, results of operations, revenue, and future prospects could be seriously harmed. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business.

- We face risks related to our proposed acquisition by Renesas Electronics America Inc., including the possibility that the merger agreement is terminated prior to the completion of the merger, diversion of management's attention, disruption of our relationships with third parties and employees, restrictions on our business activities and potential litigation related to the merger.
- We have a history of losses, anticipate increasing our operating expenses and capital expenditures in the future, and may not be able to achieve or maintain profitability.
- Our ability to continue as a going concern will depend on us being able to raise significant additional capital to fund our operations, and this capital may be unavailable on attractive terms, if at all, and could dilute your investment.
- Our joint venture arrangement involves numerous risks, including risks relating to the lack of full control of the joint venture, potential disagreements with our joint venture partner about how to manage the joint venture, conflicting interests of the joint venture, completion of audit requirements under SEC rules, requirements to fund the joint venture and its business not being profitable.
- 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.
- 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 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.
- Our sales cycles can be long and unpredictable, and our sales efforts require considerable time and expense.
- 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.
- Unfavorable worldwide economic conditions (including inflation), may negatively 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.
- 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.
- 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.

- 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.
- 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.
- Our business could be adversely affected by health epidemics or pandemics.
- An earthquake, terrorist attack or other man-made natural disaster could negatively impact our business and operating results.
- The loss of one or more key employees or our inability to attract and retain qualified personnel could harm our business.
- If we fail to effectively manage our growth, 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.
- 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.
- 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 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.
- Any failure by us to protect our proprietary technologies or maintain the right to use certain technologies may negatively affect our ability to compete.
- 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.
- Any failure to maintain effective internal controls over our financial reporting could materially and adversely affect us.
- 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.
- 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.
- We could be subject to certain liquidated damages pursuant to the registration rights agreements we entered into with certain holders of our securities.
- Our principal stockholders and management have substantial control over us and could delay or prevent a change in corporate control.
- 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.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Transphorm, Inc.
Condensed Consolidated Balance Sheets (unaudited)
(in thousands, except share and per share data)

	December 31, 2023	March 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 7,951	$ 15,527
Restricted cash	—	500
Accounts receivable, net of allowance for doubtful accounts of $263 and $0 at December 31, 2023 and March 31, 2023, respectively, including related parties (Note 11)	1,721	4,396
Inventory	10,005	8,406
Prepaid expenses and other current assets	1,275	1,859
Total current assets	20,952	30,688
Property and equipment, net	7,679	7,890
Operating lease right-of-use assets	2,311	3,033
Goodwill	1,020	1,079
Intangible assets, net	99	321
Investment in joint venture	—	715
Other assets	601	726
Total assets	**$ 32,662**	**$ 44,452**
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses, including related parties (Note 11)	$ 9,306	$ 7,895
Deferred revenue	10	—
Accrued interest	—	180
Unfunded commitment in joint venture	1,296	—
Accrued payroll and benefits	1,430	1,458
Operating lease liabilities	368	404
Revolving credit facility	—	12,000
Total current liabilities	12,410	21,937
Operating lease liabilities, net of current portion	2,002	2,670
Other liabilities	—	230
Total liabilities	**14,412**	**24,837**
Commitments and contingencies (Note 7)		
Stockholders' equity:		

Preferred stock, $0.0001 par value; 5,000,000 shares authorized and none issued and outstanding as of December 31, 2023 and March 31, 2023		—		—
Common stock, $0.0001 par value; 750,000,000 shares authorized as of December 31, 2023 and March 31, 2023, and 63,195,948 and 57,047,013 shares issued and outstanding as of December 31, 2023 and March 31, 2023, respectively		6		6
Additional paid-in capital		262,319		230,272
Accumulated deficit		(242,146)		(209,236)
Accumulated other comprehensive loss		(1,929)		(1,427)
Total stockholders' equity		**18,250**		**19,615**
Total liabilities and stockholders' equity	**$**	**32,662**	**$**	**44,452**

See accompanying notes to unaudited condensed consolidated financial statements.

Transphorm, Inc.
Condensed Consolidated Statements of Operations (unaudited)
(in thousands, except share and per share data)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	**2022**	**2023**	**2022**
Revenue, net, including related parties (Note 11)	$ 4,670	$ 4,493	$ 15,563	$ 13,319
Cost of goods sold	4,595	7,162	12,226	14,444
Gross profit (loss)	75	(2,669)	3,337	(1,125)
Operating expenses:				
Research and development	2,839	2,325	8,730	5,895
Sales and marketing	1,745	1,447	4,935	3,596
General and administrative	4,412	3,457	11,870	9,818
Total operating expenses	8,996	7,229	25,535	19,309
Loss from operations	(8,921)	(9,898)	(22,198)	(20,434)
Interest expense	—	184	8	550
Loss in joint venture	978	799	2,559	2,065
Other expense (income), net	102	(421)	(188)	(1,241)
Loss before tax expense	(10,001)	(10,460)	(24,577)	(21,808)
Tax expense	—	—	—	—
Net loss	**$ (10,001)**	**$ (10,460)**	**$ (24,577)**	**$ (21,808)**
Deemed dividend related to warrant modification and issuance of Inducement Warrants (Note 8)	2,721	—	8,333	—
Net loss attributable to common stockholders	**$ (12,722)**	**$ (10,460)**	**$ (32,910)**	**$ (21,808)**
Net loss per share - basic and diluted	**$ (0.20)**	**$ (0.18)**	**$ (0.54)**	**$ (0.38)**
Weighted average common shares outstanding - basic and diluted	**62,183,843**	**56,739,450**	**61,458,945**	**55,926,828**

See accompanying notes to unaudited condensed consolidated financial statements.

Transphorm, Inc.
Condensed Consolidated Statements of Comprehensive Loss (unaudited)
(in thousands)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
Net loss	$ (10,001)	$ (10,460)	$ (24,577)	$ (21,808)
Other comprehensive loss, net of tax:				
Foreign currency translation adjustments	211	521	(502)	(136)
Other comprehensive loss (income), net of tax	211	521	(502)	(136)
Comprehensive loss	**$ (9,790)**	**$ (9,939)**	**$ (25,079)**	**$ (21,944)**

See accompanying notes to unaudited condensed consolidated financial statements.

Transphorm, Inc.
Condensed Consolidated Statements of Changes in Stockholders' Equity (unaudited)
For the Three Months Ended December 31, 2023 and 2022
(in thousands, except share data)

	Preferred Stock		Common Stock					
	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at September 30, 2023	**—**	**$ —**	**61,981,134**	**$ 6**	**$ 255,249**	**$ (229,424)**	**$ (2,140)**	**$ 23,691**
Restricted stock units vested	—	—	176,380	—	—	—	—	—
Restricted stock units surrendered due to net share settlement to satisfy employee tax liability	—	—	(30,838)	—	(86)	—	—	(86)
Stock warrant exercise and deemed dividend related to warrant modification, net of issuance costs (Note 8)	—	—	1,069,272	—	3,763	(837)	—	2,926
Deemed dividend related to issuance of Inducement Warrants (Note 8)	—	—	—	—	1,884	(1,884)	—	—
Issuance of common stock, net of issuance costs (Note 8)	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	1,509	—	—	1,509
Other comprehensive loss	—	—	—	—	—	—	211	211
Net loss	—	—	—	—	—	(10,001)	—	(10,001)
Balance at December 31, 2023	**—**	**$ —**	**63,195,948**	**$ 6**	**$ 262,319**	**$ (242,146)**	**$ (1,929)**	**$ 18,250**
Balance at September 30, 2022	**—**	**$ —**	**56,626,340**	**$ 6**	**$ 228,178**	**$ (189,986)**	**$ (1,853)**	**$ 36,345**
Stock options exercised	—	—	154,904	—	653	—	—	653
Restricted stock units vested	—	—	80,551	—	—	—	—	—
Restricted stock units surrendered due to net share settlement to satisfy employee tax liability	—	—	(52)	—	—	—	—	—
Stock-based compensation	—	—	—	—	1,123	—	—	1,123
Other comprehensive income	—	—	—	—	—	—	521	521
Net loss	—	—	—	—	—	(10,460)	—	(10,460)
Balance at December 31, 2022	**—**	**$ —**	**56,861,743**	**$ 6**	**$ 229,954**	**$ (200,446)**	**$ (1,332)**	**$ 28,182**

See accompanying notes to unaudited condensed consolidated financial statements.

Transphorm, Inc.

Condensed Consolidated Statements of Changes in Stockholders' Equity (unaudited)
For the Nine Months Ended December 31, 2023 and 2022
(in thousands, except share data)

	Preferred Stock		Common Stock					
	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at March 31, 2023	**—**	**$ —**	**57,047,013**	**$ 6**	**$ 230,272**	**$ (209,236)**	**$ (1,427)**	**$ 19,615**
Restricted stock units vested	—	—	475,940	—	—	—	—	—
Restricted stock units surrendered due to net share settlement to satisfy employee tax liability	—	—	(116,883)	—	(374)	—	—	(374)
Stock warrant exercise and deemed dividend related to warrant modification, net of issuance costs (Note 8)	—	—	2,885,120	—	11,684	(1,590)	—	10,094
Deemed dividend related to issuance of Inducement Warrants (Note 8)	—	—	—	—	6,743	(6,743)	—	—
Issuance of common stock, net of issuance costs (Note 8)	—	—	2,904,758	—	9,569	—	—	9,569
Stock-based compensation	—	—	—	—	4,425	—	—	4,425
Other comprehensive loss	—	—	—	—	—	—	(502)	(502)
Net loss	—	—	—	—	—	(24,577)	—	(24,577)
Balance at December 31, 2023	**—**	**$ —**	**63,195,948**	**$ 6**	**$ 262,319**	**$ (242,146)**	**$ (1,929)**	**$ 18,250**
Balance at March 31, 2022	**—**	**$ —**	**53,379,307**	**$ 5**	**$ 211,190**	**$ (178,638)**	**$ (1,196)**	**$ 31,361**
Stock options exercised	—	—	168,326	—	709	—	—	709
Restricted stock units vested	—	—	115,731	—	—	—	—	—
Restricted stock units surrendered due to net share settlement to satisfy employee tax liability	—	—	(1,620)	—	(6)	—	—	(6)
Issuance of common stock, net of issuance costs	—	—	3,199,999	1	15,719	—	—	15,720
Stock-based compensation	—	—	—	—	2,342	—	—	2,342
Other comprehensive loss	—	—	—	—	—	—	(136)	(136)
Net loss	—	—	—	—	—	(21,808)	—	(21,808)
Balance at December 31, 2022	**—**	**$ —**	**56,861,743**	**$ 6**	**$ 229,954**	**$ (200,446)**	**$ (1,332)**	**$ 28,182**

See accompanying notes to unaudited condensed consolidated financial statements.

Transphorm, Inc.
Condensed Consolidated Statements of Cash Flows (unaudited)
(in thousands)

	Nine Months Ended December 31,	
	2023	**2022**
Cash flows from operating activities:		
Net loss	$ (24,577)	$ (21,808)
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for inventory	332	2,810
Depreciation and amortization	913	719
Reduction in the carrying amount of right-of-use assets	396	425
Provision for doubtful accounts	263	—
Impairment of long-lived assets	208	—
Stock-based compensation	4,425	2,342
Interest cost	—	4
Gain on sale of equipment	(48)	(110)
Loss in joint venture	2,559	2,065
Changes in fair value of derivative instruments	169	75
Changes in operating assets and liabilities:		
Accounts receivable	2,404	(1,221)
Inventory	(2,047)	(3,956)
Prepaid expenses and other current assets	613	401
Other assets	146	(504)
Accounts payable, accrued expenses, and other liabilities	300	428
Deferred revenue	10	(346)
Accrued payroll and benefits	(20)	486
Operating lease liabilities	(406)	(392)
Net cash used in operating activities	**(14,360)**	**(18,582)**
Cash flows from investing activities:		
Purchases of property and equipment	(623)	(5,633)
Proceeds from sale of equipment	48	110
Investment in joint venture	(807)	(2,569)
Net cash used in investing activities	**(1,382)**	**(8,092)**
Cash flows from financing activities:		
Proceeds from stock option exercise	—	709
Proceeds from issuance of common stock	9,936	16,000
Cost associated with issuance of common stock and warrants	(123)	(280)
Payment for taxes related to net share settlement of restricted stock units	(374)	(6)
Proceeds from exercise of stock warrants	10,257	—
Loan repayment	(12,000)	—
Net cash provided by financing activities	**7,696**	**16,423**
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	**(30)**	**(35)**
Net decrease in cash, cash equivalents and restricted cash	**(8,076)**	**(10,286)**
Cash, cash equivalents and restricted cash at beginning of period	16,027	33,935
Cash, cash equivalents and restricted cash at end of period	**$ 7,951**	**$ 23,649**

Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets				
Cash and cash equivalents	$	7,951	$	23,149
Restricted cash		—		500
Cash, cash equivalents and restricted cash at end of period	**$**	**7,951**	**$**	**23,649**
Supplemental disclosures of cash flow information:				
Interest expense paid	$	188	$	546
Supplemental non-cash investing activity:				
Property and equipment in accounts payable and accrued expenses	$	185	$	—
Supplemental non-cash financing activity:				
Stock warrant exercise and deemed dividend related to warrant modification	$	1,590	$	—
Deemed dividend related to issuance of Inducement Warrants		6,743		—
Rights offering and warrant repricing costs in accounts payable and accrued liabilities		409		—
Operating lease right-of-use asset obtained in exchange for operating lease liabilities		—		3,598
Remeasurement of operating lease right-of-use assets and liabilities for lease modification		(300)		—

See accompanying notes to unaudited condensed consolidated financial statements.

