

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

FORM 10-K

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

For the fiscal year ended \_\_\_\_\_

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

For the transition period from January 1, 2021 to March 31, 2021

Commission file number: 000-55832



**Transphorm, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction  
of incorporation or organization)

**75 Castilian Drive**

**Goleta, California**

(Address of principal executive offices)

**82-1858829**

(I.R.S. Employer  
Identification No.)

**93117**

(Zip Code)

**(805) 456-1300**

(Registrant's telephone number, including area code)

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

<b>Title of Each Class</b>	<b>Trading Symbol(s)</b>	<b>Name of Each Exchange on Which Registered</b>
N/A	N/A	N/A

Securities registered pursuant to Section 12(g) of the Act: **Common Stock, \$0.0001 par value per share**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes  No

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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the registrant's common stock held by non-affiliates, as of September 30, 2020, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$46,627,426, based on the closing price on such date as reported on the OTCQB Market. Shares of the registrant's common stock held by each executive officer and director and by beneficial owners of ten percent or more of the registrant's common stock have been excluded from this computation. This calculation does not reflect a determination that certain persons are affiliates of the registrant for any other purpose.

As of June 10, 2021, 40,564,921 shares of the registrant's common stock were outstanding.

#### DOCUMENTS INCORPORATED BY REFERENCE

None.

**Transphorm, Inc.**  
**Form 10-K**  
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## Explanatory Note

On April 20, 2021, we changed our fiscal year from the period beginning on January 1 and ending on December 31 to the period beginning on April 1 and ending on March 31 of each year, effective immediately. Accordingly, we are filing this Transition Report on Form 10-K (this “Report”) to include audited consolidated financial information for the transition period from January 1, 2021 through March 31, 2021.

## Glossary of Terms and Abbreviations

The following is a glossary of technical terms used in this Report:

**AC** – alternating current

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

**AFSW** – Aizu Fujitsu Semiconductor Wafer Solutions, our joint venture wafer fabrication facility located in Aizu Wakamatsu, Japan

**BJT** – bipolar junction transistor, a semiconductor device

**Bus voltage** – voltage into, out of or within connections of a power electronic system

**CMOS** – complementary MOS (metal oxide semiconductor), widely used semiconductor transistor architecture

**D2Pak** – a surface mountable version of the TO220 package

**DC** – direct current

**Die/Chip** – an individual semiconductor device on the wafer, prior to packaging

**EAR** – Export Administration Regulation

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

**Fab** – fabrication, generally referring to a semiconductor wafer fabrication facility

**FET** – field effect transistor, a type of switching transistor

**Figure of Merit** - a quantity used to characterize the performance of a device, system or method, relative to its alternatives

**FIT** – failure in time, referring to the expected number of device failures per billion hours of operation

**GaN** – gallium nitride

**HEMT** – high electron mobility transistor, a type of switching transistor with superior electronic properties

**IGBT** – insulated-gate bipolar transistor, a three-terminal power semiconductor device primarily used as an electronic switch

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

**LIDAR** – light detection and ranging, a remote sensing method that uses light in the form of a pulsed laser to measure distance

**Lossy** – in the context of switching devices, subject to loss of power due to switching inefficiencies and other factors

**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)

**Moore's law** – the observation that the number of transistors in a dense integrated circuit doubles about every two years

**MOSFET** – metal-oxide-semiconductor field-effect transistor, a type of transistor

**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

**PQFN** – power quad flat no lead package, a compact surface mountable package used in power semiconductors

**RF** – radio frequency

**SCR** – silicon controlled rectifier, an early semiconductor switching device

**Si** – silicon

**SiC** – silicon carbide

**TO** – transistor outline leaded packages commonly used in power semiconductors (such as TO220, TO247)

### **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 have a history of losses, anticipate increasing our operating expenses in the future, and may not be able to achieve or maintain profitability.
- Our recurring operating losses and our current operating plans raise substantial doubt about our ability to continue as a going concern for the next twelve months. Our ability to continue as a going concern will depend on us being able to raise significant additional capital to fund our operations, which may be unavailable on attractive terms, if at all, and could dilute your investment.
- 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 business could be adversely affected by the effects of health epidemics or pandemic, including the ongoing COVID-19 global pandemic.
- 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.
- 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.
- 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.
- 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 sales cycles can be long and unpredictable, and our sales efforts require considerable time and expense.
- Our current operations are concentrated in one location and in the event of an earthquake, terrorist attack or other disaster affecting this location or those of our major suppliers, our operations may be interrupted and our business may be harmed.

- 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.
- 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 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.
- Our common stock trades on the OTCQX Market instead of a national securities exchange, which may make it more difficult for stockholders to sell their shares.
- Our common stock may not be eligible for listing or quotation on any securities exchange.
- The designation of our common stock as a “penny stock” would limit the liquidity of our common stock.
- 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 may be subject to certain liquidated damages pursuant to the registration rights agreement 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.

### **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” and “Business,” 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:

- the implementation of our business model and strategic plans for our business, technologies and products;
- our ability to raise additional funds to continue to operate our business, including our joint venture wafer fabrication facility located in Aizu Wakamatsu, Japan, and to satisfy our obligations under our agreements with our lenders;
- our costs in meeting our contractual obligations, including the cash flow impact of purchasing the remaining interest in our joint venture wafer fabrication facility and operating such facility, and our ability to maintain our contracts for their expected durations;
- the impact of the ongoing COVID-19 pandemic on our industry and our business, operations and financial condition, as well as on the global economy;
- 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 needs for additional financing, ability to obtain additional funds for our operations and our intended use of any such funds;
- our receipt and timing of any royalties, milestone payments or payments for products, 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 as a “smaller reporting company,” as defined under the Securities Exchange Act of 1934 (the “Exchange Act”) and an “emerging growth company” under the JOBS Act in future periods;
- the total addressable market and growth rates of the markets in which we compete;
- the competitive landscape of our industry;
- the impact of “controlled company” exemptions that may be available to us in the future under Nasdaq or NYSE listing standards and our use of the applicable phase-in periods; 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.

## Part I

### Item 1. Business

Unless otherwise stated or the context otherwise indicates, references to “Transphorm,” the “Company,” “we,” “our,” “us,” or similar terms refer to Transphorm, Inc. and its subsidiaries.

#### Overview

We are a global semiconductor company founded in 2007. 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 creating increased functional value in end products including smartphone power adapters/fast-chargers, power supplies for datacenter servers/communication, industrial power converters and chargers/converters/inverters for 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 or lower loss (e.g., titanium-class performance in power supplies), higher power density (e.g., compact size or improved form factor) and, in many designs, an overall lower system cost.

#### Our Technology

**Driving “Moore’s law of Power” with GaN:** At the core of any power converter or inverter widely utilized in converting electrical energy from one form to another (for example, AC to DC), are semiconductor-based electronic switches, traditionally made with silicon-based devices. While silicon and silicon-based switching transistors like MOSFETs and IGBTs are reaching their technological limits, GaN FETs have significant potential for performance to further the roadmap for power conversion systems that require ever increasing power density (ability to pack power in a small volume), analogous to Moore’s law for digital semiconductors. In this case, the “Moore’s law” analogy is the increasing power density over time, which has been achieved via improvements in switching devices, starting with SCRs, then BJTs, followed by IGBTs and MOSFETs, all of which are silicon-based devices. Relative to silicon-based devices, GaN devices offer advantages including higher switching speeds, higher breakdown voltages and lower resistance. Today, wide-bandgap semiconductors like SiC and GaN are driving the innovation in power electronics.

**Our GaN FETs:** Our proprietary GaN on silicon material growth (or epiwafer technology) knowhow via MOCVD allows us to build our GaN devices on inexpensive silicon substrates, thereby leveraging the cost structure of well-established silicon-based manufacturing. Our proprietary GaN epiwafer designs also allow us to achieve devices capable of sustaining high voltages well in excess of the 650 Volts required for typical power switching applications, with ultra-low losses. At the core of our GaN FET device is a two-chip, normally-off 650 Volt GaN platform, integrating a low voltage Si FET input/drive stage with a high voltage GaN output stage to deliver a normally-off, packaged power device to the end user. Compared to other approaches by which a normally-off, high voltage GaN switching device can be made, our approach is more robust than other alternatives (so-called junction gated or p-GaN type devices) that typically offer low safety margins. A typical standard Si-MOSFET consists of a normally-off input portion (gate control) with a normally-on output portion (high voltage drift region), that are integrated in one device. We have integrated two separate die in one package in a chip-on-chip configuration to achieve the best of both worlds - high robustness and high performance. The result is a normally-off power device package with a combination of reliability, robustness, design margin and performance. This approach is now being adopted by other GaN manufacturers, which we believe validates our approach and makes our strong intellectual property even more important going forward. Our GaN FETs stand out in the industry due to their capability to

withstand much higher voltages than those required for device ratings (for instance, our standard 650 Volt products have a destructive breakdown voltage in excess of 1,000 Volts, which is high in comparison to the typical range for our competitors' GaN devices of 650 Volts to 1,000 Volts), contributing to our safety margins in operation.

**Continued Innovation:** We have a strong innovation track record as evidenced by a series of firsts in the GaN high voltage arena, including the first automotive-grade AEC-Q101 and JEDEC qualified high voltage GaN FETs. We have also released multiple generations of products beginning with Gen-1 and Gen-2 prior to 2016, to Gen-3 in 2018, Gen-4 in 2020 and now our Gen-5 offerings under development. Each product platform seeks to improve key industry metrics (or figures of merit) designed to result in both improved performance (lower losses in power converters/inverters for our customers) and lower cost by enabling lower die size and simpler packages.

**Epiwafer Products:** Recently, we also started to monetize our strong core expertise in GaN epiwafer technology by providing GaN epiwafer products for the RF/microwave/millimeter wave market, as well as for certain strategic customers in the power device market. In 2018 and 2019, we were awarded the base portion and option portion, respectively, of an \$18.5 million contract by the U.S. Navy, which we believe is validation of our technology, intellectual property and capability in this area. We aim to establish ourselves as a U.S.-based supplier for advanced GaN epiwafer products for both the U.S. Department of Defense and commercial applications.

#### **Our Solution and Business Model**

Our GaN product offerings are based on innovation across the value chain, starting from GaN material and epiwafers to GaN device design, and from wafer fabrication to packaging, as well as application-based reference designs that help our customers extract the most value from GaN. This vertically integrated control of the value chain has resulted in rapid innovation, manufacturing control, and the high quality, high reliability (Q+RTM) brand of high voltage GaN offerings that we offer.

**Target Power Market Focus:** Our GaN on silicon FET products start with a 650 Volt rating and currently go up to 900 Volts, and we are developing products that we believe will go up to 1,200 Volts. 650 Volt products represent a large portion of the power conversion market because the world-wide line voltage into which these converters have to plug in ranges from 110 Volts to 240 Volts, resulting in in-system voltages of 400 Volts to 500 Volts that necessitate a 650 Volt power device. Similarly, higher bus voltage applications such as those running off an 800 Volt battery for an inverter require higher voltage ratings from power devices. As the voltage requirement gets higher, a silicon-based power device switch becomes increasingly lossy and the differentiation in performance offered by a GaN device increases.

**Products:** Our products currently address power conversion applications ranging from approximately 30 watts to approximately 10 kilowatts. Our GaN FETs are offered in various packages, addressing our customers' needs from very robust to compact packages. In addition to the appropriate device, a robust and easy-to-use package is key for a power product because the heat dissipated in the device ultimately is removed via the package and then the system heat sink. TO packages have historically served a significant role in the power semiconductor industry. We have designed our GaN products in these TO packages to deliver kilowatt class power that takes advantage of GaN's high efficiency and low loss switching capability along with a solid thermal interface offered by the TO package. We also offer surface mount equivalents of the TO packages such as the D2Pak, where surface mount capability is a must. On the other hand, for fast switching compact power adapters (typically sub-300 watt), the compact PQFN package is our standard offering. Our packaged products also incorporate simple but powerful high frequency and high speed switching design philosophies, resulting in GaN solutions with stable operation at multi kilowatts, at high-speed and high frequency (multi-100 kHz to MHz), all while maintaining high quality and reliability.

**Markets:** Our GaN products switch much faster than equivalent silicon products and increase a system's power density, producing greater efficiency while enabling system size reduction. With their proven reliability and ability to reduce size and save energy, 650 Volt GaN FETs have now been adopted in the market. GaN provides cost-competitive, easy-to-embed solutions that reduce energy loss and system size by as much as 40 percent, while enabling system cost reduction, to simplify converter and inverter design and manufacturing.

Our products today address power conversion applications including:

- low power applications (30 watt to 300 watt) such as smartphone power adapters/fast chargers and laptop and appliance power supplies;
- medium power applications (several hundred watts to sub 5-kilowatts) such as power supplies for datacenter servers, communications infrastructure, and industrial servo drives for motors and robotics; and
- high power applications (greater than 5 kilowatts) such as onboard chargers, converters and inverters for electric vehicles and power supplies for industrial applications.

We believe power conversion with high voltage semiconductor devices (e.g., 650 Volt devices) is a large market opportunity. Based on reports from various third party research firms, we estimate the total addressable market for GaN to be approximately \$1.6 billion. Market research firm Yole Développement predicts growth for the GaN power device market with GaN power semiconductor-related revenues as high as \$400 million by 2023.

In addition to the power semiconductor market, we have started supplying GaN epiwafers on various substrates, including silicon carbide, sapphire and silicon, ranging from 4 to 6 inches in diameter, for RF/microwave/millimeter wave device markets, and we believe we are in a position to target the growing 5G RF market in the future. We believe the existing market for GaN RF transistors for wireless infrastructure and 5G exceeds \$500 million, and we can service a portion of this market attributed to epiwafers. For these areas, we also have the advantage of being a pure-play epiwafer foundry as we do not make RF device products.

## Our History

**Overview:** Our company was launched in 2007 by experienced founders Professor Umesh Mishra and Dr. Primit Parikh, with more than 30 years of GaN technology and business experience between them at the time, with the goal of commercializing GaN technology for the large power semiconductor market while making a global impact on electrical energy savings and simplifying power conversion for end users. We have been a key player in the area of high voltage GaN power devices from our early days with several industry firsts, including the first GaN on silicon device to the first 600 Volt GaN device JEDEC qualification, the first high voltage GaN automotive qualified product under the stringent AEC-Q101 standard, the first high temperature (175C) rated GaN offering, and the first field reliability data including over 7 billion hours of operation with a statistical failure rate of <1 FIT (1 per billion hours of operation).

**Blue Chip Partnerships:** Throughout our history, we have established blue chip partnerships with strong investors, manufacturing and channel partners, key customers, and strategic investors and partners. In the three months ended March 31, 2021, and the years ended December 31, 2020 and 2019, Nexperia B.V. (“Nexperia”) and the U.S. government each accounted for more than ten percent of our revenues.

In 2014, we established a business integration, IP acquisition/licensing and channel partnership agreement with Fujitsu Limited (“Fujitsu”) and Fujitsu Semiconductor Limited (“FSL”), pursuant to which we established Transphorm Japan as a wholly owned subsidiary, with a leading manufacturing and quality team from FSL. In connection with this agreement, we entered into a manufacturing partnership for FSL’s high quality 6-inch silicon wafer fabrication plant in Aizu Wakamatsu, Japan that allowed us to bring silicon-like manufacturing excellence to GaN products. We also acquired a patent portfolio from FSL and a license to a separate portfolio from Fujitsu. This relationship further led to the establishment in 2017 of a joint venture with FSL for the 6-inch Aizu facility, in which we are a currently a noncontrolling, minority partner. In April 2020, FSL exercised its put option and notified us that it intended to exit the joint venture by selling its 51% interest in the Aizu facility to us. While the joint venture agreement with FSL provides that completion of the transaction was to take place as soon as 60 days from the date of the exercise notice, such transaction is subject to regulatory and other approvals in Japan that we believe will take

up to June 30, 2021 to obtain, assuming such approval is received at all. For more information, see the section below titled “—Manufacturing and Supply—Wafer Fabrication and Joint Venture with Fujitsu.”

In 2015, KKR Phorm Investors L.P. (“Phorm”), an affiliate of Kohlberg Kravis Roberts & Co. L.P., made an investment of \$70 million in us with the goal of enabling us to get our GaN products that had completed concept, engineering, manufacturing, reliability and quality testing to mass market. As of the filing of this Report, Phorm remains our largest stockholder.

In 2017, we entered into a partnership with Yaskawa Electric Corporation of Japan (“Yaskawa”), a global leader in motion control and a pioneer in the adoption of new semiconductor technology for the field of servo motors, robotics and renewables. In October 2017, Yaskawa loaned us \$15.0 million pursuant to a convertible promissory note that is convertible, in whole or in part and at Yaskawa’s option, into our common stock (subject to a maximum of 3,076,171 shares). Yaskawa seeks to enable smaller, faster and more efficient power electronics servo drives in applications such as robotics, which use servo motors to enable movement along various axes of motion in a robot, to improve robot functions. We are developing customized versions of our GaN devices for Yaskawa and for other motor drive use.

In December 2020, we entered into a cooperation and development agreement with Yaskawa, pursuant to which Yaskawa agreed to provide \$4.0 million over approximately three years to fund development activities related to industrial power conversion applications, with an initial focus on servo motor drive applications. Yaskawa provided \$1.0 million of this \$4.0 million commitment in December 2020. The Company evaluated and concluded that the deliverables are the same and nature of the services to be provided to Yaskawa will be consistent over the period of approximately three years. Accordingly, the Company recognized \$333 thousand as revenue for the three months ended March 31, 2021 and the year ended December 31, 2020. As of March 31, 2021 and December 31, 2020, \$334 thousand and \$667 thousand, respectively, is included in deferred revenue on the consolidated balance sheet.

In 2018, we established a five-year cooperation agreement with Nexperia, a leader in silicon-based power semiconductors for automotive products, with the goal of establishing a second source of our GaN products and better positioning to penetrate the automotive market with our GaN products in the long term. Through a combination of equity ownership, a loan agreement, technology development projects, and licensing of our wafer-fabrication process and certain products, we secured significant funding from Nexperia. We believe this agreement is further indicative of our strong intellectual property portfolio as well as our ability to create revenue streams by monetizing our intellectual property.

In 2020, we established a relationship with Marelli, a leading automotive Tier-1 supplier (headquartered in Japan and with a world-wide footprint) for long term development of our automotive converter and inverter products. Marelli also made an equity investment of \$4.0 million in our February 2020 private placement and made an additional equity investment of \$1 million on March 31, 2021.

In December 2020, we entered into a joint venture agreement with JCP Capital Management, LLC (controlling party with 75% ownership) to create GaNovation, Pte. Ltd., a joint venture company in Singapore, to engage in the business of distribution, development and supply of GaN products. In connection with the establishment of GaNovation, we appointed GaNovation as our exclusive distributor in Greater China, with rights to procure epiwafers, processed wafers and Si-MOSFET wafers from us, rebrand and resell packaged products purchased from us, and customize and develop mutually-agreed-upon products. The operations of AFSW is expected to be contributed into this joint venture upon the approval of the regulatory authorities.

**Customer Partnerships:** Beginning in 2018, we have empowered our customers’ success and have seen several customers introduce their end power conversion products such as power supplies, battery chargers and fast charging adapters into the market. For example, Corsair, a leading supplier of high performance gaming equipment, successfully introduced its AX1600i series of GaN-based power supplies. This success has served a significant role in allowing us to ship more than half a million GaN products to market. We estimate that the half million GaN products estimated to be operating now for two years have resulted in at least five billion hours of combined field

operation - a first for high voltage GaN. As mentioned above, Yaskawa has partnered with us with a view of enabling GaN devices for servo drives in robotics applications. We have also developed a partnership with a company based in Asia with key design expertise for GaN-based adapter products, including certain non-recurring engineering payment-based development by us for our partner entailing limited time exclusivity for specific products developed pursuant to the partnership, subject to meeting minimum quarterly sales. We own a minority 1% share in this partner company, headquartered in Hong Kong. Lastly, in 2018 and 2019, the U.S. Navy awarded us the base portion and option portion, respectively, of an \$18.5 million three-year contract to create a U.S.-based source of advanced GaN epiwafer materials for the U.S. Department of Defense, which we believe exemplifies the recognition of our strong GaN MOCVD epiwafer platform, intellectual property and manufacturing scale and creates an opportunity for us to sell into the broader GaN RF epiwafer market. This has helped us in developing a second vertical - our GaN epiwafer business - to supplement our primary business of GaN power products. In this area, we have started to sell epiwafers, targeting both customers within the U.S. Department of Defense (including those resulting from the impact of the U.S. Navy program as well as others) and commercial RF and power device customers.

We are dependent on revenues from certain key customers such as Nexperia and the U.S. government, and distributors who sell to Corsair, Bel Power Systems, Common Power and Xentris, as well as on revenues from sales of our epiwafer products to various customers engaged in research and development for the U.S. Department of Defense utilizing our GaN epiwafer products. In particular, for the three months ended March 31, 2021 and 2020 (unaudited), and the years ended December 31, 2020 and 2019, Nexperia and the U.S. government each accounted for more than ten percent of our revenues.

## Commercialization

**Current GaN Power Products:** We have qualified and released to manufacturing a number of products based on our 650 Volt GaN FET technology. Our current product portfolio in the market is based on our 650 Volt Gen-1 to Gen-4 GaN FET platforms. Our products are offered in the industry standard TO packages (TO247 and TO220) or the 8x8 PQFN surface mount packages. The TO packages offer the most robust thermal performance and result in higher power per device, ranging from 1 kilowatt to over 5 kilowatt, and the PQFN packages offer the most compact and higher speed switching performance, typically for sub 2-kilowatt applications, including adapter applications. We also have a 900 Volt GaN FET product in the market, and believe that we are the only company to have qualified a 900 Volt GaN device to date. The key markets that are currently addressed by our products include:

- Power adapters and chargers and gaming power supplies
- Data center and infrastructure power supplies
- Industrial applications - Power Supplies, UPS/battery chargers, servo drives

Additionally, we hope to enter the automotive products market in the mid-term, via DC-DC converters, on board chargers, and AC inverters for off-grid power, for which we are actively working with customers, and in the longer term, via EV power-train and high speed chargers after our development of larger current, higher power GaN devices. In the fourth quarter of 2020, we announced sampling our Gen-5 devices addressed at EV applications and other market areas.

**Application Resources:** We develop reference designs and evaluation boards that help our customers incorporate our GaN devices into the design of their power conversion products. We also make our applications kits available on distribution sites such as Digikey and Mouser.

**Gen-4 Products:** Our Gen-4 platform, which saw the introduction of two products in the market in 2020, further improves the industry metric of resistance per unit die area and enables simpler packaging. Our next priority is to complete AEC Q1010 (automotive) qualification and release more products incorporating our 650 Volt Gen-4 platform in the market. A summary of our Gen-4 products is below:

- 650 Volt/Gen-4/250-300 mohm class GaN FET for 45 watt to 100 watt class adapters (released in the second quarter of 2020);
- 650 Volt/Gen-4/450-500 mohm class GaN FET for 24 watt to 50 watt class adapters (released in the fourth quarter of 2020); and
- 650 Volt/Gen-4/35 mohm class GaN FET for kilowatt class general power conversion applications including data-centers and industrial (released in the second quarter of 2020).

One of our near-term focus areas is to commercialize Gen-4 products in 30 watt to 150 watt adapters. We are working with a design partner in Asia and have the capability to provide a reference design-based solution for these power adapters. In the second quarter of 2020 one of our customers launched a 65 watt slim-adapter that incorporated our GaN products. The continued relationship with our Asia design partner, as well as expanding our own application engineering team, is important for our success in the adapter market. Further, the success of our design-in with end customers is critical to us securing an early ramp in adapter revenues.

**Higher Voltage, 900 Volt FETs:** We believe we are the only company to have qualified 900 Volt GaN FETs. These products are used for power conversion applications that involve higher in-circuit voltages in excess of 600 Volts to 700 Volts or applications that run off a higher voltage battery. We released our Gen-3 JEDEC qualified commercial 900 Volt product in August 2020.

**Automotive Products and Partners:** Our GaN products are capable of being qualified for automotive applications following the AEC-Q101 standard. We have already AEC-Q101-qualified our Gen-2 and Gen-3 based products and we are targeting AEC-Q101 qualification of our Gen-4 based 650 Volt/35 mohm product in the first quarter of 2021. The first revenues from automotive applications are not expected until 2022. With the establishment of our product development relationship with Marelli, we met our target of adding one automotive customer in 2020. Our revenues from automotive applications are dependent on our activities with certain Japanese automotive partners as well as our non-contractual relationship with Nexperia, which plans to offer their automotive products both through licensing our technology and relying, in part, on us for epiwafer procurement. Success with Japanese automotive partners and Nexperia's success in their automotive outreach would influence both the timing and ramp-up of our automotive revenues.

**Epiwafer Business:** We view our epiwafer business as a vertical that supplements our primary GaN power device business. In 2018 and 2019, we secured the base portion and option portion, respectively, of an \$18.5 million three-year contract from the U.S. Navy for commercialization of GaN-based epiwafers on various substrates including silicon carbide, silicon and sapphire. This is a cost plus fee type contract with various milestones to be achieved by us. We began generating revenues from the sale of GaN epiwafers for the RF GaN market to the U.S. Department of Defense in 2020, and we expect our revenues from this vertical to increase in 2021 as compared to 2020. We believe this contract with the U.S. Navy provides a strong base for our epiwafer business, though such business is not limited to defense customers as we will also be targeting commercial RF GaN epiwafer sales for the RF GaN market.

#### **Research and Development ("R&D")**

Our innovation is targeted at maintaining a leadership position in the GaN power device market. We completed development of our first Gen-4 products in 2020 and will continue development of more Gen-4 products based on customer needs. Further, we have also started working on our next improvement in figure of merit (a quality of semiconductor devices impacting performance limits) through our Gen-5 based platform. The Gen-5 platform also includes products with higher current and power than our Gen-3 and Gen-4 products, and it will help address 5 kilowatt to 10 kilowatt applications more easily. In addition to the commercialization plan for our Gen-4 products discussed above, we are currently targeting the release of our first Gen-5 based device in 2021.

We are also in the initial stages of exploring 1,200 Volt GaN devices, which are partly funded by a research sub-contract from the U.S. Department of Energy ARPA-E (Advanced Research Project Agency-Energy) agency.

Based upon progress and competitive positioning, we are targeting a potential release of a 1,200 Volt GaN device after 2021.

## **Intellectual Property**

**Proprietary Protection:** Our commercial success depends in part on our ability to continuously obtain and maintain proprietary protection for our GaN products, associated solutions and other know-how, to operate without infringing the proprietary rights of others, and to prevent others from infringing on our proprietary rights. We have been building and are continuing to build our intellectual property portfolio relating to our GaN products, including GaN products that can be used in the power conversion industry. Our policy is to seek to protect our proprietary position by, among other methods, filing and licensing U.S. and certain foreign patent applications related to our proprietary technology, inventions and improvements that are important to the development and implementation of our business. We also rely on trade secrets, know-how, and technological innovation to develop and maintain our proprietary position. We cannot be sure that patents will be granted with respect to any of our owned or licensed pending patent applications or with respect to any patent applications filed or licensed by us in the future, nor can we be sure that any of our existing owned or licensed patents or any patents that may be granted or licensed to us in the future will be commercially useful in protecting our technology.

**IP Leadership:** We are a world leader in GaN power semiconductor based intellectual property, with a patent portfolio that has access to over 1,000 patents comprising our directly owned patents, exclusive, sole or nonexclusive licenses of key portfolios from The University of California, Santa Barbara (“UCSB”), Furukawa Electric Co., Ltd. (“Furukawa”) and Fujitsu, as well as a nonexclusive license from Cree, Inc. (“Cree”) for the field of GaN power devices. The strength of our portfolio lies in the fact that our intellectual property covers all aspects of the GaN value chain, ranging from GaN epitaxial materials to device design to wafer fabrication processes to packages as well as GaN-based circuits and applications.

**Portfolio:** Our patent portfolio includes pending patent applications and issued patents in the United States and in foreign countries. As of March 31, 2021, our owned and licensed patent portfolio consisted of over 850 issued patents and over 200 pending patent applications around the world. Our over 330 directly owned patents are complemented by 150 patents from Furukawa’s sole licensed intellectual property and over 170 patents from Fujitsu’s nonexclusively licensed intellectual property in the power semiconductor area. The approximately 25 patents exclusively licensed from UCSB include some fundamental early intellectual property on growth of GaN on silicon substrates and unique intellectual property on nitrogen polar GaN, which was pivotal to us being awarded the contract from the U.S. Navy. Additionally, we hold a nonexclusive license from Cree to over 300 GaN material/device patents. Our licenses for the UCSB, Furukawa and Cree patents are royalty-bearing, and we pay royalties based on total revenues. The license for the Fujitsu patents is not royalty-bearing. We have also sub-licensed the UCSB and Furukawa patents to Nexperia on a royalty-bearing basis, which helps us defray the cost of maintaining these intellectual property portfolios.

Patent life determination depends on the date of filing of the application and other factors under the patent laws. In most countries, including the United States, the patent term is generally 20 years from the earliest claimed filing date of a non-provisional patent application in the applicable country.

### ***UCSB license agreement***

We entered into a license agreement with UCSB in 2007. As of March 31, 2021, we had in-licensed 29 patents or patent applications under this agreement. The UCSB license agreement requires us to use commercially reasonable efforts, consistent with demand in the marketplace and industry conditions and development timelines, to research, develop, market and manufacture products that are licensed under the agreement. We have the right to sublicense these rights to third parties. The UCSB license is subject to the rights of the U.S. government under any and all applicable laws including substantially manufacturing all licensed products in the United States, unless such requirement is waived by the U.S. government. In addition, we have the obligation to pay UCSB’s patent prosecution and maintenance costs, as well as royalties at a low single-digit percentage of any net revenue generated by our sale of any licensed product. In the event we grant a sublicense under the licensed patent rights, we also have



the obligation to pay UCSB a certain portion of the sublicense royalties equal to at least as much as would have been due from us to UCSB under the parent license. We have one sublicense in place for which we receive a certain portion of our maintenance fees and certain royalties, which will be passed on to UCSB. We may terminate this license agreement at any time by providing 90 days' written notice to UCSB.

#### ***Furukawa license agreement***

We entered into a license agreement with Furukawa in 2014. As of March 31, 2021, we had in-licensed 150 issued patents in the U.S. and foreign countries under this agreement. We have the right to sublicense these rights to third parties. We share in the maintenance costs for the licensed patents by paying a fixed annual maintenance fee of \$200,000, as well as royalties at a low single-digit percentage of any net revenue generated by our sale of any licensed product. In the event we grant a sublicense under the licensed patent rights, we also have the obligation to pay Furukawa a certain portion of the sublicense royalties. We have one sublicense in place for which we receive a certain portion of our maintenance fees and certain royalties, which will be passed on to Furukawa. Either party may terminate or renew this license agreement after ten years from entry into the agreement.

#### ***Fujitsu license agreement***

We entered into a license agreement with Fujitsu in 2013. As of March 31, 2021, we had in-licensed 163 issued and pending patents in the U.S. and foreign countries under this agreement. We do not have the right to sublicense these rights to third parties. Under the terms of this license agreement, Fujitsu has no obligation to sue or enforce the patent rights against third party infringers. Our license from Fujitsu is fully paid up and royalty free worldwide, with nonexclusive rights for power electronics. This agreement is non-terminable.

#### ***Cree license agreement***

We entered into a license agreement with Cree in 2013. As of March 31, 2021, we had in-licensed over 420 issued and pending patents in the U.S. and foreign countries under this agreement. We do not have the right to sublicense these rights to third parties. Under the terms of this license agreement, Cree has no obligation to sue or enforce the patent rights against third party infringers. We have the obligation to pay royalties at a low single-digit percentage of any net revenue generated by our sale of any licensed product. Either party may terminate or review this license agreement every three years.

### **Our Technology Licenses and Assignments**

Our strategy for the protection of our proprietary technology is to seek worldwide patent protection with a focus on jurisdictions that represent significant global power semiconductor markets. However, we assess on a case-by-case basis whether it is strategically more favorable to maintain trade secret protection for our inventions and "know-how" rather than pursue patent protection. Generally, patents have a term of twenty years from the earliest priority date, assuming that all maintenance fees are paid, no portion of the patent has been terminally disclaimed and the patent has not been invalidated. In certain jurisdictions, and in certain circumstances, patent terms can be extended or shortened.

Although our current GaN products are based on the 2-chip, normally-off configuration, our intellectual property also includes patents on multiple approaches for the 1-chip, normally-off or the e-mode GaN device technology, including patents on the so called "p type" gated GaN device approaches.

As the GaN power semiconductor business grows, we expect to be in a strong position to demonstrate the strength of our intellectual property position to customers and to continue to monetize our intellectual property.

**Trademarks and Trade Secrets:** Trademarks form an important part of branding our products, the philosophy behind those products and the Company itself. Some of our key trademarks are the Transphorm logo (with the globe), Q+R (our Quality and Reliability brand), SuperGaN (our highest performance new generation of GaN products), and EZ GaN. We also rely on trade-secret protection for our confidential and proprietary

information, and we typically use non-disclosure agreements when commencing a relationship with a customer or partner, particularly when we believe we will share proprietary information. We have an internal program to document our trade-secrets for each major area of our technology and operations. We cannot be sure that we can meaningfully protect our trade secrets on a continuing basis. Others may independently develop substantially equivalent confidential and proprietary information or otherwise gain access to our trade secrets.

**Licensing to Nexperia:** As part of our long-term cooperation agreement with Nexperia and in exchange for Nexperia's original investment in us, we agreed to transfer certain technologies to Nexperia, and have provided Nexperia with licenses to manufacture and sell products using such technologies (in each case, excluding our epi process technology) as follows:

- Exclusive license (i.e., exclusive of us) for the automotive field in all regions except Japan, with the exception that we may develop, manufacture or directly sell any products in the automotive field to certain specified customers anywhere in the world (including Japan).
- "Sole" license for all other areas of application (i.e., we may not grant similar licenses to any other parties but we are not restricted from using or exploiting our technology in such other areas of application).
- The above licenses become nonexclusive on the earliest to occur of (i) April 4, 2023 and (ii) one year after a change of control of us.
- These licenses are ultimately contingent upon Nexperia fulfilling the appropriate licensing payment requirement, which in turn are contingent upon the execution of certain milestones by us.

## Competition

**Overview:** Our solutions compete with other power semiconductor solutions for power conversion including other GaN products, SiC products and silicon super-junction and IGBT products. Both GaN and SiC belong to the wide-bandgap semiconductor materials category, which offer high power switching performance due to their inherent capability to switch with lower losses at high voltages. Our GaN products are targeted at the 600 Volt to 650 Volt and the 900 Volt markets today, addressing power levels from 30 watts to over 5 kilowatts.

Competition in our markets is based on a variety of factors, including cost, size, power consumption, performance, reliability, product line depth and breadth, and ability to supply in sufficient quantities. We believe we can, or will be able to, compete effectively based on these factors.

Our GaN solutions compete with silicon-based products from companies such as Infineon, ST Microelectronics, Toshiba, ON Semiconductor, Mitsubishi and others, as well as with SiC based offerings from Rohm, United Silicon Carbide, Cree, Infineon and others. SiC devices benefit from the fact that they are vertical devices while today's high performance GaN devices are lateral devices. Vertical devices tend to offer smaller total chip area for similarly rated devices. However, GaN devices can make up for this size difference, at least in part, by being manufactured on a very low cost silicon substrate. We also compete with other high-voltage GaN product providers including Infineon, Power Integrations, Panasonic, GaN Systems, Navitas, Texas Instruments and others.

Many of our existing competitors have, and some of our potential competitors could have, substantial competitive advantages such as greater name recognition, longer operating histories, broader and deeper product portfolios, larger customer bases, substantially greater financial and other resources, and larger scale manufacturing operations. However, we believe our products have the potential to compete, and do compete, with many of our competitors' offerings through product quality, product reliability and satisfaction of customer qualifications and standards.

Some companies as well as academic institutions are engaged in research and development of vertical GaN devices fabricated on bulk GaN substrates. While these could be promising in the future, much remains to be proven

as to the ultimate quality and cost of these GaN substrates as well as the actual performance benefit of a vertical GaN device on a GaN substrate vs. high performance GaN HEMT-based products made on silicon substrates.

**Competition With Silicon:** We aim to capture applications that are traditionally addressed by silicon but for which silicon no longer offers sufficient performance. However, although the overall system cost may be lower with GaN due to compact size and reduction of other components in the system, the cost of certain GaN devices is higher than the cost of the comparable silicon devices at present (approximately twice the cost as such silicon devices). Therefore, in applications where silicon performance is acceptable, it may be difficult to compete with GaN products until the cost of the GaN devices is reasonably close (we estimate within a 20-30% range) to comparable silicon devices at a per device level. Typically, GaN devices face competition from silicon superjunction devices or silicon IGBT devices in such scenarios.

**Competition With Silicon Carbide:** Although SiC products have been around for a much longer time than GaN devices, we believe that GaN has better figures of merit with respect to certain power switching applications and the potential to deliver lower losses for such power switching applications. GaN is also made on standard silicon wafer substrates, lending it the cost structure of silicon-based wafer fabrication versus the more expensive SiC substrates on which SiC devices are manufactured. However, although the performance of SiC devices today at 600 Volts to 650 Volts is distinctly lower than GaN, SiC devices are more competitive at higher voltages such as 1,200 Volt nodes, where SiC is currently growing in use. This is due, at least in part, to SiC devices such as MOSFETs typically having a low mobility of electron charge under the gate region (such as approximately 50 cm<sup>2</sup>/Volt-second), versus GaN HEMTs which have much higher electron mobility in the gate region as well as the total conducting (or drift) region. For example, our GaN HEMTs have typical channel mobility of approximately 2,000 cm<sup>2</sup>/Volt-second. The lower gate mobility of the SiC MOSFET results in higher resistance (and thus higher loss) under the gate region. At lower voltages, the overall conduction (or drift) region is smaller and the gate region represents a higher portion of the total device. At higher voltages, such as 1,200 Volts, the gate region represents a smaller portion of the overall device and thus is not too detrimental for overall device loss. Thus, as the voltage requirement of a device is lowered, SiC devices generally tend to fall in relative performance versus GaN devices.

**Competition With Other GaN Offerings:** Finally, our GaN devices compete with offerings from other GaN manufacturers. While the presence of multiple GaN manufacturers is required for the overall acceptance of GaN technology, we strive to differentiate ourselves through quality, reliability, and easy to use GaN devices in thermally robust packages, while still offering a high level of performance (low loss and high efficiency) at reasonable price points.

### **Our Growth Strategy**

Our growth strategies include (i) addressing growth in the power conversion markets through innovative GaN products with high quality and reliability that are easy to use, (ii) establishing an aggressive product and technology roadmap to improve product performance and decrease our costs, (iii) maintaining strong customer partnerships in what we believe are important product areas, and (iv) maintaining strong connections with suppliers, manufacturing partners and distribution partners.

In the near term, we aim to incorporate our products into power supplies by supporting product opportunities ranging from sub-100 watt compact smartphone fast-charging adapters to 3 kilowatt power supplies for datacenter servers with our GaN products. We continue to develop reference designs for various adapter solutions such as 65 watt USB Type-C fast chargers to provide customers a complete solution with our easy-to-use, high reliability GaN products. Adapters for fast chargers, which are becoming more prevalent with the increased power consumption of 5G mobile phones, represents a strong opportunity to market our GaN solutions. We aim to continue our partnerships with customers who have already introduced high-efficiency, compact, GaN-based power supplies in the market recently and to expand with more customers in this area.

In addition, we aim to address industrial markets such as industrial power supplies, servo motor drives for robotics, uninterruptible power supplies, and inverters and chargers for off-grid and backup power solutions, among other products. Our products come in standard packages that are thermally robust and capable of efficiently

delivering 1 kilowatt to 5 kilowatts of power in a single package, which we believe are well suited for these types of products. We also develop reference designs for the applicable subsystems of power converters and inverters to ease product integration and help our customers derive additional benefit with GaN solutions. We have developed significant partnerships in this area, such as with Yaskawa in the area of servo motor drives.

The number of electric vehicles worldwide is expected to continue to grow from just over 3 million to over 30 million over the next decade. We believe that power conversion opportunities on board the automobile, such as on board battery charger and DC-DC converters for powering auxiliary systems, as well as the powertrain inverters, represent a strong market opportunity for GaN solutions. GaN-based devices can provide improvements in efficiency over traditional silicon devices, enabling compact systems for efficient charging and ultimately enabling higher driving range. In the mid term, our focus will be having customers design around our products in the areas of DC-DC converters (e.g., 3 kilowatt power) and onboard chargers (e.g., 6.6 kilowatt to 11 kilowatt power); we currently have products available to address these product areas. In the long term, we aim to address powertrain inverters with higher power ratings (e.g., 50 kilowatts to over 200 kilowatts) using innovative solutions such as combining multiple GaN devices and developing devices rated for higher power output. For example, to our knowledge, we are the only company to date to qualify and release a 900 Volt-rated GaN power device. We also have 1200 Volt rated devices in early development.

We intend to continue to innovate in the GaN technology space to maintain our reputation in product quality, reliability and performance and to continue to improve the costs of our GaN products over time. Our new generations of products, such as our Gen-4 and Gen-5 products, target smaller GaN die sizes while improving the figures of merit for power switching. We plan to offer these products in both robust, industry-standard packages as well as compact, surface-mount packages based on the power level and customer requirements. Through this roadmap, we plan to additionally develop devices with greater power and current ratings, including our Gen-5 devices, which we expect to release in 2021.

As a result of our contract with the U.S. Navy, we are also positioning ourselves to be a supplier for high quality GaN epiwafers on various substrates such as silicon, silicon carbide and sapphire, in wafer diameters ranging from 4-inch and 6-inch now to 8-inch in the next few years. We aim to become a strong U.S.-based epiwafer supplier for GaN RF electronics for both the U.S. Department of Defense and commercial RF applications such as GaN RF transistors for wireless infrastructure and 5G. For these areas, we also have the advantage of being a pure-play epiwafer foundry as we do not make RF device products. We will also target providing GaN epiwafers for power semiconductor applications to select strategic partners and for select development opportunities.

### **Government Regulation and Product Approval**

Our primary set of products that include GaN power semiconductor FETs fall into the ECCN EAR-99 category of the export regulations from the U.S. Department of Commerce and as such are not currently subject to restrictions. We are required to conform to other guidelines and restrictions of the Department of Commerce and other government regulations that may be in place from time to time concerning shipping products to specific companies or countries. Our GaN epiwafers are classified under the ECCN 3C001 (GaN on silicon) and ECCN 3C006 (GaN on silicon carbide) category of export regulations, while our GaN on silicon epiwafer production and development technology falls under ECCN 3E001 of the regulations, and may require a license for export, re-export or transfer to a number of countries pursuant to EAR. We have systems in place to ensure our compliance with these guidelines and procedures and U.S. laws and regulations. Any exports of our technology for development or production of our epiwafers (under ECCN 3E001) to our own subsidiary in Japan and our joint venture with Fujitsu Semiconductor in Japan is under the license exception TSR (technology and software under restriction).

To the extent our products are or become subject to U.S. export controls and regulations, 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 subsidiary in Japan, Transphorm Japan, also adheres to export control regulations under Japanese law, which generally mirror U.S. export control laws. Transphorm Japan has obtained licenses for the export of epiwafer materials to the extent required.

We are also generally subject to other industry and environmental regulations for electronic and semiconductor products such as the Restriction of Hazardous Substances Directive 2002/95/EC.

## **Manufacturing and Supply**

**Supply Chain and Epi Materials:** We believe we have strong manufacturing and supply chain operations in comparison to our competitors, from GaN epiwafers to wafer fabrication to packaging and testing. We control our core MOCVD GaN epiwafer manufacturing and development, with multiple MOCVD reactors at both our Goleta, California headquarters and our joint venture wafer fab in Aizu Wakamatsu, Japan. Each location has multiple 6-inch production scale reactors, including some with 8-inch capability that we may require in the future. We believe these reactors, with the ability to grow high quality, high uniformity GaN epi materials on silicon, silicon carbide and sapphire substrates, provide sufficient capacity for epitaxial wafers both for our GaN power device business as well as our epiwafer sales vertical.

**Wafer Fabrication and Joint Venture with Fujitsu:** Our wafer manufacturing as well as most of our engineering development is accomplished in our joint venture wafer fab in Aizu Wakamatsu, Japan. AFSW has a fully depreciated 6-inch production fabrication facility, originally running silicon CMOS and bipolar processes and, since 2012, also running GaN processes while continuing some silicon-based wafer foundry activity. On November 28, 2013, we entered into a process technology and development and services agreement with FSL to integrate our GaN power device manufacturing processes with FSL's manufacturing processes to enable our GaN wafer manufacturing at what is now the AFSW fabrication facility. Since that time, we have gained full access to the facility for development and manufacturing of various generations of our GaN products. For example, we worked with FSL to qualify a complete manufacturing process for GaN wafers in the AFSW fabrication facility, which resulted in our products being commercially released in 2015 under our Gen-2 platform. Subsequently all our production supply of fabrication wafers was sourced from the AFSW fabrication facility.

In 2017, we entered into a joint venture agreement with FSL to gain further control of our GaN manufacturing, share ownership and operating costs of the AFSW entity, and refine certain other aspects of our commercial relationship. Currently, we hold a 49% interest, and FSL holds a 51% interest, in this joint venture. On April 1, 2020, FSL exercised its put option under the joint venture agreement and notified us that FSL intended to exit the joint venture by selling its 51% interest in AFSW to us. Under the terms of the joint venture agreement, the aggregate purchase price for FSL's interest in AFSW is expected to be one Japanese Yen. While the agreement provides that completion of the transaction was to take place as soon as 60 days from the date of the exercise notice, such transaction is subject to regulatory and other approvals in Japan, which we believe will take up to June 30,

2021 to obtain, assuming such approval is received at all. In December 2020, we created a joint venture company in Singapore with a third party (controlling party with 75% ownership) to become a partner in AFSW, subject to regulatory and other approvals in Japan that we believe will take up to June 30, 2021 to obtain, assuming such approval is received at all. For at least one year following the date on which we (alone or with a third party) take over full ownership of AFSW, we have agreed to use our best efforts to maintain and continue the operations of AFSW, which we believe is synergistic with our own business for securing wafers for our products. If we were to become the sole owner of AFSW and it continues to operate at a loss at such time (which we currently expect to be the case), our cash flows would be significantly negatively impacted. Based on our current and future cash flow requirements and business needs at that time, we expect that, assuming regulatory approvals are received, if we were to become the sole owner of AFSW, we would have to consider other options including but not limited to raising more capital, selling some or all of AFSW to a third party, or moving our GaN production elsewhere and ceasing operations at AFSW. See “Risk Factors—Our ability to continue as a going concern will depend on us being able to raise additional capital” for a description of risks associated with operating AFSW and the impact to us of FSL exercising its put option.

The AFSW facility, which has a capacity of 14,000 CMOS process equivalent wafers per month, is capable of producing sufficient GaN wafers for our needs in 2020 and 2021. We believe the AFSW facility can be scaled on demand in the mid-term, and is scalable to address our demand in the long-term over 5 years with increased investment in various standard semiconductor wafer fab equipment, typically acquired from used markets.

**Backside Wafer Processing, Packaging and Testing:** We contract with two third-party vendors to perform standard functions of back-side grinding and metallization in external facilities in Asia to complete the full wafer process. After these processes, the finished GaN wafers are transported to one of our packaging sub-contracting partners depending on the type of final package, where they are diced and finished into the final product. We have multiple sites for our TO220, TO247, PQFN packages and at present one site for our D2Pak package. The final test portion of the supply chain is also in Asia, in many cases residing within our packaging sub-contractors.

**Production Control:** Our production planning and control process is centralized from our headquarters and integrated with our enterprise resource planning tools including NetSuite and manufacturing execution systems including WIPtrac. The entire process from forecasting and planning to order entry, then to build execution and inventory management, and finally to shipping, resides in the production control function.

## Sales

Our revenue consists of (1) licensing revenue, (2) government revenue from our contract with the U.S. Navy and (3) revenue from product sales. Products are sold to distributors and end-users in various sectors such as, but not limited to, the automotive, gaming, industrial, IT, consumer and RF (for our epiwafer products) industries.

**GaN Products - Sales Process and Distributors:** Our sales activity is primarily carried out in four broad based geographical regions (with significant focus in Asia) including key focus areas of (i) Mainland China, Hong Kong and Taiwan, (ii) the United States, (iii) Japan and, to a lesser extent, (iv) South Korea and Europe. We have offices in Hong Kong, China, Taiwan, Japan and the United States that include both sales and application engineering/customer support personnel. The field sales and applications effort is also supported by our senior factory applications engineering team from our California headquarters.

We partner with several regional distributors and sales representatives. In Asia, Avnet, Fujitsu Electronics (now part of Kaga Electronics) and Common Power are our current distributors. In Japan, IIDA Electronics and Asahi Tech are our current distributors. In the North America, Fujitsu Electronics is our current distributor, and in Europe, we have partnered with Hyline. Additionally, our products are available worldwide through Digikey and Mouser. We employ regional representatives, primarily in the United States, on an as-needed basis. We also work with select design and development partners who make reference designs and system level solutions with our GaN products and are a part of our extended applications-oriented effort.

In December 2020, we entered into an agreement to form a joint venture in Singapore that will focus on addressing the rapidly growing fast-charger market in the Greater China region. This joint venture, in which we hold less than a 50% share, will also have certain exclusive distribution rights for new design wins in Greater China.

**Markets and Design Cycles:** For the three months ended March 31, 2021 and 2020 (unaudited) and for the years ended December 31, 2020 and 2019, our product and service revenue of approximately \$1.7 million, \$512 thousand, \$3.1 million and \$1.4 million, respectively, was comprised of sales into gaming power supplies, data center power supplies and infrastructure, power adapters, miscellaneous industrial applications and sampling revenue to automotive customers, including through our distributor Nexperia, and epiwafer sales. While we are targeting an increase in GaN product revenue in 2021, we expect revenue for our fiscal year ending March 31, 2022 to continue to be comprised primarily of licensing and government contract revenue.

Design cycles for our products can be long and range from 9 to 18 months for the adapter/consumer market to 18 to 30 months for the datacenter and communication infrastructure market as well as industrial markets, to 3 to 5 years for the automotive market. Our sales funnel also classifies various opportunities in stages in the lifecycle at our customers including the stages of investigation, evaluation, dedicated board design, design-in, prototype and pilot production, before commencing full production.

**Epiwafer Sales:** Epiwafer sales are to U.S. Department of Defense customers for GaN on 4-inch and 6-inch wafers, for RF GaN on silicon carbide and sapphire substrates. Sales for GaN on silicon epiwafers for power devices to Nexperia under our long-term cooperation agreement are also included in this vertical. The epiwafer sales are carried out directly by us from our GaN MOCVD epiwafer department.

## Marketing

Our target application markets for our GaN power products are power adapters and computing, datacenters and infrastructure, industrial and automotive. Our worldwide marketing efforts are coordinated out of our headquarters in Goleta, California and our office in San Jose, California. Key elements of our marketing efforts include:

- Participation and promotion in major power electronic tradeshows, conferences and events such as the Applied Power Electronics Conference in North America, PCIM Europe and PCIM Asia;
- Our website, which contains our product information, application notes and resources, evaluation boards, publications, events and various technical papers/white papers on wide-ranging topics such as quality and reliability, conferences, and presentations or papers;
- Electronic and print trade media and outlet advertising;
- Advertising on Digikey and Mouser, with analytical monitoring and search analytics; and
- Regular press releases and announcements.

## Nexperia Cooperation Agreement

In 2018, we entered into a five-year cooperation agreement with Nexperia, a stand-alone power semiconductor business spun out from NXP Semiconductors N.V., to secure funding for us and create a second source of supply for our GaN products or equivalent products, which certain customers may require to be available in the market for broader adoption of our products, and to enable a stronger long term outreach for the automotive market than possible with our own resources. Nexperia has begun promotion of their GaN products in the market, which is positive for the overall adoption of GaN solutions as well as for our business in particular, as Nexperia currently purchases epiwafers from us and has contracted to purchase epi material from us in the future when they produce their own epiwafers, as further described below. In connection with purchasing approximately \$16.0 million of our Series 3 convertible preferred stock in April 2018, Nexperia entered into a set of cooperation agreements with

us including a development and license agreement, loan and security agreement and supply agreement. Key components include:

1. Development and License Agreement (“DLA”): On April 4, 2018, we entered into the DLA with Nexperia, pursuant to which we agreed to develop and transfer to Nexperia certain manufacturing process technologies to enable Nexperia to manufacture GaN-based products at Nexperia’s facilities. These technologies to be transferred included our Gen-3, Gen-4 (Tranche A), Gen-5 (Tranche B) and 1,200 Volt (Tranche B-1) process technologies but do not include our Epi Process Technology (as defined in the DLA). Nexperia also agreed to provide funding for the development of such technologies in return for limited exclusivities in automotive and other fields. Nexperia’s exclusive rights expressly exclude development and sale of products in the automotive field in Japan. On March 21, 2019, the parties entered into an amendment to add our 1,200 Volt manufacturing technology to the agreement. Key components of the DLA include:
  - Foundry Transfer: The DLA requires transfer of our existing Gen-3 wafer fabrication process (currently running in our AFSW foundry) to Nexperia’s wafer fabrication facility in Hamburg, Germany. Such transfer is targeted to be completed in the first half of 2021, but now largely depends on Nexperia’s ability to complete such transfer. We received \$9.0 million of funds from Nexperia in relation to the transfer activity, associated intellectual property and projects completed to date. This transfer also creates a second source for GaN wafer fabrication, which we expect will facilitate broader adoption of GaN technology, as certain customers require multiple sources for risk mitigation. No technology transfer or license related to the GaN epiwafer technology is contemplated.
  - Technology Projects for “Pre-funded” Technology Loans and Licensing: Additionally, technology projects pertaining to our Gen-4, Gen-5 and 900 Volt products and related activities were pre-funded by loans from Nexperia after we demonstrated that we had reached certain milestones (which have been completed). Such loans would be deemed paid off when the target milestones as identified in the Statement of Work (SoW) of the DLA are complete. In the event we are not able to meet the milestones, such loans would start accruing interest at 6% annum from such determination date. At such time when the milestones are completed and the loan is deemed paid off, Nexperia would secure a license to the technology developed pursuant to the DLA.
2. Loan and Security Agreement (“LSA”): The LSA, entered into on April 4, 2018, comprises term loans in an aggregate principal amount of \$15.0 million, separated into tranches for pre-funded projects and subject to the satisfaction of specified conditions, and a \$10.0 million revolving loan, each of which bears 6% annual interest.
  - The term loans under the LSA include a \$5.0 million Tranche A loan intended to pre-fund our Gen-4 technology development and a \$10.0 million development loan intended to pre-fund our Super Junction technology development. On March 31, 2019, we executed Amendment No. 1 to the LSA, pursuant to which the \$10.0 million development loan was bifurcated into two separate sub-tranches comprising an \$8.0 million Tranche B Loan intended to pre-fund our Gen-5 technology development and a \$2.0 million Tranche B-1 Loan intended to pre-fund our 1,200 Volt technology development. The Tranche A Loan was scheduled to mature on the earlier of the date a specified report is required to be delivered under the DLA or March 31, 2020, which was subsequently extended to June 30, 2020. In June 2020, the Tranche A Loan was satisfied in full upon our transfer of our Gen-4 technology development to Nexperia, at which point we recognized \$5.0 million as licensing revenue. The Tranche B Loan and Tranche B-1 Loan were scheduled to mature on the earlier of the date a specified report is required to be delivered under the DLA or March 31, 2021, which was subsequently extended to June 30, 2021, pursuant to Amendment No. 5 to the LSA. As described below, on May 18, 2021, we entered into Amendment No. 6 to the LSA to, among other things, convert the outstanding \$2.0 million Tranche B-1 Loan into a



Tranche C-1 Loan, which Tranche C-1 Loan has the same terms and conditions as the existing Tranche C Loan.

- The \$10.0 million revolving loan under the LSA, all of which was outstanding as of March 31, 2021, is secured against our U.S. non-MOCVD patents and was scheduled to mature at the earlier of (i) April 4, 2021 and (ii) the date a Change of Control (as defined in the LSA) occurs. On March 1, 2021, Amendment No. 5 to the LSA was executed to extend the maturity of the Tranche C Loan to May 18, 2021. As described below, on May 18, 2021, we entered into Amendment No. 6 to the LSA to, among other things, further extend the maturity of the Tranche C Loan to April 4, 2023. Interest on the outstanding principal amount of the loans accrues at a rate of 6% per annum.
- 3. Supply Agreement: Simultaneously with the DLA and LSA, we entered into a supply agreement with Nexperia, which sets forth the terms under which Nexperia may purchase epiwafers, processed wafers and packaged products from us, and we may purchase processed wafers and packaged products from Nexperia. Nexperia agreed to purchase all its requirements of epiwafers and products based on epiwafers from us until June 30, 2020, subject to certain exceptions relating to our inability to meet Nexperia's requirements.

On May 18, 2021, we entered into a series of agreements with Nexperia, as described below. These included two new agreements (a strategic cooperation agreement and an option agreement), as well as amendments to the LSA, DLA, and supply agreement with Nexperia.

#### *Strategic Cooperation Agreement*

The strategic cooperation agreement serves as a framework agreement that describes the numerous agreements between the parties and provides Nexperia with information rights and inspection rights with respect to our business.

#### *Option Agreement*

The option agreement establishes the parameters pursuant to which Nexperia, in certain limited instances, is permitted to exercise an option (the "Option") to acquire Transphorm Japan Epi, Inc. ("TJE"), a Japanese subsidiary of ours through which we are engaged in the development, manufacturing and sales of Ga-N based epiwafer products. In general, the Option is exercisable upon (1) 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 amended and restated supply agreement (the "Supply Agreement") with Nexperia, or (2) the unilateral termination by us of the Supply Agreement. The option agreement also establishes the material terms, including price and timing, for the exercise of the Option by Nexperia. The Option terminates (1) if the Option is not exercised by Nexperia prior to the date on which the option agreement terminates, or (2) on the first to occur of (a) the termination of the option agreement upon written agreement of the parties, (b) the mutual termination or expiration of the Supply Agreement, or (c) the first to occur of (i) two years following the date on which we notify Nexperia of epiwafer qualification of a second source and (ii) April 1, 2028.

In connection with the option agreement, we also amended and restated our existing intracompany license agreement with TJE to clarify Nexperia's rights upon exercise of the Option.

#### *Amendment to LSA*

Amendment No. 6 to the LSA was executed to (1) extend the maturity date for the Tranche C Loans to the earlier of April 4, 2023 and the occurrence of specified change of control events, (2) add us as a guarantor of our subsidiary's obligations under the LSA, and (3) convert the outstanding \$2.0 million Tranche B-1 Loan into a Tranche C-1 Loan, which Tranche C-1 Loan has the same terms and conditions as the existing Tranche C Loan.

#### *Amended and Restated Development and License Agreement*

We entered into an amended and restated development and license agreement (the “Amended DLA”) with Nexperia, pursuant to which we agreed to develop and transfer to Nexperia certain manufacturing process technologies to enable Nexperia to manufacture GaN-based products at Nexperia’s facilities. These technologies to be transferred included our Gen-3, Gen-4 (Tranche A), and Gen-5 (Tranche B) process technologies, but do not include our Epi Process Technology (as defined in the Amended DLA). Nexperia also agreed to provide funding for the development of such technologies in return for limited exclusivities in automotive and other fields. Nexperia’s rights now include sale of products in the automotive field in Japan along with Transphorm’s rights for sale of products in the automotive field in Japan which remain in place. As per the original agreement, after April 2023, Nexperia’s exclusive rights for sale of products in the automotive field outside of Japan terminate. In addition, the parties have clarified the ability of Nexperia’s customers to use products developed by Nexperia through exercise of its rights under this agreement.

#### *Amended and Restated Supply Agreement*

We entered into the Supply Agreement with Nexperia, which sets forth the terms under which Nexperia may purchase epiwafers and processed wafers from us, and we may purchase processed wafers from Nexperia. The agreement specifies that Nexperia is our priority customer with respect to epiwafers manufactured by TJE and, accordingly, has preferred utilization of extra capacity, and further specifies procedures to address expansion of our epiwafer manufacturing capacity and Nexperia’s obligations with respect thereto. The term of the Supply Agreement was extended until December 31, 2025, with automatic one year renewals thereafter, and we may not terminate the Supply Agreement while the option agreement is in effect.

#### **Employees and Human Capital**

As of March 31, 2021, we had a total of 100 employees, of which approximately 74 are U.S.-based. We value and support hiring exceptional talent to develop our core technology and drive our business growth. None of our U.S. employees is represented by a labor union or covered by a collective bargaining agreement with respect to their employment with us. We have not experienced any work stoppages and we consider our relations with our employees to be good.

Our human capital resources objectives include, as applicable, identifying, recruiting, retaining, incentivizing and integrating our existing and new employees, advisors and consultants. The principal purposes of our equity incentive plans are to attract, retain and reward personnel through the granting of stock-based compensation awards, in order to increase stockholder value and the success of our company by motivating such individuals to perform to the best of their abilities and achieve our objectives.

#### **Corporate Information**

We were originally incorporated as Peninsula Acquisition Corporation in the State of Delaware in May 2017. Prior to our acquisition of Transphorm Technology, Inc. in February 2020, we were a “shell company” registered under the Exchange Act, with no specific business plan or purpose. In accordance with “reverse merger” accounting treatment, our historical financial statements as of period ends, and for periods ended, prior to our acquisition of Transphorm Technology were replaced with the historical financial statements of Transphorm Technology in our SEC filings made after the acquisition.

Our principal executive offices are located at 75 Castilian Dr., Goleta, California 93117. Our telephone number is (805) 456-1300.

#### **Available Information**

We are subject to the informational requirements of the Exchange Act, and, accordingly, file Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those

reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, with the Securities and Exchange Commission (the “SEC”).

We maintain a website at [www.transphormusa.com](http://www.transphormusa.com), to which we regularly post copies of our press releases as well as additional information about us. Our filings with the SEC are available free of charge through our website as soon as reasonably practicable after being electronically filed with or furnished to the SEC. The SEC also maintains a website (<http://www.sec.gov>) that contains our SEC filings. Information contained in our website is not a part of, nor incorporated by reference into, this Report or our other filings with the SEC, and should not be relied upon.

## 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 Our Business and the Industry in Which We Operate**

***We have a history of losses, anticipate increasing our operating expenses in the future, and may not be able to achieve or maintain profitability. If we cannot achieve or maintain profitability, stockholders could lose all or part of their investment.***

Since our inception in 2007, we have generated minimal revenue and substantial net losses as we have devoted our resources to the development of our technology, and our business model has not been proven. As of March 31, 2021, we had an accumulated deficit of \$168.4 million. For the three months ended March 31, 2021 and 2020 (unaudited) and for the years ended December 31, 2020 and 2019, our net loss was \$6.6 million, \$4.2 million, \$17.9 million and \$15.3 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 research and development of our technologies, and if we are unable to secure a partner or additional business for our joint venture with FSL. 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 or obtain additional contracts from the federal government. 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, which may be unavailable on attractive terms, if at all, and could dilute your investment.***

Our recurring operating losses and our current operating plans raise substantial doubt about our ability to continue as a going concern for the next twelve months. Our independent registered public accounting firm issued their audit report on the transition period of three months ended March 31, 2021, and the years ended December 31, 2020 and 2019, which included an explanatory paragraph as to our ability to continue as a going concern. While we believe that our existing cash and cash equivalents will be sufficient to fund our current operating plans into the fourth quarter of calendar year 2021, we have based these estimates on assumptions that may prove to be wrong, and we could spend our available financial resources much faster than we currently expect and need to raise additional funds sooner than we anticipate.

For example, we are party to a joint venture agreement with FSL for the ownership and operations of AFSW, a wafer fabrication facility located in Aizu Wakamatsu, Japan. We currently hold a 49% interest in AFSW. For as long as we have had an ownership interest in AFSW, it has operated at a loss. The operating losses incurred by AFSW over the 12-month periods ended March 31, 2021 and 2020 (unaudited) were approximately \$14.1 million and \$8.2 million, respectively. On April 1, 2020, FSL exercised its put option under the joint venture agreement and notified us that FSL intended to exit the joint venture by selling its 51% interest in AFSW to us. Under the terms of the joint venture agreement, the aggregate purchase price for FSL's interest in AFSW is expected to be one Japanese Yen. While the joint venture agreement with FSL provides that completion of the transaction was to take place as soon as 60 days from the date of the exercise notice, such transaction is subject to regulatory and other approvals in Japan that we believe will take up to June 30, 2021 to obtain, assuming such approval is received at all. In December

2020, we created a joint venture company in Singapore with a third party (controlling party with 75% ownership) to become a partner in AFSW, subject to regulatory and other approvals in Japan that we believe will take up to June 30, 2021 to obtain, assuming such approval is received at all. If we were to become the sole owner of AFSW and it continues to operate at a loss at such time (which we currently expect to be the case), our cash flows would be significantly negatively impacted. In addition, for at least one year following the date on which we (alone or with a third party) take over full ownership of AFSW, we have agreed to use our best efforts to maintain and continue the operations of AFSW, which would continue to negatively affect our cash flow. Based on our current and future cash flow requirements and business needs at that time, we expect that, assuming regulatory approvals are received, if we were to become the sole owner of AFSW, we would have to consider other options including but not limited to raising more capital, selling some or all of AFSW to a third party, or moving our GaN production elsewhere and ceasing operations at AFSW. The ongoing COVID-19 pandemic may negatively impact or slow down any efforts by us to secure a partner or additional business for AFSW.

Similarly, we issued a promissory note to Yaskawa Electric Corporation (“Yaskawa”) in the aggregate principal amount of \$15.0 million that is convertible, in whole or in part at Yaskawa’s option, into shares of our common stock (subject to a maximum of 3,076,171 shares) at a conversion price of \$5.12 per share. If Yaskawa does not elect to convert the note into shares of our common stock, we will be required to pay the outstanding principal and interest on the note by the earlier of September 30, 2022 or the occurrence of an event of default or a change of control of us, which will also negatively impact our cash flows and may affect our ability to continue as a going concern if we do not raise significant additional capital before that time.

We are also party to a loan and security agreement (the “LSA”) with Nexperia B.V. (“Nexperia”), pursuant to which we have outstanding an \$8.0 million term loan and a \$12.0 million revolving loan which bears 6% annual interest. The term loan matures on June 30, 2021 and the revolving loan matures on the earlier of April 4, 2023 and the occurrence of specified change of control events. If we are not able to complete the milestones under the term loan, or extend its maturity date, our cash resources will be negatively affected.

Our ability to continue as a going concern will depend on us being able to raise significant additional capital to fund our operations and achieve our business objectives, as we do not expect to generate material revenue in the short-term. The future impact of the COVID-19 pandemic cannot be predicted with certainty and may make it more difficult or preclude us from raising additional capital, increase our costs of capital and otherwise adversely affect our business, results of operations, financial condition and liquidity. We will be required to engage in equity or debt financings to secure additional funds. If we close one or more additional equity or convertible debt financings, our stockholders may experience significant dilution of their ownership interests, the rights given to new equityholders may be superior to those of our common stockholders and the per share value of our common stock could decline. Furthermore, if we engage in debt financing, the holders of debt would have priority over the holders of our common stock, and we may be required to accept terms that restrict our ability to run our business or incur additional indebtedness. The debt financing could also contain restrictive covenants that may impact how we run our business and could result in the loan being paid back in full immediately if we are in non-compliance. In addition, if we are unable to raise additional capital when needed or on acceptable terms, we may not be able to, among other things:

- continue our business and operations;
- develop or enhance our products;
- continue to expand our sales and marketing and research and development organizations;
- acquire complementary technologies, products or businesses;
- expand operations, in the United States or internationally;
- hire, train and retain employees; or

- respond to competitive pressures or unanticipated working capital requirements.

Our failure to do any of these things could harm our business, financial condition and results of operations or affect our ability to continue as a going concern.

***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 attract new and retain existing customers, including due to our perceived or actual financial condition;
- the budgeting cycles and purchasing practices of customers;
- the timing and length of our sales cycles, including the ability of our customers to design-in successfully with GaN power solutions;
- changes in customer requirements or market needs, including market acceptance of GaN technology;
- the timing and impact of new product introductions by us or our competitors or any other change in the competitive landscape of the semiconductor industry, including consolidation among our customers or competitors;
- deferral of orders from customers in anticipation of new products or product enhancements announced by us or our competitors;
- our ability to execute on our growth strategy and operating plans;
- our ability to successfully expand our business domestically and internationally;
- our ability to successfully compete with other companies in our market;
- changes in our pricing policies or those of our competitors;
- any disruption in, or termination of, our relationship with channel partners;
- insolvency or credit difficulties confronting our customers, affecting their ability to purchase or pay for our products, or confronting our key suppliers, which could disrupt our supply chain;
- the cost and potential outcomes of potential future litigation;
- general economic conditions, both domestic and in our foreign markets; and
- the amount and timing of operating costs and capital expenditures related to the expansion of our business.

Any of the above factors, individually or in the aggregate, may result in significant fluctuations in our quarterly operating results. As a result of this variability, our historical results of operations should not be relied upon as an indication of future performance. Moreover, this variability and unpredictability could result in our failure to follow through on our operating plans or meet the expectations of investors for any period. If we fail to

follow through on our operating plans or meet such expectations for these or other reasons, the market price of our common stock could fall substantially.

***Our business could be adversely affected by the effects of health epidemics or pandemic, including the ongoing COVID-19 global pandemic, in regions where we or third parties on which we rely have manufacturing or other business operations.***

The effects of health epidemics or pandemic could materially affect our operations globally, including at our headquarters in California and at our subsidiaries in Japan. For example, the COVID-19 pandemic has resulted in government authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter-in-place or stay-at-home orders, and business shutdowns. The COVID-19 pandemic continues to impact our business and has adversely disrupted and will further disrupt the operations at certain of our customers, partners, suppliers and other third-party providers for an uncertain period of time, including as a result of travel restrictions, adverse effects on budget planning processes, business deterioration, and/or business shutdowns, all of which has impacted our business and results of operations. Some of our customers have experienced delays in their internal development programs and design cycles with our GaN products due to the effects of the COVID-19 pandemic, which have led to postponements of their orders of our products and postponements of determinations that our products will be used in their designs for new products under development with corresponding delays in their market introduction and our achievement of revenues. Our billings under our contract with the U.S. Navy may be lower than originally expected as a result of the pandemic. The pandemic has also led to delays for certain milestones in our development projects that are due in 2021.

We have taken precautionary measures intended to minimize the risk of the virus to our employees, our customers, and the communities in which we operate. We are requiring all of our employees to work remotely unless they cannot perform their essential functions remotely, and have also suspended all non-essential travel for our employees. While many of our employees are accustomed to working remotely or working with other remote employees, much of our workforce has not historically been remote. Our employees and consultants typically travel frequently to establish and maintain relationships with one another, our customers and prospective customers, partners, and investors. Although we continue to monitor the situation and may adjust our current policies as more information and public health guidance becomes available, temporarily suspending travel and restricting the ability to do business in person has impacted our customer success efforts, sales and marketing efforts, and may challenge our ability to enter into customer contracts or maintain or enter into new partnerships in a timely manner, slow down our recruiting efforts, or create operational or other challenges, any of which could harm our business, financial condition and results of operations. Furthermore, if a natural disaster, power outage, connectivity issue, or other event occurred that impacted our employees' ability to work remotely, it may be difficult or, in certain cases, not possible, for us to continue our business for a substantial period of time.

There are no comparable recent events which may provide guidance as to the effect of the spread of COVID-19, and, as a result, the ultimate impact of the COVID-19 pandemic or a similar health epidemic is highly uncertain and subject to change. Some of our suppliers of certain materials used in the production of our products are located in areas impacted by the COVID-19 pandemic, which could limit our ability to obtain sufficient materials for our products. Furthermore, the pandemic may negatively impact our ability to secure a partner or additional business for AFSW. The pandemic has and will continue to adversely affect global economies and financial markets, resulting in an economic downturn that could affect demand for our products and impact our operating results. Even after the COVID-19 pandemic has subsided, we may continue to experience an adverse impact to our business as a result of the continued global economic impact of the pandemic. Any of the foregoing could significantly harm our business, and we cannot anticipate all of the ways in which health epidemics such as COVID-19 could adversely impact our business.

***We may not be able to develop new technologies and products to satisfy changes in customer demand or industry standards, and our competitors could develop products that decrease the demand for our products.***

Rapidly changing technologies and industry standards, along with frequent new product introductions, characterize the industries of many of our customers and potential customers. Our financial performance depends, in

part, on our ability to design, develop, manufacture, assemble, test, market and support new products and enhancements on a timely and cost-effective basis.

Our products have not been proven commercially on the scale of conventional power semiconductor products. The principal focus of our research and development activities has been to improve processes and support our ongoing development of GaN power management solutions. These projects are subject to various risks and uncertainties we are not able to control, including changes in customer demand or industry standards and the introduction of new or superior technologies by others. Moreover, any failure by us in the future to develop new technologies or timely react to changes in existing technologies could materially delay our development of new products, which could result in product obsolescence, decreased revenues and a loss of our market share to our competitors. In addition, products or technologies developed by others may render our products or technologies obsolete or non-competitive. Further, if our products are not in compliance with prevailing industry standards, such non-compliance could materially and adversely affect our financial condition, cash flows and results of operations.

***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.

***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., ST Microelectronics, ON Semiconductor, and Mitsubishi), silicon carbide-based product providers (e.g., Rohm, United Silicon Carbide and Cree) and other high-voltage GaN product providers (e.g., Power Integrations, Infineon, GaN Systems, Navitas and Texas Instruments), 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.***

Our partly-owned fabrication facility through 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. On April 1, 2020, FSL exercised its put option under the joint venture agreement and notified us that FSL intended to exit the joint venture by selling its 51% interest in AFSW to us. While the joint venture agreement with FSL provides that completion of the transaction was to take place as soon as 60 days from the date of the exercise notice, such transaction is subject to regulatory and other approvals in Japan that we believe will take up to June 30, 2021 to obtain, assuming such approval is received at all. In December 2020, we created a joint venture company in Singapore with a third party (controlling party with 75% ownership) to become a partner in AFSW, subject to regulatory and other approvals in Japan that we believe will take up to June 30, 2021 to obtain, assuming such approval is received at all. If we were to become the sole owner of AFSW and it continues to operate at a loss at such time (which we currently expect to be the case), we may be unable to sustain or continue to operate the AFSW facility. 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.

***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 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.

***Our current operations are concentrated in one location and in the event of an earthquake, terrorist attack or other disaster affecting this location or those of our major suppliers, our operations may be interrupted and our business may be harmed.***

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.

***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 100 employees as of March 31, 2021 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, 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.

***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.

For example, our cooperation agreement with Nexperia, which is key to our business, contains certain terms that, if triggered, could have a material adverse effect on our business, financial condition, results of operations and prospects. For instance, the LSA contains customary events of default including, among others, payment defaults, breaches of covenants defaults, the occurrence of a material adverse change, bankruptcy and insolvency defaults, cross defaults with certain material indebtedness, judgment defaults, and the occurrence of a

change of control. In addition, an event of default will occur if the DLA is terminated under certain circumstances or we fail to timely deliver reports related to statements of work under the DLA. Upon the occurrence and during the continuance an event of default, Nexperia may declare all or a portion of our outstanding obligations to be immediately due and payable and exercise other rights and remedies provided for under the LSA. If specified events of default occur and remain continuing for more than 30 consecutive days, we are required to assign a portion of our patent portfolio constituting collateral to Nexperia in satisfaction of our obligations under the LSA. During the existence of an event of default, interest on the obligations could be increased to 3.0% above the otherwise applicable interest rate. Additionally, pursuant to an intracompany license agreement with our wholly owned subsidiary, Transphorm Japan Epi (“TJE”), if certain events (some of which may be beyond our control) occur, we could be forced to sell TJE at fair market value to a third party that is approved by us and Nexperia. While TJE’s epiwafer capacity currently is not required for production of our products, if such a “forced sale” event were to happen in the future, we could be required to purchase a portion of our epiwafer requirements from the third party that purchases TJE. This could impact our epiwafer costs, reduce any overall profits, or cause us to lose a portion of our capacity, requiring us to generate more epiwafer capacity earlier than planned. This would result in greater capital expenditure than anticipated, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

#### **Risks Related to Our Financial Control Environment**

##### ***Being a public company can be administratively burdensome and expensive.***

As a public reporting company, we are subject to the information and reporting requirements of the Securities Act, the Exchange Act and other federal securities laws, rules and regulations related thereto, including compliance with the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”), and the Dodd-Frank Wall Street Reform and Consumer Protection Act. In addition, the listing requirements of any national securities exchange or other exchange and other applicable securities rules and regulations impose various requirements on public companies. 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 hire additional financial reporting, internal controls and other finance personnel, and will involve a material increase in regulatory, legal and accounting expenses and the attention of our board of directors and management. In addition, being a public company makes it more expensive for us to obtain director and officer liability insurance. In the future, we may be required to accept reduced coverage or incur substantially higher costs to obtain this coverage. These factors could also make it more difficult for us to attract and retain qualified executives and members of our board of directors.

***Any failure to maintain effective internal controls over our financial reporting could materially and adversely affect us.***

Section 404 of the Sarbanes-Oxley Act requires us to include in our annual reports on Form 10-K an assessment by management of the effectiveness of our internal controls over financial reporting. However, while we remain an emerging growth 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.

To achieve compliance with Section 404 within the prescribed period, we will be engaged in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented, and implement a continuous reporting and improvement process for internal control over financial reporting. Despite our efforts, there is a risk that we will not be able to conclude, within the prescribed time frame or at all, 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 three months ended March 31, 2021, and the years ended December 31, 2020 and 2019, we identified certain deficiencies relating to our internal control over financial reporting that constitute material weaknesses under standards established by the Public Company Accounting Oversight Board (the "PCAOB"), and 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 weaknesses 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 not able to continue to meet these requirements, we may not be able to become or remain listed on any national securities exchange or other exchange or quoted on an over-the-counter 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 year ended December 31, 2018, we identified certain deficiencies relating to our internal control over financial reporting that constitute material weaknesses under standards established by the PCAOB. As of March 31, 2021, those material weaknesses continued to exist. Accordingly, we were not able to assert that our internal control over financial reporting was effective as of March 31, 2021. The PCAOB defines a material weakness as 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 the company's 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. We identified a material weakness related to the fact that certain members of our finance team and personnel are able to operate across a number of different functions and have user access that gives rise to segregation of duties risks in connection with our information technology infrastructure. Access to systems has subsequently been restricted and access is being managed by independent personnel. Users, roles and permission to systems are reviewed and verified for completeness of data. The other material weakness relates to a lack of evidence to support review work and oversight procedures. Formal review processes and meetings are being introduced in addition to the creation of a specific role in the finance team to review documentation and prepare evidence of such review. These material weaknesses have a pervasive impact on various activity level and financial reporting cycles. We will need to take additional measures to fully remediate these deficiencies. The measures we have taken, and expect to take, to improve our internal controls may not be sufficient to (1) address the issue identified, (2) ensure that our internal controls are effective, or (3) ensure that the identified material weaknesses or other material weaknesses will not result in a material misstatement of our annual or interim financial statements. In addition, other material weaknesses may be identified in the future. If we are unable to correct deficiencies in internal controls in a timely manner, our ability to record, process, summarize and report financial information accurately and within the time periods specified in SEC rules and forms will be adversely affected. This failure



could negatively affect the market price and trading liquidity of our common stock, cause investors to lose confidence in our reported financial information, subject us to civil and criminal investigations and penalties, and generally materially and adversely impact our business and financial condition.

***If our estimates or judgments relating to our critical accounting policies are based on assumptions that change or prove to be incorrect, our results of operations could fall below the expectations of investors, resulting in a decline in the market price of our common stock.***

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the amounts reported in our financial statements. Significant assumptions and estimates used in preparing our financial statements include those related to assets, liabilities, revenue, expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of investors, resulting in a decline in the market price of our common stock.

***Changes in accounting rules and regulations, or interpretations thereof, could result in unfavorable accounting charges or require us to change our compensation policies.***

Accounting methods and policies for companies such as ours, including policies governing revenue recognition, leases, research and development and related expenses, and accounting for stock-based compensation, are subject to review, interpretation and guidance from our auditors and relevant accounting authorities, including the SEC. Changes to accounting methods or policies, or interpretations thereof, may require us to reclassify, restate or otherwise change or revise our historical financial statements, including those contained in this Report.

***Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.***

We have incurred substantial losses during our history, do not expect to become profitable in the near future and may never achieve profitability. To the extent that we continue to generate taxable losses, unused losses will carry forward to offset future taxable income, if any, until such unused losses expire. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an “ownership change,” generally defined as a greater than 50% change (by value) in its equity ownership over a three-year period, the corporation’s ability to use its pre-change net operating loss carryforwards (“NOLs”), and other pre-change tax attributes (such as research tax credits) to offset its post-change income or taxes may be limited. The Merger, our prior equity offerings and other changes in our stock ownership may have resulted in ownership changes. In addition, we may experience ownership changes in the future as a result of subsequent shifts in our stock ownership, some of which are outside of our control. As a result, if we earn net taxable income, our ability to use our pre-change NOLs to offset U.S. federal taxable income may be subject to limitations, which could potentially result in increased future tax liability to us. In addition, at the state level, there may be periods during which the use of NOLs is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed. For example, California recently passed the 2020 Budget Act, which temporarily suspends the use of NOLs and limits the utilization of the research credit to \$5 million annually for 2020, 2021 and 2022.

#### **Risks Related to Ownership of Our Common Stock**

***We are an “emerging growth company” and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies will make our common stock less attractive to investors.***

We are an “emerging growth company” as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including (1) not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, (2) reduced disclosure

obligations regarding executive compensation in our periodic reports and proxy statements, and (3) exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. In addition, as an emerging growth company, we are only required to provide two years of audited financial statements in this Report. 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. 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.

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.

***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.

***We are not currently subject to compliance with rules requiring the adoption of certain corporate governance measures and, as a result, our stockholders have limited protections against interested director transactions, conflicts of interest and similar matters.***

The Sarbanes-Oxley Act, as well as resulting rule changes enacted by the SEC, the New York Stock Exchange and the Nasdaq Stock Market, require the implementation of various measures relating to corporate governance. These measures are designed to enhance the integrity of corporate management and the securities markets and apply to securities which are listed on those exchanges. Because our common stock is not currently listed on a national securities exchange, we are not required to comply with many of the corporate governance provisions and we have not yet adopted certain of these measures. Until we comply with such corporate governance measures, regardless of whether such compliance is required, the absence of such standards of corporate governance may leave our stockholders without protections against interested director transactions, conflicts of interest and similar matters.

***We may be a controlled company within the meaning of the Nasdaq and NYSE rules if we eventually list on such exchange, and, as a result, may qualify for and intend to rely on exemptions from certain corporate governance requirements.***

As of March 31, 2021, Phorm beneficially owned approximately 52.3% of our outstanding common stock. As a result, we may be a controlled company within the meaning of the Nasdaq or NYSE corporate governance standards, if we eventually list on the applicable exchange. Under Nasdaq rules, for example, a controlled company may elect not to comply with certain corporate governance requirements of the Nasdaq, including the requirements that:

- a majority of the board of directors consist of independent directors;
- the nominating and corporate governance committee be composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities;
- compensation committee be composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities; and
- there be an annual performance evaluation of the nominating and corporate governance and compensation committees.

If we were to list on Nasdaq in the future and are a controlled company at such time, we intend to utilize these exemptions (or similar exemptions if we were to list on NYSE), including the exemption for a board of directors composed of a majority of independent directors. In addition, we may rely on the phase-in rules of the SEC, Nasdaq or NYSE if we are no longer a controlled company under the applicable listing standard. For example, the phase-in rules for Nasdaq permit us to have a compensation committee that has one member that is independent at the time that we cease to be a controlled company, a majority of members that are independent within 90 days thereafter and all members that are independent within one year thereafter. Accordingly, you may not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance requirements of Nasdaq or NYSE.

In addition, pursuant to the terms of a stockholders agreement with Phorm (the “Phorm Stockholders Agreement”), Phorm has the right to appoint a member to each committee that may be established by our board of directors, appoint the chair of our board of directors, and nominate a majority of our board of directors, in each case subject to a phase-out period based on Phorm’s future share ownership. Phorm may assign these and other governance rights to certain transferees. Accordingly, even if we are no longer a controlled company, holders of our common stock may not have the same protections afforded to stockholders of companies that do not have a stockholders agreement similar to ours.