Transphorm, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements

Note 1 - Business and Basis of Presentation

Transphorm Technology, Inc. ("Transphorm Technology"), a wholly owned subsidiary of Transphorm, Inc., was founded in 2007 to develop GaN semiconductor components used in power conversion.

Throughout these notes, "the Company," "Transphorm," "we," "us" and "our" refer to Transphorm, Inc. and its direct and indirect wholly-owned subsidiaries. Transphorm Technology and its subsidiaries hold all material assets and conduct all business activities and operations of the Company. Transphorm Technology's activities to date have been primarily performing research and development, establishing manufacturing infrastructure, market sampling, product launch, hiring personnel, and raising capital to support and expand these activities. Transphorm Japan, Inc. ("TPJ") was established in Japan in February 2014 to secure the Company's production capacity and establish a direct presence in Asian markets. Transphorm Aizu, Inc. ("Transphorm Aizu") was established in Japan to manage the financial transactions around Aizu Fujitsu Semiconductor Wafer Solution Limited ("AFSW"), the wafer fabrication facility located in Aizu Wakamatsu, Japan that is owned by GaNovation, the joint venture company in which the Company has a non-controlling interest. Transphorm Japan Epi, Inc. ("TJE") was established in Japan in 2019 to enable the operational capacity of the MOCVD reactors held in Aizu.

Going Concern

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) assuming the Company will continue as a going concern. The going concern assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business. However, substantial doubt about the Company's ability to continue as a going concern exists.

The Company has incurred significant operating losses since its formation. During the nine months ended December 31, 2023 and 2022, the Company incurred a net loss of $24.6 million and $21.8 million, respectively, and used $14.4 million and $18.6 million of cash in operating activities, respectively. As of December 31, 2023, the Company had cash of $8.0 million, an accumulated deficit of $242.1 million, and working capital of $8.5 million. Net losses are expected to continue until the Company reaches the necessary scale to generate net cash inflow from operations. Accordingly, the Company has historically relied on the issuance of stock to investors, debt financing, and the license of intellectual property to fund its operations.

On January 10, 2024, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement"), with Renesas Electronics America Inc., a California corporation ("Parent"), Travis Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Parent ("Merger Sub"), and Renesas Electronics Corporation, a Japanese corporation (solely for the purposes set forth in Section 9.17 of the Merger Agreement) ("Guarantor"), pursuant to which Merger Sub will merge with and into Transphorm, with Transphorm surviving the merger as a wholly owned subsidiary of Parent (the "Merger"). Completion of the Merger is subject to customary closing conditions set forth in the Merger Agreement, including, among other things: (1) the adoption of the Merger Agreement by the holders of a majority of the voting power of the outstanding shares of our common stock; (2) the absence of any law or order preventing or making illegal the consummation of the Merger; and (3) certain specified regulatory clearances.

While the Company expects the Merger Agreement to close in the second half of 2024, there is no assurance that all of the various conditions will be satisfied, or that the Merger will be completed on the proposed terms, within the expected timeframe, or at all. If the Company does not obtain any other financing, the Company would need to cease operations, liquidate its assets, and may seek the protection of applicable bankruptcy laws.

Given the Company's current liquidity, cash burn rate and capital readily available, management has concluded there is substantial doubt regarding the Company's ability to continue as a going concern within one year from the issuance date of the Company's condensed consolidated financial statements. The accompanying unaudited

condensed consolidated financial statements do not include any adjustments to the carrying amounts and classification of assets, liabilities, and reported expenses that may be necessary if the Company were unable to continue as a going concern.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements reflect all adjustments of a normal and recurring nature that are necessary for a fair presentation of the results for the interim period ended December 31, 2023, but are not necessarily indicative of the results that will be reported for the entire fiscal year or any other interim period. Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") have been condensed or omitted. The aforementioned unaudited condensed consolidated financial statements are prepared in conformity with GAAP and in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The interim information should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2023. The consolidated balance sheet as of March 31, 2023 is derived from those audited financial statements.

Significant Accounting Policies

Descriptions of the Company's significant accounting policies are included in Note 2 - Summary of Significant Accounting Policies in the notes to consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2023.

Accounting Standard Adopted

Financial Instruments - In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). The standard changed the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. ASU 2016-13 is effective for the Company's fiscal year ending March 31, 2024. The Company adopted this standard effective April 1, 2023 and the adoption did not have a material effect on the condensed consolidated financial statements.

Recently Issued Accounting Standards under Evaluation

Income Taxes - In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740).* The amendments in this ASU enhance transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the rate reconciliation, and income taxes paid disaggregation by jurisdiction. ASU 2023-09 is effective for annual periods beginning after December 15, 2024 for public business entities. The Company is currently evaluating the impact of this new standard on its consolidated financial statements and the adoption is not expected to have a significant impact on the consolidated financial statements.

Segment Reporting - In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures*. The amendments in ASU 2023-07 improve reportable segment disclosure requirements through enhanced disclosures about significant segment expenses. The amendments introduce a new requirement to disclose significant segment expenses regularly provided to the chief operating decision maker (CODM), extend certain annual disclosures to interim periods, and require that a public entity that has a single reportable segment provide all the disclosures required by the amendment and all existing segment disclosures in Topic 280. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024 and early adoption is permitted. The Company is currently evaluating the impact of this new standard on its consolidated financial statements and the adoption is not expected to have a significant impact on the consolidated financial statements.

Debt - In August 2020, the FASB issued ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40), Accounting for*

Convertible Instruments and Contracts in an Entity's Own Equity, to address the complexity in accounting for certain financial instruments with characteristics of liabilities and equity. Among other provisions, the amendments in this ASU significantly change the guidance on the issuer's accounting for convertible instruments and the guidance on the derivative scope exception for contracts in an entity's own equity such that fewer conversion features will require separate recognition, and fewer freestanding instruments, like warrants, will require liability treatment. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, excluding entities eligible to be smaller reporting companies as defined by the SEC. As the Company is a smaller reporting company, the ASU is effective for fiscal years beginning after December 15, 2023. The Company is currently evaluating the impact of this new standard on its consolidated financial statements and the adoption is not expected to have a significant impact on the consolidated financial statements.

Loss Per Share

Basic loss per share is calculated by dividing the Company's net loss applicable to common stockholders by the weighted average number of common shares during the period. Net loss applicable to common stockholders is calculated for each interim period as follows (*in thousands except for number of shares):*

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	**2022**	**2023**	**2022**
Net loss available to common stockholders	$ (10,001)	$ (10,460)	$ (24,577)	$ (21,808)
Deemed dividend related to warrant modification (Note 8)	(837)	—	(1,590)	—
Deemed dividend related to Inducement Warrants (Note 8)	(1,884)	—	(6,743)	—
Net loss attributable to common stockholders	(12,722)	(10,460)	(32,910)	(21,808)
Weighted average common shares outstanding - basic and diluted	62,183,843	56,739,450	61,458,945	55,926,828
Net loss per share	**$ (0.20)**	**$ (0.18)**	**$ (0.54)**	**$ (0.38)**

Diluted earnings per share is calculated by dividing the Company's net loss available to common stockholders by the diluted weighted average number of shares outstanding during the year. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted for any potentially dilutive debt or equity. Potentially dilutive shares are excluded from the computation of diluted loss per share during periods in which losses are reported since the result would be antidilutive.

Excluded from diluted loss per share for the three months ended December 31, 2023 and 2022 were 4,776,610 shares and 3,366,373 shares, respectively, because their inclusion would have been antidilutive. Excluded from diluted loss per share for the nine months ended December 31, 2023 and 2022 were 2,481,914 shares and 3,146,131 shares, respectively, because their inclusion would have been antidilutive.

Note 2 - Revenue Recognition

Revenue, net including related parties, disaggregated by contract type is as follows *(in thousands)*:

	Three Months Ended December 31,				Nine Months Ended December 31,			
	2023		2022		2023		2022	
Commercial product and service		3,175	$	3,960		9,727	$	11,556
Government		1,495		533		5,836		1,763
Revenue, net	**$**	**4,670**	**$**	**4,493**	**$**	**15,563**	**$**	**13,319**

Revenue from related parties is as follows and included in Commercial product and service revenue (*in thousands*):

	Three Months Ended December 31,				Nine Months Ended December 31,			
	2023		2022		2023		2022	
Commercial product and service	$	1,981	$	2,917	$	4,711	$	6,081

Government revenue for the three and nine months ended December 31, 2023 was primarily derived from a contract with the National Security Technology Accelerator ("NSTXL") which was awarded in May 2023, in which the Company may receive up to $15.2 million over the period from the first quarter of fiscal 2024 through the third quarter of fiscal 2026 for developing and manufacturing advanced GaN epiwafer materials in accordance with statements of work, and in support of an agreement between NSTXL and the U.S. Government. As of December 31, 2023, $7.5 million of the total $15.2 million has been funded by the U.S. Government. Government revenue for the three and nine months ended December 31, 2022 was primarily derived from contracts with the U.S. Navy, which ended in December 2022.

Note 3 - Concentration of Credit Risk and Significant Customers

The Company manages its credit risk associated with exposure to distributors and direct customers on outstanding accounts receivable through the application of credit approvals and other monitoring procedures. Credit sales, which are mainly on credit terms of 30 to 60 days, are only made to customers who meet the Company's credit standards, while sales to new customers or customers with low credit ratings are usually made on an advance payment basis. The Company closely monitors the aging of accounts receivable from its distributors and direct customers, and regularly reviews their financial positions, where available.

Significant customers are those that represent 10% or more of revenue or accounts receivable.

Total revenues, by percentage, from individual customers representing 10% or more of total revenues in the respective periods were as follows:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
Customer A	30.8%	20.5%	22.2%	13.9%
Customer B	*	10.6%	*	11.8%
Customer C	22.6%	*	16.0%	23.2%
Customer D	*	39.5%	*	24.4%
Customer E	*	*	*	*
Customer F	32.0%	*	37.5%	*

* Less than 10% of total

Accounts receivable, by percentage, from individual customers representing 10% or more of accounts receivable are set forth in the following table:

	December 31, 2023	March 31, 2023
Customer A	31.0%	26.2%
Customer B	*	*
Customer C	31.6%	12.8%
Customer D	*	38.2%
Customer E	21.3%	10.6%
Customer F	*	*

* Less than 10% of total

Customers A and D are related parties and Customer B is a government agency. JCP Capital Management, LLC Limited (“JCP Capital”) is a majority stockholder of Customer C. See Note 5 - Investment in Joint Venture and Note 11 - Related Party Transactions. Customer E is Array Microelectronics Limited and Customer F is NSTXL.

Note 4 - Balance Sheet Components

Inventory

Inventory consists of the following as of the dates presented *(in thousands)*:

	December 31, 2023	March 31, 2023
Raw materials	$ 4,669	$ 5,167
Work in process	2,181	1,719
Sub-assembly	2,083	809
Finished goods	1,072	711
Total	**$ 10,005**	**$ 8,406**

Property and equipment

Property and equipment, net consist of the following as of the dates presented (*in thousands*):

	December 31, 2023	March 31, 2023
Machinery and equipment	$ 14,193	$ 11,124
Computer equipment and software	890	887
Furniture and fixtures	73	75
Leasehold improvements	5,101	5,069
Construction in progress	3,462	6,446
Property and equipment, gross	23,719	23,601
Less: accumulated depreciation	(16,040)	(15,711)
Property and equipment, net	**$ 7,679**	**$ 7,890**

The Company recorded depreciation and amortization expense related to property and equipment, net of $0.2 million for each of the three months ended December 31, 2023 and 2022. The Company recorded depreciation and amortization expense related to property and equipment, net of $0.7 million and $0.5 million for the nine months ended December 31, 2023 and 2022, respectively.

For the three months ended December 31, 2023, the Company recorded a $0.2 million impairment in General and administrative expense of certain property and equipment classified as construction in progress. This was a result of a pending sale for the equipment that evidenced the fair value of the equipment was less than its carrying value.

Intangible assets

The carrying values of intangible assets as of the dates presented, respectively, consist of the following (*in thousands, except years):*

	December 31, 2023				
	Gross	**Accumulated Amortization**	**Foreign Exchange Rate Changes**	**Net**	**Estimated Useful Life (in years)**
Patents	$ 2,963	$ (2,864)	$ —	$ 99	10
Developed Technology - 150 V	560	(517)	(43)	—	6
Developed Technology - 600 V	1,701	(1,570)	(131)	—	6
Total	**$ 5,224**	**$ (4,951)**	**$ (174)**	**$ 99**	

	March 31, 2023				
	Gross	**Accumulated Amortization**	**Foreign Exchange Rate Changes**	**Net**	**Estimated Useful Life (in years)**
Patents	$ 2,963	$ (2,642)	$ —	$ 321	10
Developed Technology - 150 V	560	(517)	(43)	—	6
Developed Technology - 600 V	1,701	(1,570)	(131)	—	6
Total	**$ 5,224**	**$ (4,729)**	**$ (174)**	**$ 321**	

The Company recorded amortization expenses related to intangible assets of $0.1 million for each of the three months ended December 31, 2023 and 2022. The Company recorded amortization expenses related to intangible assets of $0.2 million for each of the nine months ended December 31, 2023 and 2022.

Estimated future amortization expenses related to intangible assets as of December 31, 2023 were as follows (*in thousands*):

Year Ending March 31,	
2024	$ 74
2025	25
Total	**$ 99**

Goodwill

Changes in the carrying amount of goodwill were as follows (*in thousands*):

Balance as of March 31, 2022	$ 1,180
Foreign currency translation adjustments	(101)
Balance as of March 31, 2023	**$ 1,079**
Foreign currency translation adjustments	(59)
Balance as of December 31, 2023	**$ 1,020**

There have been no impairment losses recorded to date.

Accounts payable and accrued expenses

Accounts payable and accrued expenses consist of the following as of the dates presented (*in thousands*):

	December 31, 2023	March 31, 2023
Accounts payable	**$ 4,232**	**$ 2,781**
Manufacturing production costs	1,017	506
Legal fees	842	596
Audit fees	50	318
Consulting fees	209	256
Royalty fees	221	76
Deposit liability	—	2,950
Equipment sale buyback liability	2,100	—
Other	635	412
Accrued expenses	**$ 5,074**	**$ 5,114**
Total Accounts payable and accrued expenses	**$ 9,306**	**$ 7,895**

Note 5 - Investment in Joint Venture

From April 1, 2022 through April 10, 2023, JCP Capital and the Company were responsible for 75% and 25%, respectively, of the funding obligations and losses of AFSW (through GaNovation). Beginning April 10, 2023, JCP Capital and the Company are responsible for 67.5% and 32.5%, respectively, of the funding obligations and losses of AFSW (through GaNovation). Notwithstanding this allocation of funding responsibilities, JCP Capital's total funding obligations or investment in GaNovation shall not exceed $35 million and the Company's total funding obligations or investment in GaNovation shall not exceed $12 million for the three-year period beginning August 1, 2021. As of December 31, 2023, the Company had provided $6.1 million of the Company's $12.0 million commitment to GaNovation.

The Company’s investment activities in GaNovation for the periods presented are summarized below *(in thousands)*:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
Beginning Balance	$ (59)	$ 414	$ 715	$ 143
Investment	—	1,032	807	2,569
Loss	(978)	(799)	(2,559)	(2,065)
Effect of exchange rate change	(259)	—	(259)	—
Ending Balance	**$ (1,296)**	**$ 647**	**$ (1,296)**	**$ 647**

Summarized financial information of GaNovation for the periods indicated are as follows *(in thousands)*:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
Sales	$ 2,593	$ 3,926	$ 8,419	$ 9,958
Gross loss	(1,879)	(2,716)	(6,166)	(6,964)
Net loss	(2,587)	(3,197)	(7,483)	(8,351)

Note 6 - Debts

Revolving Credit Facility

The Company entered into a Loan and Security Agreement (“LSA”) with Nexperia on April 4, 2018 which provided a $10.0 million revolving loan (Tranche C Loan) that was scheduled to mature at the earlier of (i) April 3, 2021, and (ii) the date a Change of Control (as defined in the LSA) of the Company occurs. Interest payable by the Company accrues on the outstanding principal amount of the loans during such period at a rate of 6% per annum. The credit facility was secured against certain of the Company’s U.S. patents not relating to MOCVD or epiwafer technology. On March 31, 2019, the Company executed Amendment No.1 to the LSA which provided for a $2.0 million development loan intended to pre-fund a 1200V technology development (“Tranche B-1 Loan”). On March 1, 2021, the maturity of the Tranche C Loan of $10.0 million was extended to May 18, 2021. On May 18, 2021, the maturity of the Tranche C Loan was extended to the earlier of April 4, 2023 or the occurrence of specified change of control events, and the $2.0 million Tranche B-1 Loan was converted into a Tranche C-1 Loan (the “Tranche C Loans” together with the Tranche C Loan) with the same terms and conditions as the existing Tranche C Loan.

As of December 31, 2023, there were no revolving loans outstanding, as the LSA with Nexperia terminated upon repayment of the principal and interest amount in full on April 4, 2023. There was no interest expense for the three months ended December 31, 2023. For the nine months ended December 31, 2023, the Company recorded interest expense of $8,000. For the three and nine months ended December 31, 2022, the Company recorded interest expense of $0.2 million and $0.6 million, respectively.

Equipment Financing

On December 21, 2023 (the “Effective Date”), the Company entered into an Equipment Purchase and Sale Agreement (the “Equipment Agreement”) with GlobalWafers Co., Ltd. (the “Buyer”), wherein the Company sold certain equipment associated with wafer manufacturing (the “Equipment”) to the Buyer for $2.1 million (the “Purchase Price”). The Equipment Agreement contains an option for the Company to repurchase the Equipment at any time within one year of the Effective Date at the Purchase Price, plus an amount equal to: (i) the Purchase Price, multiplied by (ii) 7.5%, divided by 12, multiplied by (iii) the number of full months that have elapsed after the Effective Date. If the Company does not exercise the option to repurchase the Equipment within one year of the Effective Date, (i) certain limitations on the Buyer’s use of the Equipment specifically applied to this Transphorm

consigned Equipment shall lapse and (ii) the Company shall pay $157,500 to the Buyer (i.e., 7.5% for 12 months, on the Purchase Price).

The Company determined that the transaction did not qualify as a sale under ASC 606 - *Revenue from Contracts with Customers* nor ASC 842 - *Leases* as a sale leaseback transaction. As such, the Company has accounted for the agreement under ASC 470 - *Debt*. As of December 31, 2023, the $2.1 million is included within Accounts payable and accrued expenses on the condensed consolidated balance sheets.

Note 7 - Commitments and Contingencies

Cooperation Agreement

On December 30, 2022, and effective as of December 18, 2022, the Company entered into a cooperation agreement (the “Cooperation Agreement”) with GaNext (Zhuhai) Technology Co., Ltd (“GaNext”). Among other things, the Cooperation Agreement calls for certain royalties including a royalty due to the Company in the event that GaNext utilizes epiwafers not provided by the Company (such royalties are based on time and volume with a minimum floor), and a royalty payable by the Company in the event the Company utilizes certain future platform that may be developed independently by GaNext (such royalties are based on time and volume, and half the amount per wafer of the royalties GaNext would pay the Company when utilizing epiwafers not provided by the Company). As of December 31, 2023, no amounts have been earned by or due to either party and, thus, no amounts have been recorded in the condensed consolidated financial statements.

Contingencies

During the ordinary course of business, the Company may become a party to legal proceedings incidental to its business. The Company accrues contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. Legal cost is expensed as incurred. There are currently no material claims or actions pending or threatened against us.

Indemnification

The Company from time to time enters into types of contracts that contingently require the Company to indemnify parties against third-party claims. These contracts primarily relate to: (1) real estate leases, under which the Company may be required to indemnify property owners for environmental and other liabilities and for other claims arising from the Company’s use of the applicable premises; (2) agreements with the Company’s officers, directors, and employees, under which the Company may be required to indemnify such persons from liabilities arising out of their relationship; (3) indemnifying customers in the event of product failure; and (4) agreements with outside parties that use the Company’s intellectual property, under which the Company may indemnify for copyright or patent infringement related specifically to the use of such intellectual property.

Historically, the Company has not been required to make payments under these obligations, and no liabilities have been recorded for these obligations in the Company’s condensed consolidated financial statements.

Note 8 - Stockholders’ Equity

As of December 31, 2023, 750,000,000 shares of common stock are authorized, of which 63,195,948 shares of common stock were issued and outstanding, and 5,000,000 shares of preferred stock are authorized, none of which were issued and outstanding. The Company’s Board of Directors has the ability to designate the rights, preferences and privileges for the preferred stock.

Common Stock

Common stockholders are entitled to dividends, as and when declared by the Company's Board of Directors, subject to the priority dividend rights of the holders of any then-outstanding preferred stock. There have been no dividends declared to date. The holder of each share of common stock is entitled to one vote.

The Company has reserved shares of common stock for future issuance as of the date presented as follows:

	December 31, 2023
Equity incentive plans	11,099,382
Common stock warrants	4,027,929
Total	**15,127,311**

April 2023 Private Placement of Common Stock, Warrant Repricing, and Warrant Issuance

On April 3, 2023, the Company entered into warrant exercise inducement offer letters with certain holders of outstanding warrants to purchase shares of the Company's common stock, pursuant to which such warrant holders agreed to exercise, for cash, then-existing warrants to purchase, in the aggregate, 1,815,848 shares of the Company's common stock, in exchange for the Company's agreement to (i) lower the exercise price of the then-existing warrants to $4.00 per share and (ii) issue new warrants (the "April 2023 Inducement Warrants") to the warrant holders to purchase, in the aggregate, up to 2,269,810 shares of the Company's common stock. The April 2023 Inducement Warrants have an exercise price of $5.00 per share, provide for a cashless exercise feature, and are exercisable until April 3, 2026.

The Company determined that the modification was not executed in contemplation of an imminent equity offering, financing transaction nor represented compensation for goods and services and is not within the scope of another ASC Topic. As such, the Company concluded that the $0.8 million incremental fair value of the modified warrants and the $4.9 million fair value of the April 2023 Inducement Warrants should be treated as deemed dividends to the warrant holders in accordance with ASC Subtopic 815-40 – *Derivatives and Hedging – Contracts in Entity's Own Equity*.

Also on April 3, 2023, the Company entered into securities purchase agreements with two accredited investors that are affiliated with each other (the "Purchasers") pursuant to which the Company agreed to sell to the Purchasers in a private placement (the "Private Placement") for an aggregate purchase price of $2.0 million (i) an aggregate of 500,000 shares of the Company's common stock at a purchase price of $4.00 per share and (ii) warrants to purchase an aggregate of 250,001 shares of the Company's common stock (the "Warrants"). The Warrants have an exercise price of $5.00 per share, provide for a cashless exercise feature, and are exercisable until April 3, 2026.

In connection with the April 2023 warrant repricing and Private Placement, the Company received $7.3 million from the exercise of then-existing warrants and $2.0 million from the sale of common stock in the Private Placement, for total aggregate gross proceeds of approximately $9.3 million (before deducting legal costs of $0.1 million).

December 2023 Warrant Repricing and Warrant Issuance

On December 21, 2023, the Company entered into warrant exercise inducement offer letters with certain holders of outstanding warrants to purchase shares of the Company's common stock, pursuant to which such warrant holders agreed to exercise, for cash, then-existing warrants to purchase, in the aggregate, 1,069,272 shares of the Company's common stock, in exchange for the Company's agreement to (i) lower the exercise price of the then-existing warrants to $2.80 per share and (ii) issue new warrants (the "December 2023 Inducement Warrants") to the warrant holders to purchase, in the aggregate, up to 1,069,272 shares of the Company's common stock. The December 2023 Inducement Warrants have an exercise price of $3.80 per share, provide for a cashless exercise feature, and are exercisable until December 21, 2026.

The Company determined that the modification was not executed in contemplation of an imminent equity offering, financing transaction nor represented compensation for goods and services and is not within the scope of another ASC Topic. As such, the Company concluded that the $0.8 million incremental fair value of the modified warrants and the $1.9 million fair value of the December 2023 Inducement Warrants should be treated as deemed dividends to the warrant holders in accordance with ASC Subtopic 815-40 – *Derivatives and Hedging – Contracts in Entity's Own Equity*.

In connection with the December 2023 warrant repricing, the Company received aggregate gross proceeds of $3.0 million from the exercise of then-existing warrants (before deducting legal costs of $0.1 million).

The following warrants to purchase common stock were outstanding as of December 31, 2023:

Number of Warrant Shares	Exercise Price	Expiration Date
360,938	6.00	November 5, 2024
67,568	9.25	December 7, 2024
281,081	9.25	December 10, 2024
10,116	8.48	December 10, 2025
45,000	3.30	December 23, 2025
84,000	4.00	April 3, 2026
2,100,539	5.00	April 3, 2026
1,069,272	3.80	December 21, 2026
6,046	34.74	5 years after an initial public offering of the Company
3,369	54.41	5 years after an initial public offering of the Company
4,027,929		

The following table summarizes stock warrant activity for the periods presented:

	Number of Warrant Shares
Outstanding at March 31, 2023	**3,323,966**
Stock warrants issued	3,589,083
Stock warrants exercised	(2,885,120)
Outstanding and exercisable at December 31, 2023	**4,027,929**

Rights Offering

On July 5, 2023, the Company distributed to all holders of record of its common stock as of 5:00 p.m., Eastern Daylight Time, on June 26, 2023, for each share of common stock held as of June 26, 2023, one non-transferable subscription right. Each subscription right carried with it (i) a basic subscription right, which entitled the holder to purchase 0.07655623 of a share of common stock and (ii) an over-subscription privilege, which entitled a holder that had exercised its basic subscription right in full to subscribe for additional shares of common stock that were offered in the rights offering, to the extent other holders did not exercise their basic subscription rights in full. The subscription price was $3.30 per whole share of common stock.