***Our common stock trades on the OTCQX Market instead of a national securities exchange, which may make it more difficult for stockholders to sell their shares.***

Our common stock is currently quoted on the OTC Market Group’s OTCQX Market quotation system under the ticker symbol “TGAN.” The OTC Markets are regulated quotation services that display real-time quotes, last sale prices and volume limitations in over-the-counter securities. Trading in shares quoted on the OTCQX is often thin, meaning that the number of persons interested in purchasing stock at or near bid prices at any given time may be relatively small or non-existent, and characterized by volatility in trading prices. This volatility may be caused by a variety of factors, including the lack of readily available price quotations, the absence of consistent administrative supervision of bid and ask quotations, lower trading volume and market conditions. As a result, there may be wide fluctuations in the market price of the shares of our common stock for reasons unrelated to operating performance, and this volatility, when it occurs, may have a negative effect on the market price of our common stock. Moreover, the OTCQX is not a stock exchange, and trading of securities on it is often more sporadic than the trading of securities listed on a national quotation system or stock exchange. Accordingly, our stockholders may not be able to realize a fair price for their shares when they determine to sell them or may have to hold them for a

substantial period of time until the market for our common stock improves. In addition, the stock markets in general, including in the industry in which we operate, have experienced extreme volatility, particularly due to the COVID-19 pandemic, that has, in some cases, been unrelated to the operating performance of the issuer. Accordingly, these broad market and industry factors may also seriously harm the market price of our common stock, regardless of our operating performance.

***Our common stock may not be eligible for listing or quotation on any securities exchange.***

We do not currently meet the initial quantitative listing standards of any national securities exchange and we may never be able to satisfy the listing requirements for our common stock to be listed on a national securities exchange, which is often a more widely-traded and liquid market. Some, but not all, of the factors which may delay or prevent the listing of our common stock on a more widely-traded and liquid market include the following: our stockholders' equity may be insufficient; the market value of our outstanding securities may be too low; our net income from operations may be too low; our common stock may not be sufficiently widely held; we may not be able to secure market makers for our common stock; and we may fail to meet the rules and requirements mandated by the several exchanges and markets to have our common stock listed. Should we fail to satisfy the initial listing standards of the national exchanges, or our common stock is otherwise rejected for listing, the trading price of our common stock could suffer, the trading market for our common stock may be less liquid and our common stock price may be subject to increased volatility.

***The designation of our common stock as a "penny stock" would limit the liquidity of our common stock.***

Our common stock may be deemed a "penny stock" (as that term is defined under Rule 3a51-1 of the Exchange Act). Generally, "penny stock" is common stock that is not listed on a securities exchange and trades for less than \$5.00 a share. Prices often are not available to buyers and sellers and the market may be very limited. Penny stocks in start-up companies are among the riskiest equity investments. Broker-dealers who sell penny stocks must provide purchasers of these stocks with a standardized risk-disclosure document prepared by the SEC. The document provides information about penny stocks and the nature and level of risks involved in investing in the penny stock market. A broker must also provide purchasers with bid and offer quotations and information regarding broker and salesperson compensation and make a written determination that the penny stock is a suitable investment for the purchaser and obtain the purchaser's written agreement to the purchase. Many brokers and investors choose not to participate in penny stock transactions, which may result in further liquidity constraints and declines in the trading price of our common stock. Because of the penny stock rules, there may be less trading activity in penny stocks in any market that develops for our common stock in the future and stockholders are likely to have difficulty selling their shares.

***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 may be subject to certain liquidated damages pursuant to the registration rights agreement we entered into with certain holders of our securities.***

Pursuant to registration statements that were declared effective by the SEC on June 19, 2020 and January 27, 2021 (the "Resale Registration Statements"), we registered an aggregate of 43,512,653 shares of our common stock, which includes shares of common stock reserved for issuance pursuant to certain outstanding warrants and a convertible promissory note, for resale by the stockholders named therein. Pursuant to the registration rights agreements we entered into with certain holders of our securities, subject to certain exceptions, if (i) the Resale

Registration Statements cease to remain continuously effective or such holders are otherwise not permitted to utilize the Resale Registration Statements to resell their registrable securities for a period of more than 15 consecutive trading days, or (ii) trading of our common stock is suspended or halted for more than three full, consecutive trading days, we may 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.

***FINRA sales practice requirements may limit a stockholder's ability to buy and sell our stock.***

The Financial Industry Regulatory Authority ("FINRA") has adopted rules requiring that, in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative or low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA has indicated its belief that there is a high probability that speculative or low-priced securities will not be suitable for at least some customers. If these FINRA requirements are applicable to us or our securities, they may make it more difficult for broker-dealers to recommend that at least some of their customers buy our common stock, which may limit the ability of our stockholders to buy and sell our common stock and could have an adverse effect on the market for and price of our common stock. This could also make it more difficult for us to raise capital.

***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 do not currently have and may never obtain research coverage by securities and industry analysts. In addition, because we did not become a reporting company by conducting an underwritten initial public offering of our common stock, and because we are not currently listed on a national securities exchange, security analysts of brokerage firms may not provide coverage of our company. 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.

***Our principal stockholders and management have substantial control over us and could delay or prevent a change in corporate control.***

As of March 31, 2021, Phorm, our largest stockholder, beneficially owned approximately 52.2% of our common stock, and our executive officers and directors, together with holders of five percent or more of our outstanding common stock and their respective affiliates, beneficially owned approximately 72.8% of our 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. Under 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.

***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 from and after the date that Phorm beneficially owns less than a majority of our outstanding shares of common stock, supermajority voting requirements to amend certain provisions of our certificate of incorporation and bylaws from and after the date that Phorm beneficially owns less than a majority of our outstanding shares of common stock, 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 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, our amended and restated certificate of incorporation or our amended and restated bylaws 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. Furthermore, our bylaws provide that, unless we consent in writing to 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 purchasing or otherwise acquiring any interest in any shares of our common stock shall be deemed to have notice of and to have consented to these provisions of our bylaws. These choice of forum provisions may limit our stockholders' 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 1B. Unresolved Staff Comments**

Not applicable

**Item 2. Properties**

Our headquarters are located in Goleta, California, where we lease approximately 27,800 square feet of commercial space for research and development, engineering, testing and corporate offices. We also lease additional offices in the United States and internationally in Japan, Hong Kong, Taiwan and the Philippines. We believe that our facilities are suitable to meet our current needs.

**Item 3. 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 4. Mine Safety Disclosures**

Not applicable

## Part II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matter and Issuer Purchases of Equity Securities

#### Market Information for Common Stock

Our common stock commenced trading on the OTC Market Group's OTCQB® Market quotation system under the ticker symbol "TGAN" effective at the market open on July 29, 2020 and was upgraded to the OTCQX Market on May 18, 2021. The following table sets forth, for each of the quarterly periods indicated, the high and low bid prices of our common stock, as reported on the OTCQB. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

	High	Low
July 29, 2020 - September 30, 2020	\$50.00	\$4.50
October 1, 2020 - December 31, 2020	\$6.75	\$2.30
January 1, 2021 - March 31, 2021	\$9.50	\$3.30

#### Holders of Record

As of June 10, 2021, there were 41 holders of record of our common stock.

#### Dividend Policy

We have not declared or paid any cash dividends on our capital stock since our inception. We intend to retain future earnings, if any, to finance the operation and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future. Payment of future cash dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs, the requirements and contractual restrictions of then-existing debt instruments, and other factors that our board of directors deems relevant.

#### Securities Authorized for Issuance under Equity Compensation Plans

Information about our equity compensation plans is incorporated herein by reference to Part III, Item 12 of this Report.

#### Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

On March 31, 2021, we sold 250,000 shares of common stock to one accredited investor in a private placement offering at a purchase price of \$4.00 per share, with gross proceeds of \$1.0 million. The common stock was issued in reliance upon the exemptions from registration under the Securities Act provided by Section 4(a)(2) and Rule 506 of Regulation D promulgated thereunder as a transaction not involving a public offering. The purchaser acquired the securities for investment only and not with a present view toward, or for resale in connection with, the public sale or distribution thereof. The purchaser had adequate access to information about us, and the issuance of the securities was made without any general solicitation or advertising.

#### Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We did not purchase any shares of our common stock or other securities during the quarter ended March 31, 2021.



## Performance Graph

As a smaller reporting company, we are not required to provide a stock performance graph.

## Item 6. Selected Financial Data

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

## Item 7. 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 "Special 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 IP 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.

We received our first product order "in volume" (e.g., greater than ten thousand units) for our Gen-2-based TO247 products in January 2018. We introduced our Gen-3 products in June 2018. Also in 2018, we were awarded a contract from the U.S. Navy to become a supplier for GaN epiwafer products for use by the U.S. Department of Defense. In the fourth quarter of 2019, we recognized \$9.0 million of licensing revenue through our first outbound licensing deal with Nexperia. In the second quarter of 2020, we recognized \$5.0 million of licensing revenue from Nexperia related to Gen-4 technology development.

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 \$6.6 million and \$4.2 million for the three months ended March 31, 2021 and 2020 (unaudited), respectively, and \$17.9 million and \$15.3 million for the years ended December 31, 2020 and 2019, respectively. As of March 31, 2021, our accumulated deficit was \$168.4 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.

To date, our revenue has been significantly lower than our expenses. Our revenue was \$2.4 million, of which \$673 thousand was from related parties, and \$1.1 million, of which \$394 thousand was from related parties, for the three months ended March 31, 2021 and 2020 (unaudited), respectively. Our revenue was \$11.4 million, of which \$7.1 million was from related parties and \$505 thousand was retroactive application since inception due to

new government authorized rates, and \$11.9 million, of which \$9.9 million was from related parties, for the years ended December 31, 2020 and 2019, respectively. For the three months ended March 31, 2021 and 2020 (unaudited), and the years ended December 31, 2020 and 2019, Nexperia and the U.S. government each accounted for more than ten percent of our revenues.

Our recurring operating losses and our current operating plans raise substantial doubt about our ability to continue as a going concern for the next twelve months. 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; and
- add financial accounting and management systems and select personnel and incur additional legal and accounting expense as we operate as a public company.

#### **Reverse Merger**

On February 12, 2020, our wholly-owned subsidiary, Peninsula Acquisition Sub, Inc., a corporation formed in the State of Delaware (“Acquisition Sub”), merged with and into Transphorm Technology (formerly known as Transphorm, Inc.), the corporate existence of Acquisition Sub ceased, and Transphorm Technology became our wholly-owned subsidiary (such transaction, the “Merger”). As a result of the Merger, we acquired the business of Transphorm Technology. The Merger was effective as of February 12, 2020, upon the filing of a certificate of merger with the Secretary of State of the State of Delaware. Immediately after completion of the Merger, we adopted Transphorm Technology’s former company name, “Transphorm, Inc.,” as our company name.

The Merger was treated as a recapitalization and reverse acquisition for us for financial reporting purposes, and Transphorm Technology is considered the acquirer for accounting purposes.

As a result of the Merger and the change in our business and operations, a discussion of the past financial results of Peninsula Acquisition Corporation is not pertinent, and under applicable accounting principles, the historical financial results of Transphorm Technology, the accounting acquirer, prior to the Merger are considered our historical financial results.

At the effective time of the Merger, (i) each share of Transphorm Technology’s common stock issued and outstanding immediately prior to the closing of the Merger was converted into the right to receive (a) 0.08289152527 shares of our common stock (in the case of shares held by accredited investors) or (b) \$4.00 multiplied by 0.08289152527 (in the case of shares held by unaccredited investors), with the actual number of shares of our common stock issued to the former holders of Transphorm Technology’s common stock equal to 4,171,571, (ii) 51,680,254 shares of Transphorm Technology’s Series 1 preferred stock issued and outstanding immediately prior to the closing of the Merger were converted into 12,433,953 shares of our common stock, (iii) 38,760,190 shares of Transphorm Technology’s Series 2 preferred stock issued and outstanding immediately prior to the closing of the Merger were converted into 7,499,996 shares of our common stock, and (iv) 31,850,304 shares of Transphorm Technology’s Series 3 preferred stock issued and outstanding immediately prior to the closing of the Merger were converted into 4,000,000 shares of our common stock. As a result, 28,105,520 shares of our common stock were issued to the former holders of Transphorm Technology’s issued and outstanding capital stock after adjustments due to rounding for fractional shares. Immediately prior to the effective time of the Merger, an aggregate of 682,699 shares of our common stock, owned by the stockholders of Peninsula Acquisition Corporation prior to the Merger, were forfeited and cancelled.

In addition, (i) options to purchase 29,703,285 shares of Transphorm Technology’s common stock issued and outstanding immediately prior to the closing of the Merger under Transphorm Technology’s 2007 Stock Plan and 2015 Equity Incentive Plan were assumed and converted into options to purchase 2,461,923 shares of our

common stock, (ii) warrants to purchase 186,535 shares of Transphorm Technology's common stock issued and outstanding immediately prior to the closing of the Merger were assumed, amended and converted into warrants to purchase 15,461 shares of our common stock, and (iii) Transphorm Technology's outstanding convertible promissory note was amended to be convertible, at the option of the holder, into shares of our common stock at a conversion price of \$5.12 per share, with 3,076,171 being the maximum number of shares of our common stock issuable upon conversion of the convertible promissory note. As of March 31, 2021, there was \$15.0 million of principal and \$523 thousand of accrued and unpaid interest outstanding on the convertible promissory note.

All per share and share amounts for the three months ended March 31, 2021 and 2020 (unaudited), and the years ended December 31, 2020 and 2019 have been retroactively adjusted to reflect the effect of the Merger.

#### Private Placements

In February 2020, we sold an aggregate of 5,380,000 shares of common stock in a private placement offering at a purchase price of \$4.00 per share, with aggregate gross proceeds of \$21.5 million (before deducting placement agent fees and other offering expenses, which were an aggregate of \$1.8 million). Offering cost of \$177 thousand is included in other assets on the consolidated balance sheet as of December 31, 2019.

In December 2020, we sold an aggregate of 5,000,000 shares of common stock in a private placement at a purchase price of \$3.00 per share, with aggregate gross proceeds of \$15.0 million (before deducting placement agent fees, financial advisor fees and other offering expenses, which were an aggregate of \$1.4 million excluding warrant cost of \$223 thousand).

In March 2021, we sold an aggregate of 250,000 shares of common stock in a private placement at a purchase price of \$4.00 per share, with aggregate gross proceeds of \$1.0 million (before deducting placement agent fees, financial advisor fees and other offering expenses, which were an aggregate of \$50 thousand).

#### Key Factors Affecting Our Performance

There are a number of industry factors that affect our business which include, among others:

**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 RF markets, the expansion of the use of GaN devices in infrastructure, IT, datacenter, industrial, automotive and consumer applications such as fast charger/adaptor and gaming power supplies, and our ability to win new designs for these applications. Demand also fluctuates based on various market cycles, continuously evolving industry supply chains, trade and tariff terms, as well as evolving competitive dynamics in each of the respective markets. These uncertainties make demand difficult to forecast for us and our customers. The COVID-19 pandemic has adversely disrupted and will further disrupt the operations at certain of our customers, partners, suppliers and other third-party providers for an uncertain period of time, including as a result of travel restrictions, adverse effects on budget planning processes, business deterioration, and/or business shutdowns, all of which has impacted our business and results of operations. Some of our customers have experienced delays in their internal development programs and design cycles with our GaN products due to the effects of the COVID-19 pandemic, which have led to postponements of their orders of our products and postponements of determinations that our products will be used in their designs for new products under development with corresponding delays in their market introduction and potentially our revenues. Our billings under our contract with the U.S. Navy may be lower than originally expected as a result of the pandemic.

**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 in existing technologies that could reduce or limit the demand for our products in certain markets.

**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, steps such as additional patent applications, confidentiality and non-disclosure agreements, as well as 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 would require significant management time and expenses.

## **Components of Results of Operations**

### **Revenue**

Our revenue currently consists of (1) licensing revenue, (2) revenue from our contract with the U.S. Navy and (3) revenue from product sales. Products are sold to distributors and end-users in various sectors such as, but not limited to, the automotive, gaming, industrial, IT, and consumer products industries.

### **Operating Expenses**

*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 and amortization expenses consisting primarily of expenses related to our fixed assets together with amortization of our intangible assets. 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.

*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. 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 to remain flat or moderately increase in absolute dollars but to decline 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. We expense sales and marketing expenses as incurred. We expect sales and marketing expenses to increase in absolute dollars in future periods as we increase our sales and expand our sales force and our marketing organization.

*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, accounting services, allocations of overhead

costs, such as rent, facilities and information technology, and amortization of our intangible assets. We expect general and administrative expenses to increase in absolute dollars in future periods 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 primarily of interest and amortization of related costs associated with our debts with Nexperia and Yaskawa, respectively.

**Equity Loss in Joint Venture**

Equity loss in joint venture consists of expenditures to cover the losses associated with our 49% share ownership of AFSW. The potential magnitude of this loss may increase or decrease in the future based upon changes in our shareholding percentage in AFSW and the level of operating expenses incurred by AFSW.

**Changes in Fair Value of Promissory Note**

Changes in the fair value of promissory note reflect valuation changes in the notes held by the Company. Offering costs are expensed as incurred.

**Other Income, Net**

Other income, net of other expenses, consists primarily of 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 March 31, 2021 (audited) and 2020 (unaudited):

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

	Three Months Ended March 31,		Change	
	2021	2020 (unaudited)	Amount	Percentage
Revenue, net	\$ 2,425	\$ 1,100	\$ 1,325	120.5 %
Operating expenses:				
Cost of goods sold	1,788	1,455	333	22.9 %
Research and development	1,780	1,466	314	21.4 %
Sales and marketing	663	518	145	28.0 %
General and administrative	2,733	3,092	(359)	(11.6) %
Total operating expenses	6,964	6,964	433	6.6 %
Loss from operations	(4,539)	(5,431)	892	(16.4) %
Interest expense	187	189	(2)	(1.1) %
Loss in joint venture	1,468	1,419	49	3.5 %
Changes in fair value of promissory note	699	(2,321)	3,020	(130.1) %
Other income, net	(314)	(531)	217	(40.9) %
Loss before tax expense	(6,579)	(4,187)	(2,392)	57.1 %
Tax expense	—	—	—	— %
<b>Net loss</b>	<b>\$ (6,579)</b>	<b>\$ (4,187)</b>	<b>\$ (2,392)</b>	<b>57.1 %</b>

Revenue increased \$1.3 million, or 120.5 percent, to \$2.4 million for the three months ended March 31, 2021 from \$1.1 million for the same period in 2020 (unaudited). The increase is due primarily to (i) a \$690 thousand increase in production revenue across various segments, (ii) a \$333 thousand increase in revenue provided by Yaskawa per a cooperation and development agreement and (iii) a \$171 thousand increase in revenue from our contract with the U.S. Navy.

Operating expenses increased \$433 thousand, or 6.6 percent, to \$7.0 million for the three months ended March 31, 2021 from \$6.5 million for the same period in 2020 (unaudited), due primarily to (i) a \$333 thousand increase in cost of goods sold and (ii) a \$314 thousand increase in research and development expense, offset by a \$359 thousand decrease in general and administrative expense.

Cost of goods sold increased \$333 thousand, or 22.9 percent, to \$1.8 million for the three months ended March 31, 2021 compared with \$1.5 million for the same period in 2020 (unaudited) due primarily to an increased commercial contract cost.

Research and development expense increased \$314 thousand, or 21.4 percent, to \$1.8 million for the three months ended March 31, 2021 from \$1.5 million for the same period in 2020 (unaudited), due primarily to (i) a \$127 thousand increase in costs related to salaries and employee benefits and (ii) a \$86 thousand increase in royalty expense.

Sales and marketing expense increased \$145 thousand, or 28.0 percent, to \$663 thousand for the three months ended March 31, 2021 from \$518 thousand for the same period in 2020 (unaudited), due primarily to a \$145 thousand increase in costs related to salaries and employee benefits.

General and administrative expense decreased \$359 thousand, or 11.6 percent, to \$2.7 million for the three months ended March 31, 2021 from \$3.1 million for the same period in 2020 (unaudited), due primarily to a \$685 thousand decrease in legal and compliance costs, offset by a \$268 thousand increase in costs related to salaries and employee benefits.

Interest expense of \$187 thousand for the three months ended March 31, 2021 consists of \$150 thousand for our revolving credit facility with Nexperia and \$37 thousand for our note payable to Yaskawa. Interest expense of \$189 thousand for the three months ended March 31, 2020 (unaudited) consists of \$152 thousand for our revolving credit facility and \$37 thousand for our note payable to Yaskawa.

Loss in joint venture was \$1.5 million for the three months ended March 31, 2021 compared with \$1.4 million for the same period in 2020 (unaudited).

Changes in fair value of promissory note were a \$699 thousand loss and a \$2.3 million income for the three months ended March 31, 2021 and 2020 (unaudited), respectively.

Other income, net of other expenses, decreased \$217 thousand, or 40.9 percent, to \$314 thousand for the three months ended March 31, 2021 from \$531 thousand for the same period in 2020 (unaudited), due primarily to a \$233 thousand decrease in subleasing a portion of our research and development facility.

Net loss increased \$2,392 thousand, or 57.1 percent, to \$6.6 million for the three months ended March 31, 2021 from \$4.2 million for the same period in 2020 (unaudited). The increase was attributable primarily to (i) a \$3.0 million increase in negative change in fair value of promissory note and (ii) a \$433 thousand increase in operating expenses, offset by a \$1.3 million increase in revenue and a \$0.2 million increase in other income.

**Comparison of the Years Ended December 31, 2020 and 2019:**

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

	Year Ended December 31,		Change	
	2020	2019	Amount	Percentage
Revenue, net	\$ 11,371	\$ 11,934	\$ (563)	(4.7) %
Operating expenses:				
Cost of goods sold	6,682	6,492	190	2.9 %
Research and development	5,584	8,146	(2,562)	(31.5) %
Sales and marketing	2,174	2,609	(435)	(16.7) %
General and administrative	10,328	6,606	3,722	56.3 %
<b>Total operating expenses</b>	<b>24,768</b>	<b>23,853</b>	<b>915</b>	<b>3.8 %</b>
Loss from operations	(13,397)	(11,919)	(1,478)	12.4 %
Interest expense	760	758	2	0.3 %
Loss in joint venture	6,836	3,703	3,133	84.6 %
Changes in fair value of promissory note	(927)	167	(1,094)	(655.1) %
Other income, net	(2,157)	(1,264)	(893)	70.6 %
Loss before tax expense	(17,909)	(15,283)	(2,626)	17.2 %
Tax expense	—	—	—	— %
<b>Net loss</b>	<b>\$ (17,909)</b>	<b>\$ (15,283)</b>	<b>\$ (2,626)</b>	<b>17.2 %</b>

Revenue decreased \$563 thousand, or 4.7 percent, to \$11.4 million for the year ended December 31, 2020 from \$11.9 million for the same period in 2019. The decrease is due primarily to a \$4.0 million decrease in licensing revenue from Nexperia related to funding Gen-4 technology development, offset by (i) a \$1.7 million increase in revenue from our contract with the U.S. Navy, (ii) a \$1.4 million increase in product sales and (iii) a \$333 thousand increase in revenue provided by Yaskawa per a cooperation and development agreement.

Operating expenses increased \$915 thousand, or 3.8 percent, to \$24.8 million for the year ended December 31, 2020 from \$23.9 million for the same period in 2019, due primarily to a \$3.7 million increase in general and administrative expense, offset by a \$2.6 million decrease in research and development expense.

Cost of goods sold increased \$190 thousand, or 2.9 percent, to \$6.7 million for the year ended December 31, 2020 compared with \$6.5 million for the same period in 2019 due primarily to an increased government contract cost.

Research and development expense decreased \$2.6 million, or 31.5 percent, to \$5.6 million for the year ended December 31, 2020 from \$8.1 million for the same period in 2019, due primarily to (i) a \$1.7 million increase in government contract costs that were recognized in cost of goods sold and (ii) a \$426 thousand increase in reimbursed expenses.

Sales and marketing expense decreased \$435 thousand, or 16.7 percent, to \$2.2 million for the year ended December 31, 2020 from \$2.6 million for the same period in 2019, due primarily to a decrease in costs related to salaries and employee benefits resulting from a reduced number of employees and a decrease in travel costs due to COVID-19 related travel restrictions.



General and administrative expense increased \$3.7 million, or 56.3 percent, to \$10.3 million for the year ended December 31, 2020 from \$6.6 million for the same period in 2019, due primarily to an increase in legal and compliance costs related to the Merger and the private placements and an increase in legal, compliance and insurance costs related to the requirements of being a public company.

Interest expense of \$760 thousand for the year ended December 31, 2020 consists of \$610 thousand for our revolving credit facility with Nexperia and \$150 thousand for our note payable to Yaskawa. Interest expense of \$758 thousand for the year ended December 31, 2019 consists of \$608 thousand for our revolving credit facility and \$150 thousand for our note payable to Yaskawa.

Loss in joint venture increased \$3.1 million, or 84.6 percent, to \$6.8 million for the year ended December 31, 2020 from \$3.7 million for the same period in 2019, due primarily to larger loss shares resulting from increased losses due to the decreased utilization of the AFSW fabrication facility.

Changes in fair value of promissory note were a \$927 thousand income and a \$167 thousand loss for the years ended December 31, 2020 and 2019, respectively.

Other income, net of other expenses, increased \$893 thousand, or 70.6 percent, to \$2.2 million for the year ended December 31, 2020 from \$1.3 million for the same period in 2019, due primarily to a \$888 thousand increase in subleasing a portion of our research and development facility.

Net loss increased \$2.6 million, or 17.2 percent, to \$17.9 million for the year ended December 31, 2020 from \$15.3 million for the same period in 2019. The increase was attributable primarily to a \$3.7 million increase in general and administrative expense and a \$3.1 million increase in loss in joint venture, offset by a \$2.6 million decrease in research and development expense, a \$893 thousand increase in other income, net and \$1.1 million positive change in fair value of promissory note.

### **Liquidity and Capital Resources**

As of March 31, 2021, we had cash on hand of \$9.5 million, other current assets of \$4.8 million and current liabilities of \$27.1 million, resulting in negative working capital of \$12.8 million. As of March 31, 2021, the negative working capital included development loans of \$10.0 million and an outstanding balance under our revolving credit facility, including accrued interest, of \$10.2 million.

The accompanying consolidated financial statements have been prepared assuming that we will continue as a going concern. As included in the accompanying consolidated financial statements, we have generated recurring losses from operations and have an accumulated deficit and a working capital deficiency. These factors raise substantial doubt about the Company's ability to continue as a going concern for the next twelve months from the issuance of the consolidated financial statements.

### **Future Funding Requirements**

We plan to raise additional working capital to fund operations through the issuance of stock to investors, license of intellectual property and/or issuance of notes payable. In February 2020, we sold an aggregate of 5,380,000 shares of our common stock at a purchase price of \$4.00 per share in a private placement. In December 2020, we sold an aggregate of 5,000,000 shares of our common stock at a purchase price of \$3.00 per share in a private placement. In March 2021, we sold an aggregate of 250,000 shares of our common stock at a purchase price of \$4.00 per share in a private placement. We believe that our existing cash and cash equivalents will be sufficient to fund our current operating plans into the fourth quarter of calendar year 2021.

Our ability to continue as a going concern is dependent on our ability to raise significant additional capital to fund operating losses until we are able to generate liquidity from our business operations, as well as other factors such as developments regarding AFSW. To the extent sufficient financing is not available, we may not be able to develop, or may be delayed in developing, our offerings and meeting our obligations, and we may not be able to

continue our operations. We will continue to evaluate our projected expenditures relative to our available cash and evaluate financing alternatives in order to satisfy our working capital and other cash requirements.

Our principal sources of liquidity have been cash generated by issuing new shares and promissory notes and, more recently, cash generated from operations.

On April 4, 2018, we entered into a multi-element commercial arrangement with Nexperia in order to raise an aggregate of \$50.0 million in financing with approximately 9.9% equity dilution (on a fully diluted basis) in exchange for performing certain technology and product development activities for Nexperia. The commercial arrangement includes the LSA with Nexperia, which provides for term loans in an aggregate principal amount of up to \$15.0 million and an additional \$9.0 million loan commitment. During 2018, as a result of the arrangement with Nexperia, we received \$29.0 million, consisting of \$16.0 million, \$10.0 million and \$3.0 million from issuing convertible preferred stock, borrowings under a revolving credit facility and recording deferred revenue of license fee, respectively. During 2019, we received the remaining \$21.0 million, consisting of \$15.0 million from borrowings under the LSA and \$6.0 million in licensing revenue. See Note 3 - Nexperia Arrangement to our condensed consolidated financial statements for more information.

Our future capital requirements will depend on many factors including our revenue growth rate, billing frequency, the impact of the COVID-19 pandemic, the timing and extent of spending to support further sales and marketing and research and development efforts, whether we are able to extend the maturity date of loans under the LSA with Nexperia, whether Yaskawa will elect to convert its convertible promissory note into our common stock in lieu of repayment and our obligations in connection with AFSW. If we were to become the sole owner of AFSW (assuming regulatory approvals are obtained) our operating expenses and cash requirements would substantially increase, including as a result of our agreement to use our best efforts to maintain and continue the operations of AFSW for at least one year following the date on which we (alone or with a third party) take over full ownership of AFSW. In addition, the future impact of the COVID-19 pandemic cannot be predicted with certainty and may make it more difficult or preclude us from raising additional capital, increase our costs of capital and otherwise adversely affect our business, results of operations, financial condition and liquidity. We may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies, including intellectual property rights. We will require additional equity or debt financing, which we may not be able to raise on terms acceptable to us or at all. If we are unable to raise additional capital when required, our business, results of operations and financial condition would be materially and adversely affected, or we may need to cease operations altogether.

### Cash Flows

As of March 31, 2021, our cash and cash equivalents were \$9.5 million. The following table shows a summary of our cash flows for the periods presented (*in thousands*):

	Three Months Ended March 31,		
	2021	2020 (unaudited)	Change
Net cash (used in) provided by:			
Operating activities	\$ (4,933)	\$ (6,151)	\$ 1,218
Investing activities	(1,132)	(1,548)	416
Financing activities	956	19,498	(18,542)
<b>(Decrease) increase in cash and cash equivalents excluding effect of foreign exchange rate changes</b>	<b>\$ (5,109)</b>	<b>\$ 11,799</b>	<b>\$ (16,908)</b>

### Operating Activities

Net cash used in operating activities was \$4.9 million and \$6.2 million for the three months ended March 31, 2021 and 2020 (unaudited), respectively. The increase of \$1.2 million was attributable primarily to a \$3.0 million increase in non-cash change in fair value of promissory note and a \$711 thousand increase in prepaid expenses and other current assets, offset by a \$2.4 million increase in net loss.

### Investing Activities

Net cash used in investing activities was \$1.1 million and \$1.5 million for the three months ended March 31, 2021 and 2020 (unaudited), respectively. The increase of \$416 thousand was attributable primarily to a \$580 thousand increase in investment in joint venture, offset by a \$164 thousand decrease in purchase of property and equipment.

### Financing Activities

Net cash provided by financing activities was \$956 thousand and \$19.5 million for the three months ended March 31, 2021 and 2020 (unaudited), respectively. Net cash provided by financing activities during the three months ended March 31, 2021 relates to net proceeds of \$950 thousand from the sales of our common stock in a private placement. Net cash provided by financing activities during the three months ended March 31, 2020 (unaudited) relates to aggregate net proceeds of \$19.7 million from the sale of our common stock in a private placement.

As of December 31, 2020, our cash and cash equivalents were \$14.7 million. The following table shows a summary of our cash flows for the periods presented (*in thousands*):

	Year Ended December 31,		Change
	2020	2019	
Net cash (used in) provided by:			
Operating activities	\$ (14,115)	\$ (12,290)	\$ (1,825)
Investing activities	(7,406)	(2,901)	(4,505)
Financing activities	33,158	15,000	18,158
<b>Increase (decrease) in cash and cash equivalents excluding effect of foreign exchange rate changes</b>	<b>\$ 11,637</b>	<b>\$ (191)</b>	<b>\$ 11,828</b>

### Operating Activities

Net cash used in operating activities was \$14.1 million and \$12.3 million for the years ended December 31, 2020 and 2019, respectively. The decrease of \$1.8 million was attributable primarily to a \$5.0 million decrease in non-cash licensing revenue from a related party, a \$2.6 million decrease in net loss and a \$1.1 million decrease in non-cash change in fair value of promissory note, offset by a \$3.7 million increase in deferred revenue and a \$3.1 million increase in loss in joint venture.

### Investing Activities

Net cash used in investing activities was \$7.4 million and \$2.9 million for the years ended December 31, 2020 and 2019, respectively. The decrease of \$4.5 million was attributable primarily to a \$4.7 million decrease in investment in joint venture.

### *Financing Activities*

Net cash provided by financing activities was \$33.2 million and \$15.0 million for the years ended December 31, 2020 and 2019, respectively. Net cash provided by financing activities during the year ended December 31, 2020 relates to aggregate net proceeds of \$33.4 million from the closings of private placements. Net cash provided by financing activities during the year ended December 31, 2019 relates to net proceeds of \$15.0 million from our development loan with Nexperia.

### ***Nexperia Loan and Security Agreement***

On April 4, 2018, we entered into the LSA with Nexperia. The LSA provides for term loans in an aggregate principal amount of up to \$15.0 million, which term loans are available in tranches (Tranche A, Tranche B and Tranche B-1) and subject to the satisfaction of specified conditions. As of March 31, 2021 and December 31, 2020, \$10.0 million aggregate principal amount of term loans were outstanding under the LSA. The LSA also provides for a \$10.0 million Tranche C Loan commitment, which Tranche C Loans may be borrowed, repaid and reborrowed subject to the terms and conditions of the LSA. As of March 31, 2021 and December 31, 2020, \$10.0 million aggregate principal amount of Tranche C Loans were outstanding under the LSA. The proceeds of the loans under the LSA may be used as set forth therein for development work related to the DLA, the repayment of specified debt and for general corporate purposes.

The Tranche A Loan was scheduled to mature on the earlier of the date a specified report is required to be delivered under the DLA or March 31, 2020, which was subsequently extended to June 30, 2020. In June 2020, the \$5.0 million Tranche A Loan was satisfied in full upon transfer of our Gen-4 technology development to Nexperia, at which point we recognized \$5.0 million as licensing revenue. The Tranche B Loan and Tranche B-1 Loan were scheduled to mature on the earlier of the date a specified report is required to be delivered under the DLA or March 31, 2021, which was subsequently extended to June 30, 2021. On May 18, 2021, the Tranche B-1 Loan was converted into a Tranche C-1 Loan, which Tranche C-1 Loan has the same terms and conditions as the existing Tranche C Loan. The Tranche C commitments terminate, and the Tranche C and C-1 Loans mature, on the earlier of April 4, 2023 and the occurrence of specified change of control events.

Loans under the LSA bear interest at the rate of 6.0% per annum. Interest is payable quarterly, on the date of any prepayment or repayment and on each maturity date for the loans then maturing. A commitment fee on the unused portion of the Tranche C Loan commitment accrues at the rate of 0.7% per annum and is payable quarterly.

Our obligations under the LSA are secured by a security interest on certain U.S. patents, which patents do not relate to our MOCVD or epiwafer technology.

The LSA contains customary affirmative covenants, including delivery of financial statements, compliance with laws, and maintenance of insurance and properties, and certain negative covenants, including restrictions on liens on the collateral and restrictions on the disposition and licensing of any patent constituting collateral under the LSA. The LSA also contains customary events of default including, among others, payment defaults, breaches of covenants defaults, the occurrence of a material adverse change, bankruptcy and insolvency defaults, cross defaults with certain material indebtedness, judgment defaults, and the occurrence of a change of control. In addition, an event of default will occur if the DLA is terminated under certain circumstances or we fail to timely deliver reports related to statements of work under the DLA. Upon the occurrence and during the continuance an event of default, Nexperia may declare all or a portion of our outstanding obligations to be immediately due and payable and exercise other rights and remedies provided for under the LSA. If specified events of default occur and remain continuing for more than 30 consecutive days, we are required to assign the patents constituting collateral to Nexperia in satisfaction of our obligations under the LSA. During the existence of an event of default, interest on the obligations could be increased to 3.0% above the otherwise applicable interest rate.

## Contractual Obligations and Commitments

The following is a summary of our significant contractual obligations as of March 31, 2021 (in thousands):

	Payments Due by Period				Total
	Less Than One Year	One To Three Years	Three to Five Years	More Than Five Years	
Operating lease obligation	\$ 682	\$ 563	\$ 60	\$ —	\$ 1,305
Development loans	10,000	—	—	—	10,000
Revolving credit facility	10,150	—	—	—	10,150
Promissory note (1)	—	15,748	—	—	15,748
<b>Total</b>	<b>\$ 20,832</b>	<b>\$ 16,311</b>	<b>\$ 60</b>	<b>\$ —</b>	<b>\$ 37,203</b>

(1) Consists of aggregate principal amount of \$15.0 million of the convertible promissory note issued to Yaskawa.

## Off-Balance Sheet Transactions

We have not entered into any off-balance sheet arrangements and do not have any holdings in variable interest entities.

## Critical Accounting Policies and Estimates

Our consolidated financial statements and the related notes thereto included in this prospectus were prepared in accordance with Accounting Principles Generally Accepted in the United States (“GAAP”). The preparation of consolidated financial statements also requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. These estimates are developed based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from the estimates made by management. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operation, and cash flows will be affected. We believe that the accounting policies described below involve a greater degree of judgment and complexity. Accordingly, these are the policies we believe are most critical to aid in fully understanding and evaluating our consolidated financial condition and results of operations.

### Principles of Consolidation

The consolidated financial statements include the accounts of the Parent and its wholly-owned subsidiaries, Transphorm Technology, Transphorm Japan, Inc., Transphorm Japan Epi, Inc. and Transphorm Aizu, Inc. Upon consolidation, all significant intercompany accounts and transactions have been eliminated.

### Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management bases its estimates and assumptions on historical experience, knowledge of current conditions, and its belief of what could occur in the future, given available information. Actual results could differ from those estimates, and such differences could be material to the consolidated financial statements. Estimates are used for, but not limited to, the determinations of fair value of stock awards and promissory notes, accrual of liabilities, revenue recognition, inventory reserve, and useful lives for property and equipment.

#### *Cash and Cash Equivalents*

The Company considers all highly-liquid investments with original maturities of 90 days or less at the date of purchase to be cash equivalents. Cash and cash equivalents consist principally of bank deposits and money market funds. Other assets in the consolidated balance sheets as of March 31, 2021, December 31, 2020 and December 31, 2019 include restricted cash of \$75 thousand.

#### *Foreign Currency Risk*

The Company is exposed to foreign currency risk due to its operations in Japan (Yen). Assets and liabilities of the operations are re-measured into U.S. currency at exchange rates in effect at the balance sheet dates through the consolidated statements of comprehensive income. Gains or losses resulting from foreign currency transactions are re-measured using the rates on the dates on which those elements are recognized during the period and are included in other income or expense in the consolidated statements of operations. As of March 31, 2021, December 31, 2020 and December 31, 2019, the Company had foreign cash and cash equivalents of \$444 thousand, \$42 thousand and \$55 thousand, respectively, which represented 4.7 percent, 0.3 percent and 1.9 percent, respectively, of total cash and cash equivalents.

#### *Concentrations of Risk*

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. The Company is exposed to credit risk in the event of default by the financial institution holding its cash. The Company's investment policy restricts investments to high-quality investments and limits the amounts invested with any one issuer, industry or geographic area. Risks associated with cash holdings in excess of insured limits are mitigated by banking with high-quality institutions. To date, the Company has not experienced any significant losses on its cash and cash equivalents. The Company periodically evaluates the relative credit standing of these financial institutions.

The Company is subject to risks common in the power conversion components industry, including, but not limited to, technological obsolescence, dependence on key personnel, market acceptance of its products, the successful protection of its proprietary technologies, compliance with government regulations, and the possibility of not being able to obtain additional financing when needed.

#### *Comprehensive Loss*

Comprehensive loss is comprised of net loss and other comprehensive income (loss). Other comprehensive income (loss) includes the impact of foreign currency translation adjustments.

#### *Accounts Receivable*

Accounts receivable are analyzed and allowances for uncollectible accounts are recorded, as required. Provisions for uncollectible accounts, if any, are recorded as bad debt expense and included in general and administrative expenses in the accompanying consolidated statements of operations. The process for determining the appropriate level of allowances for doubtful accounts involves judgment, and the Company considers such factors as the age of the underlying receivables, historical and projected collection trends, the composition of outstanding receivables, current economic conditions and regulatory changes. An account is fully reserved when reasonable collection efforts have been unsuccessful and it is probable that the receivable will not be recovered. Recovery from doubtful accounts amounted to \$48 thousand for the three months ended March 31, 2021. Provision for doubtful accounts amounted to \$0 for the three months ended March 31, 2020 (unaudited), and \$110 thousand and \$0 for the years ended December 31, 2020 and 2019, respectively.

### *Inventory*

Inventory is stated at the lower of cost (first-in, first-out method) or net realizable value. The Company periodically reviews the value of items in inventory and records write-downs or write-offs based on its assessment of slow moving or obsolete inventory. The Company maintains an inventory reserve for obsolete inventory and generally makes inventory value adjustments against the inventory reserve.

### *Property and Equipment*

Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation is determined using the straight-line method over the estimated useful lives of the respective assets, generally ranging from three to seven years. Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the related lease term. Depreciation for equipment commences once it is placed in service, and depreciation for buildings and leasehold improvements commences once they are ready for their intended use. The Company expenses maintenance and repair costs that do not extend the life of the asset as they are incurred.

The Company evaluates the carrying amount of its property and equipment whenever events or changes in circumstances indicate that the assets may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of an asset or asset group and its eventual disposition are less than the carrying amount of the asset or asset group. To date, there have been no such impairment losses.

### *Goodwill*

Goodwill arose for the acquisition of a business in February 2014 based in Japan and was accounted for as the purchase of a business. Goodwill generated from business combinations and deemed to have indefinite lives are not subject to amortization and instead are tested for impairment at least annually in December unless certain events occur or circumstances change. Goodwill represents the excess of the purchase price over the fair value of the net assets and other identifiable intangible assets acquired. We test for goodwill impairment annually or earlier if events or changes in circumstances indicate goodwill might possibly be impaired. Impairment exists when the carrying value of the goodwill exceeds its implied fair value. An impairment loss would be recognized in an amount equal to that excess as a charge to operations in the consolidated statements of operations. For the three months ended March 31, 2021 and 2020 (unaudited), and the years ended December 31, 2020 and 2019, no impairment charge was recorded related to goodwill.