The Company completed the rights offering in August 2023 and issued 2,404,758 shares of common stock, which generated approximately $7.9 million in gross proceeds (before deducting legal costs of $0.3 million).

Note 9 - Stock-Based Compensation

Out-of-Period Adjustment

For the three months ended June 30, 2023, the Company recorded a $0.4 million out-of-period adjustment to stock-based compensation expense and additional paid-in-capital related to prior periods. The adjustment was a correction of an error to properly reflect (i) the grant date fair value of awards and (ii) the straight-lining of stock-based compensation expense for graded-vested awards under ASC 718, *Compensation – Stock Compensation* and in accordance with the Company's stock-based compensation expense recognition policy election. The Company assessed that this error was not material to the historical financial statements in any individual period or in the aggregate, the current interim period and its forecasted results for the full 2024 fiscal year and did not result in the previously issued financial statements being materially misstated.

Option Modification

During the nine months ended December 31, 2023, the Company recognized $0.5 million in incremental compensation cost as a result of an amendment to a former employee's option agreements to allow for an extended post termination exercise period.

Note 10 - Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a three-tier fair value hierarchy for disclosure of fair value measurements as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2 - Inputs (other than quoted prices included within Level 1) that are observable, unadjusted quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data of substantially the full term of the related assets or liabilities.
- Level 3 - Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Inputs are unobservable for the asset or liability. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

The categorization of a financial instrument within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Foreign Currency Forward and Option Contracts

In December 2022, the Company entered into four quarterly tiered collar contracts consisting of foreign currency forward and option contracts to manage the foreign exchange risk associated with certain foreign currency-denominated assets and liabilities, specifically those associated with its Japanese operations. The contracts had quarterly maturities ending October 2023.

As a result of foreign currency fluctuations, the U.S. dollar equivalent values of the Company's foreign currency-denominated assets and liabilities change. The Company has not elected to account for these contracts as hedge instruments and as such, gains and losses on these contracts are included in other income (expense), net in the Company's condensed consolidated statements of operations, along with foreign currency gains and losses of the related foreign currency-denominated assets and liabilities associated with these foreign currency forward and option contracts. During the three and nine months ended December 31, 2023, the Company recognized a net gain of $1,700 and a net loss of $0.2 million, respectively, associated with these contracts.

As the forward contract and option model employed market observable inputs such as spot currency rates and forward points, the Company determined that the inputs used to value its derivatives fell within Level 2 of the fair value hierarchy.

As of December 31, 2023, there were no derivative assets or liabilities on the Company's condensed consolidated balance sheets as the last collar expired in October 2023. As of March 31, 2023, the fair value of the derivative asset in the Company's condensed consolidated balance sheets was $7,000.

Note 11 - Related Party Transactions

The Company entered into the following related party transactions for the periods indicated (*in thousands*):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
Joint Venture-GaNovation:				
Product sale	$ 313	$ 1,774	$ 579	$ 3,246
Service fees	69	—	200	—
Inventory purchase	88	96	201	345
Fixed asset purchase	124	—	192	—
Cost of goods sold	1,511	1,030	3,963	2,738
Research and development expense	116	141	200	330
Consumption tax	92	91	234	311
Employee and related benefits	33	35	94	124
Yaskawa:				
Revenue per a cooperation and development agreement	223	221	666	991
Nexperia:				
Product sale	1,445	923	3,465	1,778
License and service fee income	—	—	—	66
Reimbursements in license maintenance fee	25	13	75	88
Interest expense	—	184	8	550

As of December 31, 2023, total due to and from related parties were as follows (*in thousands*):

	December 31, 2023	March 31, 2023
Due from (included in Accounts receivable, net):		
Joint venture	$ 99	$ 1,713
Stockholder and noteholder	548	1,152
Total due from related parties	$ 647	$ 2,865
Due to (included in Accounts payable and accrued expenses):		
Joint venture	$ 1,111	$ 968
Stockholder and noteholder	—	93
Total due to related parties	$ 1,111	$ 1,061

Note 12 - Subsequent Events

Merger Agreement

On January 10, 2024, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Renesas Electronics America Inc., a California corporation (“Parent”), Travis Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Parent (“Merger Sub”), and Renesas Electronics Corporation, a Japanese corporation (solely for the purposes set forth in Section 9.17 of the Merger Agreement) (“Guarantor”). The Merger Agreement provides that, on the terms and subject to the conditions set forth in the Merger Agreement, Merger Sub will merge with and into the Company, with the Company surviving the merger as a wholly owned subsidiary of Parent (the “Merger”).

Pursuant to the Merger Agreement, at the effective time of the Merger, each share of the Company's common stock outstanding immediately prior to such effective time (except for certain shares specified in the Merger Agreement) will automatically be converted into the right to receive cash in an amount equal to $5.10, without interest.

Completion of the Merger is subject to customary closing conditions set forth in the Merger Agreement, including, among other things: (1) the adoption of the Merger Agreement by the holders of a majority of the voting power of the outstanding shares of the Company's common stock; (2) the absence of any law or order preventing or making illegal the consummation of the Merger; and (3) certain specified regulatory clearances, including the expiration or termination of the applicable waiting period under the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended and the receipt of approval of the Committee on Foreign Investment in the United States ("CFIUS"). The obligation of Parent and Merger Sub to consummate the Merger is also conditioned upon the absence of a material adverse effect on the Company since the date of the Merger Agreement.

The Company is subject to customary restrictions on its ability to solicit alternative acquisition proposals from third parties and to provide non-public information to, and participate in discussions and engage in negotiations with, third parties regarding alternative acquisition proposals, subject to customary exceptions.

If the Merger Agreement is terminated in certain circumstances, including by the Company in order to enter into a superior proposal or by Parent because the Company's board of directors withdraws its recommendation in favor of the Merger, the Company would be required to pay Parent a termination fee of $12.9 million. If the Merger Agreement is terminated based on a failure by the Parent, the Parent would be required to pay the Company a termination fee of $20.0 million.

Upon consummation of the Merger, the Company will cease to be a publicly traded company and its common stock will be delisted from the Nasdaq Capital Market.

Note Regarding Forward-Looking Statements

This Report, including the sections titled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contains express or implied forward-looking statements that are based on our management’s belief and assumptions and on information currently available to our management. All statements other than statements of historical fact contained in this Report are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may,” “could,” “will,” “would,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “intend,” “predict,” “seek,” “contemplate,” “project,” “continue,” “potential,” “ongoing” or the negative of these terms or other comparable terminology. These forward-looking statements include, but are not limited to, statements about:

- our pending acquisition by Renesas Electronics America Inc.;
- our needs for additional financing, ability to obtain additional funds for our operations and our intended use of any such funds;
- the implementation of our business model and strategic plans for our business, technologies and products;
- our costs in meeting our contractual obligations, including the cash flow impact of operating AFSW, and our ability to maintain our contracts for their expected durations;
- the rate and degree of market acceptance of any of our products or GaN technology in general, including changes due to the impact of (i) new GaN fabrication sources, (ii) the performance of GaN technology, whether perceived or actual, relative to competing semiconductor materials, and (iii) the performance of our products, whether perceived or actual, compared to competing GaN-based, silicon-based and other products;
- the timing and success of product releases by us and our customers;
- our ability to develop new products and technologies;
- our future financial performance, including our expectations regarding our revenue, expenses, ongoing losses, and capital requirements;
- our receipt and timing of any royalties or other payments under any current or future collaboration, license or other agreements or arrangements, including the credit risks of our customers;
- our ability to obtain, maintain, enforce, defend and enhance our intellectual property rights;
- the strength and marketability of our intellectual property portfolio;
- our dependence on current and future collaborators for developing, manufacturing or otherwise bringing our products to market;
- the ability of our third party supply and manufacturing partners to meet our current and future business needs;
- the throughput of our fabrication facilities and third party foundries, as well as the ability of such facilities and foundries to ramp up production;
- our expectations regarding our classification in future periods as a “smaller reporting company,” as defined under the Securities Exchange Act of 1934 (the “Exchange Act”), and an “emerging growth company,” as defined under the JOBS Act;

- the total addressable market and growth rates of the markets in which we compete;
- the competitive landscape of our industry;
- our expectations regarding the performance of our products; and
- the impact of government regulation and developments relating to us, our competitors or our industry.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Report.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Report primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, and prospects. The outcome of the events described in these forward-looking statements is subject to significant risks, uncertainties, and other factors, including those described in the section titled “Risk Factors” and elsewhere in this Report. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Report. We cannot assure you that the results, events, and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

Neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. Moreover, the forward-looking statements made in this Report relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Report to reflect events or circumstances after the date of this Report or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our historical financial statements and the related notes thereto contained in this Report. Some of the information contained in this discussion and analysis or set forth elsewhere in this Report, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. You should review the sections titled “Note Regarding Forward-Looking Statements” and “Risk Factors” for a discussion of forward-looking statements and important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Overview

We are a pioneer, and a market and technology leader, in the wide-bandgap GaN power electronics field for high voltage power conversion applications. We deliver high quality and reliable GaN devices with high performance, while providing application design support to a growing customer base. Our GaN devices allow customers to design

smaller, lighter and cooler power systems that create increased functional value in end products including smartphone power adapters, smartphone chargers, power supplies for datacenter servers and automotive electric vehicles, among other applications. We deploy our unique vertically integrated innovation model that leverages one of the industry's most experienced GaN engineering teams (with over 300 years of combined experience) at every development stage: device design, materials growth, device fabrication, packaging, circuits and application support. This approach, backed by one of the GaN power industry's largest intellectual property portfolios with access to over 1,000 world-wide patents, has yielded the industry's first automotive-grade AEC-Q101 and JEDEC qualified high voltage GaN FETs. Our innovations are designed to move power electronics beyond the limitations of silicon and provide our customers with the potential to achieve higher efficiency (e.g., titanium-class performance in power supplies), higher power density and, in some designs, an overall lower system cost.

Since our inception, we have devoted substantial resources to the research and development of GaN power devices and the protection and enhancement of our intellectual property and have incurred significant operating losses. Our net loss was $24.6 million and $21.8 million for the nine months ended December 31, 2023 and 2022, respectively. As of December 31, 2023, our accumulated deficit was $242.1 million. Substantially all of our operating losses have resulted from expenses incurred in connection with research and development activities and from general and administrative costs associated with our operations.

Our revenue for the nine months ended December 31, 2023 was $15.6 million, of which $4.7 million was from related parties. Our revenue for the nine months ended December 31, 2022 was $13.3 million, of which $6.1 million was from related parties. For the nine months ended December 31, 2023 and 2022, we had three and four customers, respectively, that each accounted for more than ten percent of our revenue. Together, these customers accounted for 75.7% and 73.3% of our revenues during the nine months ended December 31, 2023 and 2022, respectively.

We expect to continue to incur significant expenses and operating losses for the foreseeable future. We expect our expenses will increase in connection with our ongoing activities as we:

- add sales and field applications personnel and incur related expenses to support operational growth;
- increase activity directly related to promoting our products to increase revenue;
- acquire additional MOCVD reactor capacity; and
- add financial accounting and management systems and select personnel and incur additional legal and accounting expense as we operate as a public company.

Recent Developments

Pending Merger

On January 10, 2024, we entered into the Merger Agreement with Parent, Merger Sub and Guarantor, pursuant to which Merger Sub will merge with and into Transphorm, with Transphorm surviving the merger as a wholly owned subsidiary of Parent.

Pursuant to the Merger Agreement, at the effective time of the Merger, each share of our common stock outstanding immediately prior to such effective time (except for certain shares specified in the Merger Agreement) will automatically be converted into the right to receive cash in an amount equal to $5.10, without interest.

Completion of the Merger is subject to customary closing conditions set forth in the Merger Agreement, including, among other things: (1) the adoption of the Merger Agreement by the holders of a majority of the voting power of the outstanding shares of our common stock; (2) the absence of any law or order preventing or making illegal the consummation of the Merger; and (3) certain specified regulatory clearances, including the expiration or termination of the applicable waiting period under the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended and the receipt of approval of CFIUS. The obligation of Parent and Merger Sub to consummate the Merger

is also conditioned upon the absence of a material adverse effect on Transphorm since the date of the Merger Agreement.

We are subject to customary restrictions on our ability to solicit alternative acquisition proposals from third parties and to provide non-public information to, and participate in discussions and engage in negotiations with, third parties regarding alternative acquisition proposals, subject to customary exceptions.

If the Merger Agreement is terminated in certain circumstances, including by us in order to enter into a superior proposal or by Parent because tour board of directors withdraws its recommendation in favor of the Merger, we would be required to pay Parent a termination fee of $12.9 million. If the Merger Agreement is terminated based on a failure by the Parent, the Parent would be required to pay us a termination fee of $20 million.

We expect the Merger to close in the second half of calendar year 2024. Upon consummation of the Merger, we will cease to be a publicly traded company and our common stock will be delisted from the Nasdaq Capital Market.

Rights Offering

On July 5, 2023, we distributed to all holders of record of our common stock as of 5:00 p.m., Eastern Daylight Time, on June 26, 2023, for each share of common stock held as of June 26, 2023, one non-transferable subscription right. Each subscription right carried with it (i) a basic subscription right, which entitled the holder to purchase 0.07655623 of a share of common stock and (ii) an over-subscription privilege, which entitled a holder that had exercised its basic subscription right in full to subscribe for additional shares of common stock that were offered in the rights offering, to the extent other holders did not exercise their basic subscription rights in full. The subscription price was $3.30 per whole share of common stock. We completed the rights offering in August 2023 and issued 2,404,758 shares of common stock, which generated approximately $7.9 million in gross proceeds (before deducting legal costs of $0.3 million). We are using the net proceeds for working capital and other general corporate purposes.

April 2023 Private Placement of Common Stock, Warrant Repricing, and Warrant Issuance

On April 3, 2023, we entered into warrant exercise inducement offer letters with certain holders of then-outstanding warrants (the “Exercising Holders”), pursuant to which the Exercising Holders agreed to exercise, for cash, warrants to purchase, in the aggregate, 1,815,848 shares of common stock, in exchange for our agreement to (i) lower the exercise price of such warrants to $4.00 per share and (ii) issue new warrants (the “Inducement Warrants”) to the Exercising Holders to purchase, in the aggregate, up to 2,269,810 shares of common stock at an exercise price of $5.00 per share. We received aggregate gross proceeds of approximately $7.3 million from the exercise of warrants by the Exercising Holders.

The Inducement Warrants have an exercise price of $5.00 per share and are exercisable until April 3, 2026. Certain Exercising Holders have contractually agreed to restrict their ability to exercise the Inducement Warrants issued to them if the holder (together with such holder’s affiliates, and any persons acting as a group together with such holder or any of such holder’s affiliates) would beneficially own a number of shares in excess of 9.99% of the shares of the Company’s common stock then outstanding. At the holder’s option, upon notice to the Company, the holder may increase or decrease this beneficial ownership limitation not to exceed 19.99% of the shares of common stock then outstanding, with any such increase becoming effective upon 61 days’ prior notice to the Company.

Also on April 3, 2023, we entered into securities purchase agreements with two accredited investors that are affiliated with each other (the “Purchasers”) pursuant to which we agreed to sell to the Purchasers in a private placement for an aggregate purchase price of $2.0 million (i) an aggregate of 500,000 shares of our common stock at a purchase price of $4.00 per share and (ii) warrants to purchase an aggregate of 250,001 shares of the our common stock (the “Private Placement Warrants”). The Private Placement Warrants have an exercise price of $5.00 per share and are exercisable until April 3, 2026.

December 2023 Warrant Repricing and Warrant Issuance

On December 21, 2023, we entered into warrant exercise inducement offer letters with certain holders of outstanding warrants to purchase shares of our common stock, pursuant to which such warrant holders agreed to exercise, for cash, then-existing warrants to purchase, in the aggregate, 1,069,272 shares of our common stock, in exchange for our agreement to (i) lower the exercise price of the then-existing warrants to $2.80 per share and (ii) issue new warrants (the " Inducement Warrants") to the warrant holders to purchase, in the aggregate, up to 1,069,272 shares of our common stock. The Inducement Warrants have an exercise price of $3.80 per share, provide for a cashless exercise feature, and are exercisable until December 21, 2026. We received aggregate gross proceeds of approximately $3.0 million from the exercise of warrants by the warrant holders.

Equipment Financing

On December 21, 2023 (the "Effective Date"), we entered into an Equipment Purchase and Sale Agreement (the "Equipment Agreement") with GlobalWafers Co., Ltd. (the "Buyer"), wherein we sold certain equipment associated with wafer manufacturing (the "Equipment") to the Buyer for $2.1 million (the "Purchase Price"). The Equipment Agreement contains an option for us to repurchase the Equipment at any time within one year of the Effective Date at the Purchase Price, plus an amount equal to: (i) the Purchase Price, multiplied by (ii) 7.5%, divided by 12, multiplied by (iii) the number of full months that have elapsed after the Effective Date. If we do not exercise our option to repurchase the Equipment within one year of the Effective Date, (i) certain limitations on the Buyer's use of the Equipment specifically applied to this Transphorm consigned Equipment shall lapse and (ii) we shall pay $157,500 to the Buyer (i.e., 7.5% for 12 months, on the Purchase Price).

Key Factors Affecting Our Performance

A number of industry factors affect our business, including:

Overall Demand for Products and Applications Using GaN Devices. Our potential for growth depends significantly on the adoption of GaN materials and devices in the power markets and GaN epiwafer material products in the radio frequency markets, the expansion of the use of GaN devices in infrastructure, IT, datacenter, industrial, automotive and consumer applications such as fast charger/adapter and gaming power supplies, and our ability to win new designs for these applications. Demand also fluctuates based on various market cycles, fluctuations in supply chains, trade and tariff terms, and the competitive dynamics in each of the respective markets. These uncertainties make demand difficult to forecast for us and our customers.

Intense and Constantly Evolving Competitive Environment. Competition in the industries we serve is intense. Many companies have made significant investments in product development and production equipment. To remain competitive, market participants must continuously increase product performance, reduce costs and develop improved ways to serve their customers. To address these competitive pressures, we have invested in research and development activities to support new product development, lower product costs and deliver higher levels of performance to differentiate our products in the market.

Governmental Trade and Regulatory Conditions. Our potential for growth, as with most multinational companies, depends on a balanced and stable trade, political, economic and regulatory environment among the countries where we do business. Changes in trade policy such as the imposition of tariffs or export bans to specific customers or countries could reduce or limit demand for our products in certain markets.

Technological Innovation and Advancement. Innovations and advancements in materials and power technologies continue to expand the potential commercial application for our products. However, new technologies or standards could emerge or improvements could be made to existing technologies that could reduce or limit the demand for our products.

Intellectual Property Issues. We rely on patented and non-patented proprietary information relating to product development, manufacturing capabilities and other core competencies of our business. Protection of intellectual

property is critical. Therefore, filing additional patent applications, entering into confidentiality and non-disclosure agreements, and other security measures are important. While we have a strong patent portfolio comprising access to over 1,000 worldwide patents (directly owned or licensed) and there is no actual or, to our knowledge, threatened litigation against us for patent-related matters, litigation or threatened litigation is a common method to effectively enforce or protect intellectual property rights. Such action may be initiated by or against us and could require significant management time and be costly.

Components of Results of Operations

Revenue

Our revenue currently consists of (1) commercial product sales and service contracts, (2) government contracts, and (3) licensing contracts. Products are sold to distributors and end-users in various sectors such as, the gaming, industrial, IT, and consumer products industries.

Cost of Goods Sold

Cost of goods sold consists of (1) direct product costs incurred for the raw materials and manufacturing services for our products, (2) fixed product costs primarily relating to production, manufacturing and personnel and (3) depreciation expenses consisting primarily of expenses related to our fixed assets. In future periods, we expect our cost of goods sold attributable to direct product costs to increase proportionately with increases in revenue, and our cost of goods sold attributable to fixed product costs to remain substantially flat or moderately increase in connection with increases in revenue.

Operating Expenses

Research and Development. Research and development expenses consist primarily of compensation and related costs for personnel, including stock-based compensation and employee benefits as well as costs associated with design, fabrication, packaging and testing of GaN devices. In addition, research and development expenses include depreciation expenses related to our fixed assets and an allocation of our information technology (IT) and facilities costs. We expense research and development expenses as incurred. As we continue to invest in developing our technology for new products, we expect research and development expenses in future periods to remain flat or moderately increase in absolute dollars and decrease as a percentage of revenue.

Sales and Marketing. Sales and marketing expenses consist primarily of compensation and related costs for personnel, including stock-based compensation and employee benefits, and associated travel costs. Sales and marketing expenses also include costs associated with our support of business development efforts with distributors in Europe and Asia, and costs related to trade shows and marketing programs, and an allocation of our information technology (IT) and facilities costs. We expense sales and marketing expenses as incurred. As we increase our sales and expand our sales force and our marketing organization, we expect sales and marketing expenses in future periods to increase in absolute dollars.

General and Administrative. General and administrative expenses consist primarily of compensation and related costs for personnel, including stock-based compensation, employee benefits and travel. In addition, general and administrative expenses include third-party consulting, legal, audit, and accounting services, rent, facilities and information technology, and amortization of our intangible assets. We expect general and administrative expenses in future periods to increase in absolute dollars due to additional legal, accounting, insurance, investor relations and other costs associated with being a public company, as well as other costs associated with growing our business.

Interest Expense

Interest expense consists of interest associated with our revolving credit facility with Nexperia.

Equity Loss in Joint Venture

Equity loss in joint venture consists of expenditures to cover the losses associated with our 32.5% share ownership of GaNovation beginning April 10, 2023 and our 25% share ownership of GaNovation from August 1, 2021 to April 9, 2023. The potential magnitude of equity loss in joint venture may increase in the future based upon the level of operating expenses incurred by GaNovation, which wholly owns AFSW.

Other Expense (Income), Net

Other expense (income), net consists primarily of interest income and income generated from subleasing a portion of our research and development facility located in California.

Tax Expense

Tax expense consists primarily of income taxes in certain foreign and state jurisdictions in which we conduct business.

Results of Operations

Comparison of the Three Months Ended December 31, 2023 and 2022

The following table sets forth our unaudited condensed consolidated statements of operations data for the periods indicated *(in thousands, except percentages)*:

	Three Months Ended December 31,		Change	
	2023	2022	Amount	Percentage
Revenue, net	$ 4,670	$ 4,493	$ 177	3.9 %
Cost of goods sold	4,595	7,162	(2,567)	(35.8) %
Gross profit (loss)	75	(2,669)	2,744	102.8 %
Operating expenses:				
Research and development	2,839	2,325	514	22.1 %
Sales and marketing	1,745	1,447	298	20.6 %
General and administrative	4,412	3,457	955	27.6 %
Total operating expenses	8,996	7,229	1,767	24.4 %
Loss from operations	(8,921)	(9,898)	977	(9.9) %
Interest expense	—	184	(184)	(100.0) %
Loss in joint venture	978	799	179	22.4 %
Other expense (income), net	102	(421)	523	(124.2) %
Loss before tax expense	(10,001)	(10,460)	459	(4.4) %
Tax expense	—	—	—	
Net loss	**$ (10,001)**	**$ (10,460)**	**$ 459**	**(4.4)%**

Revenue increased $0.2 million, or 3.9%, to $4.7 million for the three months ended December 31, 2023 from $4.5 million for the same period in 2022. The increase is due primarily to a $1.0 million increase in government contract revenue resulting from the NSTXL contract awarded in May 2023, offset by a $0.6 million decrease in commercial product and services revenue as compared to the same period in 2022.

Cost of goods sold decreased $2.6 million, or 35.8%, to $4.6 million for the three months ended December 31, 2023 from $7.2 million for the same period in 2022, due primarily to a $2.8 million inventory write-off in the prior year that did not reoccur in the current period. The inventory write-offs resulted primarily from a decision to discontinue the evaluation of certain epiwafer inventory produced while bringing our reactors online following an internal risk

assessment of using these epiwafer units in our manufacturing process, and in favor of allocating resources to current and future epiwafer production and expansion efforts.

Gross profit increased $2.7 million, or 102.8%, to $0.1 million for the three months ended December 31, 2023 from a gross loss of $2.7 million for the same period in 2022. Gross profit margin increased 61.0% to 1.6% for the three months ended December 31, 2023 from a gross loss margin of 59.4% for the same period in 2022. The increase is due primarily to the large inventory write-off in the prior year that did not reoccur in the current period.

Research and development expense increased $0.5 million, or 22.1%, to $2.8 million for the three months ended December 31, 2023 from $2.3 million for the same period in 2022, due primarily to a $0.7 million increase in employee payroll and related development costs resulting from increased research and development activities, offset by a $0.1 million decrease in stock-based compensation.

Sales and marketing expense increased $0.3 million, or 20.6%, to $1.7 million for the three months ended December 31, 2023 from $1.4 million for the same period in 2022, due primarily to an increase in costs related to payroll expense.

General and administrative expense increased $1.0 million, or 27.6%, to $4.4 million for the three months ended December 31, 2023 from $3.5 million for the same period in 2022, due primarily to an increase in legal expenses and stock-based compensation, offset by a decrease in payroll expense.

There was no interest expense recorded for the three months ended December 31, 2023, as we repaid the outstanding amount of the revolving credit facility with Nexperia in full on April 4, 2023. Interest expense was $0.2 million for the revolving credit facility for the same period in 2022.

Loss in joint venture was $1.0 million for each of the three months ended December 31, 2023 and 2022.

Other expense, net was $0.1 million for the three months ended December 31, 2023 compared to other income, net of $0.4 million for the same period in 2022, due primarily to a decrease in sublease income as a result of the amendment of our subleasing contract and a decrease in interest income.