### *Intangible Assets*

Intangible assets that are not considered to have an indefinite useful life are amortized over their estimated useful lives, which generally range from three to ten years. Each reporting period, the Company evaluates the estimated remaining useful lives of intangible assets and whether events or changes in circumstances warrant a revision to the remaining periods of amortization.

If it is determined that the carrying values might not be recoverable based upon the existence of one or more indicators of impairment, the Company performs a test for recoverability using various methodologies, such as the income approach or cost approach, to determine the fair value of intangible assets depending upon the nature of the assets. If assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds their respective fair values. For the three months ended March 31, 2021 and 2020 (unaudited), and the years ended December 31, 2020 and 2019, no impairment charges were recorded related to intangible assets.

### *Revenue Recognition*

The Company derives its revenues from sales of high-powered GaN-based products manufactured utilizing the Company's proprietary and patented epiwafer technology and wafer fabrication and other assembly processes,

sales of GaN epiwafers for the radio frequency (“RF”) and power markets, and sales of licenses to use such patented proprietary technology, as well as enabling EPI wafer growth services and products to our strategic partners. Revenues are recognized when control of these products or licenses are transferred to the Company’s customers in an amount that reflects the consideration it expects to be entitled to in exchange for those products and licenses. Sales and other taxes the Company collects concurrent with revenue-producing activities are excluded from revenue. Incidental items that are immaterial in the context of the contract are recognized as expense. The Company does not have any significant financing components associated with its revenue contracts, as payment is received at or shortly after the point of sale.

#### Disaggregation of Revenue from Contracts with Customers

Revenue consists of licensing revenue, government contract revenue from our contract with the U.S. Navy and product sales, with applicable performance obligations satisfied at a point in time. Products are sold to distributors and end-users in various sectors such as, but not limited to, the automotive, gaming, industrial, IT, and consumer products industries.

As part of the Arrangement (Note 3 - Nexperia Arrangement) executed with Nexperia on April 4, 2018, the Company agreed to grant Nexperia the perpetual exclusive right to use the Company’s existing Gen-3 manufacturing process technology. License fees are received upon satisfaction of contractual milestones and recognized upon delivery of the perpetual license or transferred technology without any remaining performance obligations. For the year ended December 31, 2020, the Company recognized \$5.0 million of licensing revenue. For the year ended December 31, 2019, the Company received the remaining \$6.0 million and recognized a total of \$9.0 million, including \$3.0 million received in 2018, as licensing revenue upon satisfaction of contractual milestones and delivery of the perpetual license and transferred technology without any remaining performance obligations.

In December 2020, we entered into a cooperation and development agreement with Yaskawa, pursuant to which Yaskawa agreed to provide \$4.0 million over approximately three years to fund development activities related to industrial power conversion applications, with an initial focus on servo motor drive applications. Yaskawa provided \$1.0 million of this \$4.0 million commitment in December 2020. The Company evaluated and concluded that the deliverables are the same and nature of the services to be provided to Yaskawa will be consistent over the period of approximately three years. Accordingly, the Company recognized \$333 thousand as revenue for the three months ended March 31, 2021 and the year ended December 31, 2020. As of March 31, 2021 and December 31, 2020, \$334 thousand and \$667 thousand, respectively, are included in deferred revenue on the consolidated balance sheet.

Government contract revenues are principally generated under research and development contracts. Contract revenues are derived primarily from research contracts with agencies of the U.S. government. We believe credit risk related to accounts receivable arising from such contracts is minimal. These contracts may include cost-plus fixed fee and fixed price terms. All payments to us for work performed on contracts with agencies of the U.S. government are subject to adjustment upon audit by the Defense Contract Audit Agency. The Company received new government authorized rates for billing purposes which allowed for retroactive application since inception. The cumulative impact of this rate change was \$423 thousand, of which \$(83) thousand and \$505 thousand were recorded in the three months ended March 31, 2021 and September 30, 2020, respectively. The Company will use the new approved rates on go-forward basis.

#### Performance Obligations

For performance obligations related to the sale of products, control transfers to the customer at a point in time. The Company’s principal terms of sale are free on board shipping or destination and the Company transfers control and records revenue for product sales upon shipment or delivery to the customer, respectively. For performance obligations related to the licensing of patented technology in perpetuity, control also transfers to the customer at a point in time. The Company transfers control and records revenue for licensing fees once the



Company has (i) provided or otherwise makes available the patented technology to the customer and (ii) the customer is able to use and benefit from the patented technology.

#### Variable Consideration

The nature of the Company's arrangement with Nexperia gives rise to variable consideration in the form of milestone and royalty payments. The royalties qualify for the sales and usage-based royalty exception, as the license of intellectual property is the predominant item to which the royalty relates and are recognized upon the subsequent sale occurring. The variable amounts are received upon satisfaction of contractually agreed upon development targets and sales volume.

#### *Research and Development*

The Company is a party to research grant contracts with the U.S. government for which the Company is reimbursed for specified costs incurred for its research projects. These projects include energy saving initiatives for which the U.S. government offers reimbursement funds. Such reimbursements are recorded as an offset to research and development expenses when the related qualified research and development expenses are incurred. Reimbursable costs are recognized in the same period the costs are incurred up to the limit of approved funding amounts on qualified expenses. Grant reimbursement of \$42 thousand and \$72 thousand was recorded as an offset to research and development expense for the three months ended March 31, 2021 and 2020 (unaudited), respectively, and grant reimbursement of \$426 thousand and \$0 was recorded as an offset to research and development expense for the years ended December 31, 2020 and 2019, respectively.

#### *Stock-Based Compensation*

All share-based payments, including grants of stock options, restricted stock awards ("RSAs") and restricted stock units ("RSUs"), are measured at the fair value of the share-based awards on the grant date and recognized over their respective vesting periods, which is generally one to four years. The estimated fair value of stock options at the grant date is determined using the Black-Scholes-Merton pricing model. The RSAs and RSUs are measured using the estimated fair value of the stock price, which, due to limited trading history, is based on recent equity sales. The Company recognizes the fair value of share-based payments as compensation expense for all expected-to-vest stock-based awards over the vesting period of the award using the straight-line attribution or graded vesting method provided that the amount of compensation cost recognized at any date is no less than the portion of the grant-date fair value of the award that is vested at that date.

The Black-Scholes-Merton option pricing model requires inputs such as the fair value of common stock on date of grant, expected term, expected volatility, dividend yield, and risk-free interest rate. Further, the forfeiture rate also affects the amount of aggregate compensation expense. These inputs are subjective and generally require significant analysis and judgment to develop. Volatility data is obtained from a study of publicly traded industry peer companies. The forfeiture rate is derived primarily from the Company's historical data, and the risk-free interest rate is based on the yield available on U.S. Treasury zero-coupon issues commensurate with the expected term. Management generally uses the simplified method to calculate the expected term for employee grants as the Company has limited historical exercise data or alternative information to reasonably estimate an expected term assumption. The simplified method assumes that all options will be exercised midway between the weighted average vesting date and the contractual term of the option.

Stock-based compensation expense recognized in the Company's consolidated financial statements is based on awards that are expected to vest. These expense amounts have been reduced by using an estimated forfeiture rate. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company evaluates the assumptions used to estimate forfeitures annually in connection with the recognition of stock-based compensation expense.

### *Loss Per Share*

Basic loss per share is calculated by dividing net loss applicable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by dividing the net loss attributable to common stockholders by the sum of the weighted average number of common shares outstanding plus potential dilutive common shares outstanding during the period. Potential dilutive securities, comprised of stock warrants, restricted stock units and stock options, are not reflected in diluted loss per share because such shares are anti-dilutive. Dilutive impact of potential common shares resulting from common stock equivalents is determined by applying the treasury stock method.

For the three months ended March 31, 2021, there were 3,637,937 shares, consisting of 2,543,125 stock options, 935,397 restricted stock units and 159,415 stock warrants, that were not included in the computation of diluted loss per share because their effect would be anti-dilutive. For the three months ended March 31, 2020 (unaudited), there were 2,473,552 shares, consisting of 2,458,091 stock options and 15,461 stock warrants, that were not included in the computation of diluted loss per share because their effect would be anti-dilutive. For the year ended December 31, 2020, there were 3,285,058 shares, consisting of 2,320,318 stock options, 805,325 restricted stock units and 159,415 stock warrants, that were not included in the computation of diluted loss per share because their effect would be anti-dilutive. For the year ended December 31, 2019, there were 26,422,608 shares, consisting of 23,933,949 convertible preferred stocks, 2,473,198 stock options and 15,461 stock warrants, that were not included in the computation of diluted loss per share because their effect would be anti-dilutive.

### *Fair Value Measurement*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying values of the Company's financial instruments such as cash equivalents, accounts receivable, revolving credit facility, accounts payable and accrued liabilities approximate fair values due to the short-term nature of these items. The Company has elected the fair value option for its promissory notes.

### *Income Taxes*

The Company accounts for income taxes in accordance with Accounting Standards Codification ("ASC") 740, *Income Taxes* ("ASC 740"). ASC 740 prescribes the use of the liability method. Deferred tax assets and liabilities are determined based on the difference between the financial statement carrying amounts and the tax basis of assets and liabilities and are measured using the enacted statutory tax rates in effect at the balance sheet date. The Company records a valuation allowance to reduce its deferred tax assets when uncertainty regarding their realizability exists.

### *Equity Method Investments*

The Company uses the equity method to account for investments in entities that it does not control, but in which it has the ability to exercise significant influence over operating and financial policies. The Company's proportionate share of the net income or loss of these companies is included in consolidated net loss. Judgments regarding the level of influence over each equity method investment include consideration of key factors such as the Company's ownership interest, representation on the board of directors or other management body and participation in policy-making decisions.

### *Segment Reporting*

The Company's operations and its financial performance is evaluated on a consolidated basis by the chief operating decision maker. Accordingly, the Company considers all of its operations to be aggregated in one reportable operating segment. For the three months ended March 31, 2021, total revenue was \$2.4 million, of which \$2.0 million was from U.S. operations and \$449 thousand was from Japan operations. For the three months ended March 31, 2020 (unaudited), total revenue was \$1.1 million, of which \$1.1 million was from U.S. operations

and \$11 thousand was from Japan operations. For the year ended December 31, 2020, total revenue was \$11.4 million, of which \$10.7 million was from U.S. operations and \$713 thousand was from Japan operations. For the year ended December 31, 2019, total revenue was \$11.9 million, of which \$11.9 million was from U.S. operations and \$28 thousand was from Japan operations.

#### **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 7A. 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 8. Financial Statements and Supplementary Data**

**Transphorm, Inc.**

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## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of  
Transphorm, Inc.

### Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Transphorm, Inc. (the "Company") as of March 31, 2021, December 31, 2020 and December 31, 2019, the related consolidated statements of operations, comprehensive loss, stockholders' deficit and cash flows for the three months ended March 31, 2021 and for each of the years in the two year period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2021, December 31, 2020 and December 31, 2019, and the results of its operations and its cash flows for the three months ended March 31, 2021 and for each of the years in the two year period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

### Explanatory Paragraph – Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 1, the Company has a significant working capital deficit, incurred significant losses, sustained significant negative cash flows from operations, and needs to raise additional funds to meet its obligations and to sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Marcum LLP

We have served as the Company's auditor since 2019.

Chicago, IL  
June 23, 2021

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

	March 31, 2021	December 31, 2020	December 31, 2019
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 9,500	\$ 14,694	\$ 2,875
Accounts receivable, net, including \$507 thousand, \$442 thousand, \$464 thousand from related parties as of March 31, 2021, December 31, 2020 and December 31, 2019, respectively	1,618	844	709
Inventory	2,223	1,627	990
Prepaid expenses and other current assets	953	1,061	783
<b>Total current assets</b>	<b>14,294</b>	<b>18,226</b>	<b>5,357</b>
Property and equipment, net	1,360	1,324	1,770
Goodwill	1,302	1,397	1,325
Intangible assets, net	914	988	1,313
Other assets	274	291	497
<b>Total assets</b>	<b>\$ 18,144</b>	<b>\$ 22,226</b>	<b>\$ 10,262</b>
<b>Liabilities, convertible preferred stock and stockholders' deficit</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 3,140	\$ 3,182	\$ 2,383
Deferred revenue	505	674	—
Development loan	10,000	10,000	5,000
Revolving credit facility, including accrued interest	10,150	10,153	10,458
Unfunded commitment to joint venture	1,866	1,466	1,688
Accrued payroll and benefits	1,410	1,215	1,159
<b>Total current liabilities</b>	<b>27,071</b>	<b>26,690</b>	<b>20,688</b>
Development loans, net of current portion	—	—	10,000
Promissory note	16,128	15,392	16,169
<b>Total liabilities</b>	<b>43,199</b>	<b>42,082</b>	<b>46,857</b>
Commitments and contingencies (Note 11)			
Convertible preferred stock (Notes 1 and 13):			
Series 1, \$0.0001 par value; no shares authorized, issued and outstanding as of March 31, 2021 and December 31, 2020; 12,438,704 shares authorized and 12,433,953 shares issued and outstanding as of December 31, 2019	—	—	39,658
Series 2, \$0.0001 par value; no shares authorized, issued and outstanding as of March 31, 2021 and December 31, 2020; 7,507,699 shares authorized and 7,499,996 shares issued and outstanding as of December 31, 2019	—	—	30,000
Series 3, \$0.0001 par value; no shares authorized, issued and outstanding as of March 31, 2021 and December 31, 2020; 4,000,000 shares authorized, issued and outstanding as of December 31, 2019	—	—	16,000
<b>Total convertible preferred stock</b>	<b>—</b>	<b>—</b>	<b>85,658</b>

Stockholders' deficit:			
Common stock, \$0.0001 par value; 750,000,000 shares authorized as of March 31, 2021 and December 31, 2020, and 40,531,996 and 40,278,496 shares issued and outstanding as of March 31, 2021 and December 31, 2020, respectively; 29,012,034 shares authorized and 4,220,998 shares issued and outstanding as of December 31, 2019	4	4	—
Additional paid-in capital	144,201	142,736	22,404
Accumulated deficit	(168,403)	(161,824)	(143,915)
Accumulated other comprehensive loss	(857)	(772)	(742)
<b>Total stockholders' deficit</b>	<b>(25,055)</b>	<b>(19,856)</b>	<b>(122,253)</b>
<b>Total liabilities, convertible preferred stock and stockholders' deficit</b>	<b>\$ 18,144</b>	<b>\$ 22,226</b>	<b>\$ 10,262</b>

See accompanying notes to consolidated financial statements

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

	Three Months Ended March 31,		Year Ended December 31,	
	2021	2020 (unaudited)	2020	2019
Revenue, net, including related parties (Note 17)	\$ 2,425	\$ 1,100	\$ 11,371	\$ 11,934
Operating expenses:				
Cost of goods sold	1,788	1,455	6,682	6,492
Research and development	1,780	1,466	5,584	8,146
Sales and marketing	663	518	2,174	2,609
General and administrative	2,733	3,092	10,328	6,606
Total operating expenses	6,964	6,531	24,768	23,853
Loss from operations	(4,539)	(5,431)	(13,397)	(11,919)
Interest expense	187	189	760	758
Loss in joint venture	1,468	1,419	6,836	3,703
Changes in fair value of promissory note	699	(2,321)	(927)	167
Other income, net	(314)	(531)	(2,157)	(1,264)
Loss before tax expense	(6,579)	(4,187)	(17,909)	(15,283)
Tax expense	—	—	—	—
<b>Net loss</b>	<b>\$ (6,579)</b>	<b>\$ (4,187)</b>	<b>\$ (17,909)</b>	<b>\$ (15,283)</b>
Net loss per share - basic and diluted	\$ (0.16)	\$ (0.13)	\$ (0.56)	\$ (0.54)
Weighted average common shares outstanding - basic and diluted	40,274,660	31,912,170	31,739,801	28,153,605

See accompanying notes to consolidated financial statements



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

	Three Months Ended March 31,		Year Ended December 31,	
	2021	2020 (unaudited)	2020	2019
Net loss	\$ (6,579)	\$ (4,187)	\$ (17,909)	\$ (15,283)
Other comprehensive loss, net of tax:				
Foreign currency translation adjustments	(85)	(12)	(30)	(2)
Other comprehensive loss, net of tax	(85)	(12)	(30)	(2)
<b>Comprehensive loss</b>	<b>\$ (6,664)</b>	<b>\$ (4,199)</b>	<b>\$ (17,939)</b>	<b>\$ (15,285)</b>

See accompanying notes to consolidated financial statements

**Transphorm, Inc.**  
**Consolidated Statements of Changes in Stockholders' Deficit**  
*(in thousands except share data)*

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Stockholders' Deficit
	Number of Shares	Amount				
<b>Balance at January 1, 2019</b>	<b>4,219,606</b>	<b>\$ —</b>	<b>\$ 21,833</b>	<b>\$ (128,632)</b>	<b>\$ (740)</b>	<b>\$ (107,539)</b>
Stock options exercised	1,392	—	5	—	—	5
Stock-based compensation	—	—	566	—	—	566
Other comprehensive income	—	—	—	—	(2)	(2)
Net loss	—	—	—	(15,283)	—	(15,283)
<b>Balance at December 31, 2019</b>	<b>4,220,998</b>	<b>—</b>	<b>22,404</b>	<b>(143,915)</b>	<b>(742)</b>	<b>(122,253)</b>
Stock options exercised, net of \$5 receivable	6,821	—	27	—	—	27
Restricted stock issued	139,501	—	—	—	—	—
Stock-based compensation	—	—	1,525	—	—	1,525
Conversion of preferred shares in connection with the Reverse Merger	23,933,949	3	85,655	—	—	85,658
Shares redeemed in connection with the Reverse Merger	(52,773)	—	(211)	—	—	(211)
Shares issued in connection with the Reverse Merger	1,650,000	—	(50)	—	—	(50)
Issuance of common stock, net of \$3.1 million offering cost excluding warrant cost of \$223 thousand	10,380,000	1	33,386	—	—	33,387
Other comprehensive loss	—	—	—	—	(30)	(30)
Net loss	—	—	—	(17,909)	—	(17,909)
<b>Balance at December 31, 2020</b>	<b>40,278,496</b>	<b>\$ 4</b>	<b>142,736</b>	<b>(161,824)</b>	<b>(772)</b>	<b>(19,856)</b>

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Stockholders' Deficit
	Number of Shares	Amount				
<b>Balance at January 1, 2020</b>	<b>4,220,998</b>	<b>\$ —</b>	<b>\$ 22,404</b>	<b>\$ (143,915)</b>	<b>\$ (742)</b>	<b>\$ (122,253)</b>
Stock options exercised	3,346	—	13	—	—	13
Stock-based compensation	—	—	132	—	—	132
Conversion of shares in connection with the Reverse Merger	23,933,949	3	85,655	—	—	85,658
Shares redeemed in connection with the Reverse Merger	(52,773)	—	(211)	—	—	(211)
Shares issued in connection with the Reverse Merger	1,650,000	—	(50)	—	—	(50)

Issuance of common stock, net of \$1.8 million offering cost	5,380,000	1	19,740	—	—	19,741
Other comprehensive loss	—	—	—	—	(12)	(12)
Net loss	—	—	—	(4,187)	—	(4,187)
<b>Balance at March 31, 2020 (unaudited)</b>	<b>35,135,520</b>	<b>\$ 4</b>	<b>\$ 127,683</b>	<b>\$ (148,102)</b>	<b>\$ (754)</b>	<b>\$ (21,169)</b>
<b>Balance at January 1, 2021</b>	<b>40,278,496</b>	<b>\$ 4</b>	<b>\$ 142,736</b>	<b>\$ (161,824)</b>	<b>\$ (772)</b>	<b>\$ (19,856)</b>
Stock options exercised	500	—	2	—	—	2
Restricted stock issued	3,000	—	—	—	—	—
Stock-based compensation	—	—	513	—	—	513
Issuance of common stock, net of \$50 thousand offering cost	250,000	—	950	—	—	950
Other comprehensive income	—	—	—	—	(85)	(85)
Net loss	—	—	—	(6,579)	—	(6,579)
<b>Balance at March 31, 2021</b>	<b>40,531,996</b>	<b>\$ 4</b>	<b>\$ 144,201</b>	<b>\$ (168,403)</b>	<b>\$ (857)</b>	<b>\$ (25,055)</b>

See accompanying notes to consolidated financial statements

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

	Three Months Ended March 31,		Year Ended December 31,	
	2021	2020 (unaudited)	2020	2019
<b>Cash flows from operating activities:</b>				
Net loss	\$ (6,579)	\$ (4,187)	\$ (17,909)	\$ (15,283)
Adjustments to reconcile net loss to net cash used in operating activities:				
Inventory write-off	7	169	435	155
Depreciation and amortization	197	236	835	1,216
(Recovery from) provision for doubtful accounts	(48)	—	110	—
Licensing revenue from a related party	—	—	(5,000)	—
Stock-based compensation	513	132	1,525	566
Interest cost	187	189	760	608
Gain on sale of equipment	(40)	—	—	—
Loss in joint venture	1,468	1,419	6,836	3,703
Changes in fair value of promissory note	699	(2,321)	(927)	167
Changes in operating assets and liabilities:				
Accounts receivable	(690)	(668)	(245)	(429)
Inventory	(603)	(264)	(1,072)	(293)
Prepaid expenses and other current assets	108	(603)	(283)	(154)
Other assets	17	9	206	(42)
Accounts payable and accrued expenses	(195)	(179)	(116)	509
Deferred revenue	(169)	—	674	(3,000)
Accrued payroll and benefits	195	(83)	56	(13)
<b>Net cash used in operating activities</b>	<b>(4,933)</b>	<b>(6,151)</b>	<b>(14,115)</b>	<b>(12,290)</b>
<b>Cash flows from investing activities:</b>				
Purchases of property and equipment	(164)	—	(58)	(203)
Investment in joint venture	(968)	(1,548)	(7,348)	(2,698)
<b>Net cash used in investing activities</b>	<b>(1,132)</b>	<b>(1,548)</b>	<b>(7,406)</b>	<b>(2,901)</b>
<b>Cash flows from financing activities:</b>				
Proceeds from sale of equipment	4	—	—	—
Proceeds from development loans	—	—	—	15,000
Proceeds from stock option exercise	2	18	32	—
Payment for repurchase of common stock	—	(211)	(211)	—
Loan repayment	—	(50)	(50)	—
Proceeds from issuance of common stock, net of offering cost	950	19,741	33,387	—
<b>Net cash provided by financing activities</b>	<b>956</b>	<b>19,498</b>	<b>33,158</b>	<b>15,000</b>
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>	<b>(85)</b>	<b>(26)</b>	<b>182</b>	<b>(3)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(5,194)</b>	<b>11,773</b>	<b>11,819</b>	<b>(194)</b>
Cash and cash equivalents at beginning of period	14,694	2,875	2,875	3,069
<b>Cash and cash equivalents at end of period</b>	<b>\$ 9,500</b>	<b>\$ 14,648</b>	<b>\$ 14,694</b>	<b>\$ 2,875</b>
<b>Supplemental disclosures of cash flow information:</b>				
Interest expense paid	\$ 153	\$ —	\$ 915	\$ 496
<b>Supplemental non-cash financing activity:</b>				
Private placement offering cost	\$ —	\$ —	\$ 223	\$ 177
Development loan reduction related to licensing revenue	\$ —	\$ —	\$ 5,000	\$ —
Conversion of preferred stock to common stock in connection with the Reverse Merger	\$ —	\$ 85,658	\$ 85,658	\$ —

See accompanying notes to consolidated financial statements

**Transphorm, Inc.**  
**Notes to Consolidated Financial Statements**

**Note 1 - Business and Basis of Presentation**

Transphorm, Inc. (“Parent”) develops gallium nitride (“GaN”) semiconductor components used in power conversion and is headquartered in Goleta, California. Parent’s wholly owned-subsiary, Transphorm Technology, Inc., was incorporated in the State of Delaware on February 22, 2007. Throughout these notes, “the Company,” “Transphorm,” “we,” “us” and “our” refer to Parent 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. was established in Japan in February 2014 to secure Transphorm’s production capacity and establish a direct presence in Asian markets. Transphorm Aizu, Inc. was established in Japan to manage the financial transactions around Aizu Fujitsu Semiconductor Wafer Solution Limited, Transphorm’s non-controlling joint venture wafer fabrication facility located in Aizu Wakamatsu, Japan (“Aizu”). Transphorm Japan Epi, Inc. was established in Japan in 2019 to enable the operational capacity of the reactors held in Aizu.

**Change in Fiscal Year End**

On April 20, 2021, we changed our fiscal year from the period beginning on January 1 and ending on December 31 to the period beginning on April 1 and ending on March 31 of each year, effective immediately. Accordingly, we are filing this Transition Report on Form 10-K (this “Report”) to include audited consolidated financial information for the transition period from January 1, 2021 through March 31, 2021.

**Reverse Merger**

On February 12, 2020, our wholly-owned subsidiary, Peninsula Acquisition Sub, Inc., a corporation formed in the State of Delaware (“Acquisition Sub”), merged with and into Transphorm Technology (formerly known as Transphorm, Inc.), the corporate existence of Acquisition Sub ceased, and Transphorm Technology became our wholly-owned subsidiary (such transaction, the “Merger”). As a result of the Merger, we acquired the business of Transphorm Technology. The Merger was effective as of February 12, 2020, upon the filing of a certificate of merger with the Secretary of State of the State of Delaware. Immediately after completion of the Merger, we adopted Transphorm Technology’s former company name, “Transphorm, Inc.,” as our company name.

The Merger was treated as a recapitalization and reverse acquisition for financial reporting purposes, and Transphorm Technology is considered the acquirer for accounting purposes.

As a result of the Merger and the change in our business and operations, a discussion of the past financial results of our predecessor, Peninsula Acquisition Corporation, is not pertinent, and under applicable accounting principles, the historical financial results of Transphorm Technology, the accounting acquirer, prior to the Merger are considered our historical financial results.

At the effective time of the Merger, (i) each share of Transphorm Technology’s common stock issued and outstanding immediately prior to the closing of the Merger was converted into the right to receive (a) 0.08289152527 shares of our common stock (in the case of shares held by accredited investors) or (b) \$4.00 multiplied by 0.08289152527 (in the case of shares held by unaccredited investors), with the actual number of shares of our common stock issued to the former holders of Transphorm Technology’s common stock equal to 4,171,571, (ii) 51,680,254 shares of Transphorm Technology’s Series 1 preferred stock issued and outstanding immediately prior to the closing of the Merger were converted into 12,433,953 shares of our common stock, (iii) 38,760,190 shares of Transphorm Technology’s Series 2 preferred stock issued and outstanding immediately prior to the closing of the Merger were converted into 7,499,996 shares of our common stock, and (iv) 31,850,304 shares of Transphorm

Technology's Series 3 preferred stock issued and outstanding immediately prior to the closing of the Merger were converted into 4,000,000 shares of our common stock. As a result, 28,105,520 shares of our common stock were issued to the former holders of Transphorm Technology's issued and outstanding capital stock after adjustments due to rounding for fractional shares. Immediately prior to the effective time of the Merger, an aggregate of 682,699 shares of our common stock, owned by the stockholders of Peninsula Acquisition Corporation prior to the Merger, were forfeited and cancelled.

In addition, pursuant to the Merger Agreement, (i) options to purchase 29,703,285 shares of Transphorm Technology's common stock issued and outstanding immediately prior to the closing of the Merger under Transphorm Technology's 2007 Stock Plan (the "2007 Plan") and 2015 Equity Incentive Plan (the "2015 Plan") were assumed and converted into options to purchase 2,461,923 shares of our common stock, (ii) warrants to purchase 186,535 shares of Transphorm Technology's common stock issued and outstanding immediately prior to the closing of the Merger were assumed, amended and converted into warrants to purchase 15,461 shares of our common stock, and (iii) Transphorm Technology's outstanding convertible promissory note was amended to be convertible at the option of the holder, into shares of our common stock at a conversion price of \$5.12 per share, with 3,076,171 being the maximum number of shares of our common stock issuable upon conversion of the convertible promissory note. As of December 31, 2020, there was \$15.0 million of principal and \$486 thousand of accrued and unpaid interest outstanding on the convertible promissory note.

All per share and share amounts for the year ended December 31, 2019 have been retroactively adjusted to reflect the effect of the Merger.

### **Going Concern**

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As included in the accompanying consolidated financial statements, the Company has generated recurring losses from operations, sustained negative cash flows from operating activities, and has an accumulated deficit and has a working capital deficiency. These factors raise substantial doubt about the Company's ability to continue as a going concern for the next twelve months from the issuance of these financial statements.

Management plans to raise additional working capital to fund operations through the issuance of stock to investors, license of intellectual property and/or issuance of notes payable. The Company raised \$1.0 million, \$19.7 million and \$13.6 million from the sales of common stock in March 31, 2021, February 2020 and December 2020, respectively, as described in Note 13 - Stockholders' Equity. However, there is no assurance that the Company will be successful in raising additional capital.

The ability of the Company to continue as a going concern is dependent on its ability to raise significant additional capital to fund operating losses until it is able to generate liquidity from its business operations. To the extent sufficient financing is not available, the Company may not be able to, or may be delayed in, developing its offerings and meeting its obligations. The Company will continue to evaluate its projected expenditures relative to its available cash and to evaluate financing alternatives in order to satisfy its working capital and other cash requirements. The accompanying consolidated financial statements do not reflect any adjustments that might result from the outcome of these uncertainties.

### **Impact of COVID-19 on Our Business**

The COVID-19 pandemic has adversely disrupted and will further disrupt the operations at certain of our customers, partners, suppliers and other third-party providers for an uncertain period of time, including as a result of travel restrictions, adverse effects on budget planning processes, business deterioration, and/or business shutdowns, all of which has impacted our business and results of operations. Some of our customers have experienced delays in their internal development programs and design cycles with our GaN products due to the effects of COVID-19, which have led to postponements of their orders of our products and postponements of determinations that our products will be used in their designs for new products under development with corresponding delays in their market introduction and our revenues. The future impact of COVID-19 cannot be predicted with certainty and 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.

## **Note 2 - Summary of Significant Accounting Policies**

### *Principles of Consolidation*

The consolidated financial statements include the accounts of the Parent and its wholly-owned subsidiaries, Transphorm Technology, Transphorm Japan, Inc., Transphorm Japan Epi, Inc. and Transphorm Aizu, Inc. Upon consolidation, all significant intercompany accounts and transactions have been eliminated.

### *Use of Estimates*

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management bases its estimates and assumptions on historical experience, knowledge of current conditions, and its belief of what could occur in the future, given available information. Actual results could differ from those estimates, and such differences could be material to the consolidated financial statements. Estimates are used for, but not limited to, the determinations of fair value of stock awards and promissory notes, accrual of liabilities, revenue recognition, inventory reserve, and useful lives for property and equipment.

### *Cash and Cash Equivalents*

The Company considers all highly-liquid investments with original maturities of 90 days or less at the date of purchase to be cash equivalents. Cash and cash equivalents consist principally of bank deposits and money market funds. Other assets in the consolidated balance sheets as of March 31, 2021, December 31, 2020 and December 31, 2019 include restricted cash of \$75 thousand.

### *Foreign Currency Risk*

The Company is exposed to foreign currency risk due to its operations in Japan (Yen). Assets and liabilities of the operations are re-measured into U.S. currency at exchange rates in effect at the balance sheet dates through the consolidated statements of comprehensive income. Gains or losses resulting from foreign currency transactions are re-measured using the rates on the dates on which those elements are recognized during the period and are included in other income or expense in the consolidated statements of operations. As of March 31, 2021, December 31, 2020 and December 31, 2019, the Company had foreign cash and cash equivalents of \$444 thousand, \$42 thousand and \$55 thousand, respectively, which represented 4.7 percent, 0.3 percent and 1.9 percent, respectively, of total cash and cash equivalents.

### *Concentrations of Risk*

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. The Company is exposed to credit risk in the event of default by the financial institution holding its cash. The Company's investment policy restricts investments to high-quality investments and limits the amounts invested with any one issuer, industry or geographic area. Risks associated with cash holdings in excess of insured limits are mitigated by banking with high-quality institutions. To date, the Company has not experienced any significant losses on its cash and cash equivalents. The Company periodically evaluates the relative credit standing of these financial institutions.

The Company is subject to risks common in the power conversion components industry, including, but not limited to, technological obsolescence, dependence on key personnel, market acceptance of its products, the successful protection of its proprietary technologies, compliance with government regulations, and the possibility of not being able to obtain additional financing when needed.

### *Comprehensive Loss*

Comprehensive loss is comprised of net loss and other comprehensive income (loss). Other comprehensive income (loss) includes the impact of foreign currency translation adjustments.

### *Accounts Receivable*

Accounts receivable are analyzed and allowances for uncollectible accounts are recorded, as required. Provisions for uncollectible accounts, if any, are recorded as bad debt expense and included in general and administrative expenses in the accompanying consolidated statements of operations. The process for determining the appropriate level of allowances for doubtful accounts involves judgment, and the Company considers such factors as the age of the underlying receivables, historical and projected collection trends, the composition of outstanding receivables, current economic conditions and regulatory changes. An account is fully reserved when reasonable collection efforts have been unsuccessful and it is probable that the receivable will not be recovered. Recovery from doubtful accounts amounted to \$48 thousand for the three months ended March 31, 2021. Provision for doubtful accounts amounted to \$0 for the three months ended March 31, 2020 (unaudited), and \$110 thousand and \$0 for the years ended December 31, 2020 and 2019, respectively.

### *Inventory*

Inventory is stated at the lower of cost (first-in, first-out method) or net realizable value. The Company periodically reviews the value of items in inventory and records write-downs or write-offs based on its assessment of slow moving or obsolete inventory. The Company maintains an inventory reserve for obsolete inventory and generally makes inventory value adjustments against the inventory reserve.

### *Property and Equipment*

Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation is determined using the straight-line method over the estimated useful lives of the respective assets, generally ranging from three to seven years. Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the related lease term. Depreciation for equipment commences once it is placed in service, and depreciation for buildings and leasehold improvements commences once they are ready for their intended use. The Company expenses maintenance and repair costs that do not extend the life of the asset as they are incurred.

The Company evaluates the carrying amount of its property and equipment whenever events or changes in circumstances indicate that the assets may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of an asset or asset group and its eventual disposition are less than the carrying amount of the asset or asset group. To date, there have been no such impairment losses.

### *Goodwill*

Goodwill arose for the acquisition of a business in February 2014 based in Japan and was accounted for as the purchase of a business. Goodwill generated from business combinations and deemed to have indefinite lives are not subject to amortization and instead are tested for impairment at least annually in December unless certain events occur or circumstances change. Goodwill represents the excess of the purchase price over the fair value of the net assets and other identifiable intangible assets acquired. We test for goodwill impairment annually or earlier if events or changes in circumstances indicate goodwill might possibly be impaired. Impairment exists when the carrying value of the goodwill exceeds its implied fair value. An impairment loss would be recognized in an amount equal to that excess as a charge to operations in the consolidated statements of operations. For the three months ended March 31, 2021 and 2020 (unaudited), and the years ended December 31, 2020 and 2019, no impairment charge was recorded related to goodwill.



## *Intangible Assets*

Intangible assets that are not considered to have an indefinite useful life are amortized over their estimated useful lives, which generally range from three to ten years. Each reporting period, the Company evaluates the estimated remaining useful lives of intangible assets and whether events or changes in circumstances warrant a revision to the remaining periods of amortization.

If it is determined that the carrying values might not be recoverable based upon the existence of one or more indicators of impairment, the Company performs a test for recoverability using various methodologies, such as the income approach or cost approach, to determine the fair value of intangible assets depending upon the nature of the assets. If assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds their respective fair values. For the three months ended March 31, 2021 and 2020 (unaudited), and the years ended December 31, 2020 and 2019, no impairment charges were recorded related to intangible assets.

## *Revenue Recognition*

The Company derives its revenues from sales of high-powered GaN-based products manufactured utilizing the Company's proprietary and patented epiwafer technology and wafer fabrication and other assembly processes, sales of GaN epiwafers for the radio frequency ("RF") and power markets, and sales of licenses to use such patented proprietary technology, as well as enabling EPI wafer growth services and products to our strategic partners. Revenues are recognized when control of these products or licenses are transferred to the Company's customers in an amount that reflects the consideration it expects to be entitled to in exchange for those products and licenses. Sales and other taxes the Company collects concurrent with revenue-producing activities are excluded from revenue. Incidental items that are immaterial in the context of the contract are recognized as expense. The Company does not have any significant financing components associated with its revenue contracts, as payment is received at or shortly after the point of sale.

### *Disaggregation of Revenue from Contracts with Customers*

Revenue consists of licensing revenue, government contract revenue from our contract with the U.S. Navy and product sales, with applicable performance obligations satisfied at a point in time. Products are sold to distributors and end-users in various sectors such as, but not limited to, the automotive, gaming, industrial, IT, and consumer products industries.

As part of the Arrangement (Note 3 - Nexperia Arrangement) executed with Nexperia on April 4, 2018, the Company agreed to grant Nexperia the perpetual exclusive right to use the Company's existing Gen-3 manufacturing process technology. License fees are received upon satisfaction of contractual milestones and recognized upon delivery of the perpetual license or transferred technology without any remaining performance obligations. For the year ended December 31, 2020, the Company recognized \$5.0 million of licensing revenue. For the year ended December 31, 2019, the Company received the remaining \$6.0 million and recognized a total of \$9.0 million, including \$3.0 million received in 2018, as licensing revenue upon satisfaction of contractual milestones and delivery of the perpetual license and transferred technology without any remaining performance obligations.

In December 2020, we entered into a cooperation and development agreement with Yaskawa, pursuant to which Yaskawa agreed to provide \$4.0 million over approximately three years to fund development activities related to industrial power conversion applications, with an initial focus on servo motor drive applications. Yaskawa provided \$1.0 million of this \$4.0 million commitment in December 2020. The Company evaluated and concluded that the deliverables are the same and nature of the services to be provided to Yaskawa will be consistent over the period of approximately three years. Accordingly, the Company recognized \$333 thousand as revenue for the three months ended March 31, 2021 and the year ended December 31, 2020. As of March 31, 2021 and December 31, 2020, \$334 thousand and \$667 thousand, respectively, are included in deferred revenue on the consolidated balance sheet.

Government contract revenues are principally generated under research and development contracts. Contract revenues are derived primarily from research contracts with agencies of the U.S. government. We believe credit risk related to accounts receivable arising from such contracts is minimal. These contracts may include cost-plus fixed fee and fixed price terms. All payments to us for work performed on contracts with agencies of the U.S. government are subject to adjustment upon audit by the Defense Contract Audit Agency. The Company received new government authorized rates for billing purposes which allowed for retroactive application since inception. The cumulative impact of this rate change was \$423 thousand, of which \$(83) thousand and \$505 thousand were recorded in the three months ended March 31, 2021 and September 30, 2020, respectively. The Company will use the new approved rates on go-forward basis.

#### Performance Obligations

For performance obligations related to the sale of products, control transfers to the customer at a point in time. The Company's principal terms of sale are free on board shipping or destination and the Company transfers control and records revenue for product sales upon shipment or delivery to the customer, respectively. For performance obligations related to the licensing of patented technology in perpetuity, control also transfers to the customer at a point in time. The Company transfers control and records revenue for licensing fees once the Company has (i) provided or otherwise makes available the patented technology to the customer and (ii) the customer is able to use and benefit from the patented technology.

#### Variable Consideration

The nature of the Company's arrangement with Nexperia gives rise to variable consideration in the form of milestone and royalty payments. The royalties qualify for the sales and usage-based royalty exception, as the license of intellectual property is the predominant item to which the royalty relates and are recognized upon the subsequent sale occurring. The variable amounts are received upon satisfaction of contractually agreed upon development targets and sales volume.

#### Research and Development

The Company is a party to research grant contracts with the U.S. government for which the Company is reimbursed for specified costs incurred for its research projects. These projects include energy saving initiatives for which the U.S. government offers reimbursement funds. Such reimbursements are recorded as an offset to research and development expenses when the related qualified research and development expenses are incurred. Reimbursable costs are recognized in the same period the costs are incurred up to the limit of approved funding amounts on qualified expenses. Grant reimbursement of \$42 thousand and \$72 thousand was recorded as an offset to research and development expense for the three months ended March 31, 2021 and 2020 (unaudited), respectively, and grant reimbursement of \$426 thousand and \$0 was recorded as an offset to research and development expense for the years ended December 31, 2020 and 2019, respectively.

#### Stock-Based Compensation

All share-based payments, including grants of stock options, restricted stock awards ("RSAs") and restricted stock units ("RSUs"), are measured at the fair value of the share-based awards on the grant date and recognized over their respective vesting periods, which is generally one to four years. The estimated fair value of stock options at the grant date is determined using the Black-Scholes-Merton pricing model. The RSAs and RSUs are measured using the estimated fair value of the stock price, which, due to limited trading history, is based on recent equity sales. The Company recognizes the fair value of share-based payments as compensation expense for all expected-to-vest stock-based awards over the vesting period of the award using the straight-line attribution or graded vesting method provided that the amount of compensation cost recognized at any date is no less than the portion of the grant-date fair value of the award that is vested at that date.

The Black-Scholes-Merton option pricing model requires inputs such as the fair value of common stock on date of grant, expected term, expected volatility, dividend yield, and risk-free interest rate. Further, the forfeiture rate also affects the amount of aggregate compensation expense. These inputs are subjective and generally require significant analysis and judgment to develop. Volatility data is obtained from a study of publicly traded industry peer companies. The forfeiture rate is derived primarily from the Company's historical data, and the risk-free interest rate is based on the yield available on U.S. Treasury zero-coupon issues commensurate with the expected term. Management generally uses the simplified method to calculate the expected term for employee grants as the Company has limited historical exercise data or alternative information to reasonably estimate an expected term assumption. The simplified method assumes that all options will be exercised midway between the weighted average vesting date and the contractual term of the option.

Stock-based compensation expense recognized in the Company's consolidated financial statements is based on awards that are expected to vest. These expense amounts have been reduced by using an estimated forfeiture rate. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company evaluates the assumptions used to estimate forfeitures annually in connection with the recognition of stock-based compensation expense.