Comparison of the Nine Months Ended December 31, 2023 and 2022

The following table sets forth our unaudited condensed consolidated statements of operations data for the periods indicated *(in thousands, except percentages)*:

	Nine Months Ended December 31,		Change	
	2023	**2022**	**Amount**	**Percentage**
Revenue, net	$ 15,563	$ 13,319	$ 2,244	16.8 %
Cost of goods sold	12,226	14,444	(2,218)	(15.4) %
Gross profit (loss)	3,337	(1,125)	4,462	396.6 %
Operating expenses:				
Research and development	8,730	5,895	2,835	48.1 %
Sales and marketing	4,935	3,596	1,339	37.2 %
General and administrative	11,870	9,818	2,052	20.9 %
Total operating expenses	25,535	19,309	6,226	32.2 %
Loss from operations	(22,198)	(20,434)	(1,764)	8.6 %
Interest expense	8	550	(542)	(98.5) %
Loss in joint venture	2,559	2,065	494	23.9 %
Other income, net	(188)	(1,241)	1,053	(84.9) %
Loss before tax expense	(24,577)	(21,808)	(2,769)	12.7 %
Tax expense	—	—	—	
Net loss	**$ (24,577)**	**$ (21,808)**	**$ (2,769)**	**12.7 %**

Revenue increased $2.2 million, or 16.8%, to $15.6 million for the nine months ended December 31, 2023 from $13.3 million for the same period in 2022. The increase is due primarily to a $4.1 million increase in government contract revenue resulting from the NSTXL contract awarded in May 2023, offset by a $1.7 million decrease in commercial product and services revenue, due primarily to a reduction in sales volume of commercial products.

Cost of goods sold decreased $2.2 million, or 15.4%, to $12.2 million for the nine months ended December 31, 2023 from $14.4 million for the same period in 2022, due primarily to a $2.8 million inventory write-off in the prior year that did not reoccur in the current period. The inventory write-offs resulted primarily from a decision to discontinue the evaluation of certain epiwafer inventory produced while bringing our reactors online following an internal risk assessment of using these epiwafer units in our manufacturing process, and in favor of allocating resources to current and future epiwafer production and expansion efforts.

Gross profit increased $4.5 million, or 396.6%, to $3.3 million for the nine months ended December 31, 2023 from a gross loss of $1.1 million for the same period in 2022. Gross profit margin increased 29.9% to 21.4% for the nine months ended December 31, 2023 from a gross loss margin 8.4% for the same period in 2022, due primarily to the large inventory write-off in the prior year that did not reoccur in the current period and higher margin government revenue in the current year related to the NSTXL contract.

Research and development expense increased $2.8 million, or 48.1%, to $8.7 million for the nine months ended December 31, 2023 from $5.9 million for the same period in 2022, due primarily to a $2.4 million increase in employee payroll and related development costs resulting from increased research and development activities and a $0.4 million increase in stock-based compensation.

Sales and marketing expense increased $1.3 million, or 37.2%, to $4.9 million for the nine months ended December 31, 2023 from $3.6 million for the same period in 2022, due primarily to an increase in costs related to payroll and stock-based compensation expense.

General and administrative expense increased $2.1 million, or 20.9%, to $11.9 million for the nine months ended December 31, 2023 from $9.8 million for the same period in 2022, due primarily to an increase in legal expenses, stock-based compensation, and professional service expenses, offset by a decrease in payroll expense.

Interest expense was $8,000 for our revolving credit facility with Nexperia for the nine months ended December 31, 2023, as we repaid the outstanding amount in full on April 4, 2023. Interest expense was $0.6 million for the revolving credit facility for the same period in 2022.

Loss in joint venture was $2.6 million for the nine months ended December 31, 2023, compared with $2.1 million for the same period in 2022 due to an increase in our percentage ownership of the joint venture that owns AFSW.

Other income, net was $0.2 million for the nine months ended December 31, 2023 compared to $1.2 million for the same period in 2022, due primarily to a decrease in sublease income as a result of the amendment of our subleasing contract and a decrease in interest income.

Liquidity and Capital Resources

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) assuming we will continue as a going concern. The going concern assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business. However, substantial doubt about our ability to continue as a going concern exists.

We have incurred significant operating losses since our formation. During the nine months ended December 31, 2023 and 2022, we incurred a net loss of $24.6 million and $21.8 million, respectively, and used $14.4 million and $18.6 million of cash in operating activities, respectively. As of December 31, 2023, we had cash of $8.0 million, an accumulated deficit of $242.1 million, and working capital of $8.5 million. Net losses are expected to continue until we reach the necessary scale to generate net cash inflow from operations. Accordingly, we have historically relied on the issuance of stock to investors, debt financing, and the license of intellectual property to fund operations.

While we expect the Merger Agreement to close in the second half of 2024, there is no assurance that all of the various conditions will be satisfied, or that the Merger will be completed on the proposed terms, within the expected timeframe, or at all. 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.

Given our current liquidity, cash burn rate and capital readily available, we have concluded there is substantial doubt regarding our ability to continue as a going concern within one year from the issuance date of our condensed consolidated financial statements. The accompanying unaudited condensed consolidated financial statements do not include any adjustments to the carrying amounts and classification of assets, liabilities, and reported expenses that may be necessary if we were unable to continue as a going concern.

Cash Flows

The following table shows a summary of our cash flows for the periods presented *(in thousands)*:

	Nine Months Ended December 31,		
	2023	2022	Change
Net cash (used in) provided by:			
Operating activities	$ (14,360)	$ (18,582)	$ 4,222
Investing activities	(1,382)	(8,092)	6,710
Financing activities	7,696	16,423	(8,727)
Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash	(30)	(35)	5
Net (decrease) increase in cash, cash equivalents, and restricted cash	**$ (8,076)**	**$ (10,286)**	**$ 2,210**

Operating Activities

Net cash used in operating activities was $14.4 million and $18.6 million for the nine months ended December 31, 2023 and 2022, respectively. The decrease of $4.2 million was attributable primarily to a $3.6 million decrease in accounts receivable, $1.9 million decrease in inventory, and a $2.1 million increase in stock-based compensation, offset by a $2.5 million decrease in the provision for inventory and a $2.8 million increase in net loss.

Investing Activities

Net cash used in investing activities was $1.4 million and $8.1 million for the nine months ended December 31, 2023 and 2022, respectively. The decrease of $6.7 million was attributable primarily to a $5.0 million decrease in purchases of property and equipment and a $1.8 million decrease in investment in joint venture.

Financing Activities

Net cash provided by financing activities was $7.7 million and $16.4 million for the nine months ended December 31, 2023 and 2022, respectively. The decrease of $8.7 million was attributable to the repayment of the Nexperia revolving facility of $12.0 million and a decrease of $6.1 million in the proceeds from the sale of our common stock, offset by an increase of $10.3 million of proceeds from the exercise of warrants in comparison to the same period in 2022.

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies and estimates as described in our Annual Report on Form 10-K for the fiscal year ended March 31, 2023.

JOBS Act Accounting Election

We are an emerging growth company, as defined in the JOBS Act. The JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This provision allows an emerging growth company to either early adopt or delay the adoption of some accounting standards until those standards would otherwise 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a “smaller reporting company,” we are not required to provide the information required by this Item.

Item 4. Controls and Procedures.

Inherent Limitations on Effectiveness of Controls

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well-designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected.

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to ensure that information we are required to disclose in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance.

Our management, with the participation of our chief executive officer and our chief financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Report. Based on this evaluation, management, including our chief executive officer and our chief financial officer, concluded that as of December 31, 2023, our disclosure controls and procedures were not effective because of material weaknesses in our internal control over financial reporting.

As disclosed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2023, our current staffing resources in our finance department are insufficient to support the complexity of our financial reporting requirements. We did not have adequate staff members with technical accounting knowledge and financial reporting experience, and as a result we have had an inadequate level of precision, evidence or timeliness in the performance of review controls as it relates to inventory, joint venture accounting, right of use asset and lease liability, accrual of expenses, revenue and financial reporting, including consideration of impairment, foreign currency impact and tax disclosure.

Management has initiated the 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. However, our ability to continue these remediation efforts is contingent upon our ability to raise significant additional funding.

In addition to the material weakness disclosed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2023, the following material weakness was identified during the period covered by this Report:

Management identified a material weakness related to our revenue recognition policies and procedures including:

- Insufficient training of the Company’s sales organization regarding appropriate revenue recognition policies and procedures;
- Insufficient communication between the sales organization and the financial reporting function regarding operation of revenue recognition controls;

- Lack of accountability in the sales organization for effective control operations; and

- Insufficient monitoring activities to ensure that the components of internal control are present and functioning.

The control deficiencies resulted in insignificant misstatements; however, a reasonable possibility exists that material misstatements in the Company's consolidated financial statements will not be prevented or detected on a timely basis.

Changes in Internal Control Over Financial Reporting

Except as described above, there was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may become involved in litigation or other legal proceedings. We are not currently a party to any litigation or legal proceedings that, in the opinion of our management, are likely to have a material adverse effect on our business. Regardless of outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors.

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 the Pending Merger

The announcement and pendency of our agreement to be acquired by a subsidiary of Renesas Electronics Corporation may have an adverse effect on our business and results of operations and our failure to complete the Merger could have an adverse effect on our business, financial condition, results of operations, and stock price.

On January 10, 2024, we entered into an Agreement and Plan of Merger (the “Merger Agreement”), with Renesas Electronics America Inc., a California corporation (“Parent”), Travis Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Parent (“Merger Sub”), and Renesas Electronics Corporation, a Japanese corporation (solely for the purposes set forth in Section 9.17 of the Merger Agreement) (“Guarantor”), pursuant to which Merger Sub will merge with and into Transphorm, with Transphorm surviving the Merger as a wholly owned subsidiary of Parent.

Completion of the Merger is subject to customary closing conditions set forth in the Merger Agreement, including, among other things: (1) the adoption of the Merger Agreement by the holders of a majority of the voting power of the outstanding shares of our common stock; (2) the absence of any law or order preventing or making illegal the consummation of the Merger; and (3) certain specified regulatory clearances, including the expiration or termination of the applicable waiting period under the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended and the receipt of approval of the Committee on Foreign Investment in the United States (“CFIUS”). The obligation of Parent and Merger Sub to consummate the Merger is also conditioned upon the absence of a material adverse effect on Transphorm since the date of the Merger Agreement. There is no assurance that all of the various conditions will be satisfied, or that the Merger will be completed on the proposed terms, within the expected timeframe, or at all.

The Merger may be delayed, and may ultimately not be completed, due to a number of factors, including:

- the failure to obtain requisite stockholder approval of the Merger:
- the failure to obtain regulatory approvals from the requisite governmental entities;
- potential future stockholder litigation and other legal and regulatory proceedings, which could prevent, materially restrain, or materially impair the consummation of the Merger; and

- the failure to satisfy the other conditions to the completion of the Merger, including the possibility that a company material adverse effect would permit Parent to not close the Merger.

If the Merger does not close, we may suffer other consequences that could adversely affect our business, financial condition, results of operations, and stock price, and our stockholders would be exposed to additional risks, including:

- to the extent that the current market price of our stock reflects an assumption that the Merger will be completed, the market price of our common stock could decrease if the Merger is not completed;

- investor confidence in us could decline, stockholder litigation could be brought against us, relationships with existing and prospective customers, service providers, investors, lenders and other business partners may be adversely impacted, we may be unable to retain key personnel, and our operating results may be adversely impacted due to costs incurred in connection with the Merger;

- any disruptions to our business resulting from the announcement and pendency of the Merger, including adverse changes in our relationships with customers, suppliers, partners and employees, may continue or intensify in the event the Merger is not consummated or is significantly delayed;

- the risks related to the diversion of attention of our management or employees from ongoing operations during the pendency of the Merger, including our ability to timely complete our internal financial reporting processes; and

- the requirement that we pay Parent a termination fee under certain circumstances that give rise to the termination of the Merger Agreement.

There can be no assurance that our business, relationships with other parties, liquidity or financial condition will not be adversely affected, as compared to the condition prior to the announcement of the Merger, if the Merger is not consummated. Even if successfully completed, there are certain risks to our stockholders from the Merger, including:

- the amount of cash to be paid under the Merger Agreement is fixed and will not be adjusted for changes in our business, assets, liabilities, prospects, outlook, financial condition or operating results or in the event of any change in the market price of, analyst estimates of, or projections relating to, our common stock;

- receipt of the all-cash per share merger consideration under the Merger Agreement is taxable to stockholders that are treated as U.S. holders for U.S. federal income tax purposes; and

- if the Merger is completed, our stockholders will forego the opportunity to realize the potential long-term value of the successful execution of our current strategy as an independent company.

While the Merger is pending, we are subject to business uncertainties and contractual restrictions that could harm our business relationships, financial condition, results of operations, and business.

During the period prior to the closing of the Merger and pursuant to the terms of the Merger Agreement, our business is exposed to certain inherent risks and contractual restrictions that could harm our business relationships, financial condition, results of operations, and business, including:

- potential uncertainty in the marketplace, which could lead current and prospective customers to purchase products and services from other providers or delay purchasing from us;

- difficulties maintaining existing and/or establishing business relationships, including business relationships with significant customers and partners;

- the possibility of disruption to our business and operations resulting from the announcement and pendency of the Merger, including diversion of management attention and resources;
- the inability to attract and retain key personnel and recruit prospective employees, and the possibility that our current employees could be distracted, and their productivity decline as a result, due to uncertainty regarding the Merger;
- the inability to pursue alternative business opportunities or make changes to our business pending the completion of the Merger, and other restrictions on our ability to conduct our business;
- our inability to freely issue securities, incur certain indebtedness, declare or authorize any dividend or distribution, or make certain material capital expenditures without Parent's approval;
- our inability to solicit other acquisition proposals during the pendency of the Merger;
- the amount of the costs, fees, expenses and charges related to the Merger Agreement and the Merger, including but not limited to the cost of any legal proceeding that may be instituted against us, which may materially and adversely affect our financial condition; and
- other developments beyond our control, including, but not limited to, changes in global economic conditions that may affect the timing or success of the Merger.

If any of these effects were to occur, it could adversely impact our business, cash flow, results of operations, or financial condition, as well as the market price of our common stock and our perceived value, regardless of whether the Merger is completed.

Litigation may arise in connection with the Merger, which could be costly, prevent consummation of the Merger, divert management's attention, and otherwise harm our business.

Regardless of the outcome of any future litigation related to the Merger, such litigation may be time-consuming and expensive and may distract our management from running the day-to-day operations of our business. The litigation costs and diversion of management's attention and resources to address the claims and counterclaims in any litigation related to the Merger may adversely affect our business, results of operations, prospects, and financial condition. If the Merger is not consummated for any reason, litigation could be filed in connection with the failure to consummate the Merger. Any litigation related to the Merger may result in negative publicity or an unfavorable impression of us, which could adversely affect the price of our common stock, impair our ability to recruit or retain employees, damage our relationships with our customers and channel partners, and other business partners, or otherwise harm our operations and financial performance.

In connection with the Merger, our current and prospective employees could experience uncertainty about their future with us. As a result, key employees may depart because of issues relating to such uncertainty or a desire not to remain with the Company following the completion of the Merger.

In connection with the Merger, our current and prospective employees could experience uncertainty about their future with us or decide that they do not want to continue their employment. As a result, key employees may depart because of issues relating to such uncertainty or a desire not to remain with the Company following the completion of the Merger. Losses of officers or employees could adversely affect our business, results of operations, and financial condition. Such adverse effects could also be exacerbated by a delay in the completion of the Merger for any reason, including delays associated with obtaining requisite regulatory approvals or the requisite approval of our stockholders. We may also experience challenges in hiring new employees during the pendency of the Merger, or if the Merger Agreement is terminated, which could harm our ability to grow our business, execute on our business plans or enhance 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 December 31, 2023, we had an accumulated deficit of $242.1 million. For the nine months ended December 31, 2023 and 2022, our net loss was $24.6 million and $21.8 million, respectively. We expect our operating expenses 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.

Our ability to continue as a going concern will depend on us being able to raise significant additional capital to fund our 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 for the next twelve months. We currently incur and historically have incurred losses from operations and expect to do so in the foreseeable future. During the nine months ended December 31, 2023, we raised gross proceeds of $10.3 million from the exercise of warrants, $2.0 million from selling shares of our common stock in a private placement, and $7.9 million from selling shares of our common stock in the rights offering, but also used $12.2 million of cash to repay our revolving loan with Nexperia when it matured on April 4, 2023 and used $14.4 million of cash in operations. As of December 31, 2023, we had $8.0 million in cash and cash equivalents.

If we remain a standalone company, we will be required to secure significant additional funds to support our operations. 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. Any 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, 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.

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.

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 facility located in Aizu Wakamatsu, Japan that we rely on for all of our GaN fab-wafer requirements. From August 1, 2021 to 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 currently 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 December 31, 2023, we have provided $6.1 million of this $12.0 million commitment to GaNovation. Since its inception, GaNovation’s primary business activity has related to the businesses of AFSW. 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 our joint venture during the nine months ended December 31, 2023 and the years ended March 31, 2023 and 2022 was $2.6 million, $2.7 million and $4.0 million, respectively. We expect our loss in joint venture will increase during the year ended March 31, 2024 as compared to the year ended March 31, 2023 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.

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 condensed 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 $0.5 million and $0.1 million for the nine months ended

December 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. Furthermore, if a financial counterparty to our hedges experiences financial difficulties or is otherwise unable to honor the terms of the foreign currency hedge, we may experience material financial losses.

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 sales cycles can be long and unpredictable, and our sales efforts require considerable time and expense. As a result, our revenue is difficult to predict and may vary substantially from period to period, which may cause our results of operations to fluctuate significantly.

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 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 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.

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 business could be adversely affected by the effects of health epidemics or pandemics in regions where we or third parties on which we rely have manufacturing or other business operations.

The effects of health epidemics or pandemics could materially affect our operations globally, including at our headquarters in California and at our subsidiaries in Japan. For example, government authorities implemented

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. During the COVID-19 pandemic, we also took precautionary measures intended to minimize the risk of the virus to our employees, our customers, and the communities in which we operate, including requiring our employees to work remotely at times unless they could not perform their essential functions remotely and temporarily suspending all non-essential travel, which negatively impacted our customer success efforts and sales and marketing efforts during that time. As a result of the COVID-19 pandemic, some of our customers experienced delays in their internal development programs and design cycles with our GaN products, which 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. We may continue to experience an adverse impact to our business as a result of the continued global economic impact of the pandemic.

An earthquake, terrorist attack or other man-made or natural disaster could negatively impact our business and operating results.

The occurrence of any catastrophic event, 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, could materially impair our operations globally. 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 128 employees as of December 31, 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. 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 perquisite 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, our option agreement with Nexperia establishes the parameters pursuant to which Nexperia, in certain limited instances (some of which may be beyond our control), is permitted to exercise an option (the “Option”) to acquire our wholly owned subsidiary, Transphorm Japan Epi, Inc. (“TJE”). In general, the Option is exercisable upon (i) certain acquisitions of securities or assets of us or our subsidiaries by a Competitor (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 (that is not cured within a specified time period) by us 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 a third party. 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 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, 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 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 material weaknesses 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. In connection with the audit of our consolidated financial statements for the 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 resulting in inadequate performance of review controls with respect to certain areas of 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. Additionally, during the period covered by this Report, we identified a material weakness related to our revenue recognition policies and procedures.

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 weaknesses, 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. Remediation of the material weaknesses 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 weaknesses, 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.

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 February 6, 2024, KKR Phorm Investors L.P. ("Phorm") beneficially owned approximately 38.9% 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 40.9% 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.

We 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 December 1, 2021, 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 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.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

All unregistered sales of equity securities during the three months ended December 31, 2023 were previously disclosed in a Current Report on Form 8-K.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable

Item 5. Other Information.

Securities Trading Plans of Directors and Executive Officers

During the three months ended December 31, 2023, none of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as those terms are defined in Item 408 of Regulation S-K.

Item 6. Exhibits.

			Incorporated by Reference			
Exhibit Number	**Exhibit Description**	**Filed with this Report**	**Form**	**Exhibit No.**	**Filing Date**	**SEC File No.**
2.1*	Agreement and Plan of Merger, dated January 10, 2024, among Renesas Electronics America Inc., Renesas Electronics Corporation, Travis Merger Sub, Inc. and Transphorm, Inc.		8-K	2.1	January 11, 2024	001-41295
4.1	Form of Inducement Warrant to Purchase Shares of Common Stock, issued December 21, 2023		8-K	4.1	December 28, 2023	001-41295
10.1	Form of Warrant Exercise Inducement Letter, effective December 21, 2023		8-K	10.1	December 28, 2023	001-41295
10.2†	Equipment Purchase and Sale Agreement, effective December 21, 2023, by and between Transphorm, Inc. and GlobalWafers Co., Ltd.		8-K	10.2	December 28, 2023	001-41295
10.4*	Voting and Support Agreement, dated as of January 10, 2024, by and between Renesas Electronics America Inc. and KKR Phorm Investors L.P.		8-K	10.1	January 11, 2024	001-41295
10.5	Outside Director Compensation Policy	X				
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002	X				
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002	X				
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				
101.INS	Inline XBRL Instance Document	X				
101.SCH	Inline XBRL Taxonomy Extension Schema Document	X				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	X				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	X				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	X				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	X				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	X				

* Schedules and exhibits omitted pursuant to Item 601(b)(2) of Regulation S-K. Transphorm will furnish supplementally a copy of any omitted schedule or exhibit to the SEC upon request. Transphorm may request confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, for any schedules or exhibits so furnished.

† Certain identified information has been excluded from the document because it is not material and is the type the registrant treats as private or confidential.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Transphorm, Inc.

Date: February 20, 2024

By: /s/ Primit Parikh
Primit Parikh
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Cameron McAulay
Cameron McAulay
Chief Financial Officer
(Principal Financial and Accounting Officer)

TRANSPHORM, INC.

OUTSIDE DIRECTOR COMPENSATION POLICY

Adopted and approved by the Board of Directors on August 3, 2023; and
approved by stockholders on October 10, 2023

Transphorm, Inc. (the "**Company**") believes that providing cash and equity compensation to members of the Company's Board of Directors (the "**Board**," and members of the Board, the "**Directors**") represents an effective tool to attract, retain and reward Directors who are neither (a) employees of the Company nor (y) affiliated with KKR Phorm Investors L.P. (the "**Investor**," and such Directors, the "**Outside Directors**"). This Outside Director Compensation Policy (the "**Policy**") is intended to formalize the Company's policy regarding the compensation to its Outside Directors. Unless otherwise defined herein, capitalized terms used in this Policy will have the meaning given to such terms in the Company's 2020 Equity Incentive Plan (the "**Plan**"), or if the Plan is no longer in use, the meaning given to such terms or any similar terms in the primary successor to the Plan. Each Outside Director will be solely responsible for any tax obligations incurred by such Outside Director as a result of the equity and cash payments such Outside Director receives under this Policy.

Subject to Section 12 of this Policy, this Policy will be effective as of April 1, 2023 (the "**Effective Date**").

1. **<u>Cash Compensation</u>**

Annual Cash Retainer

Beginning with the Effective Date, each Outside Director will be paid an annual cash retainer of $27,000 (the "**Annual Cash Retainer**"). Subject to Section 9, the Annual Cash Retainer will be paid quarterly in arrears on a prorated basis and such payment will be made no later than the last day of the first month following the end of the relevant Company fiscal quarter (each, a "**Fiscal Quarter**"). For purposes of clarification, each Outside Director who has served as an Outside Director during only a portion of the relevant Fiscal Quarter will receive a prorated cash payment of the quarterly payment of the Annual Cash Retainer, calculated based on the number of days during such Fiscal Quarter such Outside Director has served as an Outside Director (such amount, the "**Prorated Annual Cash Retainer**").

There are no per-meeting attendance fees for attending Board meetings or meetings of any committee of the Board.

2. **<u>Initial Equity Awards</u>**

Each individual who first becomes an Outside Director following the Effective Date will be granted an Award of Restricted Stock Units (an "**Initial Award**") covering a number of Shares having a grant date fair value (determined in accordance with U.S. generally accepted accounting principles) (the "**Grant Value**") equal to the product of (a) $100,000 multiplied by (b) the fraction obtained by dividing (i) the number of full months during the period beginning on the date the individual first becomes an Outside Director and ending on the one-year anniversary of the date of the then-most recent Annual Meeting (as defined below) (such period, the "**Initial Award Vesting Period**") by (ii) 12, with any resulting fractional Share rounded to the nearest whole Share. If an

individual was a member of the Board and also an employee, becoming an Outside Director due to termination of employment will not entitle the Outside Director to an Initial Award. Further, if an individual was a member of the Board and affiliated with the Investor, becoming an Outside Director due to ceasing to be affiliated with the Investor will not entitle the Outside Director to an Initial Award.

The Initial Award will be granted automatically on the first Trading Day on or after the date on which such individual first becomes an Outside Director, whether through election by the stockholders of the Company or appointment by the Board to fill a vacancy. Subject to any acceleration set forth in this Policy or the Plan, each Initial Award will be scheduled to vest on the earlier of (A) the last day of the Initial Award Vesting Period or (B) the day immediately prior to the date of the annual meeting of the Company's stockholders ("**Annual Meeting**") next following the date the Initial Award is granted, subject to the Outside Director continuing to be a Service Provider through such vesting date.

Initial Awards will be subject to the additional terms and conditions of this Policy, including without limitation Sections 5, 6, and 9 below.

3. Annual Equity Awards

On the first Trading Day immediately following the date of each Annual Meeting following the Effective Date, each individual serving as an Outside Director on such date will be automatically granted an Award of Restricted Stock Units (an "**Annual Award**") covering a number of Shares having a Grant Value of $100,000, with any resulting fractional Share rounded to the nearest whole Share.