#### *Loss Per Share*

Basic loss per share is calculated by dividing net loss applicable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by dividing the net loss attributable to common stockholders by the sum of the weighted average number of common shares outstanding plus potential dilutive common shares outstanding during the period. Potential dilutive securities, comprised of stock warrants, restricted stock units and stock options, are not reflected in diluted loss per share because such shares are anti-dilutive. Dilutive impact of potential common shares resulting from common stock equivalents is determined by applying the treasury stock method.

For the three months ended March 31, 2021, there were 3,637,937 shares, consisting of 2,543,125 stock options, 935,397 restricted stock units and 159,415 stock warrants, that were not included in the computation of diluted loss per share because their effect would be anti-dilutive. For the three months ended March 31, 2020 (unaudited), there were 2,473,552 shares, consisting of 2,458,091 stock options and 15,461 stock warrants, that were not included in the computation of diluted loss per share because their effect would be anti-dilutive. For the year ended December 31, 2020, there were 3,285,058 shares, consisting of 2,320,318 stock options, 805,325 restricted stock units and 159,415 stock warrants, that were not included in the computation of diluted loss per share because their effect would be anti-dilutive. For the year ended December 31, 2019, there were 26,422,608 shares, consisting of 23,933,949 convertible preferred stocks, 2,473,198 stock options and 15,461 stock warrants, that were not included in the computation of diluted loss per share because their effect would be anti-dilutive.

#### *Fair Value Measurement*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying values of the Company's financial instruments such as cash equivalents, accounts receivable, revolving credit facility, accounts payable and accrued liabilities approximate fair values due to the short-term nature of these items. The Company has elected the fair value option for its promissory notes.

#### *Income Taxes*

The Company accounts for income taxes in accordance with Accounting Standards Codification ("ASC") 740, *Income Taxes* ("ASC 740"). ASC 740 prescribes the use of the liability method. Deferred tax assets and liabilities are determined based on the difference between the financial statement carrying amounts and the tax basis of assets and liabilities and are measured using the enacted statutory tax rates in effect at the balance sheet date. The Company records a valuation allowance to reduce its deferred tax assets when uncertainty regarding their realizability exists.

### *Equity Method Investments*

The Company uses the equity method to account for investments in entities that it does not control, but in which it has the ability to exercise significant influence over operating and financial policies. The Company's proportionate share of the net income or loss of these companies is included in consolidated net loss. Judgments regarding the level of influence over each equity method investment include consideration of key factors such as the Company's ownership interest, representation on the board of directors or other management body and participation in policy-making decisions.

### *Segment Reporting*

The Company's operations and its financial performance is evaluated on a consolidated basis by the chief operating decision maker. Accordingly, the Company considers all of its operations to be aggregated in one reportable operating segment. For the three months ended March 31, 2021, total revenue was \$2.4 million, of which \$2.0 million was from U.S. operations and \$449 thousand was from Japan operations. For the three months ended March 31, 2020 (unaudited), total revenue was \$1.1 million, of which \$1.1 million was from U.S. operations and \$11 thousand was from Japan operations. For the year ended December 31, 2020, total revenue was \$11.4 million, of which \$10.7 million was from U.S. operations and \$713 thousand was from Japan operations. For the year ended December 31, 2019, total revenue was \$11.9 million, of which \$11.9 million was from U.S. operations and \$28 thousand was from Japan operations.

### **Recently Issued Accounting Standards under Evaluation**

*Leases* - In June 2020, the FASB issued ASU 2020-05, which amends the effective dates of the FASB's standards on leasing (ASC 842) to give immediate relief to certain entities as a result of the widespread adverse economic effects and business disruptions caused by the COVID-19 pandemic. In February 2016, the FASB issued ASU 2016-02, *Leases*, which, for operating leases, requires the lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on its balance sheet. The guidance also requires a lessee to recognize single lease costs, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. The leasing standard's effective dates were the fiscal year beginning after December 15, 2019 as originally issued (ASU 2016-02) and the fiscal year beginning after December 15, 2020 as amended by ASU 2019-10. As amended by ASU 2020-05, the leasing standard's effective date is now the fiscal year beginning after December 15, 2021. 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.

*Financial Instruments* - FASB ASU 2020-03, *Codification Improvements to Financial Instruments*, makes clear the determination of the contractual life of a net investment in leases in estimating expected credit losses under ASC 326, *Financial Instruments – Credit Losses*. In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). The standard changes 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 in 2023. 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.

*Income Tax* - In December 2019, the FASB issued ASU 2019-12, which modifies ASC 740 to simplify the accounting for income taxes. The ASU's amendments are based on changes that were suggested by stakeholders as part of the FASB's simplification initiative (i.e., the FASB's effort to reduce the complexity of accounting standards while maintaining or enhancing the helpfulness of information provided to financial statement users). ASU 2019-12 is effective for fiscal years beginning after December 15, 2022. 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.

### Note 3 - Nexperia Arrangement

#### Nexperia Transaction

On April 4, 2018, the Company entered into a multi-element commercial arrangement with Nexperia B.V. (“Nexperia”) to obtain financing in exchange for the sale of equity instruments and performing certain technology and product development activities for Nexperia (collectively, the “Collaboration Arrangement”). Nexperia specializes in designing, manufacturing and selling a broad range of small discrete semiconductor devices that utilize components such as those manufactured by the Company. Financing under the Collaboration Arrangement is comprised of the following elements:

- \$16 million Series 3 preferred stock issuance
- \$9 million license fee for transfer of the Gen-3 manufacturing process
- \$5 million development loan, originally maturing March 31, 2020 and subsequently extended to June 30, 2020 intended to pre-fund the Gen-4 (Tranche A) technology development (the “Tranche A Loan”)
- \$10 million development loan maturing March 31, 2021 intended to pre-fund the Gen 5 and 1200V technology development (the “Tranche B Loan”)
- \$10 million revolving loan (the “Tranche C Loan”)

The Company has to use the funds to operate the business in a manner consistent with or reasonably related to those business activities as carried out on or prior to April 4, 2018, the effective date of Collaboration Arrangement. In addition to the multiple elements outlined above, the Company and Nexperia entered into a Supply Agreement requiring that the Company be Nexperia’s primary supplier of specified components until June 30, 2020 on a best efforts basis. By entering into this Collaboration Arrangement, Nexperia will gain access to technology that allows for production of high power semiconductors for use in electric vehicles.

On May 18, 2021, the term of the Supply Agreement was extended until December 31, 2025, with automatic one year renewals thereafter, and the Company may not terminate the Supply Agreement while the Option Agreement is in effect. Option Agreement was executed on May 18, 2021. See Note 18 - Subsequent Events.

Further, Nexperia will obtain an exclusive license and market access to automotive customers outside of Japan and a sole license (non-exclusive of the Company), as well as market access to customers in other parts of the power market. Nexperia has a lien on certain of the Company’s U.S. patents not relating to metal organic chemical vapor deposition (“MOCVD”) or epiwafer technology, per the agreement.

On March 31, 2019, the Company executed Amendment No. 1 to the Loan and Security Agreement (the “LSA”), pursuant to which the Tranche B Loan was bifurcated into the following two separate sub-tranches:

- \$8 million development loan intended to pre-fund the Gen-5 (Tranche B) technology development (the “Tranche B Loan”)
- \$2 million development loan intended to pre-fund the 1200V technology development (the “Tranche B-1 Loan” and, together with the Tranche B Loan, the “Tranche B Loans”)

On February 7, 2020, Amendment No. 2 to the LSA was executed to acknowledge the then-pending Merger, reaffirm the terms of the loans and confirm the waiver for the late delivery of the Company’s 2018 audited financial statements. On April 8, 2020, Amendment No. 3 to the LSA was executed to extend the maturity of the Tranche A Loan to April 30, 2020. On April 28, 2020, Amendment No. 4 to the LSA was executed to further extend the maturity of the Tranche A Loan to June 30, 2020. All other terms set forth under the original LSA remained unchanged following the amendments.

The Tranche A and Tranche B Loans represent pre-funding for Gen-4 (Tranche A), Gen-5 (Tranche B), and 1200V (Tranche B-1) technology development for Nexperia. The specific development activities and associated performance milestones are contained within a Statement of Work (“SoW”) between the Company and Nexperia. The SoW may be modified from time to time based upon mutual business interests. This promise to perform the technology development is a good/service provided to a customer in exchange for consideration in the form of the technology development license fees that offset the Tranche A and Tranche B Loans outstanding. The Development Loans are recognized as a liability equal to the cash proceeds received.

In relation to the license fee for the transfer of the Company’s Gen-3 manufacturing process to Nexperia, the Company received \$3 million (the first of three tranches) in October 2018, \$3 million (the second of three tranches) in April 2019, and \$3 million (the third of three tranches) in October 2019. The Company recognized \$9.0 million as licensing revenue during 2019 upon the completion of the transfer of the Company’s Gen-3 manufacturing process technology and mutual sign off between Nexperia and the Company.

In January 2019, the Company received the \$5 million Tranche A Loan. In June 2020, Nexperia agreed that the \$5 million Tranche A Loan was permanently satisfied in full in connection with the Company transferring its Gen-4 technology development to Nexperia, at which point the Company recognized \$5 million as licensing revenue. In June and July 2019, the Company received the \$8 million Tranche B Loan. In December 2019, the Company received the \$2 million Tranche B-1 Loan.

The Company received the full \$10 million Tranche C Loan under the credit facility during the year ended December 31, 2018. See Note 9 - Debts.

On March 1, 2021, Amendment No. 5 to the LSA was executed to extend the maturity of the Tranche B loans of \$10 million and the Tranche C Loan of \$10 million to June 30, 2021 and May 18, 2021, respectively. All other terms set forth under the original LSA remained unchanged following the amendments.

On May 18, 2021, Amendment No. 6 to the LSA was executed to (1) extend the maturity date for the Tranche C Loans to the earlier of April 4, 2023 and the occurrence of specified change of control events, (2) add Parent as a guarantor of Transphorm Technology, Inc.’s obligations under the Loan Agreement, and (3) convert the outstanding \$2 million Tranche B-1 Loan into a Tranche C-1 Loan, which Tranche C-1 Loan has the same terms and conditions as the existing Tranche C Loan. See Note 18 - Subsequent Events.

#### **Note 4 - 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. The following table summarizes the Company’s liabilities measured at fair value as of the dates presented, by level within the fair value hierarchy (*in thousands*):

	Level 1	Level 2	Level 3
<b>March 31, 2021</b>			
Promissory note	\$ —	\$ —	\$ 16,128
<b>December 31, 2020</b>			
Promissory note	\$ —	\$ —	\$ 15,392
<b>December 31, 2019</b>			
Promissory note	\$ —	\$ —	\$ 16,169

The following table includes the changes in fair value of the promissory note which are Level 3 on the fair value hierarchy (*in thousands*):

<b>January 1, 2019</b>	<b>\$ 15,852</b>
Interest expense accrued	150
Increase in fair value	167
<b>December 31, 2019</b>	<b>16,169</b>
Interest expense accrued	150
Decrease in fair value	(927)
<b>December 31, 2020</b>	<b>15,392</b>
Interest expense accrued	37
Increase in fair value	699
<b>March 31, 2021</b>	<b>\$ 16,128</b>

The Company recorded interest expense of \$37 thousand for each of the three months ended March 31, 2021 and 2020 (unaudited), and \$150 thousand for each of the years ended December 31, 2020 and 2019. Fair value of promissory note increased \$699 thousand for the three months ended March 31, 2021, and decreased \$927 thousand and increased \$167 thousand for the years ended December 31, 2020 and 2019, respectively.

There were no changes to our valuation techniques used to measure assets and liability fair values during the three months ended March 31, 2021 and 2020 (unaudited), and the years ended December 31, 2020 and 2019. The valuation techniques for the items in the table above are as follows:

Level 3 borrowings, which consist of a promissory note, are measured and reported at fair value using a Monte Carlo simulation valuation model. The models can include assumptions related to the value of the notes that are based on the estimated timing and amounts of future rounds of financing, including the estimated timing of a change in control of the Company, and estimated market interest rates, which represent significant unobservable inputs. Assumptions used are (1) the Company is worth today what it can generate in future cash to the Company, (2) cash received today is more than an equal amount of cash received in the future, and (3) future cash flows can be reasonably estimated. There were no transfers in or out of level 3 fair value instruments.

The following table summarizes assumptions used for fair value of promissory note for the periods presented:

	As of March 31, 2021	As of December 31,	
		2020	2019
Stock price	\$3.75	\$3.00	\$3.01
Time	1.5 years	1.75 years	0.25 years
Risk-free rate	0.12%	0.12%	1.55%
Volatility	50.6%	62.3%	38.2%

#### Note 5 - 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 and are set forth in the following tables:

Accounts Receivable	As of March 31, 2021	As of December 31,	
		2020	2019
Customer A	31.1%	49.3%	60.0%
Customer B	33.9%	31.9%	20.4%
Customer C	10.0%	*	*

	For the Three Months Ended March 31,		For the Year Ended December 31,	
	2021	2020 (unaudited)	2020	2019
Revenue				
Customer A	27.3%	31.3%	59.6%	79.6%
Customer B	31.2%	53.2%	29.2%	13.3%

\* Less than 10% of total

Customer A is a related party and Customer B is a government agency. See Note 17 - Related Party Transactions.

#### Note 6 - Inventory

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

	March 31, 2021	December 31,	
		2020	2019
Raw materials	\$ 626	\$ 633	\$ 412
Work in process	1,054	350	258
Finished goods	543	644	320
<b>Total</b>	<b>\$ 2,223</b>	<b>\$ 1,627</b>	<b>\$ 990</b>



An inventory write-off of \$7 thousand and \$169 thousand was recorded for the three months ended March 31, 2021 and 2020 (unaudited), respectively, and \$435 thousand and \$155 thousand was recorded for the years ended December 31, 2020 and 2019, respectively.

**Note 7 - Property and Equipment**

Property and equipment as of the dates presented consists of the following (*in thousands except years*):

	March 31, 2021	December 31,		Estimated Useful Life ( <i>in years</i> )
		2020	2019	
Machinery and equipment	\$ 14,748	\$ 14,924	\$ 14,892	5
Computer equipment and software	836	828	876	3
Furniture and fixtures	185	189	186	7
Leasehold improvements (1)	4,959	4,970	4,954	7
Construction in progress	137	13	6	
Property and equipment, gross	20,865	20,924	20,914	
Less: accumulated depreciation and amortization	(19,505)	(19,600)	(19,144)	
<b>Property and equipment, net</b>	<b>\$ 1,360</b>	<b>\$ 1,324</b>	<b>\$ 1,770</b>	

(1) Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the related remaining lease term.

The Company recorded depreciation and amortization expense related to property and equipment of \$123 thousand and \$133 thousand for the three months ended March 31, 2021 and 2020 (unaudited), respectively, and \$509 thousand and \$563 thousand for the years ended December 31, 2020 and 2019, respectively. The Company recognized \$40 thousand as gain on sale of equipment in general and administrative expense for the three months ended March 31, 2021.

**Note 8 - Intangible Assets**

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

	<b>March 31, 2021</b>					<b>Estimated Useful Life (in years)</b>
	<b>Gross</b>	<b>Accumulated Amortization</b>	<b>Foreign Exchange Rate Changes</b>	<b>Net</b>		
Patents	\$ 2,963	\$ (2,049)	\$ —	\$ 914		10
Developed technology - 150V	560	(517)	(43)	—		6
Developed technology - 600V	1,701	(1,570)	(131)	—		6
<b>Total</b>	<b>\$ 5,224</b>	<b>\$ (4,136)</b>	<b>\$ (174)</b>	<b>\$ 914</b>		

  

	<b>December 31, 2020</b>					<b>Estimated Useful Life (in years)</b>
	<b>Gross</b>	<b>Accumulated Amortization</b>	<b>Foreign Exchange Rate Changes</b>	<b>Net</b>		
Patents	\$ 2,963	\$ (1,975)	\$ —	\$ 988		10
Developed technology - 150V	560	(555)	(5)	—		6
Developed technology - 600V	1,701	(1,684)	(17)	—		6
<b>Total</b>	<b>\$ 5,224</b>	<b>\$ (4,214)</b>	<b>\$ (22)</b>	<b>\$ 988</b>		

  

	<b>December 31, 2019</b>					<b>Estimated Useful Life (in years)</b>
	<b>Gross</b>	<b>Accumulated Amortization</b>	<b>Foreign Exchange Rate Changes</b>	<b>Net</b>		
Patents	\$ 2,963	\$ (1,679)	\$ —	\$ 1,284		10
Developed technology - 150V	560	(519)	(34)	7		6
Developed technology - 600V	1,701	(1,575)	(104)	22		6
<b>Total</b>	<b>\$ 5,224</b>	<b>\$ (3,773)</b>	<b>\$ (138)</b>	<b>\$ 1,313</b>		

The Company recorded amortization expenses related to intangible assets of \$74 thousand and \$103 thousand for the three months ended March 31, 2021 and 2020 (unaudited), respectively, and \$326 thousand and \$653 thousand for the years ended December 31, 2020 and 2019, respectively.

Estimated future amortization expenses related to intangible assets as of March 31, 2021 were as follows (in thousands):

2022	\$	296
2023		296
2024		296
2025		26
Thereafter		—
<b>Total</b>	<b>\$</b>	<b>914</b>

#### Note 9 - Debts

##### Development Loans

On April 4, 2018, the Company entered into a Loan and Security Agreement (“LSA”) and Development and License Agreement (“DLA”) with Nexperia. The LSA provided for term loans in an aggregate principal amount of up to \$15.0 million, which term loans were available in tranches (Tranche A, Tranche B and Tranche B-1) and subject to the satisfaction of specified conditions. The Tranche A Loan of \$5.0 million initially was scheduled to mature on the earlier of the date a specified report is required to be delivered under the DLA or March 31, 2020. On April 8, 2020, the maturity of the Tranche A loan was extended to April 30, 2020 and, on April 28, 2020, the maturity of the Tranche A Loan was further extended to June 30, 2020. On June 29, 2020, the Tranche A Loan of \$5.0 million was satisfied in full when the Company transferred its Gen-4 technology development to Nexperia. The Tranche B Loan of \$8.0 million and Tranche B-1 Loan of \$2.0 million mature on the earlier of the date a specified report is required to be delivered under the DLA or March 31, 2021, subject to extension as provided in the LSA. On March 1, 2021, the maturity of the Tranche B Loan of \$8.0 million and Tranche B-1 Loan of \$2.0 million was extended to June 30, 2021. On May 18, 2021, Tranche B-1 Loan of \$2.0 million was converted into a Tranche C-1 Loan, which Tranche C-1 Loan has the same terms and conditions as the existing Tranche C Loan. See Note 3 - Nexperia Arrangement and Note 18 - Subsequent Events.

As of March 31, 2021, December 31, 2020 and December 31, 2019, aggregate principal amount of term loans outstanding under the LSA were \$10.0 million, \$10.0 million and \$15.0 million, respectively.

##### Revolving Credit Facility

The LSA also 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 is secured against certain of our U.S. patents not relating to MOCVD or epiwafer technology. 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 and the occurrence of specified change of control events. See Note 3 - Nexperia Arrangement and Note 18 - Subsequent Events.

The Tranche C Loan is recorded based on principal in the amount of \$10.0 million and accrued interest (6% interest per annum). The Company recorded interest expense of \$150 thousand and \$152 thousand for the three months ended March 31, 2021 and 2020 (unaudited), respectively, and \$610 thousand and \$608 thousand for the years ended December 31, 2020 and 2019, respectively. The Company paid interest expense of \$153 thousand and \$0 for the three months ended March 31, 2021 and 2020 (unaudited), respectively, and \$915 thousand and \$496 thousand for the years ended December 31, 2020 and 2019, respectively. As of March 31, 2021, December 31, 2020 and December 31, 2019, the total balance of the revolving credit facility was \$10.2 million, \$10.2 million and \$10.5 million, respectively.

## Promissory Note

The Company's stated value of promissory note obligation as of the dates presented consists of the following (*in thousands*):

	Interest Rate	Due Date	March 31, 2021	December 31,	
				2020	2019
Yaskawa Note	1.00%	September 2022	\$ 15,523	\$ 15,486	\$ 15,336

Pursuant to ASC 825-10-15-4, the Company elected to apply the fair value option for the promissory note. As of the dates presented, the Company determined the fair value for the note, as compared to the face value, including accrued interest, as follows (*in thousands*):

	March 31, 2021	December 31,	
		2020	2019
Yaskawa Note	\$ 16,128	\$ 15,392	\$ 16,169

Fair value of promissory note increased \$699 thousand for the three months ended March 31, 2021, and decreased \$927 thousand and increased \$167 thousand for the years ended December 31, 2020 and 2019, respectively.

In October 2017, the Company issued an unsecured subordinated convertible promissory note to Yaskawa Electric Corporation (the "Yaskawa Note") for \$15.0 million. The stated interest rate of the Yaskawa Note is 1.0%, and principal plus interest is due on the earlier of September 30, 2022, or the date of the occurrence of an Event of Default, Change of Control or an Initial Public Offering (all terms as defined in the Yaskawa Note). In connection with the Merger, the Yaskawa Note was amended to be convertible at the option of the holder into a maximum of 3,076,171 shares of our common stock at a conversion price of \$5.12 per share.

In connection with its promissory note obligation, the Company recorded interest expense of \$37 thousand for each of the three months ended March 31, 2021 and 2020 (unaudited), and \$150 thousand for each of the years ended December 31, 2020 and 2019. In accordance with the terms of the promissory note, interest is added to the principal balance and is reflected in the carrying value on the consolidated balance sheet. As of March 31, 2021, December 31, 2020 and December 31, 2019, accrued interest on the promissory note was \$523 thousand, \$486 thousand and \$336 thousand, respectively.

In December 2020, we entered into a cooperation and development agreement with Yaskawa, pursuant to which Yaskawa agreed to provide \$4.0 million over approximately three years to fund development activities related to industrial power conversion applications, with an initial focus on servo motor drive applications. Yaskawa provided \$1.0 million of this \$4.0 million commitment in December 2020. The Company evaluated and concluded that the deliverables are the same and nature of the services to be provided to Yaskawa will be consistent over the period of approximately three years. Accordingly, the Company recognized \$333 thousand as revenue for the three months ended March 31, 2021 and for the year ended December 31, 2020. As of March 31, 2021 and December 31, 2020, \$334 thousand and \$667 thousand, respectively, is included in deferred revenue on the consolidated balance sheet.

As of March 31, 2021, the scheduled maturity on the development loans, revolving credit facility and promissory note was as follows (*in thousands*):

2022	\$	20,150
2023		15,748
Thereafter		—
<b>Total</b>	<b>\$</b>	<b>35,898</b>

**Note 10 - Investment in Aizu Fujitsu Semiconductor Wafer Solution Limited (“AFSW”)**

The Company has a 49% interest in AFSW and is a party to a joint venture agreement (the “JVA”) with Fujitsu Semiconductor Limited (“FSL”), the 51% owner of AFSW. AFSW manufactures semiconductor products exclusively for its owners under manufacturing agreements at prices estimated to cover the cost of production. AFSW was determined to be a variable interest entity (“VIE”) as the equity at risk was not believed to be sufficient. AFSW depends on its owners for any additional cash. The Company extended \$1.0 million, \$1.5 million, \$7.3 million and \$2.7 million to AFSW to fund AFSW’s operations for the three months ended March 31, 2021 and 2020, and the years ended December 31, 2020 and 2019, respectively. The Company’s known maximum exposure to loss approximated the carrying value of its investment balance, which included the financing. Potential future losses could be higher than the carrying amount of the Company’s investment, as we are liable, along with the other owner, for other future operating costs or obligations of AFSW. In addition, because Transphorm is currently committed to purchasing GaN wafers and production-related services from AFSW at pre-agreed pricing based upon the Company’s second generation products, the Company may be required to purchase products at a higher cost for its newer generation products. Unfunded commitment to AFSW was \$1.9 million, \$1.5 million and \$1.7 million as of March 31, 2021, and December 31, 2020 and 2019, respectively.

On April 1, 2020, FSL exercised its put option under the JVA and notified us that FSL intended to exit the joint venture by selling its 51% interest in AFSW to us. Under the terms of the JVA, the aggregate purchase price for FSL’s interest in AFSW is expected to be one Japanese Yen. While the agreement provides that completion of the transaction was to take place as soon as 60 days from the date of the exercise notice, such transaction will be subject to regulatory and other approvals in Japan, which we believe will take up to June 30, 2021 to obtain, assuming such approval is received at all. In December 2020, we created a joint venture company in Singapore with a third party (controlling party with 75% ownership) to become a partner in AFSW, subject to regulatory and other approvals in Japan that we believe will take up to June 30, 2021 to obtain, assuming such approval is received at all. In addition, for at least one year following the date on which we (alone or with a third party) take over full ownership of AFSW, we have agreed to use our best efforts to maintain and continue the operations of AFSW, which is also synergistic with our own business for securing wafers for our products.

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

January 1, 2019	\$	(659)
Investment		2,698
Loss		(3,703)
Effect of exchange rate change		(24)
<b>December 31, 2019</b>		<b>(1,688)</b>
Investment		7,348
Loss		(6,836)
Effect of exchange rate change		(290)
<b>December 31, 2020</b>		<b>(1,466)</b>
Investment		968
Loss		(1,468)
Effect of exchange rate change		100
<b>March 31, 2021</b>	<b>\$</b>	<b>(1,866)</b>

Summarized financial information of AFSW for the periods indicated, as provided by the controlling owner, are as follows (*in thousands*):

	As of March 31, 2021	As of December 31,	
		2020	2019
Current assets	\$ 932	\$ 1,503	\$ 3,733
Long-term assets	\$ 5,330	\$ 5,572	\$ 5,101
Other current liabilities	\$ 2,200	\$ 2,521	\$ 931
Due to controlling owner	\$ 22,354	\$ 22,136	\$ 17,913
Due to Transphorm	\$ 13,179	\$ 12,967	\$ 5,349
Net deficit	\$ (31,471)	\$ (30,549)	\$ (15,359)

	For the Three Months Ended March 31,		For the Year Ended December 31,	
	2021	2020 (unaudited)	2020	2019
Sales	\$ 842	\$ 1,248	\$ 2,976	\$ 11,599
Gross loss	\$ (2,425)	\$ (2,197)	\$ (11,411)	\$ (4,849)
Net loss	\$ (2,995)	\$ (2,895)	\$ (13,952)	\$ (7,557)

#### Note 11 - Commitments and Contingencies

##### Commitment with a Government Agency

In connection with a contract with a government agency, the Company entered into a commitment to acquire equipment and services from vendors totaling \$7.4 million, all of which is reimbursable. The Company has made total purchases of \$6.9 million cumulatively as of March 31, 2021, of which \$6.9 million was reimbursed by the government agency as of March 31, 2021. During the three months ended March 31, 2021, the Company made purchases of \$270 thousand and the remaining accounts payable to the vendors was \$124 thousand as of March 31, 2021. During the year ended December 31, 2020, the Company made purchases of \$6.2 million, of which \$1.0 million was in accounts payable as of December 31, 2020.

## Operating Leases

The Company leases office and fabrication space in Goleta, California, and office spaces in San Jose, California and in Japan under noncancelable operating lease agreements. The terms of certain leases provide for escalating rental payments through the term of the lease. The Company recognizes rent expense on a straight-line basis over the lease term and accrues for rent expense incurred but not paid.

As of March 31, 2021, future minimum operating lease commitments were as follows (*in thousands*):

2022	\$	681
2023		322
2024		241
2025		60
Thereafter		—
<b>Total</b>	<b>\$</b>	<b>1,304</b>

The Company recorded rent expense, net of rental income, which includes common area maintenance fees in addition to the base rent, of \$212 thousand and \$233 thousand for the three months ended March 31, 2021 and 2020 (unaudited), respectively, and of \$892 thousand and \$897 thousand for the years ended December 31, 2020 and 2019, respectively. Rental income from a noncancelable sublease was \$30 thousand and \$45 thousand for the three months ended March 31, 2021 and 2020 (unaudited), respectively, and \$182 thousand for each of the years ended December 31, 2020 and 2019. As of March 31, 2021, there is no the future minimum rental payments to be received under the noncancelable sublease.

## 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. The Company is not aware of any material legal claims or assessments. Although the results of litigation and claims are inherently unpredictable, management believes there was not at least a reasonable possibility that the Company had incurred a material loss with respect to any loss contingencies as of March 31, 2021 and through the issuance of these financial statements.

## 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 consolidated financial statements.

## Note 12 - Convertible Preferred Stock

As of December 31, 2019, the Company's convertible preferred stock consisted of the following (*in thousands, except share and per share data on a post conversion basis*):

	Authorized Shares	Outstanding Shares	Carrying Value	Par Value per Share	Preference Value
Series 1	12,438,704	12,433,953	\$ 39,658	\$ 0.001	\$ 40,000
Series 2	7,507,699	7,499,996	\$ 30,000	\$ 0.001	\$ 30,000
Series 3	4,000,000	4,000,000	\$ 16,000	\$ 0.001	\$ 16,000
<b>Total</b>	<b>23,946,403</b>	<b>23,933,949</b>	<b>\$ 85,658</b>		<b>\$ 86,000</b>

#### Series 1 and 2 Preferred Stock

KKR Phorm Investors L.P. (Phorm) purchased 12,433,953 shares of Series 1 preferred stock, par value \$0.001 per share, at a per share price of \$3.217 for an aggregate purchase price of approximately \$40 million. Phorm and other investors with a small percentage (~0.02%) purchased 7,499,996 shares of Series 2 preferred stock, par value \$0.001 per share, at a per share price of \$4.00 for an aggregate purchase price of approximately \$30 million.

#### Series 3 Preferred Stock

On March 26, 2018, the Company entered into a stock purchase agreement and related contracts in order to effectuate the issuance of its Series 3 preferred stock to Nexperia. Pursuant to the terms of the stock purchase agreement, Nexperia purchased 4,000,000 shares of Series 3 preferred stock, par value \$0.001 per share, at a per share price of \$4.00, for an aggregate purchase price of approximately \$16 million equating to a total ownership stake of approximately 9.9% on a fully-diluted basis. The Company has reserved shares of common stock, par value \$0.001 per share, for issuance upon conversion of the Series 3 preferred stock (the conversion shares). The Series 3 preferred stock issued is substantially pari passu with the Company's Series 1 and Series 2 preferred stock previously issued to Phorm with a small percentage (~0.02%) issued to other investors.

Each share of Series 1, Series 2 and Series 3 preferred stock are convertible at the option of the holder into such number of shares of common stock as is determined by dividing the original issue price (OIP) of the Series 1, Series 2 and Series 3 preferred stock by the conversion price in effect at the time of the conversion. The conversion price of the Series 1, Series 2 and Series 3 preferred stock is subject to adjustment for certain events. Each share of Series 1, Series 2 and Series 3 preferred stock automatically converts into common stock immediately upon the closing of an underwritten public offering of the Company's common stock in which the aggregate net proceeds are at least \$40 million and the offering price per share is not less than 1.5 times the OIP of the Series 1, Series 2 and Series 3 preferred stock (a Qualifying Public Offering).

The rights, privileges, and preferences of the Series 1, Series 2, and Series 3 convertible preferred stock are as follows:

*Liquidation Rights* - In the event of any liquidation, dissolution, or winding up of the Company, either voluntary or involuntary, the holders of convertible preferred stock will be entitled to receive, prior and in preference to any distribution of any assets of the Company to the holders of common stock, an amount per share equal to \$3.217 per share for Series 1, \$4.00 per share for Series 2 and \$4.00 per share for Series 3, plus any declared but unpaid dividends. If, upon the occurrence of such an event, the assets and funds thus distributed among the holders of the convertible preferred stock are insufficient to permit the payment of the preferential amounts, the entire assets and funds legally available for distribution will be distributed ratably among the holders of convertible preferred stock in proportion to the full amount to which they would otherwise be respectively entitled. If, upon satisfaction of the convertible preferred stock preferences, there are any remaining assets and funds available for distribution, they will be ratably distributed among the holders of common stock.

*Conversion* - The convertible preferred stock is convertible at the option of the holder at any time into common stock on a one-for-one basis, subject to certain adjustments for anti-dilution. Each share of convertible preferred stock automatically converts into common stock in the event of an initial public offering (IPO) in which the proceeds are at least \$40 million, net of the underwriting discount and commissions, and the offering price per



share is not less than 1.5 times the original issue price of the convertible preferred stock unless otherwise agreed to by the shareholders.

*Dividends* - The holders of convertible preferred stock are entitled to receive, out of funds legally available, cash dividends at the rate of \$0.25736 per annum for Series 1, \$0.32 per annum for Series 2 and \$0.32 per annum for Series 3 on each outstanding share. Such dividends are payable when, as, and if declared by the Board of Directors and are noncumulative. Through December 31, 2019, no such dividends have been declared.

*Voting* - The holders of Series 1 convertible preferred stock shall be entitled to the number of votes equal to ten times the number of shares of common stock into which such shares could be converted, and the holders of Series 2 convertible preferred stock shall be entitled to the number of votes equal to the number of shares of common stock into which such shares could be converted. Each holder of Series 3 preferred stock shall be entitled to the number of votes equal to ten times the number of shares of common stock into which the shares of Series 3 preferred stock held by such holder could be converted as of the record date.

Due to certain provisions in liquidation and conversion rights the company has presented the convertible preferred stock outside of stockholders deficit as mezzanine equity.

The preferred stocks were converted to common stock upon the Merger. See Note 13 - Stockholders' Deficit.

### **Note 13 - Stockholders' Deficit**

On February 12, 2020, in connection with the Merger, shares of Transphorm Technology's convertible preferred stock and common stock issued and outstanding immediately prior to the closing of the Merger were converted into shares of the Company's common stock as follows:

- Series 1 convertible preferred stock: 51,680,254 shares issued and outstanding were converted into 12,433,953 shares issued and outstanding;
- Series 2 convertible preferred stock: 38,760,190 shares issued and outstanding were converted into 7,499,996 shares issued and outstanding;
- Series 3 convertible preferred stock: 31,850,304 issued and outstanding were converted into 4,000,000 shares issued and outstanding; and
- Common stock: 50,325,662 shares issued and outstanding were converted into 4,171,571 shares, net of 52,733 redeemed shares from unaccredited investors, issued and outstanding.

In addition, on February 12, 2020, the Company issued 1,650,000 shares in connection with the Merger with Peninsula Acquisition Corporation.

All per share and share amounts for all periods presented have been retroactively adjusted to reflect the effect of the Merger.

In December 2019, the Company amended its certificate of incorporation to authorize two classes of stock, to be designated, respectively, common stock and preferred stock. The total number of shares of stock that the Company shall have authority to issue is 755,000,000 shares, of which 750,000,000 shares are common stock, \$0.0001 par value per share, and 5,000,000 shares are preferred stock, \$0.0001 par value per share.

As of March 31, 2021, 750,000,000 shares of common stock are authorized, of which 40,531,996 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.

## Private Placement

On February 12, 2020 and February 27, 2020, we sold an aggregate of 5,380,000 shares of common stock in a private placement offering at a purchase price of \$4.00 per share, with aggregate gross proceeds of \$21.5 million (before deducting placement agent fees and other offering expenses, which were an aggregate of \$1.8 million).

On December 23, 2020, we sold an aggregate of 5,000,000 shares of common stock in a private placement offering at a purchase price of \$3.00 per share and issued warrants to placement agents to purchase 150,000 shares of common stock at a price of \$3.30 per share, with aggregate gross proceeds of \$15.0 million (before deducting placement agent fees, financial advisor fees and other offering expenses, which were an aggregate of \$1.4 million excluding warrant cost of \$223 thousand).

On March 31, 2021, we sold 250,000 shares of common stock in a private placement offering at a purchase price of \$4.00 per share, with gross proceed of \$1.0 million (before deducting placement agent fees and other offering expenses, which were an aggregate of \$50 thousand).

## 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 other classes of 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 dates presented as follows:

	March 31, 2021
Equity incentive plans	5,039,025
Common stock warrants	159,415
<b>Total</b>	<b>5,198,440</b>

## Common Stock Warrants

On December 23, 2020, we issued warrants to placement agent to purchase 150,000 shares of common stock at an exercise price of \$3.30 per share in the private placement. Our warrants are exercisable by paying cash or by cashless exercise for unregistered shares of common stock. The exercise price of the warrants is subject to standard antidilutive provision adjustment in the case of stock dividends or other distributions on shares of common stock or any other equity or equity equivalent securities payable in shares of common stock, stock splits, stock combinations, reclassifications or similar events affecting our common stock, and also, subject to limitations, upon any distribution of assets, including cash, stock or other property to our stockholders. The exercise price of the warrants is not subject to "price-based" anti-dilution adjustment. We have determined that these warrants related to issuance of common stock are subject to equity treatment because the warrant holder has no right to demand cash settlement and there are no unusual anti-dilution rights.

The following warrants to purchase common stock were outstanding as of March 31, 2021:

Number of Shares	Exercise Price	Expiration Date
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
150,000	\$ 3.30	December 23, 2025
<b>159,415</b>		

#### **Note 14 - Stock Based Compensation**

The 2020 Equity Incentive Plan (the “2020 Plan”) was approved by Transphorm Technology’s board of directors on February 10, 2020 and Transphorm Technology’s stockholders on February 12, 2020, and became effective on the business day immediately prior to the closing of the Merger. Our stockholders approved the 2020 Plan on February 11, 2020. We assumed the 2020 Plan in connection with the Merger. As of March 31, 2021, there were 1,560,503 shares available for grant and 935,397 restricted stock units outstanding under the 2020 Plan. The 2020 Plan provides for the grant of incentive stock options, within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”), to our employees and our parent and subsidiary corporations’ employees, and for the grant of nonstatutory stock options, stock appreciation rights, restricted stock, restricted stock units (“RSUs”), performance units, and performance shares to our employees, directors, and consultants and our parent and subsidiary corporations’ employees and consultants.

Subject to the adjustment provisions of the 2020 Plan, and the automatic increase described in the 2020 Plan, the maximum aggregate number of shares of our common stock that may be issued under the 2020 Plan is 5,050,000 shares of our common stock, which includes (i) 2,588,077 shares initially reserved for issuance, plus (ii) any shares of our common stock subject to issued and outstanding awards under the 2007 Plan or 2015 Plan that were assumed in the Merger and that, on or after the closing of the Merger, expire or otherwise terminate without having been exercised or issued in full, are tendered to or withheld by us for payment of an exercise price or for tax withholding obligations, or are forfeited to or repurchased by us due to failure to vest, with the maximum number of shares to be added to the 2020 Plan pursuant to this clause (ii) equal to 2,461,923 shares. Subject to the adjustment provisions of the 2020 Plan, the number of shares of common stock available for issuance under the 2020 Plan will also include an annual increase on the first day of each fiscal year beginning with our 2022 fiscal year and ending on (and including) our 2030 fiscal year, in an amount equal to the least of: 5,000,000 shares of our common stock; five percent (5%) of the outstanding shares of our common stock on the last day of the immediately preceding fiscal year; or such number of shares of our common stock as the administrator of the 2020 Plan may determine.

## Stock Options

The following table summarizes stock option activity and related information for the dates presented:

	Number of Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value (1) (in thousands)
<b>Outstanding at January 1, 2021</b>	<b>2,320,318</b>	<b>\$ 4.67</b>	<b>5.92</b>	<b>\$ —</b>
Options granted	223,638	\$ 6.37		
Options exercised	(500)	\$ 3.14		
Options canceled	(331)	\$ 9.29		
<b>Outstanding at March 31, 2021</b>	<b>2,543,125</b>	<b>\$ 4.82</b>	<b>6.05</b>	<b>\$ —</b>
<b>Exercisable at March 31, 2021</b>	<b>2,283,243</b>	<b>\$ 4.70</b>	<b>5.65</b>	<b>\$ —</b>
<b>Outstanding at January 1, 2020</b>	<b>2,473,198</b>	<b>\$ 4.67</b>	<b>6.84</b>	<b>\$ —</b>
Options granted	—	\$ —		
Options exercised	(6,821)	\$ 3.78		
Options canceled	(146,059)	\$ 5.88		
<b>Outstanding at December 31, 2020</b>	<b>2,320,318</b>	<b>\$ 4.67</b>	<b>5.92</b>	<b>\$ —</b>
<b>Exercisable at December 31, 2020</b>	<b>2,267,154</b>	<b>\$ 4.70</b>	<b>5.86</b>	<b>\$ —</b>
<b>Outstanding at January 1, 2019</b>	<b>2,377,180</b>	<b>\$ 4.79</b>	<b>7.46</b>	<b>\$ —</b>
Options granted	209,908	\$ 3.14		
Options exercised	(1,392)	\$ 3.86		
Options canceled	(112,498)	\$ 4.34		
<b>Outstanding at December 31, 2019</b>	<b>2,473,198</b>	<b>\$ 4.67</b>	<b>6.84</b>	<b>\$ —</b>
<b>Exercisable at December 31, 2019</b>	<b>2,079,809</b>	<b>\$ 4.95</b>	<b>6.65</b>	<b>\$ —</b>

(1) Intrinsic value represents the excess of the fair value on the last day of the period, which was \$3.75, \$3.00 and \$3.01 as of March 31, 2021, December 31, 2020 and December 31, 2019, respectively, over the exercise price, multiplied by the number of options.

Stock-based compensation expense is determined based on the fair value of the Company's common stock as determined by the Board of Directors and assumptions such as volatility, expected term, risk-free interest rates, and other factors. Changes in the deemed fair value of the common stock, the underlying assumptions in the calculations, the number of options granted or the terms of such options, the expected forfeiture rate, the treatment of tax benefits and other changes may result in significant differences in the amounts or timing of the compensation expense recognized. The assumptions and estimates are made as follows:

- **Fair Value of Common Stock** - The fair value of the shares of common stock underlying the stock options has been determined by the Board of Directors, utilizing valuation studies performed by third-party advisors. Because there has been no public market for the Company's common stock, the Board of Directors has determined fair value of the common stock at the time of grant of the options by considering a number of objective and subjective factors, including valuations of comparable companies, sales of convertible preferred stock to unrelated third parties, operating and financial performance, the lack of liquidity of capital stock, and general and industry-specific economic outlook. The Company has not granted stock options with an exercise price that is less than the fair value of the underlying common stock as determined at the time of grant by the Board of Directors.

- Expected Volatility - The Company utilizes the historical volatility of representative public companies to determine its expected volatility, as there is no public trading of the Company's common stock.
- Estimated Forfeitures - The Company adopted ASU 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting and has elected to account for forfeitures as they occur and therefore, stock-based compensation expense has been calculated based on actual forfeitures in the statements of operations, rather than our previous approach which was net of estimated forfeitures. The net cumulative effect of this change was not material.
- Expected Dividend Yield - The Company has not issued any common stock dividends; therefore, a dividend yield of zero was used.
- Risk-Free Interest Rate - The Company bases the risk-free interest rate used in the Black-Scholes-Merton option pricing model on the implied yield currently available on United States Treasury zero-coupon issues with an equivalent expected term.
- Expected Term - The expected term of stock options represents the period that the Company's stock options are expected to be outstanding. The Company generally uses the simplified method to calculate the expected term for employee grants.

The assumptions used to value options granted to employees during the periods presented was as follows:

	Three Months Ended March 31,	Year Ended December 31,	
	2021	2020	2019
Weighted average expected life (in years)	5.23	—	5.46
Risk-free interest rate	0.78% - 1.73%	—	1.34% - 1.94%
Expected volatility	43.1% - 44.3%	—	39.4% - 39.8%
Grant date fair market value	3.75	—	3.01
Grant date fair value	\$0.94 - \$1.65	—	\$0.98 - \$1.10
Dividend yield	—%	—	—%

## Restricted Stock

### Restricted Stock Awards

RSAs are grants of shares of our common stock that vest in accordance with terms and conditions established by the Company's Board of Directors. Recipients of RSAs generally will have voting and dividend rights with respect to such shares upon grant without regard to vesting, unless the RSA agreement provides otherwise. Shares of restricted stock that do not vest are subject to forfeiture. In September 2020, we granted 123,501 RSAs outside of our 2020 Plan, 98,450 of which were fully vested on the date of grant and the remainder of which is scheduled to vest 120 days following the grant date. In December 2020, we granted 12,000 RSAs outside of our 2020 Plan, all of which were fully vested on the date of grant.

The following table summarizes RSA activity and related information for the periods presented:

	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
January 1, 2020	—	\$ —
Granted	135,501	\$ 3.91
Vested	(98,450)	\$ 3.88
<b>December 31, 2020</b>	<b>37,051</b>	<b>\$ 4.00</b>
Granted	—	\$ —
Vested	(37,051)	\$ 4.00
<b>March 31, 2021</b>	<b>—</b>	<b>\$ —</b>

#### **Restricted Stock Units**

RSUs are grants of shares of our common stock that vest in accordance with terms and conditions established by the administrator of the 2020 Plan. Subject to the provisions of the 2020 Plan, the administrator determines the terms and conditions of RSUs, including the vesting criteria. We granted 816,180 RSUs during the third quarter of 2020, 4,000 of which were fully vested on the date of grant. The remainder of the RSUs are scheduled to vest as follows: one third will vest on each of January 1, 2022, January 1, 2023 and July 1, 2023, in each case subject to the RSU holders' continued status as a service provider to the Company through each vesting date. We granted 137,452 RSUs during the first quarter of 2021, which are scheduled to vest in various periods, beginning immediately and ending on February 2025, in each case subject to the RSU holders' continued status as a service provider to the Company through each vesting date.

The following table summarizes RSU activity and related information for the periods presented:

	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
January 1, 2020	—	\$ —
Granted	816,180	\$ 4.00
Vested	(4,000)	\$ 4.00
Canceled	(6,855)	\$ 4.00
<b>December 31, 2020</b>	<b>805,325</b>	<b>\$ 4.00</b>
Granted	137,452	\$ 3.75
Vested	(3,000)	\$ 3.75
Canceled	(4,380)	\$ 4.00
<b>March 31, 2021</b>	<b>935,397</b>	<b>\$ 3.96</b>

## Stock-Based Compensation

The accompanying consolidated statement of operations and comprehensive loss includes stock-based compensation expense for the periods presented as follows (*in thousands*):

	Three Months Ended March 31,		Year Ended December 31,	
	2021	2020 (unaudited)	2020	2019
Cost of revenue	\$ 39	\$ 15	\$ 93	\$ 60
Research and development	115	46	306	196
Sales and marketing	33	7	68	30
General and administrative	326	64	1,058	280
<b>Total</b>	<b>\$ 513</b>	<b>\$ 132</b>	<b>\$ 1,525</b>	<b>\$ 566</b>

## Unrecognized Stock-Based Compensation

Unrecognized stock-based compensation expense as of dates presented was as follows (*in thousands*):

	March 31, 2021		December 31, 2020		December 31, 2019	
	Unrecognized Expense	Average Expected Recognition Period	Unrecognized Expense	Average Expected Recognition Period	Unrecognized Expense	Average Expected Recognition Period
Stock options	\$ 280	5.06 years	\$ 54	0.67 years	\$ 464	1.20 years
Restricted stock	2,738	1.76 years	2,687	1.87 years	—	—
<b>Total</b>	<b>\$ 3,018</b>	<b>2.07 years</b>	<b>\$ 2,741</b>	<b>1.85 years</b>	<b>\$ 464</b>	<b>1.20 years</b>

## Note 15 - 401(k) Savings Plan

The Company has a 401(k) savings plan (the 401(k) plan). The 401(k) plan is a defined contribution plan intended to qualify under Section 401(k) of the Internal Revenue Code. All full-time employees of the Company are eligible to participate pursuant to the terms of the 401(k) plan. Contributions by the Company are discretionary, and the Company made no contributions during the three months ended March 31, 2021 and 2020 (unaudited), and the years ended December 31, 2020 and 2019.

## Note 16 - Income Taxes

For the three months ended March 31, 2021, the Company reported a worldwide consolidated pretax loss of \$6.6 million, which consisted of a pre-tax loss from U.S. operations of approximately \$4.9 million and pre-tax loss from Japan operations of approximately \$1.7 million. The pre-tax loss from Japan operations primarily consists of \$1.5 million from Transphorm Aizu, Inc. with nominal pre-tax book loss from Transphorm Japan, Inc. and Transphorm Japan Epi, Inc.

For the year ended December 31, 2020, the Company reported a worldwide consolidated pretax loss of \$17.9 million, which consisted of a pre-tax loss from U.S. operations of approximately \$10.3 million and pre-tax loss from Japan operations of approximately \$7.6 million. The pre-tax loss from Japan operations consists of \$800 thousand from Transphorm Japan, Inc., a \$6.8 million pre-tax loss from Transphorm Aizu, Inc. and \$25 thousand pre-tax income from Transphorm Japan Epi, Inc.

For the year ended December 31, 2019, the Company reported a worldwide consolidated pre-tax loss of \$15.3 million, which consisted of a pre-tax loss from U.S. operations of approximately \$10.6 million and pre-tax loss from Japan operations of approximately \$4.7 million. The pre-tax loss from Japan operations consists of \$1.0 million from Transphorm Japan, Inc., a \$3.7 million pre-tax loss from Transphorm Aizu, Inc. and \$1 thousand pre-tax income from Transphorm Japan Epi, Inc.

There is no U.S. federal or foreign provision for income taxes because the Company has incurred operating losses since inception and is in a full valuation allowance position. For the three month ended March 31, 2021, and the years ended December 31, 2020 and 2019, the Company has recorded a state income tax provision of \$1 thousand which represents minimum taxes. Deferred income taxes reflect the net tax effects of the net operating losses and the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the Company's deferred tax assets and deferred tax liabilities as of the dates presented as follows (*in thousands*):

	March 31, 2021	December 31,	
		2020	2019
<b>Deferred tax assets:</b>			
Net operating loss carryforwards	\$ 47,424	\$ 46,346	\$ 43,973
Tax credits	5,444	5,262	4,535
California capitalized research and development	72	80	343
Fixed assets	—	8	—
Others, net	581	593	602
<b>Total deferred tax assets</b>	<b>53,521</b>	<b>52,289</b>	<b>49,453</b>
Valuation allowance	(53,481)	(52,289)	(49,403)
<b>Deferred tax asset, net of valuation allowance</b>	<b>40</b>	<b>—</b>	<b>50</b>
<b>Deferred tax liabilities:</b>			
Others, net	—	—	—
Fixed assets	(40)	—	(50)
<b>Total deferred tax liabilities</b>	<b>(40)</b>	<b>—</b>	<b>(50)</b>
<b>Net deferred tax assets</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

As of March 31, 2021, December 31, 2020, and December 31, 2019, the Company had no assurance that future taxable income would be sufficient to fully utilize the net operating loss carryforwards and other deferred tax assets in the future. Consequently, the Company determined that a valuation allowance of approximately \$53.5 million, \$52.2 million and \$49.4 million as of March 31, 2021, December 31, 2020, and December 31, 2019, respectively, was needed to offset the deferred tax assets resulting mainly from the net operating loss carryforwards.

The Company files income tax returns in the U.S. federal, California, and Oregon jurisdictions and is subject to U.S. federal, state, and local income tax examinations by tax authorities. Generally, the statute of limitations is 3 years for U.S. federal income tax and 4 years for state and local taxes. The statute of limitations may be extended for tax years where a corporation has a net operating loss carryforward or by agreement with the jurisdictional taxing authority. Accordingly, all of the Company's U.S. federal, state and local income tax years since inception remain open to examination by tax authorities. The Company is not currently under audit by any taxing authority.

The Company follows the provisions of uncertain tax positions as addressed in ASC 740-10. The Company recognized no increase or decrease in the liability for unrecognized tax benefits for any period presented. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in



operating expenses. No such interest or penalties were recognized during the period presented. The Company had no accruals for interest and penalties at March 31, 2021, December 31, 2020 and December 31, 2019.

The utilization of the Company's net operating loss and tax credit carryforwards is dependent on the future profitability of the Company. Further, the Internal Revenue Code imposes substantial restrictions on the utilization of such carryforwards in the event of an ownership change of more than 50%, as defined, during any three-year period (Section 382 and 383 limitations). The Company has determined that several ownership changes have occurred, which have resulted in substantial limitations on the Company's ability to utilize its pre-ownership change net operating loss and tax credit carryforwards. These substantial limitations are expected to result in both a permanent loss of certain tax benefits related to net operating loss carryforwards and federal research and development credits, as well as an annual utilization limitation. The Company performed an analysis through the APO and anticipates no further Section 382 and 383 limitations.

As of March 31, 2021, the Company has federal net operating loss carryforwards of \$250.0 million, of which \$207.5 million will begin to expire in 2027 unless previously utilized, and the Company has state net operating loss carryforwards of \$153.5 million which will begin to expire in 2028 unless previously utilized. The Company also has foreign net operating loss carryforwards of approximately \$5.4 million which will begin to expire in 2024. The federal net operating loss generated for the fiscal year ended March 31, 2021 of \$4.5 million, December 31, 2020 of \$10.5 million, December 31, 2019 of \$8.8 million, and December 31, 2018 of \$18.5 million can be carried forward indefinitely. However, the federal deduction for net operating losses incurred in tax years beginning after January 1, 2021 is limited to 80% annual taxable income. Under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), the suspension of net operating losses generated in years 2018, 2019, and 2020 are not subject to the 80% limitation. The state net operating loss generated for the fiscal year ended March 31, 2021 of \$1.0 million, December 31, 2020 of \$2.6 million, and December 31, 2019 of \$2.3 million can be carried forward 20 years.

As of March 31, 2021, the Company has federal research and development credit carryforwards of \$4.6 million, which will begin to expire in 2032 unless previously utilized, and the Company had California research and development credit carryforwards of \$4.2 million, which do not expire.

Deferred tax assets have not been established for net operating and tax credit carryforwards that are deemed to have no value due to the Section 382 and 383 limitations discussed above and, therefore, are not reflected in the table of deferred tax assets presented above. Future ownership changes, if any, may further limit the Company's ability to utilize its remaining net operating losses and tax credit carryforwards. The Company performed an analysis as of March 31, 2021 and it was determined that no further limitations on tax attributes were required.

Reconciliation between federal statutory tax rate and the effective tax rate is shown in the following table for the periods presented:

	Three Months Ended March 31, 2021	Year Ended December 31,	
		2020	2019
Federal statutory income tax rate	21.00 %	21.00 %	21.00 %
Research and development credit	2.73 %	4.06 %	4.76 %
Nondeductible expense	(2.43) %	0.64 %	(3.18) %
Loss in joint venture	(6.76) %	(11.70) %	(7.44) %
Foreign income tax rate difference	2.45 %	4.10 %	2.99 %
Others, net	0.85 %	(2.08) %	(0.75) %
Valuation allowance	(17.84) %	(16.02) %	(17.38) %
<b>Effective tax rate</b>	<b>— %</b>	<b>— %</b>	<b>— %</b>

On March 27, 2020, the CARES Act was signed into law. The CARES Act repealed the 80% taxable income limitation for the 2018–2020 taxable years and reinstated NOL carrybacks for the 2018–2020 taxable years. In addition, the CARES Act temporarily increases the business interest deduction limitations from 30% to 50% of adjusted taxable income for the 2019 and 2020 taxable year. Lastly, a TCJA technical correction that classifies qualified improvement property as 15-year recovery period, allowing the bonus depreciation deduction to be claimed for such property retroactive as if it was included in the TCJA at the time of enactment. The Company does not anticipate a material impact to its December 31, 2019 financial statements due to the recent enactment.

On December 21, 2020, the Consolidated Appropriations Act (“CAA”) was signed into law. We do not expect any of the enactments of the CAA to have a material impact on the Company as of March 31, 2021.

**Note 17 - Related Party Transactions**

During the three months ended March 31, 2021, the Company entered into the following related party transactions:

- Recorded \$406 thousand in cost of goods sold for services, recorded \$144 thousand in research and development expense and incurred \$9 thousand for employee and their benefits from the joint venture from AFSW;
- Sold \$12 thousand of products to non-controlling stockholders of the Company and incurred \$54 thousand of license maintenance fee from a non-controlling stockholder of the Company; and
- Recorded \$357 thousand in license fee income, recorded \$38 thousand of reimbursements in license maintenance fee, recorded \$150 thousand in interest expense and sold \$304 thousand of products to a stockholder and noteholder of the Company. See Note 3 - Nexperia Arrangement.

As of March 31, 2021, total due from related parties was \$14.1 million, consisting of \$13.5 million due from the AFSW joint venture, \$5 thousand accounts receivable from non-controlling stockholders of the Company, and \$503 thousand accounts receivable from a stockholder and noteholder of the Company. As of March 31, 2021, total accounts payable to related parties was \$370 thousand to the AFSW joint venture and \$11 thousand to Nexperia, and accrued royalty was \$4 thousand to Furukawa.

During the three months ended March 31, 2020 (unaudited), the Company entered into the following related party transactions:

- Recorded \$111 thousand in cost of goods sold for services, recorded research and development expense of \$245 thousand, of which \$177 thousand was reimbursable, recorded \$84 thousand in other expense for commitment for services, and received reimbursement of payroll related costs of \$14 thousand from the joint venture with AFSW;
- Sold \$13 thousand of products to non-controlling stockholders of the Company and incurred \$50 thousand of license maintenance fee from a non-controlling stockholder of the Company; and
- Recorded \$37 thousand in license fee income, recorded \$152 thousand in interest expense, recorded \$177 thousand reimbursement for research and development, and sold \$344 thousand of products to a stockholder and noteholder of the Company. See Note 3 - Nexperia Arrangement.

During the year ended December 31, 2020, the Company entered into the following related party transactions:

- Recorded \$241 thousand in cost of goods sold for services, recorded research and development expense of \$919 thousand, of which \$408 thousand was reimbursable and recorded \$84 thousand in other expense for commitment for services from the AFSW joint venture;

- Sold \$165 thousand of products to non-controlling stockholders of the Company and incurred \$200 thousand of license maintenance fee from a non-controlling stockholder of the Company; and
- Recorded \$5.2 million in license fee income, recorded \$701 thousand in EPI Gen 4 wafer growth sales, recorded \$150 thousand of reimbursements in license maintenance fee, recorded \$610 thousand in interest expense, recorded \$408 thousand reimbursement for research and development, and sold \$915 thousand of products to a stockholder and noteholder of the Company. See Note 3 - Nexperia Arrangement.

As of December 31, 2020, total due from related parties was \$13.9 million, consisting of \$13.5 million due from the AFSW joint venture, \$17 thousand accounts receivable from non-controlling stockholders of the Company, and \$435 thousand accounts receivable from a stockholder and noteholder of the Company. As of December 31, 2020, total accounts payable to related parties was \$512 thousand to the AFSW joint venture and \$24 thousand to Nexperia, and accrued royalty was \$100 thousand to Furukawa.

During the year ended December 31, 2019, the Company entered into the following related party transactions:

- Recorded \$211 thousand in cost of goods sold for services, recorded research and development expense of \$695 thousand, of which \$195 thousand was reimbursable, recorded \$444 thousand in other expense for commitment for services, and incurred \$14 thousand for employees and their benefits seconded from the AFSW joint venture;
- Sold \$241 thousand of products to non-controlling stockholders of the Company, incurred \$200 thousand of license maintenance fee to a non-controlling stockholder, and incurred \$21 thousand for employees and their related benefits seconded from a non-controlling stockholder of the Company; and
- Recorded \$9.2 million in license fee revenue, recorded \$195 thousand reimbursement for research and development, recorded \$608 thousand in interest expense and sold \$504 thousand of products to a stockholder and noteholder of the Company. See Note 3 - Nexperia Arrangement.

As of December 31, 2019, total due from related parties was \$5.8 million, consisting of \$5.3 million due from the AFSW joint venture, \$38 thousand accounts receivable from non-controlling stockholders of the Company and \$426 thousand accounts receivable from a stockholder and noteholder of the Company. As of December 31, 2019, total accounts payable due to related parties was \$272 thousand to non-controlling stockholders of the Company.

#### **Note 18 - Subsequent Events**

On May 18, 2021, the “Company entered into a series of agreements with Nexperia, as described below. These included two new agreements (a strategic cooperation agreement and an option agreement), as well as amendments to the Company’s existing loan and security agreement, development and license agreement, and supply agreement with Nexperia.

##### *Strategic Cooperation Agreement*

The strategic cooperation agreement serves as a framework agreement that describes the numerous agreements between the parties and provides Nexperia with information rights and inspection rights with respect to the Company’s business.

### *Option Agreement*

The option agreement establishes the parameters pursuant to which Nexperia, in certain limited instances, is permitted to exercise an option (the “Option”) to acquire Transphorm Japan Epi, Inc. (“TJE”), a Japanese subsidiary of the Company through which the Company is engaged in the development, manufacturing and sales of gallium nitride (“GaN”) based epitaxial wafer products. In general, the Option is exercisable upon (1) certain acquisitions of securities or assets of the Company or its subsidiaries by a Competitor (as defined in the option agreement) that results in the Company, 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 the Company or a subsidiary of its obligations with respect to epiwafer supply to Nexperia under the Company’s amended and restated supply agreement (the “Supply Agreement”) with Nexperia, or (2) the unilateral termination by the Company of the Supply Agreement. The option agreement also establishes the material terms, including price and timing, for the exercise of the Option by Nexperia. The Option terminates (1) if the Option is not exercised by Nexperia prior to the date on which the option agreement terminates, or (2) on the first to occur of (a) the termination of the option agreement upon written agreement of the parties, (b) the mutual termination or expiration of the Supply Agreement, or (c) the first to occur of (i) two years following the date on which the Company notifies Nexperia of epiwafer qualification of a second source and (ii) April 1, 2028.

In connection with the option agreement, the Company has also amended and restated its existing intracompany license agreement with TJE to clarify Nexperia’s rights upon exercise of the Option.

### *Amendment to Loan and Security Agreement*

Transphorm Technology, Inc. (“Borrower”) is party to that certain Loan and Security Agreement, dated as of April 4, 2018, between Borrower and Nexperia as lender (as amended, the “Loan Agreement”). The Company and Nexperia entered into Amendment No. 6 to the Loan Agreement, pursuant to which the Loan Agreement was amended to (1) extend the maturity date for the Tranche C Loans (as defined in the Loan Agreement) to the earlier of April 4, 2023 and the occurrence of specified change of control events, (2) add the Company as a guarantor of Borrower’s obligations under the Loan Agreement, and (3) convert the outstanding \$2.0 million Tranche B-1 Loan (as defined in the Loan Agreement) into a Tranche C-1 Loan, which Tranche C-1 Loan has the same terms and conditions as the existing Tranche C Loans.

### *Amended and Restated Development and License Agreement*

The Company entered into an amended and restated development and license agreement (the “DLA”) with Nexperia, pursuant to which the Company agreed to develop and transfer to Nexperia certain manufacturing process technologies to enable Nexperia to manufacture GaN-based products at Nexperia’s facilities. These technologies to be transferred included the Company’s Gen-3, Gen-4 (Tranche A), and Gen-5 (Tranche B) process technologies, but do not include the Company’s Epi Process Technology (as defined in the DLA). Nexperia also agreed to provide funding for the development of such technologies in return for limited exclusivities in automotive and other fields. Nexperia’s rights now include sale of products in the automotive field in Japan along with Transphorm’s rights for sale of products in the automotive field in Japan which remain in place. As per the original agreement, after April 2023, Nexperia’s exclusive rights for sale of products in the automotive field outside of Japan terminate. In addition, the parties have clarified the ability of Nexperia’s customers to use products developed by Nexperia through exercise of its rights under this agreement.

### *Amended and Restated Supply Agreement*

The Company entered into the Supply Agreement with Nexperia, which sets forth the terms under which Nexperia may purchase epiwafers and processed wafers from the Company, and the Company may purchase processed wafers from Nexperia. The agreement specifies that Nexperia is the Company’s priority customer with respect to epiwafers manufactured by TJE and, accordingly, has preferred utilization of extra capacity, and further specifies procedures to address expansion of the Company’s epiwafer manufacturing capacity and Nexperia’s obligations with respect thereto. The term of the Supply Agreement was extended until December 31, 2025, with

automatic one year renewals thereafter, and the Company may not terminate the Supply Agreement while the option agreement is in effect.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures**

None

**Item 9A. 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 March 31, 2021, our disclosure controls and procedures were not effective because of material weaknesses in our internal control over financial reporting, described below in Management's Report on Internal Control Over Financial Reporting.

**Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act). Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our internal control over financial reporting as of the end of the period covered by this Report, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that due to continuing material weaknesses in our internal control over financial reporting as described below, our internal control over financial reporting was not effective as of March 31, 2021.

During the year ended December 31, 2018, we identified two material weaknesses, one of which relates to the fact that certain members of our finance team and personnel are able to operate across a number of different functions and have user access that gives rise to segregation of duties risks in connection with our information technology infrastructure. The other material weakness relates to lack of review and evidence to support appropriate level of review and oversight procedures, including lack of team members with technical GAAP, accounting and financial reporting, and internal control skills. These material weaknesses have a significant impact on various

activity level and financial reporting cycles which could give rise to the risk of material misstatement of the financial statements due to error, use of management estimates, and accuracy of data or information.

Although we have completed all of the corrective actions and procedures as contemplated herein to remediate the previously identified material weaknesses related to information technology general control as of March 31, 2021, the implemented controls need to operate for a period of time before they can be considered fully remediated. In connection with management's evaluation of the effectiveness of our internal control over financial reporting as of March 31, 2021 and the related remediation, management has concluded that our internal control over financial reporting was not effective as of March 31, 2021.

This Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to an exemption for non-accelerated filers from the internal control audit requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002.

#### **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 during the quarter ended March 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

#### **Item 9B. Other Information**

None.

## Part III

### Item 10. Directors, Executive Officers and Corporate Governance

#### Our Directors

Our business and affairs are managed under the direction of our board of directors, which currently consists of seven members. Our amended and restated certificate of incorporation provides that our board of directors is divided into three classes, designated Class I, Class II and Class III, with staggered three-year terms. Only one class of directors will be elected at each annual meeting of stockholders, with the other classes continuing for the remainder of their respective three-year terms. Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the total number of our directors.

The names of our directors and certain information about them as of June 15, 2021 is set forth below. There are no arrangements or understandings between any of our directors and any other person pursuant to which he or she is or was to be selected as a director.

Name	Age	Position	Class	Current Term Expires
Brittany Bagley (1)(2)	37	Director	I	2021
Julian Humphreys (1)(3)	58	Director	I	2021
David Kerko (1)(2)(3)	48	Director	III	2023
Katharina McFarland (2)	62	Director	I	2021
Umesh Mishra	63	Chief Technology Officer, Director	II	2022
Mario Rivas	66	Chief Executive Officer, Director	III	2023
Eiji Yatagawa	43	Director	II	2022

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Nominating and Corporate Governance Committee

**Brittany Bagley** has served as a member of our board of directors since February 2020 and as a member of the board of directors of Transphorm Technology, Inc. (“Transphorm Technology”) since June 2015. Ms. Bagley has been the Chief Financial Officer of Sonos, Inc., a leading sound experience system provider, since April 2019, and served on Sonos’s board of directors from September 2017 to April 2019. From December 2017 to April 2019, Ms. Bagley served as a Managing Director of Kohlberg Kravis Roberts & Co. L.P. (“KKR”), a leading global investment firm, and previously served in other roles at KKR from July 2007 to December 2017. Prior to joining KKR, Ms. Bagley was an analyst at The Goldman Sachs Group, Inc., an investment banking firm. She holds a B.A. from Brown University.

Ms. Bagley was selected to serve as a member of our board of directors due to her depth of experience in financial and investment matters and experience with a broad range of technology companies.

**Julian Humphreys** has served as a member of our board of directors since October 2020. Dr. Humphreys has over 30 years of experience in the semiconductor industry, including 20 years specifically with power semiconductors. From February 2017 to April 2019, Dr. Humphreys was a senior vice president and general manager at Nexperia B.V. From June 2010 to January 2017, Dr. Humphreys was a vice president and general manager with Nexperia’s predecessor, the NXP Semiconductors Standard Products Division of NXP Semiconductors N.V. Dr. Humphreys was also the managing director of Nexperia UK Ltd., and its predecessor entity NXP Semiconductors UK Ltd., from September 2011 to March 2019. He holds a B.Eng. degree in electronics and a Ph.D. in semiconductor physics, both from the University of Liverpool.

Dr. Humphreys was selected to serve as a member of our board of directors due to his significant experience in the technology industry and his technical expertise.

**David Kerko** has served as a member of our board of directors since February 2020 and as a member of the board of directors of Transphorm Technology since June 2015. Mr. Kerko has served as Head of North America Private Equity at Elliott Investment Management L.P. since February 2021. Mr. Kerko was a Member at KKR from 2010 to 2015, including serving as Co-head of KKR's Technology Group from 2013 to 2015, and was an advisor to KKR from 2015 to 2020. Mr. Kerko joined KKR in 1998 and is a former member of the Technology industry team within KKR's private equity platform. He was actively involved in KKR's investments in Borden, Toys 'R' Us, The Analytic Sciences Corporation ("TASC"), NXP (formerly Philips Semiconductors), Savant Systems and Sonos. Prior to joining KKR, Mr. Kerko was with Gleacher NatWest Inc. where he was involved in a broad range of merger and acquisition transactions and financing work. Mr. Kerko has served as a director and member of the audit and compensation committees of Science Applications International Corporation (NYSE: SAIC) since January 2019, as a director of TE Connectivity Ltd. (NYSE: TEL) since March 2019, and as a director and member of the audit and compensation committees of Nebula Acquisition Corporation (Nasdaq: NEBU) since January 2018. Mr. Kerko is also currently a director of Savant Systems, LLC, a privately-held, smart home technology company and a director and chairman of the compensation committee of GlobalFoundries, a privately-held, semiconductor manufacturing company. Mr. Kerko was a director of Engility Holdings, Inc. from 2015 until its acquisition by SAIC in January 2019, and a director of TASC, a privately-held, engineering services company, from 2009 to 2015. He holds a B.S. from The Wharton School at the University of Pennsylvania and a B.S.E., summa cum laude, from the School of Engineering and Applied Science at the University of Pennsylvania.

Mr. Kerko was selected to serve on our board of directors due to his significant experience advising emerging and established companies with respect to strategic planning, corporate finance, manufacturing and operations, global business management and public markets strategy, particularly in the technology industry, as well as his service on the boards of directors of several public and private companies.

**Katharina McFarland** has served as a member of our board of directors since February 2021. Ms. McFarland has served as the president of Blue Oryx Inc., a consulting services firm, since January 2017. From May 2012 to January 2017, she served as the Assistant Secretary of Defense for Acquisition. She also served as the Acting Assistant Secretary of the Army for Acquisitions, Logistics & Technology as the Army's Service Acquisition Executive and Chief Science Advisor from February 2016 to January 2017. Prior to her political appointments, Ms. McFarland served as President of the Defense Acquisition University from November 2010 to May 2012, and Director for Acquisition at the Missile Defense Agency from May 2006 to November 2010. Ms. McFarland has served as a director of Science Applications International Corporation (NYSE: SAIC) since January 2019 and is a member of SAIC's nominating and corporate governance and risk oversight committees. Ms. McFarland was a director of Engility Holdings, Inc. from June 2017 until its acquisition by SAIC in January 2019. Ms. McFarland holds a B.Sc. degree in engineering from Queen's University, a master's degree in program management from the Program Management Institute, and an honorary doctoral degree in engineering from Cranfield University.

Ms. McFarland was selected to serve on our board of directors due to her depth of experience in government service and procurement.

**Umesh Mishra** has served as our Chief Technology Officer and as a member of our board of directors since February 2020. Dr. Mishra is a co-founder of Transphorm Technology and has served as Transphorm Technology's Chief Technology Officer and as a member of the board of directors of Transphorm Technology since March 2007. Previously, Dr. Mishra was Chief Executive Officer of Transphorm Technology from 2007 to 2013. Prior to co-founding Transphorm Technology, Dr. Mishra co-founded Nitres Inc. in 1996. Nitres, the first company to develop GaN LEDs and transistors, was acquired by Cree, Inc. in 2000. Dr. Mishra has also been a Professor of Electrical and Computer Engineering at the University of California, Santa Barbara since 1990. He holds a B.S. Tech from the Indian Institute of Technology, an M.S. from Lehigh University and a Ph.D. from Cornell University.

Dr. Mishra was selected to serve on our board of directors due to his deep knowledge of Transphorm Technology, his significant experience in the technology industry and his technical expertise.



**Mario Rivas** has served as our Chief Executive Officer and as a member of our board of directors since February 2020. He has also served as Chief Executive Officer of Transphorm Technology since October 2015 and as a member of the board of directors of Transphorm Technology since June 2015. Previously, Mr. Rivas was Vice President of Strategy and Business Development of Digital Heat Corporation, a manufacturer of electric eyelid heaters, from July 2013 to September 2015, President and Chief Executive Officer of ANADIGICS, Inc., a semiconductor company, from January 2009 to April 2011, and Chief Executive Officer of Quartics, Inc., a fabless semiconductor and software company, from September 2008 to January 2009. Prior to that, Mr. Rivas held executive positions at Advanced Micro Devices, Inc., Philips Semiconductors and Motorola Semiconductor. He holds a B.S. in Electrical Engineering from the Universidad Centroamericana José Simeón Cañas and an M.S. in Semiconductor Physics and an M.S. in Management from Rensselaer Polytechnic Institute.

Mr. Rivas was selected to serve on our board of directors due to his significant management experience and experience in the technology industry.

**Eiji Yatagawa** has served as a member of our board of directors since February 2020 and as a member of the board of directors of Transphorm Technology since June 2015. Mr. Yatagawa joined KKR in 2006 and is a Member on the Private Equity team. Prior to joining KKR, Mr. Yatagawa was an associate in Goldman Sachs & Co.'s investment banking team from 2002 to 2006. Mr. Yatagawa currently serves on the board of directors of several privately-held companies. He holds a B.S. in Mathematical Engineering and an M.S. in Mathematical Engineering from the University of Tokyo.

Mr. Yatagawa was selected to serve as a member of our board of directors due to his significant experience in financial and investment matters and experience within the technology sector.

#### Our Executive Officers

The names of our executive officers and certain information about them as of June 15, 2021 is set forth below. There are no arrangements or understandings between any of our executive officers and any other person pursuant to which he or she is or was to be selected as an officer.

Name	Age	Position
Mario Rivas	66	Chief Executive Officer, Director
Cameron McAulay	45	Chief Financial Officer
Umesh Mishra	63	Chief Technology Officer, Director
Primit Parikh	49	Chief Operating Officer

**Mario Rivas.** Please see "Our Directors" above for biographical information about Mr. Rivas.

**Cameron McAulay** has served as our Chief Financial Officer since February 2020. He has also served as Transphorm Technology's Chief Financial Officer since November 2015. Previously, Mr. McAulay served as Finance Director, Global Customer Organization and Director of Internal Audit with KLA-Tencor Corporation from December 2012 to November 2015. Prior to that, Mr. McAulay served as Finance Director and Group Financial Controller at Atmel Corporation from November 2011 to December 2012 and had a 7-year tenure at National Semiconductor Corporation in a variety of Operational and Corporate leadership positions including Chief Audit Executive. He holds a BSc. Mathematics, Statistics and Accountancy from Strathclyde University and is a member of the Chartered Accountants of Scotland.

**Umesh Mishra.** Please see "Our Directors" above for biographical information about Dr. Mishra.

**Primit Parikh** has served as our Chief Operating Officer since February 2020. Dr. Parikh is a co-founder of Transphorm Technology and has served as Transphorm Technology's Chief Operating Officer since 2007, as well

as a member of the board of directors of Transphorm Japan, Inc. since 2014. With over 20 years of semiconductor and entrepreneurial experience, his background includes experience with capital raises, international markets and strategic partnerships, products and manufacturing, intellectual property, GaN and semiconductor technology, and government contracting. Dr. Parikh co-leads overall strategy for us and is an executive champion for key customer and partner relationships. Prior to Transphorm Technology, Dr. Parikh led GaN electronics at Nitres Inc. until its acquisition in 2000 by Cree, where he was responsible for RF GaN electronics, as well as cross functional programs in LED technology. Dr. Parikh has co-authored more than 75 publications and holds more than 40 patents. He holds a B.Tech. in Electrical Engineering from IIT, Mumbai and a Ph.D. in Electrical and Computer Engineering from the University of California, Santa Barbara.

#### **Family Relationships**

There are no family relationships among any of our executive officers or directors.

#### **Code of Business Conduct and Ethics**

Our board of directors has adopted a code of business conduct and ethics that applies to all of our employees, officers and directors, including our Chief Executive Officer, Chief Financial Officer, and other executive and senior financial officers. The full text of our code of business conduct and ethics is available on our website at [www.transphormusa.com](http://www.transphormusa.com). We intend to disclose any amendments to our code of business conduct and ethics, or waivers of its requirements, on our website or in filings under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

#### **Audit Committee**

We have a standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. Directors Brittany Bagley, Julian Humphreys and David Kerko (chair) serve on the audit committee. Each of the members of the audit committee satisfies the SEC and Nasdaq standards applicable to service on the audit committee and is financially literate. In addition, our board of directors has determined that each of Ms. Bagley and Mr. Kerko is an "audit committee financial expert" within the meaning of Item 407(d) of Regulation S-K under the Securities Act of 1933, as amended.

#### **Delinquent Section 16(a) Reports**

Section 16(a) of the Exchange Act requires that our executive officers and directors, and persons who own more than 10% of our common stock, file reports of ownership and changes of ownership with the SEC. Such directors, executive officers and 10% stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. Based on our review of forms we received, or written representations from reporting persons stating that they were not required to file these forms, we believe that, during the transition period covered by this Report, all Section 16(a) filing requirements were satisfied on a timely basis.

#### **Item 11. Executive Compensation**

##### **Non-Employee Director Compensation**

We have not established a policy to provide compensation to our non-employee directors for their services in such capacity. During the year ended December 31, 2020, we did not compensate our non-employee directors for being members of our board of directors. Directors who are employed by us are not compensated for their service on our board of directors.

The following table shows the total compensation earned or paid during the transition period ended March 31, 2021 to each of our non-employee directors who served on our board of directors during such transition period.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)(2)(4)	Option Awards (\$)(3)(4)	Total (\$)
Brittany Bagley	\$ —	\$ —	\$ —	\$ —
Julian Humphreys	—	131,250	54,230	185,480
David Kerko	—	—	—	—
Katharina McFarland	—	131,250	90,507	221,757
Eiji Yatagawa	—	—	—	—

(1) Reflects the aggregate grant date fair value of the shares in accordance with FASB Accounting Standards Codification Topic 718. The aggregate grant date fair value was determined by multiplying the number of shares by \$3.75, the weighted average price of our common stock on the OTCQB on February 23, 2021, the date of the grant.

(2) On February 23, 2021, we granted to each of Dr. Humphreys and Ms. McFarland, an award of 35,000 restricted stock units (“RSUs”) and a stock option to purchase 55,000 shares of our common stock as compensation for their services on our board of directors. One-fourth of the RSUs will vest on February 23, 2022, and the remaining shares will vest in equal quarterly installments over the following three years, subject to continued service as of each such vesting date. One-fourth of the shares subject to the option will vest on February 23, 2022, and the remaining shares will vest in equal quarterly installments over the following three years, subject to continued service as of each such vesting date.

(3) Reflects the aggregate grant date fair value of the options in accordance with FASB Accounting Standards Codification Topic 718.

(4) The following table presents the aggregate number of shares underlying unvested stock awards and outstanding options held by each of our non-employee directors as of March 31, 2021.

Name	Aggregate Number of Shares Underlying Unvested Stock Awards	Aggregate Number of Shares Underlying Outstanding Options
Brittany Bagley	—	—
Julian Humphreys	35,000	55,000
David Kerko	—	—
Katharina McFarland	35,000	55,000
Eiji Yatagawa	—	—

#### Executive Compensation

As an “emerging growth company” as defined in the JOBS Act and a smaller reporting company we are not required to include a Compensation Discussion and Analysis section and have elected to comply with the scaled disclosure requirements applicable to emerging growth companies and smaller reporting companies.

## Summary Compensation Table

The following table presents information regarding the total compensation of our named executive officers, who consist of our principal executive officer and the next two most highly compensated individuals who were serving as our executive officers as of March 31, 2021.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(1)	All Other Compensation (\$)(2)	Total
Mario Rivas Chief Executive Officer	2021 Transition Period	87,500	—	—	—	11,850	99,350
	2020	363,438	—	327,480	—	47,400	738,318
	2019	350,000	—	—	—	47,400	397,400
Umesh Mishra Chief Technology Officer	2021 Transition Period	45,000	—	—	—	—	45,000
	2020	170,769	—	498,240	—	—	669,009
Primit Parikh Chief Operating Officer & Co-Founder	2021 Transition Period	75,000	—	—	—	—	75,000
	2020	284,764	—	498,240	—	—	783,004
	2019	250,000	—	—	19,894	—	269,894

(1) The amounts reported represent the aggregate grant-date fair value of the restricted stock units and/or stock options awarded to the named executive officer, calculated in accordance with ASC Topic 718. Such grant-date fair value does not take into account any estimated forfeitures related to service-based vesting conditions.

(2) Represents lease payments for the rental of a house for Mr. Rivas near our headquarters.

## Employment and Change in Control Agreements

We generally enter into offer letters of employment before an executive joins the company. This offer letter describes the basic terms of the executive's employment, including the executive's start date, starting salary and initial equity awards. None of the offer letters with our executive officers contains any change in control or severance benefits.

## Outstanding Equity Awards at March 31, 2021

The following tables present, for each of our named executive officers, information regarding outstanding stock options and other equity awards held as of March 31, 2021.

Name	Grant Date (1)	Option Awards			
		Number of Securities Underlying Unexercised Options		Option Exercise Price (\$)	Option Expiration Date (2)
		Exercisable	Unexercisable		
Mario Rivas	11/30/2016 (3)	66,313	—	4.34	11/29/2026
	11/30/2016 (3)	292,192	—	4.34	11/29/2026
Umesh Mishra	06/06/2019 (4)	4,579	2,291	3.14	06/05/2029
	11/30/2016 (3)	127,238	—	4.34	11/29/2026
	11/30/2016 (3)	272,298	—	4.34	11/29/2026
	01/25/2012 (5)	24,867	—	12.43	01/24/2022
Primit Parikh	06/06/2019 (4)	4,579	2,291	3.14	06/05/2029
	11/30/2016 (3)	82,891	—	4.34	11/29/2026
	11/30/2016 (3)	207,228	—	4.34	11/29/2026
	01/25/2012 (5)	24,867	—	12.43	01/24/2022

(1) Unless otherwise noted, each outstanding option was granted pursuant to the Transphorm Technology 2015 Equity Incentive Plan.

(2) The expiration date shown is the normal expiration date and the latest date that options may be exercised. Options may terminate earlier in certain circumstances, such as in connection with a termination of employment or change in control.

(3) This option is fully vested and exercisable.

(4) 1/12th of the shares subject to this option will vest each month beginning on August 1, 2020, subject to the executive's continued service through each applicable vesting date.

(5) This option was granted pursuant to the Transphorm Technology 2007 Stock Plan and is fully vested and exercisable.

Name	Grant Date (1)	Stock Awards	
		Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested (#)(3)
Mr. Rivas	08/27/2020	93,120	604,349
Dr. Mishra	08/27/2020	124,560	808,394
Dr. Parikh	08/27/2020	124,560	808,394

(1) Each outstanding award of restricted stock units was granted pursuant to our 2020 Equity Incentive Plan.

(2) Consists of unvested restricted stock units, which are scheduled to vest as follows: one-third on each of January 1, 2022, January 1, 2023 and July 1, 2023, in each case subject to continued service with us through the applicable vesting date.

(3) Values reported were determined by multiplying the number of unvested restricted stock units by \$6.49, the closing price of our common stock on the OTCQB on March 31, 2021.

## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

### Equity Compensation Plan Information

The following table provides information as of March 31, 2021 about our equity compensation plans under which shares of our common stock are authorized for issuance.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights(1)	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders(2)	3,478,522	4.82	1,560,503 (3)
Equity compensation plans not approved by security holders	—	—	—
Total	3,478,522		1,560,503

(1) Restricted stock units, which do not have an exercise price, are excluded from the calculation of weighted-average exercise price.

(2) Equity compensation plans approved by our stockholders include our 2020 Equity Incentive Plan (the “2020 Plan”), the Transphorm Technology, Inc. 2015 Equity Incentive Plan (the “2015 Plan”) and the Transphorm Technology, Inc. 2007 Stock Plan (the “2007 Plan”).