Subject to any acceleration set forth in this Policy or the Plan, 25% of each Annual Award will be scheduled to vest on each of the first four Quarterly Vesting Dates (as defined below) occurring after the date the Annual Award is granted, or if earlier, the day immediately prior to the date of the Annual Meeting next following the date the Annual Award was granted, in each case, subject to the Outside Director continuing to be a Service Provider through the applicable vesting date. "**Quarterly Vesting Date**" means each of February 20, May 20, August 20, and November 20.

Annual Awards will be subject to the additional terms and conditions of this Policy, including without limitation Sections 5, 6, and 9 below.

4. Additional Retainers for Chair of the Board, Lead Independent Director and Committee Service

(a) Additional Retainer Amounts. Each Outside Director who serves as Chair of the Board, Lead Independent Director, or the chair or a member of a committee of the Board listed below (each such service, "**Additional Service**") will be eligible to receive additional compensation in the following annual amounts (the "**Additional Retainer**") payable in four, quarterly installments as provided further below:

Annual Amounts of the Additional Retainers

Chair of the Board $25,000

Lead Independent Director: $25,000

Chair of Audit Committee: $20,000

Member of Audit Committee: $10,000

Chair of Compensation Committee: $12,000

Member of Compensation Committee: $6,000

Chair of Nominating and Corporate Governance Committee: $10,000

Member of Nominating and Corporate Governance Committee: $5,000

For clarity, each Outside Director who serves as the chair of a committee shall receive the Additional Retainer as the chair of the committee, and not as a member of such committee. An installment of the Additional Retainer, equal to 25% of the annual amount of the applicable Additional Retainer set forth above, will be payable to each Outside Director who has provided the Additional Service applicable to such Additional Retainer at any point during the preceding Fiscal Quarter, provided that any such installment will be subject to proration based on the number of days during such Fiscal Quarter the Outside Director has provided the applicable Additional Service (the "**Quarterly Retainer Amount**").

(b) Payment of Additional Retainer.

i. Fiscal Year 2024. Any Quarterly Retainer Amount payable for any Fiscal Quarter in the Fiscal Year ending March 31, 2024, will be provided in the form of an Award of fully vested Restricted Stock Units (the "**FY24 Retainer Awards**"). Each FY24 Retainer Award will be granted automatically on the 20th day of the month following the end of the immediately preceding Fiscal Quarter to which the Outside Director's Additional Service relates, as long as the Outside Director remains a Service Provider through the grant date of such FY24 Retainer Award. Each FY24 Retainer Award granted to an Outside Director will cover a number of Shares with a Grant Value equal to the Quarterly Retainer Amount attributable to such Outside Director's Additional Service with respect to such immediately preceding Fiscal Quarter, with any resulting fractional Share rounded to the nearest whole Share. FY24 Retainer Awards will be subject to the additional terms and conditions of this Policy, including without limitation Sections 5 and 9 below. If an Outside Director's status as a Service Provider terminates during or after a Fiscal Quarter but prior to the grant date of the FY24 Retainer Award for such Fiscal Quarter, such Outside Director will not be granted a FY24 Retainer Award for such Fiscal Quarter and instead will be paid the Quarterly Retainer Amount for such Fiscal Quarter as an Additional Cash Retainer in accordance with Section 4(b)ii below.

ii.Future Fiscal Years. Except as provided in Section 4(b) above or in this Section 4 further below, any Quarterly Retainer Amount will be paid in cash (the "**Additional Cash Retainer**"). Subject to Section 9, such payment of the Additional Cash Retainer will be made within 60 days following the end of the Fiscal Quarter to which the Additional Cash Retainer relates.

(c) Election to Receive Equity Awards in Lieu of Additional Cash Retainer. Each Outside Director may elect to receive all of such Outside Director's Additional Retainer, with respect to Additional Services for a Fiscal Year beginning in a future calendar year, in the form of an Award of fully vested Restricted Stock Units in lieu of payments of Additional Cash Retainers (such Awards, the "**Quarterly Retainer Awards**," and such election, the "**Retainer Election**").

i. Retainer Elections. Any Retainer Election must be delivered to the Company's Chief Financial Officer (or other Company designee, as applicable), in the form and manner specified by the Board (or other Committee, as applicable) within the applicable period set forth in this Section 4(c)i. An Outside Director who fails to make a valid and timely Retainer Election will not receive any Quarterly Retainer Awards for the Fiscal Year to which such Retainer Election otherwise would have applied, and instead will receive any applicable Additional Retainer in accordance with Section 4(b)ii above.

Each individual who otherwise is eligible to receive any future Additional Retainer may make a Retainer Election for the Additional Services to be performed in the Fiscal Year that commences in the first calendar year following the calendar year in which the Retainer Election is made, as follows. The Retainer Election must be made during an open trading window of the Company in the calendar year immediately prior to the calendar year in which commences the Fiscal Year to which the Retainer Election applies, and provided that such Outside Director is not restricted from trading Shares pursuant to the Company's insider trading policy at the time of such election (the last day during such immediately prior calendar year on which any such Retainer Election may be made, the "**Retainer Election Deadline**").

ii. Revocation. An Outside Director may revoke such Outside Director's Retainer Election during an open trading window of the Company, and provided that such Outside Director is not restricted from trading Shares pursuant to the Company's insider trading policy at the time of such revocation, but no later than the Retainer Election Deadline for the Fiscal Year to which the Retainer Election will apply.

(d) Quarterly Retainer Awards. If an Outside Director has made a valid and timely Retainer Election to receive Quarterly Retainer Awards in lieu of such Outside Director's Additional Cash Retainer, then such Outside Director will be granted automatically on the 20th day of the month following the end of such immediately preceding Fiscal Quarter to which the Outside Director's Additional Service relates (such grant date, the "**Quarterly Retainer Award Grant Date**") as long as the Outside Director remains a Service Provider through such Quarterly Retainer Award Grant Date. Each Quarterly Retainer Award will be fully vested as of the date of its grant.

Each Quarterly Retainer Award granted to an Outside Director will cover a number of Shares with a Grant Value equal to the Quarterly Retainer Amount attributable to such Outside Director's Additional Service with respect to such immediately preceding Fiscal Quarter, with any resulting fractional Share rounded to the nearest whole Share.

Quarterly Retainer Awards will be subject to the additional terms and conditions of this Policy, including without limitation Section 5 below.

(e) Termination Prior to Quarterly Retainer Award Grant Date. If an Outside Director's status as a Service Provider terminates during or after a Fiscal Quarter but prior to the Quarterly Retainer Award Grant Date for such Fiscal Quarter, such Outside Director will not be granted a Quarterly Retainer Award for such Fiscal Quarter and instead will be paid the Quarterly Retainer Amount for such Fiscal Quarter as an Additional Cash Retainer in accordance with Section 4(b)ii above.

5. Additional Terms and Conditions of Equity Compensation

(a) General. Outside Directors will be eligible to receive all types of Awards (except Incentive Stock Options) under the Plan (or the applicable equity plan in place

at the time of grant), including discretionary Awards not covered under this Policy. All grants of Initial Awards, Annual Awards, and Quarterly Retainer Awards to Outside Directors pursuant to this Policy will be automatic and nondiscretionary, except as otherwise provided herein, and will be made in accordance with the following provisions:

(b) No Discretion. No person will have any discretion to select which Outside Directors will be granted any Awards under this Policy or to determine the number of Shares to be covered by such Awards (except as provided in Section 13 below).

(c) Service Provider Status. For purposes of clarity, all grants of Awards to Outside Directors pursuant to this Policy are subject to the recipient of the Award being a Service Provider as of the date of grant of such Award.

(d) Maximum Number of Shares Subject to Awards. Notwithstanding anything to the contrary under this Policy, solely for purposes of determining the number of Shares to be subject at grant to an Award granted pursuant to this Policy, the price of a Share underlying such Award used to determine its Grant Value shall not be less than $2.00.

(e) Other Terms and Conditions. Each Award of Restricted Stock Units granted under this Policy will be subject to the terms and conditions of the Plan and the applicable form of Award Agreement previously approved by the Board or its Committee (as defined below), as applicable, for use under the Plan, provided that, with respect to any Quarterly Retainer Award, the Restricted Stock Units will be paid within forty (40) days following its Quarterly Retainer Award Grant Date (subject to any applicable delay set forth in the applicable Award Agreement necessary to comply with Section 409A). The Board or its Committee, as applicable and in its discretion, may change and otherwise revise the terms of the Awards that may be granted under this Policy in the future pursuant to this Policy, including without limitation the number of Shares subject thereto and type of Award.

6. Change in Control

In the event of a Change in Control, 100% of each Outside Director’s then-outstanding Company equity awards granted to him or her while an Outside Director and for services as a Director will become vested in full and, to the extent applicable, become immediately exercisable, as of immediately prior to consummation of such Change in Control.

7. Annual Compensation Limit

No Outside Director (solely for purposes of this Section 7, within the meaning of the Plan) may be paid, issued, or granted, in any Fiscal Year, equity awards (including any Awards) with an aggregate value (the value of which will be based on the Grant Value) and any other compensation (including without limitation any cash retainers or fees) that, in the aggregate, exceed $500,000. Any equity awards (including any Awards) granted, and any other compensation paid or provided, to an individual for his or her services as an Employee, or for his or her services as a Consultant (other than as an Outside Director, solely for purposes of this Section 7, within the meaning of the Plan), will not count for purposes of the limitation under this Section 4.

8. Travel Expenses

Each Outside Director's reasonable, customary and documented travel expenses to Board or Board committee meetings will be reimbursed by the Company.

9. Additional Provisions

All provisions of the Plan not inconsistent with this Policy will apply to Awards granted to Outside Directors.

Notwithstanding any provisions to the contrary under this Policy, no payments of compensation or grants of any Awards will be made under this Policy unless and until Initial Stockholder Approval has been obtained. Provided that the Initial Stockholder Approval requirement has been satisfied, (a) any cash compensation that otherwise would have been paid prior to the Initial Stockholder Approval instead will be paid on or within 30 days following the date of the Initial Stockholder Approval; and (b) any Awards that otherwise would have been granted pursuant to this Policy prior to Initial Stockholder Approval instead will be granted automatically on the first Trading Day following the date of the Initial Stockholder Approval.

10. Adjustments

In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs, the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under this Policy, will adjust the number, class, and/or price of stock issuable pursuant to Awards granted under this Policy.

11. Section 409A

In no event will cash compensation or expense reimbursement payments under this Policy be paid after the later of (i) the 15th day of the 3rd month following the end of the Company's taxable year in which the compensation is earned or expenses are incurred, as applicable, or (ii) the 15th day of the 3rd month following the end of the calendar year in which the compensation is earned or expenses are incurred, as applicable, in compliance with the "short-term deferral" exception under Section 409A of the Internal Revenue Code of 1986, as amended, and the final regulations and guidance thereunder, as may be amended from time to time (together, "**Section 409A**"). It is the intent of this Policy that this Policy and all payments hereunder be exempt from or otherwise comply with the requirements of Section 409A so that none of the compensation to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms herein will be interpreted to be so exempt or comply. In no event will the Company or any of its affiliates have any responsibility, liability or obligation to reimburse, indemnify, or hold harmless an Outside Director (or any other person) for any taxes or other costs incurred as a result of Section 409A or any other tax law or rule.

12. Stockholder Approval

The initial adoption of the Policy will be subject to approval by the Company's stockholders during 2023 (the "**Initial Stockholder Approval**"). Unless otherwise

required by applicable law, following the Initial Stockholder Approval, the Policy shall not be subject to approval by the Company's stockholders, including, for the avoidance of doubt, in connection with an event contemplated in Section 13 hereof.

13. Revisions

The Board or any committee of the Board that has been designated appropriate authority with respect to Outside Director compensation (or with respect to any applicable element or elements thereof, authority with respect to such element or elements) (the "**Committee**"), may amend, alter, suspend or terminate this Policy at any time and for any reason. Further, the Board may provide for cash, equity, or other compensation to Outside Directors in addition to the compensation provided under this Policy. No amendment, alteration, suspension or termination of this Policy will materially impair the rights of an Outside Director with respect to compensation that already has been paid or awarded, unless otherwise mutually agreed between the Outside Director and the Company. Termination of this Policy will not affect the Board's or the Committee's ability to exercise the powers granted to it under the Plan with respect to Awards granted under the Plan pursuant to this Policy prior to the date of such termination, including without limitation such applicable powers set forth in the Plan.

* * *

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to
Exchange Act Rules 13a-14(a) and 15d-14(a),
As Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Primit Parikh, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Transphorm, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 20, 2024

By: /s/ Primit Parikh
Primit Parikh
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to
Exchange Act Rules 13a-14(a) and 15d-14(a),
As Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Cameron McAulay, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Transphorm, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 20, 2024

By: /s/ Cameron McAulay
Cameron McAulay
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

Certifications of Chief Executive Officer and Chief Financial Officer
Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Primit Parikh, President and Chief Executive Officer of Transphorm, Inc. (the "registrant"), and Cameron McAulay, Chief Financial Officer of the registrant, each hereby certifies that, to the best of their knowledge:

1. The registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 2023 to which this Certification is attached as Exhibit 32.1 (the "Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

Date: February 20, 2024

By: /s/ Primit Parikh
Primit Parikh
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Cameron McAulay
Cameron McAulay
Chief Financial Officer
(Principal Financial and Accounting Officer)