(3) This number represents shares of common stock reserved for future issuance under the 2020 Plan as of March 31, 2021. Subject to the adjustment provisions of the 2020 Plan, and the automatic increase described below, the maximum aggregate number of shares of our common stock that may be issued under the 2020 Plan is (i) 2,588,077 shares, plus (ii) any shares of our common stock subject to issued and outstanding awards under the 2007 Plan or 2015 Plan that were assumed by us and that, on or after February 12, 2020, expire or otherwise terminate without having been exercised or issued in full, are tendered to or withheld by us for payment of an exercise price or for tax withholding obligations, or are forfeited to or repurchased by us due to failure to vest, with the maximum number of shares to be added to the 2020 Plan pursuant to this clause (ii) equal to 2,461,923 shares. The number of shares of common stock available for issuance under the 2020 Plan will automatically increase on the first day of each fiscal year beginning with our 2022 fiscal year and ending on (and including) our 2030 fiscal year, in an amount equal to the least of (i) 5,000,000 shares, (ii) five percent (5%) of the outstanding shares of our common stock on the last day of the immediately preceding fiscal year, or (iii) such other amount as the administrator of the 2020 Plan may determine.

### Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information with respect to the beneficial ownership of our common stock as of May 31, 2021, for:

- each person (or group of affiliated persons) who is known by us to beneficially own more than 5% of our common stock;
- each of our named executive officers;
- each of our directors; and

- all of our directors and current executive officers as a group.

We have determined beneficial ownership in accordance with SEC rules. Except as indicated in the footnotes below, and subject to applicable community property laws, we believe, based on the information furnished to us, the persons and entities named in the table below have sole voting and investment power with respect to all shares shown as beneficially owned by them.

Percentage of beneficial ownership is based on 40,564,921 shares of our common stock outstanding as of May 31, 2021. In computing the number of shares beneficially owned by a person or entity and the percentage ownership of that person or entity, we deemed to be outstanding all shares of our common stock as to which such person or entity has the right to acquire within 60 days of May 31, 2021, through the exercise of any option or other right. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person or entity. Unless otherwise noted below, the address of each beneficial owner named below is c/o Transphorm, Inc., 75 Castilian Drive, Goleta, CA 93117.

Name of Beneficial Owner	Shares Beneficially Owned (#)	Percentage Beneficially Owned (%)
<b>5% Stockholders:</b>		
KKR Phorm Investors L.P. (1)	21,175,980	52.20 %
Nexperia B.V. (2)	4,000,000	9.86 %
Columbia Seligman Communications and Information Fund (3)	3,000,000	7.40 %
Yaskawa Electric Corporation (4)	3,041,657	6.98 %
<b>Named Executive Officers and Directors:</b>		
Mario Rivas (5)	371,005	*
Primit Parikh (6)	391,252	*
Brittany Bagley	—	*
Julian Humphreys	—	*
David Kerko	—	*
Katharina McFarland	—	*
Umesh Mishra (7)	516,664	1.26 %
Eiji Yatagawa (8)	—	*
<b>All directors and current executive officers as a group (9 persons) (9)</b>	<b>1,411,311</b>	<b>3.38 %</b>

\* Represents less than 1% of the total.

(1) Represents shares directly owned by KKR Phorm Investors L.P. KKR Phorm Investors GP LLC, as the general partner of KKR Phorm Investors L.P.; KKR Group Partnership L.P., as the sole member of KKR Phorm Investors GP LLC; KKR Group Holdings Corp., as the general partner of KKR Group Partnership L.P.; KKR & Co. Inc., as the sole shareholder of KKR Group Holdings Corp.; KKR Management LLP, as the Class B shareholder of KKR & Co. Inc.; and Messrs. Henry R. Kravis and George R. Roberts, as founding partners of KKR Management LLP, may be deemed to be the beneficial owners with respect to the shares directly owned by KKR Phorm Investors L.P. The principal business address of each of the entities and persons identified in this paragraph, except Mr. Roberts, is c/o Kohlberg Kravis Roberts & Co. L.P., 9 West 57th Street, Suite 4200, New York, NY 10019. The principal business address for Mr. Roberts is c/o Kohlberg Kravis Roberts & Co. L.P., 2800 Sand Hill Road, Suite 200, Menlo Park, CA 94025. Each of Messrs. Kravis and Roberts disclaims beneficial ownership of the shares held by KKR Phorm Investors L.P.

(2) Wingtech Technology Co. Ltd. owns 80% of the equity of Nexperia B.V. ("Nexperia") and may be deemed to be the beneficial owner having voting and dispositive power with respect to these shares. The principal business address of Wingtech Technology Co. Ltd. 4F-6F, Building 4 of Juxin Yuan, No. 188, Pingfu Road, Xuhui District, Shanghai, China. The principal business address of Nexperia B.V. is Jonkerbosplein 52, 6534 AB Nijmegen, The Netherlands.

(3) Columbia Management Investment Advisers, LLC ("CMIA") is the investment adviser for the account that holds these shares. Ameriprise Financial, Inc. ("AFI") is the parent holding company of CMIA. CMIA and AFI do not directly own any shares of our common stock. As the investment adviser to the accounts, CMIA may be deemed to beneficially own these shares. Each of CMIA and AFI disclaims beneficial ownership of these shares. The address for CMIA and Columbia Seligman Communications and Information Fund is 225 Franklin Street, Boston, MA 02110. The address for AFI is 1099 Ameriprise Financial Center, Minneapolis, MN 55474.

(4) All such shares are issuable upon conversion of a convertible promissory note within 60 days of May 30, 2021. The principal business address of Yaskawa Electric Corporation is 2-1 Kurosakishiroishi, Yahatanishi-ku, Kitakyushu 806-0004, Japan.

(5) Consists of (i) 12,500 shares of common stock held by Mr. Rivas and (ii) 358,505 shares of common stock issuable pursuant to stock options that are exercisable within 60 days of May 30, 2021.

(6) Consists of (i) 69,396 shares of common stock held by Dr. Parikh and (ii) 321,856 shares of common stock issuable pursuant to stock options that are exercisable within 60 days of May 30, 2021.

(7) Consists of (i) 85,391 shares of common stock held by Dr. Mishra and (ii) 431,273 shares of common stock issuable pursuant to stock options that are exercisable within 60 days of May 30, 2021.

(8) Mr. Yatagawa is a member of our board of directors and serves as an executive of Kohlberg Kravis Roberts & Co. L.P. and/or one or more of its affiliates. Mr. Yatagawa disclaims beneficial ownership of the shares held by KKR Phorm Investors L.P. The principal business address of Mr. Yatagawa is c/o Kohlberg Kravis Roberts & Co. L.P., 9 West 57th Street, New York, New York 10019.

(9) Includes 1,241,524 shares of common stock issuable pursuant to stock options that are exercisable within 60 days of May 30, 2021.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

The following is a description of transactions since April 1, 2020 and each currently proposed transaction in which:

- we have been or are to be a participant;
- the amount involved exceeded or will exceed the lesser of \$120,000 or one percent of the average of our total assets at year-end for our last two completed fiscal years; and
- any of our directors, executive officers or beneficial owners of more than 5% of our capital stock, or any immediate family member of, or person sharing the household with, any of these individuals or entities, had or will have a direct or indirect material interest, other than compensation and other arrangements that are described in the section titled "Executive Compensation."

### **Private Placements**

In December 2020, Columbia Seligman Communications and Information Fund ("Columbia") purchased 3,000,000 shares of common stock from us in a private placement, for an aggregate purchase price of \$9,000,000.



### **Indemnification Agreement**

We are party to an indemnification agreement with KKR Phorm Investors L.P. (“Phorm”), pursuant to which we will indemnify Phorm and its affiliates (including their respective directors, officers, managers, controlling persons and employees) and the members of our board of directors designated by Phorm (each, a “Phorm Designee”) against liabilities arising in connection with, among other things, (i) Phorm’s acquisition and ownership of our common stock and involvement in the merger of Peninsula Acquisition Sub, Inc. with and into Transphorm Technology, (ii) Phorm and its affiliates’ provision of financial advisory, investment banking, syndication, monitoring and management consulting services to us and/or our subsidiaries (including in connection with any future offer or sale of securities of us or any of our subsidiaries), and (iii) any Phorm Designee’s service on our board of directors or the board of directors of any of our subsidiaries.

### **Stockholders Agreement**

We are party to a stockholders agreement with Phorm (the “Phorm Stockholders Agreement”), pursuant to which we are required to take all necessary action for individuals designated by Phorm to be included in the slate of nominees recommended by the board of directors for election by our stockholders. Under 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. The Phorm Stockholders Agreement also provides that so long as Phorm beneficially owns 20% or more of our then-outstanding shares of common stock, we will agree to take all necessary action to cause a Phorm Designee to serve as chair of the board of directors. The Phorm Stockholders Agreement also provides that Phorm may nominate at least one member of each committee that may be established by the board of directors. Phorm may assign these and other governance rights to certain transferees.

### **Phorm Lock-Up Agreement**

In July 2020, we entered into a lock-up agreement with Phorm, pursuant to which Phorm agreed that until June 30, 2021, Phorm will not, without our prior written consent, offer, pledge, sell, contract to sell, grant any option, right or warrant to purchase, make any short sale, or otherwise transfer or dispose of or lend, directly or indirectly, any of our shares of common stock, or any securities convertible into, exercisable or exchangeable for or that represent the right to receive shares of our common stock, subject to certain exceptions.

### **Registration Rights Agreement**

In December 2020, we entered into a registration rights agreement with the investors that purchased our common stock in a private placement, including Columbia. Pursuant to the registration rights agreement, we filed a registration statement with the SEC covering the resale of shares of our common stock held by such investors, which was declared effective by the SEC in January 2021. We must use commercially reasonable efforts to keep such registration statement effective for up to three years from the date it was declared effective by the SEC. Subject to customary exceptions, if we fail to maintain the effectiveness of the registration statement or if trading of our common stock is suspended or halted for more than three full, consecutive trading days, we agreed to make payments to each holder of registrable shares, as liquidated damages, a cash sum calculated at a rate equal to 12% per annum of the total value of registrable shares held or purchased by such holder and affected during the period, based on the monetary values assigned in the registration rights agreement, provided that the maximum amount of liquidated damages paid by us will not exceed the aggregate value of such holder’s shares (with such value based on the monetary values assigned in the registration rights agreement) that are affected by our failure to maintain the effectiveness of the registration statement or by the suspension of trading of our common stock.

## Relationship with Nexperia

The descriptions set forth in Item 1 of this Report under “Business—Nexperia Cooperation Agreement” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Cash Flows—Nexperia Loan and Security Agreement” are incorporated herein by reference.

## Yaskawa Cooperation and Development Agreement

In December 2020, we entered into a cooperation and development agreement with Yaskawa, pursuant to which Yaskawa agreed to provide \$4.0 million over three years to fund our development activities related to industrial power conversion applications, with an initial focus on servo motor drive applications. Yaskawa provided \$1.0 million of this \$4.0 million commitment in December 2020.

## Review, Approval and Ratification of Related Party Transactions

Prior to July 2020, we did not have a formal review and approval policy for related party transactions. In July 2020, we adopted a formal, written policy, providing that management shall review with the audit committee of our board of directors any proposed related party transactions or any related party transactions of which they have become aware and which have not previously been approved by the audit committee. After review, the audit committee shall approve, ratify or disapprove such transactions. For purposes of our policy, a related party means any of our executive officers, directors (including director nominees), holders of more than 5% of any class of our voting securities and any member of the immediate family of or any entities affiliated with any of the foregoing persons, and a related party transaction means a transaction, arrangement or relationship where we were, are or will be involved and in which a related party had, has or will have a direct or indirect material interest and the aggregate amount exceeds \$120,000.

Our policy also provides that the following types of transactions, among others, with related parties are deemed pre-approved, even if the aggregate amount will exceed \$120,000:

- compensation paid to a director or executive officer if such compensation is approved by the compensation committee or our board of directors or is required to be reported in our annual proxy statement;
- any transaction with another company, other than an acquisition by us of that company, if the only relationship that the related party has with such company is as a non-executive employee, director or beneficial owner of less than 10% of such company’s equity, provided that the aggregate amount involved in such transaction does not exceed the greater of \$200,000 or 5% of that company’s total annual revenues and that the transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances;
- any charitable contribution by us to a charitable organization, if the only relationship the related party has with such organization is as a non-executive employee or director, provided that the aggregate amount involved in such transaction does not exceed the greater of \$200,000 or 5% of such organization’s total annual receipts;
- any transaction in which the related person’s interest arises solely from beneficially owning our common stock if all of our stockholders receive the same benefit on a pro rata basis; and
- any indemnification or advancement of expenses made pursuant to our certificate of incorporation or bylaws or pursuant to any agreement.

The agreements and transactions described above that were entered into prior to adoption of our policy were entered into after presentation, consideration and approval by our board of directors. The agreements and

transactions described above that were entered into after adoption of our policy were reviewed and approved or ratified by the audit committee of our board of directors in accordance with our policy.

#### Director Independence

Our securities are not listed on a national securities exchange or on any inter-dealer quotation system that has a requirement that a majority of directors be independent. Nevertheless, our board of directors has undertaken a review of the independence of each director using the standards for director independence set forth in the Nasdaq Listing Rules and has determined that Brittany Bagley, Julian Humphreys, David Kerko and Katharina McFarland are independent directors. The Nasdaq independence definition includes a series of objective tests, such as that the director is not, and has not been for at least three years, one of our employees and that neither the director nor any of the director's family members has engaged in various types of business dealings with us. In addition, our board of directors has made a subjective determination as to each independent director that no relationships exist, which, in the opinion of our board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making these determinations, our board of directors reviewed and discussed information provided by the directors with regard to each director's business and personal activities and relationships as they may relate to us and our management. In considering the independence of the directors listed above, our board of directors considered the relationship of our directors with the holders of more than 5% of our common stock.

#### Item 14. Principal Accountant Fees and Services

In accordance with its charter, the audit committee approves in advance all audit and permissible non-audit services that will be provided by Marcum LLP, our independent registered public accounting firm.

The following table presents fees billed for professional audit services and other services rendered by Marcum LLP with respect to the transition period ended March 31, 2021 and each of the last two fiscal years.

	<b>Three Month Transition Period</b>		
	<b>Ended March 31, 2021</b>	<b>Year Ended December 31, 2020</b>	<b>Year Ended December 31, 2019</b>
Audit Fees (1)	\$ 248,000	\$ 459,380	\$ 334,750
Audit-Related Fees	—	—	—
Tax Fees	—	—	—
All Other Fees	—	—	—
<b>Total</b>	<b>\$ 248,000</b>	<b>\$ 459,380</b>	<b>\$ 334,750</b>

(1) Audit fees consist of fees for professional services provided in connection with the audit of our annual consolidated financial statements and the review of our quarterly consolidated financial statements and audit services provided in connection with other statutory and regulatory filings.

**Part IV**

**Item 15. Exhibit and Financial Statement Schedules**

(a) The following documents are filed as part of, or incorporated by reference into, this Transition Report on Form 10-K:

1. Financial Statements: See Item 8 of this Transition Report on Form 10-K.
2. Financial Statement Schedules: All schedules are omitted because they are not required, are not applicable or the information is included in the consolidated financial statements or notes thereto.

(b) The following exhibits are filed as part of, or incorporated by reference into, this Transition Report on Form 10-K:

Exhibit Number	Exhibit Description	Filed with this Report	Incorporated by Reference			
			Form	Exhibit No.	Filing Date	SEC File No.
1.1	<a href="#">Placement Agent Agreement between the Company and Loop Capital Markets LLC, dated December 22, 2020, including form of lock-up agreement</a>		8-K	1.1	December 22, 2020	000-55832
2.1 ‡	<a href="#">Agreement and Plan of Merger and Reorganization, dated February 12, 2020, by and among the Registrant, Peninsula Acquisition Sub, Inc. and Transphorm Technology</a>		8-K	2.1	February 14, 2020	000-55832
3.1	<a href="#">Certificate of Merger relating to the merger of Peninsula Acquisition Sub, Inc. with and into Transphorm Technology, filed with the Secretary of State of Delaware on February 12, 2020</a>		8-K	3.1	February 14, 2020	000-55832
3.2	<a href="#">Certificate of Amendment to Certificate of Incorporation, filed with the Secretary of State of Delaware on February 12, 2020</a>		8-K	3.2	February 14, 2020	000-55832
3.3	<a href="#">Amended and Restated Certificate of Incorporation of the Registrant</a>		10-Q	3.1	August 11, 2020	000-55832
3.4	<a href="#">Amended and Restated Bylaws of the Registrant</a>		8-K	3.1	June 3, 2020	000-55832
4.1.1 *	<a href="#">Form of Registration Rights Agreement, effective as of February 12, 2020</a>		8-K	4.1	February 14, 2020	000-55832
4.1.2	<a href="#">Amendment to Registration Rights Agreement</a>		10-Q	4.1.1	May 14, 2020	000-55832
4.2	<a href="#">Stockholders Agreement, dated February 12, 2020, by and between the Registrant and KKR Phorm Investors L.P.</a>		8-K	4.2	February 14, 2020	000-55832
4.3*	<a href="#">Registration Rights Agreement, dated December 23, 2020, by and between the Registrant and the signatories thereto</a>		8-K	4.1	December 30, 2020	000-55832
4.4	<a href="#">Specimen common stock certificate of the Registrant</a>		10-K	4.4	March 11, 2021	000-55832
4.5	<a href="#">Description of Registrant's securities</a>		10-K	4.5	March 11, 2021	000-55832
10.1 *	<a href="#">Form of Subscription Agreement, dated December 23, 2020</a>		8-K	10.1	December 30, 2020	000-55832
10.2	<a href="#">Form of Placement Agent Warrant, dated December 23, 2020</a>		8-K	10.2	December 30, 2020	000-55832
10.3.1 #	<a href="#">2007 Stock Plan</a>		8-K	10.3.1	February 14, 2020	000-55832
10.3.2 #	<a href="#">Form of Stock Option Agreement under 2007 Stock Plan</a>		8-K	10.3.2	February 14, 2020	000-55832
10.4.1 #	<a href="#">2015 Equity Incentive Plan</a>		8-K	10.4.1	February 14, 2020	000-55832
10.4.2 #	<a href="#">Form of Stock Option Agreement under 2015 Equity Incentive Plan</a>		8-K	10.4.2	February 14, 2020	000-55832
10.5.1 #	<a href="#">2020 Equity Incentive Plan</a>		8-K	10.5	February 14, 2020	000-55832

10.5.2 #	<a href="#">Form of Stock Option Agreement under 2020 Equity Incentive Plan</a>		10-Q	10.5.2	May 14, 2020	000-55832
10.5.3 #	<a href="#">Form of Restricted Stock Unit Agreement under 2020 Equity Incentive Plan</a>		10-Q	10.1	November 10, 2020	000-55832
10.6	<a href="#">Lock-Up Agreement, effective July 13, 2020, between the Registrant and KKR Phorm Investors L.P.</a>		10-Q	10.3	August 11, 2020	000-55832
10.7 *	<a href="#">Form of Subscription Agreement, dated February 12, 2020</a>		8-K	10.7	February 14, 2020	000-55832
10.8 #	<a href="#">Offer Letter, dated as of October 13, 2015, by and between Transphorm Technology and Mario Rivas</a>		8-K	10.8	February 14, 2020	000-55832
10.9 #	<a href="#">Offer Letter, dated as of March 22, 2007, by and between Transphorm Technology and Primit Parikh</a>		8-K	10.9	February 14, 2020	000-55832
10.10 #	<a href="#">Offer Letter, dated as of October 14, 2015, by and between Transphorm Technology and Cameron McAulay</a>		8-K	10.10	February 14, 2020	000-55832
10.11.1 †	<a href="#">Award Contract, dated December 13, 2018, by and between Transphorm Technology and Naval Air Warfare Center Aircraft Division</a>		8-K	10.11.1	February 14, 2020	000-55832
10.11.2 †	<a href="#">Amendment of Solicitation, dated February 14, 2019, by and between Transphorm Technology and Naval Air Warfare Center Aircraft Division</a>		8-K	10.11.2	February 14, 2020	000-55832
10.11.3 †	<a href="#">Amendment of Solicitation, dated June 6, 2019, by and between Transphorm Technology and Naval Air Warfare Center Aircraft Division</a>		8-K	10.11.3	February 14, 2020	000-55832
10.11.4	<a href="#">Amendment of Solicitation, dated September 12, 2019, by and between Transphorm Technology and Naval Air Warfare Center Aircraft Division</a>		8-K	10.11.4	February 14, 2020	000-55832
10.11.5 †	<a href="#">Amendment of Solicitation, dated November 27, 2019, by and between Transphorm Technology and Naval Air Warfare Center Aircraft Division</a>		8-K	10.11.5	February 14, 2020	000-55832
10.12.1 †	<a href="#">Joint Venture Agreement, dated as of May 23, 2017, by and among Aizu Fujitsu Semiconductor Limited, Fujitsu Semiconductor Limited, Transphorm Technology and Transphorm Aizu, Inc.</a>		8-K	10.12.1	February 14, 2020	000-55832
10.12.2 †	<a href="#">First Amendment to the Joint Venture Agreement, dated as of September 1, 2018, by and between Aizu Fujitsu Semiconductor Limited, Fujitsu Semiconductor Limited, Transphorm Technology and Transphorm Aizu, Inc.</a>		8-K	10.12.2	February 14, 2020	000-55832
10.13.1 †	<a href="#">Supply Agreement, dated April 4, 2018, between Transphorm Technology and Nexperia</a>		8-K	10.13.1	February 14, 2020	000-55832
10.13.2	<a href="#">Amendment No. 1 to Supply Agreement, dated February 7, 2020, between Transphorm Technology and Nexperia</a>		8-K	10.13.2	February 14, 2020	000-55832
10.13.3 †	<a href="#">Amended and Restated Supply Agreement, dated May 18, 2021, between the Registrant and Nexperia</a>	X				
10.14.1 †	<a href="#">Loan and Security Agreement, dated April 4, 2018, between Transphorm Technology and Nexperia</a>		8-K	10.14.1	February 14, 2020	000-55832
10.14.2 †	<a href="#">Amendment No. 1 to Loan and Security Agreement, dated March 21, 2019, between Transphorm Technology and Nexperia</a>		8-K	10.14.2	February 14, 2020	000-55832
10.14.3	<a href="#">Amendment No. 2 to Loan and Security Agreement, dated February 7, 2020, between Transphorm Technology and Nexperia</a>		8-K	10.14.3	February 14, 2020	000-55832
10.14.4	<a href="#">Amendment No. 3 to Loan and Security Agreement, dated April 8, 2020, between Transphorm Technology and Nexperia</a>		10-Q	10.14.4	May 14, 2020	000-55832
10.14.5	<a href="#">Amendment No. 4 to Loan and Security Agreement, dated April 28, 2020, between Transphorm Technology and Nexperia</a>		10-Q	10.14.5	May 14, 2020	000-55832
10.14.6	<a href="#">Amendment No. 5 to Loan and Security Agreement, dated March 1, 2021, between Transphorm Technology and Nexperia</a>	X				

10.14.7	<a href="#">Amendment No. 6 to Loan and Security Agreement, dated May 18, 2021, between the Registrant, Transphorm Technology and Nexperia</a>	X				
10.15.1 †	<a href="#">Development and License Agreement, dated April 4, 2018, between Transphorm Technology and Nexperia</a>	8-K	10.15.1	February 14, 2020	000-55832	
10.15.2 †	<a href="#">Amendment No. 1 to Development and License Agreement, dated March 21, 2019, between Transphorm Technology and Nexperia</a>	8-K	10.15.2	February 14, 2020	000-55832	
10.15.3	<a href="#">Amendment No. 2 to Development and License Agreement, dated February 7, 2020, between Transphorm Technology and Nexperia</a>	8-K	10.15.3	February 14, 2020	000-55832	
10.15.4 †	<a href="#">Amended and Restated Development and License Agreement, dated May 18, 2021, between the Registrant, Transphorm Technology and Nexperia</a>	X				
10.16.1	<a href="#">Standard Industrial/Commercial Multi-Tenant Lease, dated June 23, 2010, by and between Transphorm Technology and Castilian LLC, for the premises located at 75 Castilian Drive, Goleta, CA 93117</a>	8-K	10.16.1	February 14, 2020	000-55832	
10.16.2	<a href="#">First Amendment to Lease, dated January 22, 2016, by and between Transphorm Technology and Castilian, LLC, for the premises located at 75 Castilian Drive, Goleta, CA 93117</a>	8-K	10.16.2	February 14, 2020	000-55832	
10.17.1	<a href="#">Standard Industrial/Commercial Multi-Tenant Lease, dated October 14, 2008, by and between Transphorm Technology and Frieslander Holdings, LLC and Nederlander Holdings, LLC, for the premises located at 111 Castilian Drive, Suite B, Goleta, CA 93117</a>	8-K	10.17.1	February 14, 2020	000-55832	
10.17.2	<a href="#">First Amendment to Standard Industrial/Commercial Multi-Tenant Lease, dated March 17, 2009, by and between Transphorm Technology and Frieslander Holdings, LLC and Nederlander Holdings, LLC, for the premises located at 111 Castilian Drive, Suite B, Goleta, CA 93117</a>	8-K	10.17.2	February 14, 2020	000-55832	
10.17.3	<a href="#">Second Amendment to Standard Industrial/Commercial Multi-Tenant Lease, dated August 1, 2011, by and between Transphorm Technology and Frieslander Holdings, LLC and Nederlander Holdings, LLC, for the premises located at 115 Castilian Drive, Suite B, Goleta, CA 93117, formerly known as 111 Castilian Drive, Suite B, Goleta, CA 93117</a>	8-K	10.17.3	February 14, 2020	000-55832	
10.17.4	<a href="#">Third Amendment to Standard Industrial/Commercial Multi-Tenant Lease, dated November 24, 2015, by and between Transphorm Technology and Frieslander Holdings, LLC and Nederlander Holdings, LLC, for the premises located at 115 Castilian Drive, Suite B, Goleta, CA 93117, formerly known as 111 Castilian Drive, Suite B, Goleta, CA 93117</a>	8-K	10.17.4	February 14, 2020	000-55832	
10.18	<a href="#">Form of Director and Officer Indemnification Agreement</a>	8-K	10.18	February 14, 2020	000-55832	
10.19	<a href="#">Form of Pre-Merger Indemnity Agreement</a>	8-K	10.19	February 14, 2020	000-55832	
10.20.1 *	<a href="#">Warrant to Purchase Shares of Series Preferred Stock, dated November 3, 2010, by and between Transphorm Technology and Leader Equity, LLC ("Leader Warrant")</a>	8-K	10.21.1	February 14, 2020	000-55832	
10.20.2	<a href="#">Letter Amendment to Leader Warrant, dated May 21, 2015, by and between Transphorm Technology and Leader Ventures, LLC</a>	8-K	10.21.2	February 14, 2020	000-55832	
10.20.3	<a href="#">Amendment to Leader Warrant, dated February 4, 2020, by and between Transphorm Technology and Leader Ventures, LLC</a>	8-K	10.21.3	February 14, 2020	000-55832	
10.21.1	<a href="#">Plain English Warrant Agreement, dated November 3, 2010, by and between Transphorm Technology and TriplePoint Capital, LLC ("First TriplePoint Warrant")</a>	8-K	10.22.1	February 14, 2020	000-55832	

10.21.2	<a href="#">Plain English Warrant Agreement, dated December 2, 2010, by and between Transphorm Technology and TriplePoint Capital, LLC ("Second TriplePoint Warrant")</a>	8-K	10.22.2	February 14, 2020	000-55832
10.21.3	<a href="#">Letter Amendment to First TriplePoint Warrant and Second TriplePoint Warrant, dated May 20, 2015, by and between Transphorm Technology and TriplePoint Capital LLC</a>	8-K	10.22.3	February 14, 2020	000-55832
10.21.4	<a href="#">Amendment to First TriplePoint Warrant, dated February 10, 2020, by and between Transphorm Technology and TriplePoint Capital LLC</a>	8-K	10.22.4	February 14, 2020	000-55832
10.21.5	<a href="#">Amendment to Second TriplePoint Warrant, dated February 10, 2020, by and between Transphorm Technology and TriplePoint Capital LLC</a>	8-K	10.22.5	February 14, 2020	000-55832
10.22.1 *	<a href="#">Subordinated Convertible Promissory Note, dated October 4, 2017, by and between Transphorm Technology and Yaskawa</a>	8-K	10.23.1	February 14, 2020	000-55832
10.22.2	<a href="#">Waiver, Consent and Amendment Agreement, dated March 16, 2018, by and between Transphorm Technology and Yaskawa</a>	8-K	10.23.2	February 14, 2020	000-55832
10.22.3	<a href="#">Consent, Guaranty and Amendment Agreement, dated February 10, 2020, by and between Transphorm Technology and Yaskawa</a>	8-K	10.23.3	February 14, 2020	000-55832
10.23.1 †	<a href="#">License Agreement dated September 1, 2007, by and between Transphorm Technology and The Regents of the University of California</a>	8-K	10.24.1	February 14, 2020	000-55832
10.23.2 †	<a href="#">Eleventh Amendment to License Agreement dated October 29, 2019, by and between Transphorm Technology and the Regents of the University of California</a>	8-K	10.24.2	February 14, 2020	000-55832
10.24.1 †	<a href="#">Intracompany License Agreement, dated Oct. 14, 2019, by and between Transphorm Japan and Transphorm Technology</a>	8-K	10.25	February 14, 2020	000-55832
10.24.2 †	<a href="#">Amended and Restated License Agreement, dated May 18, 2021, between the Registrant, Transphorm Japan Epi and Nexperia</a>	X			
10.25 †	<a href="#">Strategic Cooperation Agreement, dated May 18, 2021, between the Registrant, Transphorm Technology, Transphorm Japan Epi and Nexperia</a>	X			
10.26 †	<a href="#">Option Agreement, dated May 18, 2021, between the Registrant, Transphorm Technology, Transphorm Japan Epi and Nexperia</a>	X			
10.27	<a href="#">Indemnification Agreement, dated February 12, 2020, by and between Registrant and KKR Phorm Investors L.P.</a>	8-K	10.28	February 14, 2020	000-55832
21.1	<a href="#">List of Subsidiaries</a>	S-1	21.1	January 20, 2021	333-252269
23.1	<a href="#">Consent of Marcum LLP, Independent Registered Public Accounting Firm</a>	X			
24.1	<a href="#">Power of Attorney (included on the signature page hereto)</a>	X			
31.1	<a href="#">Certification of Chief Executive Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002</a>	X			
31.2	<a href="#">Certification of Chief Financial Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002</a>	X			
32.1	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>	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

‡ Annexes, schedules and/or exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Registrant hereby undertakes to furnish supplementally a copy of any of the omitted schedules and exhibits to the SEC on a confidential basis upon request.

\* Annexes, schedules and/or exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Registrant hereby undertakes to furnish supplementally a copy of any of the omitted schedules and exhibits to the SEC on a confidential basis upon request.

# Indicates management contract or compensatory plan.

† Portions of the exhibit, marked by brackets, have been omitted because the omitted information (i) is not material and (ii) would likely cause competitive harm if publicly disclosed.

**Item 16. Form 10-K Summary**

None



### Signatures

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: June 23, 2021

Transphorm, Inc.  
By: /s/ Mario Rivas  
Mario Rivas  
Chief Executive Officer

### Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Mario Rivas and Cameron McAulay and each of them, as his true and lawful attorney-in-fact and agent with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Transition Report on Form 10-KT and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming that said attorney-in-fact and agent, or his substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Mario Rivas</u> Mario Rivas	Chief Executive Officer and Director (Principal Executive Officer)	June 23, 2021
<u>/s/ Cameron McAulay</u> Cameron McAulay	Chief Financial Officer (Principal Financial and Accounting Officer)	June 23, 2021
<u>/s/ Brittany Bagley</u> Brittany Bagley	Director	June 23, 2021
<u>/s/ Julian Humphreys</u> Julian Humphreys	Director	June 23, 2021
<u>/s/ David Kerko</u> David Kerko	Director	June 23, 2021
<u>/s/ Katharina McFarland</u> Katharina McFarland	Director	June 23, 2021
<u>/s/ Umesh Mishra</u> Umesh Mishra	Chief Technology Officer and Director	June 23, 2021
<u>/s/ Eiji Yatagawa</u> Eiji Yatagawa	Director	June 23, 2021

[\*\*\*] Certain information in this document has been excluded because it both (i) is not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

### STRATEGIC COOPERATION AGREEMENT

This Strategic Cooperation Agreement (“**Agreement**”) is made and entered into as of May 18, 2021 by and among **Nexperia B.V.**, a private limited liability company incorporated under the laws of the Netherlands with its principal office located at Jonkerbosplein 52, 6534AB Nijmegen, the Netherlands (“**Nexperia**”), Transphorm, Inc., a Delaware corporation with its principal office located at 75 Castilian Drive, Goleta, California 93117, U.S.A. (“**TopCo**”), Transphorm Technology, Inc., a Delaware corporation and wholly-owned subsidiary of TopCo (“**OpCo**”), Transphorm Japan, Inc., a Japanese company and wholly-owned subsidiary of OpCo (“**TPJ**”), and Transphorm Japan Epi, Inc., a Japanese company and wholly-owned subsidiary of TPJ (“**TJE**,” and collectively with TopCo, OpCo and TPJ, “**Transphorm**”). Nexperia and Transphorm also are hereinafter referred to individually as a “**Party**” and collectively as the “**Parties**.”

WHEREAS, Nexperia is engaged in the business of designing, manufacturing and selling a broad range of semiconductor devices;

WHEREAS, Transphorm is engaged in the business of designing, developing and selling GaN products;

WHEREAS, OpCo and Nexperia entered into that certain Series 3 Preferred Stock Financing and Related Transactions on April 4th, 2018 and have since had a long term business relationship whereby (a) they each supply certain of their respective products to the other, (b) Nexperia funded OpCo’s development of certain manufacturing technology, and OpCo agreed to transfer and license such technology to Nexperia upon completion of such funding, and (c) in connection with the foregoing, OpCo and Nexperia are parties to a number of agreements and amendments thereto, including, without limitation, the Development and License Agreement, Supply Agreement, Loan and Security Agreement, MoU, and Knowledge Transfer MoU (each as defined below);

WHEREAS, OpCo and TJE are parties to the Intracompany License Agreement (as defined below), and TJE is a party to the Aizu Agreement (as defined below);

WHEREAS, in February 2020, Transphorm effected a corporate restructuring pursuant to which OpCo became a wholly-owned subsidiary of TopCo (the “**TPH Restructuring**”);

WHEREAS, the Parties are entering into this Agreement to (a) identify the various existing agreements constituting the relationship among the Parties, (b) update the relationship among the Parties to account for the TPH Restructuring, (c) memorialize certain expansions of the relationship among the Parties, (d) agree on the terms and conditions under which Nexperia may exercise the Option (as defined in the Option Agreement, as defined below), (e) obligate TopCo to cause OpCo, TPJ and TJE to perform their respective obligations under the respective Cooperation Agreements (as defined below), and (f) otherwise memorialize the arrangements among the Parties; and

WHEREAS, on the date hereof Transphorm and Nexperia are also entering into (a) an amendment and restatement of the Development and License Agreement, (b) an amendment and restatement of the Supply Agreement, (c) an amendment to the Loan and Security Agreement and (d) the Option Agreement (as defined below) all aimed at securing a long term supply relationship necessary for the entry by Nexperia as an automotive GaN power supplier;

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereto agree as follows:

#### ARTICLE 1: CONTINUATION OF COLLABORATION; TOPCO OBLIGATION

The Parties acknowledge that they have invested valuable resources in the business relationship under the Cooperation Agreements to secure a long term commercial collaboration and either Party may suffer irreparable harm if the other Party fails to perform under any of the Cooperation Agreements. The Parties hereby agree to continue to perform their respective obligations under the Cooperation Agreements following the TPH Restructuring. TopCo hereby agrees to cause each of OpCo, TPJ and TJE to perform their respective obligations under and in accordance with the applicable Cooperation Agreements.

## ARTICLE 2: AGREEMENTS OF THE PARTIES

**2.1. Development and License Agreement.** Pursuant to that certain Development and License Agreement, dated as of April 4, 2018, as amended by Amendment No. 1, dated as of March 21, 2019, and Amendment No. 2, dated as of February 7, 2020, by and between OpCo and Nexperia (the “**Development and License Agreement**”), Transphorm develops, transfers and licenses certain OpCo-developed manufacturing process technology to Nexperia as more particularly described in the Statements of Work entered into pursuant thereto (the “**SOWs**”), with a limited exclusivity to Nexperia in exchange for funding OpCo’s technology development. Concurrently with the execution of this Agreement, TopCo, OpCo and Nexperia are entering into an amendment and restatement of the Development and License Agreement in the form appended hereto as **Appendix 1**.

**2.2. Supply Agreement.** Pursuant to that certain Supply Agreement, dated as of April 4, 2018, as amended by Amendment No. 1, dated as of February 7, 2020, by and between Nexperia and OpCo (the “**Supply Agreement**”), OpCo supplies the Epi Wafers and certain Transphorm Products (each as defined in the Supply Agreement) to Nexperia, and Nexperia supplies the Nexperia Products (as defined in the Supply Agreement) to Transphorm. Concurrently with the execution of this Agreement, TopCo, OpCo and Nexperia are entering into an amendment and restatement of the Supply Agreement in the form appended hereto as **Appendix 2**.

**2.3. Loan and Security Agreement.** Pursuant to that certain Loan and Security Agreement dated as of April 4, 2018, as amended by Amendment No. 1, dated as of March 21, 2019, Amendment No. 2, dated as of February 7, 2020, Amendment No. 3, dated as of April 8, 2020, and Amendment No. 4, dated as of April 28, 2020, by and between OpCo and Nexperia (the “**Loan and Security Agreement**”), Nexperia agrees to make three term loans of \$5 million (Tranche A), \$8 million (Tranche B) and \$2 million (Tranche B-1) and a \$10 million revolver (Tranche C) to OpCo and OpCo agrees to grant Nexperia a continuing security interest in, and pledge to Nexperia of, the Collateral (as defined in the Loan and Security Agreement), wherever located, whether then owned or thereafter acquired or arising, and all Proceeds (as defined in the Loan and Security Agreement) and products thereof, to secure the payment and performance in full of all of the Obligations (as defined in the Loan and Security Agreement). Transphorm has requested Nexperia to extend the maturity date on the Tranche C loan. Concurrently with the execution of this Agreement, TopCo, OpCo and Nexperia are entering into Amendment No. 5 to the Loan and Security Agreement to (a) provide a parent guaranty by TopCo under the Loan and Security Agreement, and (b) allow for an extension to the Tranche C loan for an additional two (2) years. The Loan and Security Agreement, as amended, is appended hereto as **Appendix 4**.

### 2.4. Agreements Relating to the EPI Business.

**2.4.1. Memorandum of Understanding.** Pursuant to that certain Memorandum of Understanding, dated June 18, 2019, by and between OpCo and Nexperia (the “**MoU**”), OpCo and Nexperia agree to negotiate (a) a plan for transferring to Nexperia certain GaN device knowledge relating to the use of the technology developed for Nexperia under the Development and License Agreement and the SOWs thereunder, and (b) a project to activate production by a subsidiary of Transphorm of epitaxial wafers that meet Nexperia’s demand as set forth in the Supply Agreement. Concurrently with the execution of this Agreement, a new schedule (the “**Schedule**”) is being attached to the MoU to reflect that the transfers of [\*\*\*] and [\*\*\*] are expected to be completed on or before [\*\*\*] and [\*\*\*], respectively. Subsequent to entering into the MoU, the Parties have entered into additional agreements that supersede the provisions of the MoU. The MoU and the Schedule are appended hereto as **Appendix 5**.

**2.4.2. Memorandum of Understanding - Knowledge Transfer.** Pursuant to that certain Memorandum of Understanding - Knowledge Transfer, dated October 10, 2019, by and between OpCo and Nexperia (the

CONFIDENTIAL

“**Knowledge Transfer MoU**”), OpCo agrees to render certain services in order to enable Nexperia’s affiliate in Hamburg, Germany to use the technology developed for Nexperia under the Development and License Agreement and the SOWs. The Knowledge Transfer MoU is appended hereto as **Appendix 6**.

2.4.3. **Intracompany License Agreement.** Pursuant to that certain Intracompany License Agreement, dated as of October 14, 2019, by and between TJE and OpCo, as supplemented by Letter Agreement dated as of October 22, 2019, by and among TJE, TPJ and Nexperia (collectively, the “**Intracompany License Agreement**”): (i) OpCo grants to TJE certain licenses under the Licensed IP Rights (as defined in the Intracompany License Agreement) to enable TJE to provide OpCo with certain services relating to the development, manufacturing and sales of GaN based power semiconductor epitaxial wafer products, and (ii) OpCo agrees to execute and cause TJE to execute the plan for transfer of Epi Technology (as defined in the Intracompany License Agreement) to TJE as set forth in Schedule 1 thereto, subject to Nexperia’s ongoing payments to TJE of the service fees set forth in Schedule 1 thereto. Parties agree that the Intracompany License Agreement shall be amended and restated concurrently with the execution of this Agreement in the form as appended hereto as **Appendix 7**.

2.4.4. **Aizu Agreement.** Pursuant to that certain Aizu MOCVD Restart Support Agreement, dated as of October 1, 2019, by and between Aizu Fujitsu Semiconductor Wafer Solution Limited (“**AFSW**”) and TJE (the “**Aizu Agreement**”), AFSW agrees to restart the GaN MOCVD epitaxial growth equipment owned by TJE and produce epitaxial wafers in accordance with TJE’s restart, development and qualification plan. The Aizu Agreement is appended hereto as **Appendix 8**.

2.4.5. **Option Agreement.** Pursuant to that certain Option Agreement being entered into concurrently with the execution of this Agreement by and among TopCo, OpCo, TPJ and Nexperia (the “**Option Agreement**”), if TopCo is the subject of an Acquisition (as defined in the Option Agreement) prior to certain dates as defined in the Option Agreement, TopCo agrees to require Acquirer (as defined in the Option Agreement) to assume in writing and in a form reasonably acceptable to Nexperia all of Transphorm’s obligations under the Cooperation Agreements. If, following such an Acquisition, an Option Trigger Event (as defined in the Option Agreement) occurs, Nexperia shall have an option to purchase TJE from TPJ upon the terms and conditions set forth in the Term Sheet (as defined in the Option Agreement) attached thereto. The Option Agreement is appended hereto as **Appendix 9**.

2.5. **Cooperation Agreements.** The Development and License Agreement, as amended and restated, and each of the SOWs entered into pursuant thereto, the Supply Agreement, as amended and restated, the Loan and Security Agreement, as amended, the MoU and the Schedule, the Knowledge Transfer MoU, the Amended and Restated License Agreement, the Aizu Agreement, and the Option Agreement are collectively referred to herein as the “**Cooperation Agreements**.”

### ARTICLE 3: ADDITIONAL RIGHTS

3.1. **Information Rights.** For so long as any of the Cooperation Agreements, as each of them may be amended and/or restated from time to time, remains in effect, and subject to confidentiality undertakings satisfactory to TopCo, TopCo shall furnish such information relating to the financial condition, business, prospects or corporate affairs of Transphorm as Nexperia may reasonably request and that is relevant to the performance by Transphorm of its obligations under the Cooperation Agreements, provided, however, that Transphorm may restrict access to any material if Transphorm believes upon advice of counsel that such exclusion is reasonably necessary to preserve the attorney-client privilege or to protect highly confidential proprietary information that rises to the level of trade secret.

3.2. **Inspection Rights.** For so long as the Supply Agreement, as which may be amended and/or restated from time to time, is in effect, Transphorm shall permit Nexperia, at Nexperia’s expense, to visit and inspect Transphorm’s properties, to examine its books of account and records and to discuss Transphorm’s affairs, finances and accounts with its officers, all at such reasonable times during business hours and upon reasonable prior notice as may be requested by Nexperia; provided that such visit or inspection shall be limited to once per calendar year unless an Event of Default exists; provided further that Transphorm shall not be required to disclose or discuss, or permit the inspection, examination or making of extracts of, any document, book, record or other matter (i) of which

disclosure to Nexperia is then prohibited by applicable law or any agreement binding on Transphorm or its Subsidiaries, or (ii) that is protected from disclosure by the attorney-client privilege or the attorney work product privilege.

**3.3. Confidentiality.** Section 10 of the Supply Agreement, as amended and restated, is hereby incorporated by reference into this Agreement and shall apply as if fully set forth herein mutatis mutandis and any capitalized terms used in such Section 10 shall have the meanings ascribed to such terms in the Supply Agreement.

#### ARTICLE 4: MISCELLANEOUS

**4.1. Entire Agreement.** This Agreement and the Cooperation Agreements, including all appendices, schedules, and exhibits hereto and thereto, constitute the entire agreement and understanding of the Parties with respect to the subject matters hereof and thereof, and supersedes all prior and contemporaneous correspondence, negotiations, agreements and understandings among the Parties, both oral and written, regarding such subject matter (except for those signed by duly authorized representatives of the Parties).

**4.2. Amendment.** This Agreement may not be amended unless the amendment is in writing and signed by duly authorized representatives of TopCo and Nexperia.

**4.3. Notice.** Any notice required to be given hereunder (other than routine transactional communications) shall be in writing and shall be sent by certified mail or courier service (such as FedEx) to the following addresses of the respective Parties (or to such other address as either Party may designate from time to time by written notice to the other Party):

If to Transphorm:

Transphorm, Inc.  
75 Castilian Drive  
Goleta, California 93117  
USA  
Attn: Chief Financial Officer

If to Nexperia:

Jonkerbosplein 52  
6534 AB Nijmegen  
Netherlands  
Attn: General Counsel

**4.4. No Waiver.** No failure or delay by a Party in exercising any right, power, or remedy under this Agreement shall operate as a waiver of any such right, power, or remedy. No waiver of any provision of this Agreement shall be effective unless in writing and signed by the Party against whom such waiver is sought to be enforced.

**4.5. Remedies.** Transphorm and Nexperia acknowledge and agree irreparable harm may result (the amount of which may be difficult to ascertain), monetary damages may be inadequate to compensate for such harm, and there might be no adequate remedy at law, if any of the covenants or agreements of such Party herein or in any of the Cooperation Agreements were not performed in accordance with its terms and therefore agrees that the other Party may be entitled to enforce the terms herein by an action or actions seeking specific performance, injunctive and/or other equitable relief in addition to any other remedy to which it may be entitled, at law or in equity.

**4.6. Severability.** In the event that any provision of this Agreement (or any portion hereof) is determined by a court of competent jurisdiction to be illegal, invalid or otherwise unenforceable, such provision (or part thereof) shall be enforced to the extent possible consistent with the stated intention of the Parties, or, if incapable of such

enforcement, shall be deemed to be deleted from this Agreement, while the remainder of this Agreement shall continue in full force and remain in effect according to its stated terms and conditions.

**4.7. Independent Contractors.** The relationship between Transphorm and Nexperia is one of independent contractors, and neither Party will at any time or in any way represent itself as being a dealer, agent or other representative of the other Party or as having authority to assume or create obligations or otherwise act in any manner on behalf of the other Party.

**4.8. Applicable Law.** The validity, performance, construction and interpretation of this Agreement shall be governed by the laws of the State of California, U.S.A., without regard to its conflict of law provisions. All disputes arising out of or in connection with this Agreement shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said rules. The arbitration shall be conducted in the English language. The award of the arbitrators shall be final and binding, subject to neither appeal nor confirmation. Each Party represents that the arbitration award can be entered and enforced under its national law in any court of competent jurisdiction. Place of arbitration shall be London, U.K. The UN Convention on Contracts for the International Sale of Products (Vienna, 1980) shall not apply to this Agreement or to any dispute or transaction arising out of this Agreement.

**4.9. Construction.** This Agreement shall be fairly interpreted in accordance with its terms and without any strict construction in favor of or against any Party. As used in this Agreement, the words "include" and "including," and variations thereof, will be deemed to be followed by the words "without limitation." The titles and subtitles used in this Agreement are for convenience only and are not to be considered in construing or interpreting this Agreement.

**4.10. Counterparts; E-SIGN.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via electronic mail (including pdf or any electronic signature complying with the U.S. federal E-SIGN Act of 2000, e.g., [www.docusign.com](http://www.docusign.com)) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

**CONFIDENTIAL**

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representative as of the date first set forth above.

**Nexperia B.V.**

By: /s/ Charles Smit  
Name: Charles Smit  
Title: SVP & General Counsel  
Date: May 19, 2021

**Transphorm, Inc.**

By: /s/ Mario Rivas  
Name: Mario Rivas  
Title: Chief Executive Officer  
Date: 5/18/2021

By: /s/ Toni Versluijs  
Name: Toni Versluijs  
Title: Sr VP & General Manager BG MOS Discretet  
Date: May 19, 2021

**Transphorm Technology, Inc.**

By: /s/ Primit Parikh  
Name: Primit Parikh  
Title: President & COO  
Date: 5/18/2021

**Transphorm Japan, Inc.**

By: /s/ Mario Rivas  
Name: Mario Rivas  
Title: Chief Executive Officer  
Date: 5/18/2021

**Transphorm Japan Epi, Inc.**

By: /s/ Primit Parikh  
Name: Primit Parikh  
Title: President & COO  
Date: 5/18/2021

**Appendices:**

- Appendix 1 - Amended and Restated Development and License Agreement
- Appendix 2 - Amended and Restated Supply Agreement
- Appendix 3 - Intentionally Omitted
- Appendix 4 - Amended and Restated Loan and Security Agreement
- Appendix 5 - MoU
- Appendix 6 - Knowledge Transfer MoU
- Appendix 7 - Amended and Restated License Agreement
- Appendix 8 - Aizu Agreement
- Appendix 9 - Option Agreement



[\*\*\*] Certain information in this document has been excluded because it both (i) is not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

#### OPTION AGREEMENT

This Option Agreement (“**Agreement**”) is made and entered into as of May 18, 2021 by and among **Nexperia B.V.**, a private limited liability company incorporated under the laws of the Netherlands with its principal office located at Jonkerbosplein 52, 6534AB Nijmegen, the Netherlands (“**Nexperia**”), Transphorm, Inc., a Delaware corporation with its principal office located at 75 Castilian Drive, Goleta, California 93117, U.S.A. (“**TopCo**”), Transphorm Technology Inc., a Delaware corporation and a wholly owned subsidiary of TopCo (“**OpCo**”), Transphorm Japan, Inc., a Japanese kabushiki kaisha and a wholly owned subsidiary of OpCo (“**TPJ**”), and Transphorm Japan Epi, Inc., a Japanese kabushiki kaisha and a wholly owned subsidiary of TPJ (“**TJE**,” collectively with TopCo, OpCo, and TPJ, “**Transphorm**”, and each, a “**Transphorm Entity**”). Nexperia and Transphorm also are hereinafter referred to individually as a “**Party**” and collectively as the “**Parties**.”

#### RECITALS

WHEREAS, Nexperia is engaged in the business of designing, manufacturing and selling a broad range of semiconductor devices;

WHEREAS, Transphorm is engaged in the business of designing, developing and selling GaN products;

WHEREAS, in February 2020, Transphorm effected a corporate restructuring pursuant to which OpCo became a wholly owned subsidiary of TopCo;

WHEREAS, Nexperia and Transphorm desire to augment their relationship by entering into a Strategic Cooperation Agreement dated as of the date hereof (the “**Strategic Cooperation Agreement**”) to identify the various agreements constituting the relationship among them and to which this Agreement is appended;

WHEREAS, the Parties desire to preserve Nexperia’s ability to continue the enjoyment of its rights under the Cooperation Agreements (as defined in the Strategic Cooperation Agreement), and specifically the rights under the Development and License Agreement and Supply Agreement that are serviced by TJE in the event of an Acquisition; and

WHEREAS, Transphorm desires to grant Nexperia an option to acquire 100% of the equity interests of TJE held by TPJ in order to guarantee that Nexperia has access to a supply of Epi Wafers in the event that an Option Trigger Event occurs following an Acquisition or Transphorm unilaterally terminates the A&R Supply Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereto agree as follows:

1. **Definitions.** For the purposes of this Agreement, each of the following terms shall have the respective meanings set forth below:

- (a) “**\$**” when used in this Agreement, means United States dollars unless otherwise stated.
- (b) “**Acquisition**” means, solely with respect to this Agreement, (i) the sale, conveyance, exclusive license or other disposition of all or substantially all of the assets (including intellectual property) of any Transphorm Entity to a third party that results in TopCo owning, directly or indirectly, less than a majority of the outstanding voting stock of TJE; (ii) a merger, reorganization or consolidation of any Transphorm Entity with or into any other corporation or other business transaction or series of transactions as a

result of which TopCo owns, directly or indirectly, less than a majority of the outstanding voting stock of TJE; or (iii) the closing of the issuance or transfer (whether by merger, consolidation or otherwise), in one transaction or a series of related transactions, to a person or group of affiliated persons (other than an underwriter of such Transphorm Entity's securities or any Transphorm Entity's then-current investors or their affiliates) of any Transphorm Entity's securities if, after such closing, such person or group of affiliated persons would hold, directly or indirectly, a majority of the outstanding voting stock of TJE.

- (c) "**Competitor**" means those Persons set forth on Exhibit A hereto; provided that, any third party that acquires a Competitor will be treated as a "Competitor" for the purposes of this Agreement.
- (d) "**Epi Wafers**" has the meaning ascribed to such term in that certain Amended and Restated Supply Agreement, dated as of the date hereof, by and between Nexperia and OpCo (the "**A&R Supply Agreement**").
- (e) "**Fair Market Value**" means the value of the Securities determined by the Independent Valuation Firm.
- (f) "**Independent Valuation Firm**" means an internationally reputable investment bank or accountancy firm that has no material relationship with Nexperia or Transphorm and that is appointed in writing by mutual agreement of TopCo and Nexperia as soon as reasonably practicable following the receipt by TopCo of an Exercise Notice.
- (g) "**License Fee**" means a license fee of \$[\*\*\*] million for the license granted by Transphorm to Nexperia set forth in Item 5 of Exhibit B.
- (h) "**Option Termination**" means the first to occur of (i) the termination of this Agreement upon written agreement of the Parties, (ii) the mutual termination or expiration of the A&R Supply Agreement, or (iii) the first to occur of (A) two (2) years following the date upon which TopCo has provided to Nexperia written evidence of Qualification, and (B) April 1, 2028 (the date upon which any Option Termination occurs, the "**Termination Date**").
- (i) "**Option Trigger Event**" means any material breach (that is not cured within 45 days of receipt of written notice by Nexperia delivered to TopCo) by the applicable Transphorm Entity of its obligations with respect to Epi Wafer supply to Nexperia under the A&R Supply Agreement.
- (j) "**Person**" means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated association, corporation, limited liability company, entity or governmental authority (whether federal, state, provincial, territorial, county, city or otherwise and including, without limitation, any instrumentality, division, agency or department thereof).
- (k) "**Qualification**" means AEC-Q101 Epi Wafer qualification of a Second Source using HTRB and dynamic switching evaluation.
- (l) "**Second Source**" means a third-party source of commercial production of Epi Wafers located outside of the United States as proposed by Transphorm to Nexperia as contemplated in the A&R Supply Agreement, which source is reasonably acceptable to Nexperia.
- (m) "**TJE Price**" means, without double counting, the sum of (i) Fair Market Value and (ii) the License Fee; provided that, in no event shall the "TJE Price" be less than:
- (i) \$[\*\*\*] million;
- (ii) plus \$[\*\*\*] million, which amount is payable upon the first to occur of (A) the date of passing R-gate of Gen4/CCPAK within Nexperia or (B) September 30, 2021;

(iii) plus \$[\*\*\*] million, which amount is payable upon the first to occur of (A) the date of passing R-gate of Gen5/CCPAK within Nexperia or (B) July 31, 2022.

2. **Option.**

- (a) **Grant of Option.** Subject to Section 2(b), Transphorm irrevocably grants to Nexperia the exclusive right and option to purchase all (but not less than all) of TPJ's right, title and interest in and to all of the Securities held by TPJ at the TJE Price (the "**Option**").
- (b) **Option Trigger.** The Option will become exercisable only in the event of (A) (i) the consummation of an Acquisition by a Competitor on or before December 31, 2024, and (ii) at any time following such Acquisition, but prior to the Termination Date, an Option Trigger Event occurs; or (B) a unilateral termination by Transphorm of the A&R Supply Agreement.
- (c) **Exercise of Option.** In the event the Option becomes exercisable at any time on or before the Termination Date, Nexperia may, but shall not be obligated to, exercise the Option upon written notice to TopCo in accordance with Section 7(d) (such notice, an "**Exercise Notice**").
- (d) **Termination of Option.** The Option, and this Agreement, shall automatically expire and terminate and be of no further force or effect (i) if, prior to the Termination Date, the Option becomes exercisable pursuant to this Section 2 and the Option is not exercised by Nexperia prior to the Termination Date in accordance with the terms hereof, or (ii) any Option Termination occurs.
- (e) **Term Sheet.** If, once the Option is exercisable pursuant to Section 2(b), Nexperia delivers an Exercise Notice with respect to the Option, then each of TopCo, OpCo, TPJ and TJE shall use their reasonable best efforts to ensure that the actions set forth on Exhibit B are taken as promptly as possible, in each case no later than the closing of the transactions contemplated in the Term Sheet. The Parties shall use their respective reasonable best efforts to enter into a purchase agreement substantially pursuant to the summary of terms attached hereto as Exhibit C (the "**Term Sheet**") and consummate the transactions contemplated thereby as promptly as reasonably practicable.

3. **Representations and Warranties.** Transphorm represents and warrants to Nexperia, as of the date of this Agreement, as follows:

- (a) The authorized capital stock of TJE consists of 10,000 common shares (the "**Securities**"). All of the Securities have been duly authorized, are validly issued, fully paid and non-assessable, and were issued in material compliance with applicable laws. All Securities are owned of record by TPJ, free and clear of all encumbrances. There are no outstanding or authorized options, warrants, convertible securities or other rights, agreements, arrangements or commitments of any character relating to the capital stock of TJE or obligating TPJ or TJE to issue or sell any shares of capital stock of, or any other interest in, TJE.
- (b) The material furniture, fixtures, machinery, equipment, and other items of tangible personal property of TJE are structurally sound, are in good operating condition and repair, and are adequate for the uses to which they are being put, and none of such furniture, fixtures, machinery, equipment, or other items of tangible personal property is in need of maintenance or repairs except for ordinary, routine maintenance and repairs that are not material in nature or cost. The furniture, fixtures, machinery, equipment, and other items of tangible personal property currently owned or leased by TJE, together with all other tangible and intangible properties and assets of TJE, are sufficient for the continued conduct of TJE's business and constitute all of the rights, property and assets necessary to conduct the business of TJE as currently conducted.

(c) TJE does not have any outstanding or authorized stock appreciation, phantom stock, profit participation or similar rights. Other than with respect to other Transphorm entities, there are no voting trusts, stockholder agreements, proxies or other agreements or understandings in effect with respect to the voting or transfer of any of the Securities.

4. **Covenants.** Prior to the Termination Date, except as consented to in writing by Nexperia (which consent will not be unreasonably withheld, conditioned or delayed):
- (a) Transphorm shall reasonably maintain and preserve the organization and business of TJE such that it is reasonably capable of manufacturing Epi Wafers and performing its obligations to supply Epi Wafers to Nexperia in accordance with the A&R Supply Agreement.
  - (b) Transphorm shall not issue or sell any shares of capital stock, options, warrants, convertible securities or other rights, agreements, arrangements or commitments of any character relating to the capital stock of TJE or obligate TPJ or TJE to issue or sell any shares of capital stock of, or any other interest in, TJE to any third party.
  - (c) Transphorm shall not take any action that would cause any of the representations and warranties set forth in Section 3(a) to not be true and correct in all material respects upon any exercise by Nexperia of the Option.
5. **Non-circumvention.** Transphorm covenants and agrees that it shall not take any action that is reasonably expected to be inconsistent with or intended to circumvent the provisions of Section 1 and Section 2.
6. **Remedies.** Each Party acknowledges and agrees irreparable harm may result (the amount of which may be difficult to ascertain), monetary damages may be inadequate to compensate for such harm, and there might be no adequate remedy at law, if any of the covenants or agreements of such Party were not performed in accordance with its terms and therefore agrees that the other Party may be entitled to enforce the terms herein by an action or actions for specific performance, injunctive and/or other equitable relief in addition to any other remedy to which it may be entitled, at law or in equity, without the posting of a bond.
7. **Miscellaneous.**
- (a) **Entire Agreement.** This Agreement, including all exhibits hereto, constitutes the entire agreement and understanding of the Parties with respect to the subject matter hereof, and supersedes all prior and contemporaneous correspondence, negotiations, agreements and understandings among the Parties, both oral and written, regarding such subject matter.
  - (b) **No Third-Party Rights: Assignment.** This Agreement is intended to be solely for the benefit of the Parties and is not intended to confer any benefits upon, or create any rights in favor of, any other Person. This Agreement may be assigned by Transphorm without the written consent of Nexperia. Nexperia may not assign this Agreement without the written consent of TopCo.
  - (c) **Amendment.** The terms of this Agreement may not be amended unless the amendment is in writing and signed by duly authorized representatives of TopCo and Nexperia.
  - (d) **Notice.** Any notice required to be given hereunder shall be in writing and shall be sent by certified mail or courier service (such as FedEx) to the following addresses of the respective Parties (or to such other address as either Party may designate from time to time by written notice to the other Party):

If to Transphorm:  
Transphorm Inc.  
75 Castilian Drive  
Goleta, California 93117

USA  
Attn: Chief Financial Officer  
If to Nexperia:  
Jonkerbosplein 52  
6534 AB Nijmegen  
Netherlands  
Attn: General Counsel

(e) **Applicable Law.** The validity, performance, construction and interpretation of this Agreement shall be governed by the laws of the State of California, U.S.A., without regard to its conflict of law provisions. All disputes arising out of or in connection with this Agreement shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with such rules. The arbitration shall be conducted in the English language. The award of the arbitrators shall be final and binding, subject to neither appeal nor confirmation. Each Party represents that the arbitration award can be entered and enforced under its national law in any court of competent jurisdiction. Place of arbitration shall be New York, New York.

(f) **Construction.** This Agreement shall be fairly interpreted in accordance with its terms and without any strict construction in favor of or against any Party. As used in this Agreement, the words "include" and "including," and variations thereof, will be deemed to be followed by the words "without limitation." The titles and subtitles used in this Agreement are for convenience only and are not to be considered in construing or interpreting this Agreement.

(g) **Counterparts; ESIGN.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., [www.docusign.com](http://www.docusign.com)) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

(Signature Page Follows)

IN WITNESS WHEREOF, each of the Parties, intending to be legally bound, has caused this Agreement to be duly executed on its behalf as of the date first written above.

**Nexperia B.V.**

By: /s/ Charles Smit  
Name: Charles Smit  
Title: SVP & General Counsel  
Date: May 19, 2021

**Transphorm, Inc.**

By: /s/ Mario Rivas  
Name: Mario Rivas  
Title: Chief Executive Officer  
Date: May 18, 2021

**Transphorm Technology Inc.**

By: /s/ Primit Parikh  
Name: Primit Parikh  
Title: President & COO  
Date: May 18, 2021

**Transphorm Japan, Inc.**

By: /s/ Mario Rivas  
Name: Mario Rivas  
Title: Chief Executive Officer  
Date: May 18, 2021

**Transphorm Japan Epi, Inc.**

By: /s/ Primit Parikh  
Name: Primit Parikh  
Title: President & COO  
Date: May 18, 2021

**EXHIBIT A**  
**DIRECT COMPETITORS**

The direct competitor list is meant to include the entities identified below, together with each entity's controlled or controlling affiliates.

- Infineon
- OnSemi
- STMicro
- Toshiba
- Renesas
- Vishay
- Alpha & Omega Semiconductor (AOS)
- ROHM
- Diodes Inc
- MagnaChip
- Fuji
- Bosch
- Microchip
- Littelfuse
- Texas Instruments
- Cree/Wolfspeed

**EXHIBIT B**  
**TRANSPHORM ACTIONS**

**1. Facilities.**

TJE owns, or leases on "market" terms, adequate operating space with access to sufficient facilities (including, without limitation, power, Air Handling Unit (AHU), and clean room facilities (including any and all associated facilities to ensure the safe and efficient operation of such clean room facilities)) and consumable gases ("Gases") to operate two Aixtron G5 reactors (the "Reactors") as described in that certain Asset Transfer - MOCVD Reactors from Transphorm Inc. to Transphorm Japan Epi Inc. dated as of October 7, 2019 between OpCo and TJE, attached hereto as **Exhibit B-1**.

**2. Equipment.** TJE owns:

- (i) The Reactors which are fitted with appropriate in situ temperature and wafer bow measurement systems;
- (ii) Necessary and sufficient associated ancillary equipment for the Reactors, including, without limitation, tools, spares, and susceptors;
- (iii) Necessary and sufficient equipment for wafer handling for loading and unloading the Reactors with 6-inch silicon wafers;
- (iv) Necessary and sufficient wafer preparation tools used prior to loading the wafers.

**3. Personnel.**

TJE has the benefit of the services (by contract or through direct employment) of personnel necessary and sufficient for the operation of the business of TJE.

**4. Supplies.**

TJE shall have in effect a vendor list and agreed terms providing for the supply of the following:

- (i) Silicon substrates;
- (ii) Gases, including Nitrogen, O<sub>2</sub>, and any and all other associated gases required for producing the Epi in the Reactors; and
- (iii) cleaning supplies for reactor parts in rotation;

**5. Licenses.**

Subject to payment of the License Fee, Topco shall cause Transphorm to grant to Nexperia, a non-exclusive, non-transferable, fully paid-up, royalty-free, irrevocable and perpetual license under all intellectual property rights of Transphorm as of the Option that are necessary for making, having made, offering for sale, selling, using, importing, or otherwise exploiting the GaN Epi solely for all licensed technologies for which Nexperia has paid all applicable fees pursuant to the Amended and Restated Development and License Agreement. Such license will be sublicensable on terms consistent with the sublicensing terms set forth in the Amended and Restated License Agreement.



**EXHIBIT B-1**  
**ASSET TRANSFER - MOCVD REACTORS**

*[Attached]*

## EXHIBIT C

## SUMMARY OF TERMS

Capitalized terms that are not otherwise defined have the meaning given to them in the attached Option Agreement. In the event of any inconsistency between this Summary of Terms and the Option Agreement, the Option Agreement will control.

Term	Summary
Buyer	One or more affiliates of Nexperia B.V., a private limited liability company incorporated under the laws of the Netherlands with its principal office located at Jonkerbosplein 52, 6534AB Nijmegen, the Netherlands (" <b>Buyer</b> ").
Seller	Transphorm Japan, Inc., a Japanese kabushiki kaisha (" <b>Seller</b> "), which is a wholly owned subsidiary of Transphorm Technology Inc., a Delaware corporation (" <b>OpCo</b> "), which is a wholly owned subsidiary of Transphorm, Inc., a Delaware corporation with its principal office located at 75 Castilian Drive, Goleta, California 93117, U.S.A. (" <b>TopCo</b> ").
Subject Company	Transphorm Japan Epi, Inc., a Japanese kabushiki kaisha and a wholly owned subsidiary of Seller.
Transaction	Acquisition by Buyer of all of the Securities pursuant to the terms of an appropriate purchase agreement (the "Purchase Agreement") with Seller, and other ancillary documents to be determined by the parties.
Consideration	As specified in the Option Agreement.
Working Capital	Customary two-way working capital adjustment for a "debt free, cash free" transaction. Buyer will deposit a mutually agreed portion of the TJE Price with an escrow agent at the Closing to be released upon completion of a customary working capital true-up process.
Transaction Expenses	The parties shall each bear their own expenses in connection with or arising out of the transaction, including all legal, accounting, investment banking, tax, financial advisory and other similar fees and expenses.
Holdback	Ten percent (10%) of the TJE Price (the "Holdback Amount") will be held back at the Closing (as defined below) by Buyer as security for the indemnification obligations of Seller under the Purchase Agreement. The Holdback Amount, less any amounts therefrom due to Buyer to satisfy any indemnity claims under the Purchase Agreement, will be held back for a period of nine (9) months from Closing.  The Purchase Agreement will specify the procedures by which Buyer will be able to utilize the Holdback Amount to satisfy claims and that remaining funds not subject to an outstanding claim will be released to Seller at the end of the nine (9) month period.
Non-Solicitation	Seller will agree to a customary non-solicitation covenant in favor of Buyer for a period of eighteen (18) months following the Closing.
Representations and Warranties	The Purchase Agreement will contain a customary set of representations and warranties regarding the Seller and TJE.  The Purchase Agreement will contemplate certain customary "Fundamental Representations" of TJE and Seller with respect to (i) organization and standing, (ii) authority and binding effect, (iii) taxes, (iv) capitalization and (v) broker's or finder's fees.
Indemnity Generally	Seller will indemnify Buyer for actual losses relating to the following matters:  <ul style="list-style-type: none"> <li>• material breaches of representations and warranties; and</li> <li>• material breaches of covenants.</li> </ul> <p>No indemnification for breaches of representations of which Buyer had knowledge prior to the Closing. Customary obligation on Buyer to mitigate losses. Seller will not be liable for consequential or similar losses.</p>

Survival Periods	<p>General representations and warranties: Nine (9) months after Closing</p> <p>Tax representations and warranties: Expiration of the applicable statute of limitations</p> <p>Intellectual property representations and warranties: Nine (9) months after Closing</p> <p>Fundamental Representations (except for taxes): Three (3) years</p> <p>Covenants: Until satisfied or performed</p>
Indemnity Cap	<p>An amount up to the Holdback Amount will be Buyer's sole and exclusive recourse for indemnification claims, except for indemnification claims related to breaches of Fundamental Representations and breaches of covenants.</p> <p>For breaches of Fundamental Representations and breaches of covenants, the cap would be the TJE Price.</p>
Threshold	<p>Buyer would not be able to seek indemnification from Seller until the amount of losses incurred by Buyer exceed one percent (1%) of the TJE Price in the aggregate (the "Threshold"), after which Seller would be obligated to indemnify Buyer for all damages subject to indemnification and not just those losses in excess of the Threshold. The Threshold does not apply to Fundamental Representations or breaches of covenants.</p> <p>Materiality and knowledge qualifiers in the representations and warranties would not apply when calculating damages (but would apply for purposes of determining the existence of a breach).</p> <p>No limitations (whether caps, threshold or otherwise) would apply for claims based on fraud, except that in no event may Buyer recover an amount in excess of the Purchase Price.</p>
Closing Conditions	<p>Conditions to the Closing would include the following:</p> <ul style="list-style-type: none"> <li>• satisfactory completion of due diligence by Buyer, but no more than 60 days from the date of Buyer's exercise of the Option (as defined in the Option Agreement);</li> <li>• receipt of customary payoff letters;</li> <li>• settlement and release of any related party transactions between TJE, on the one hand, Seller or the Owners, on the other hand;</li> <li>• receipt of all required governmental consents and approvals;</li> <li>• delivery of customary Closing certificates, resolutions and other customary Closing deliverables;</li> <li>• representations and warranties of the parties being true and correct in all material respects (except where already qualified by materiality, in which case, in all respects); and</li> <li>• parties have complied in all material respects with covenants.</li> </ul>
Other Covenants	<p>Seller or TJE shall use their commercially reasonable efforts to amend or terminate certain contracts identified by Buyer.</p> <p>The parties shall take all commercially reasonable actions necessary for Buyer to obtain required governmental approvals and contractual consents to consummate the Transaction.</p>
Closing	<p>The Closing of the Transaction (the "Closing") shall take place as soon as reasonably practicable following execution of the Purchase Agreement.</p>

[\*\*\*] Certain information in this document has been excluded because it both (i) is not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

#### AMENDED AND RESTATED SUPPLY AGREEMENT

This Supply Agreement (“**Agreement**”) is made and entered into as of May 18, 2021 (“**Effective Date**”) by and between **Nexperia B.V.**, having its principal offices located at Jonkerbosplein 52, 6534AB Nijmegen, The Netherlands (“**Nexperia**”), and **Transphorm, Inc.** with its principal offices located at 115 Castilian Drive, Goleta, CA 93117 (“**Transphorm**”) and amends and restates in its entirety that certain Supply Agreement between Nexperia and Transphorm dated April 4, 2018. Nexperia and Transphorm also are hereinafter referred to individually as a “**Party**” and collectively as the “**Parties.**”

WHEREAS, Nexperia is engaged in the business of designing, manufacturing and selling a broad range of semiconductor devices;

WHEREAS, Transphorm is engaged in the business of designing, developing and selling GaN-based products manufactured utilizing Transphorm’s proprietary processes of wafer fabrication, including Epi Wafers and Processed Wafers (each as defined below);

WHEREAS, Parties have had a long term business relationship whereby (a) they each supply certain of their respective products to the other, (b) Nexperia funded Transphorm’s development of certain manufacturing technology, and Transphorm will transfer and license such technology to Nexperia upon completion of such funding;

WHEREAS, Nexperia and Topco are parties to that certain Series 3 Preferred Stock Financing and Related Transactions on April 4th, 2018 and Nexperia and Transphorm are now extending their relationship by entering into a Strategic Cooperation Agreement ( the “**SCA**”) on the date hereof (the “Strategic Cooperation Agreement”) to identify the various agreements constituting the relationship among them, and to which this Agreement is appended;

WHEREAS, the Parties have also entered into that certain Amended and Restated Development and License Agreement dated as of May 18, 2021 (the “**DLA**”), pursuant to which Transphorm has agreed to develop and transfer to Nexperia certain manufacturing process technologies (other than the Epi Process) to enable Nexperia to manufacture GaN-based products at Nexperia’s facilities using such transferred manufacturing process technologies (“**Transferred Processes**”);

WHEREAS, Nexperia wishes to purchase from Transphorm Epi Wafers and Processed Wafers, and Transphorm wishes to purchase from Nexperia Processed Wafers, so accordingly the Parties wish to enter into a long-term mutual supply agreement to address such purchases; and

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WHEREAS, Nexperia wishes to ensure that in the event of a License Trigger Event (as defined herein) it will have a second source for its manufacture and supply of wafers using an alternative process of layering an epitaxial layer on a silicon layer (“**Alternate Epi Process**”).

NOW, THEREFORE, in consideration of the above promises and mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereto agree as follows:

## 1. DEFINITIONS

When used in this Agreement, the following words and expressions shall have the meaning as stated below, unless the context otherwise requires:

1.1. “**Affiliates**” means, with respect to a Party, any corporation, partnership, limited liability company or other entity, which is Controlled by such Party. “**Control**” and its correlates means: (a) the ownership, directly or indirectly, of at least fifty percent (50%) of the issued voting securities of an entity; or (b) the possession, directly or indirectly, of the legal power to direct or cause the direction of the general management and policies of an entity or the power to elect or appoint at least fifty percent (50%) or more of the members of the governing body of the entity, whether through the ownership of voting securities, by contract or otherwise. An entity may be considered an Affiliate only when such control exists.

1.2. “**Automotive Field**” shall have the meaning given to that term in the DLA.

1.3. “**Confidential Information**” shall have the meaning set forth in Section 10.1.

1.4. “**Discloser**” shall have the meaning set forth in Section 10.1.

1.5. “**Epi Process**” shall mean Transphorm’s proprietary process of layering an epitaxial layer on a silicon layer.

1.6. “**Epi Wafers**” shall mean wafers manufactured using the Epi Process.

1.7. “**GQA**” shall mean the Quality Management System defined in the general quality agreement either attached to this Agreement as Exhibit F or mutually agreed between the Parties as soon as reasonably practicable after the Effective Date, and applicable to all Products delivered under this Agreement.

1.8. “**Initial Term**” shall have the meaning set forth in Section 13.1.

1.9. “**Intellectual Property Rights**” shall mean rights in or to any patents, utility models, trade secrets, registered and unregistered designs, mask works, copyrights, database rights, moral rights and any other form of protection afforded by law to inventions, models, designs or Confidential Information, as well as any registrations, applications, divisions, continuations, re-

examinations, renewals or reissues of any of the foregoing, but excluding any and all rights with respect to trademarks, trade names, logos, service marks and other indicia of origin.

1.10. “**Nexperia Product(s)**” means the Processed Wafers manufactured by or for Nexperia and or its Affiliates.

1.11. “**Order**” shall have the meaning set forth in Section 3.

1.12. “**Option Agreement**” means the Option Agreement between Nexperia B.V. and Transphorm, Inc., Transphorm Technology, Inc., Transphorm Japan, Inc. and Transphorm Japan Epi, Inc. respectively dated May 18, 2021;

1.13. “**Prices**” shall have the meaning set forth in Section 6.1.

1.14. “**Processed Wafers**” shall mean wafers processed by either Party or its Affiliates at their respective foundries.

1.15. “**Product(s)**” shall mean Nexperia Product(s) and/or Transphorm Product(s).

1.16. “**Qualification Period**” shall mean the period commencing on the Effective Date and ending on the completion of the process transfer contemplated by the DLA.

1.17. “**Qualification Products**” shall mean Processed Wafers provided by Transphorm or its Affiliates to Nexperia for Nexperia’s internal evaluation and/or qualification purposes during the Qualification Period.

1.18. “**Recipient**” shall have the meaning set forth in Section 10.1.

1.19. “**Renewal Term**” shall have the meaning set forth in Section 13.1.

1.20. “**Technology**” shall mean any and all know how, trade secrets, drawings, specifications, photographs, samples, models, processes, procedures, instructions, software, reports, papers, correspondence and any other technical and/or commercial information, data and documents of any kind, including oral information.

1.21. “**Term**” shall have the meaning set forth in Section 13.1.

1.22. “**Option Termination**” has the meaning as defined in the Option Agreement;

1.23. “**Tier One Automotive Customer**” means a third party, other than Nexperia or its Affiliates, to an OEM Automotive Customer.

1.24. “**TJE**” means Transphorm Japan Epi, a Japanese company with an address at 2-5-15 Shinyokohama, Kohoku-ku, Yokohama City, Japan and company registration no.0200-01-132392.

- 1.25. **“Transphorm IP”** means all Intellectual Property Rights owned, controlled or Licensable by Transphorm or its Affiliates.
- 1.26. **“Transphorm Product(s)”** has the Epi Wafers, Processed Wafers manufactured by or for Transphorm and/or its Affiliates.
- 1.27. **“TPS”** shall mean the Technical Purchase Specification document agreed between the Parties for each Product, the format of which is attached as Exhibit E.
- 1.28. **“Warranty Period”** shall mean the following period following shipment of a Product by the selling Party: 1 year with respect to Epi Wafers and Processed Wafers.
- 1.29. **“Yearly Loaded Quantity - YLQ”** means the total sum of Epi Wafers quantity manufactured by TJE which are i) purchased by Nexperia, at Transphorm or TJE, within the applicable lead time for delivery during a calendar year, and ii) invoiced by Transphorm or TJE to Nexperia during the same calendar year.

## 2. SCOPE OF AGREEMENT

2.1. Entire Agreement. Except as expressly provided herein, this Agreement supersedes any prior discussion, agreement, representation, promise or proposal regarding its subject matter and constitutes the complete agreement between Transphorm and Nexperia regarding:

2.1.1. the buying by Nexperia of Transphorm Products from Transphorm; and

2.1.2. the buying by Transphorm of Nexperia Products from Nexperia.

2.2. No Reverse Engineering. Unless Nexperia reasonably determines that Transphorm is not working in good faith to qualify a second source by [\*\*\*], and Transphorm is unable to address Nexperia’s concerns within [\*\*\*] days of written notice, Nexperia shall not, nor work with any third party to, reverse engineer or disassemble any Transphorm Epi Wafer Products, to the extent that such Epi Wafer Products are not publicly available (through sale or otherwise) to third parties without such restriction. No restrictions will apply on reverse engineering or failure analysis of a finished GaN power device product die. Transphorm shall consult with Nexperia regarding the status of its second source establishment and qualification efforts.

## 3. ORDERING

3.1. Priority Customer. Nexperia shall at all times be Transphorm’s priority customer with respect to Epi Wafers manufactured at TJE. This means that (i) Transphorm shall prioritize Nexperia Binding Epi Wafer Forecasts and Orders for Epi Wafers manufactured at TJE, and (ii) Transphorm shall not enter into capacity commitments with third parties that conflict with Nexperia [\*\*\*] and iii) Transphorm shall notify Nexperia before entering into new capacity commitments with third parties that might or will impact the capacity available for Nexperia

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beyond the [\*\*\*] and subject to Section 4.4; and Parties will negotiate in good faith a commercial reasonable solution.

In case of capacity shortage with respect to Processed Wafers from AFSW, Transphorm's capacity allocation for Nexperia's Orders shall be fair and proportionate to the quantities forecasted in the binding portion of the [\*\*\*] and ordered in such Orders as compared to its overall capacity requirements and shall be as favorable as the allocation provided to any of its other customers' orders.

3.2. Orders. All purchases under this Agreement shall be subject to the selling Party's receipt and acceptance of the purchasing Party's written purchase orders (each, as accepted, an "**Order**"). All Orders shall be governed exclusively by the terms and conditions of this Agreement notwithstanding any contrary or additional provisions contained on any Order. Additional or different preprinted terms on any Order, acknowledgment forms, quotation forms, invoices or other documents shall be void and of no force or effect. Transphorm acknowledges and agrees that Nexperia may place Orders for applicable Epi Wafer Products directly with TJE subject to the terms and conditions of this Agreement, and that Transphorm shall ensure TJE's compliance with the terms and conditions of this Agreement.

3.3. Acceptance. Subject to the availability of Products, commercially reasonable Order quantities, and the Order being in accordance with the terms and conditions of this Agreement, including but not limited to, price and lead-time requirements as set forth in this Agreement, the selling Party shall accept the purchasing Party's Order(s) pursuant to the terms of this Agreement to create a binding contract between the Parties.

3.4. Lead-Times. The applicable lead-times for Products shall be as set forth on Exhibit A (Product List) and Exhibit D (Epi Product Pricing, Capacity and Lead-times). The Parties may amend Exhibit A and Exhibit D by mutual agreement only as reasonably required based upon available capacity or technical considerations.

3.5. Capacity and Allocation. The Parties shall throughout the Term use commercially reasonable efforts to acquire and maintain the capacity and availability to supply Products reasonably anticipated to be ordered under this Agreement in accordance with the forecasts provided by the Parties and the other requirements of this Agreement; provided, however, that for each incremental increase in Nexperia's requirements of Epi Wafers (or products based thereon), Nexperia shall provide Transphorm with at least as much written notice, in the form of 12 Month Rolling Forecasts, as the Capacity Lead-time period corresponding to such incremental increase set forth in Exhibit D. Neither Party shall have any obligation to accept any Order or supply to the other Party any Products in excess of such Party's capacity listed in Exhibits A and D.

3.6. Capacity shortage. In all other cases of capacity shortage at Nexperia, Nexperia's capacity allocation for the Transphorm's Orders shall be fair and proportionate to the quantities ordered in such Orders as compared to its overall capacity requirements and shall be as favorable as the allocation provided to any of its other customer's orders.



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3.7. Qualification Products. From time to time during the Qualification Period, either Party may order Qualification Products by submitting an Order that specifically indicates it is an order for Qualification Products and sets forth the applicable prices, payment and shipping terms. The Order for Qualification Products shall be binding on other Party only on the other Party's written acceptance thereof. Notwithstanding anything to the contrary in this Agreement, for the purposes of this Agreement, the Qualification Products are not Products, and neither Party's warranties in this Agreement with respect to the Products shall apply with respect to the Qualification Products. Neither Party will distribute, resell, or use in its commercial products any Qualification Products provided by the other Party.

#### 4. FORECASTS

4.1. Forecasts. Each Party shall provide to the other Party a twelve (12) Months' Rolling Forecast, of its purchase requirements for each Product by the 30st day of each calendar month, hereinafter "12MRF". The order volumes forecasted within the applicable lead-times set forth on Exhibit A and Exhibit D shall be a firm commitment to purchase Products and are subject to rescheduling and cancellation terms of Article 5 of this Agreement. The remaining months of the forecast shall be nonbinding estimates except as set forth in Section 4.33.

4.2. Forecasts confirmation. Each receiving Party has an obligation to confirm the [\*\*\*] within 5 calendar days from receipt.

#### 4.3. Forecasts – Epi Wafers.

4.3.1. Binding Epi Wafer Forecast, subject to Section 4.2. The first [\*\*\*] months of each [\*\*\*] shall be binding with regard to Epi Wafer Products and are not subject to revision (each, a "Binding Epi Wafer Forecast"). If Nexperia does not provide an updated [\*\*\*] by the 30st of any month, then the first non-binding month of the last previously-provided [\*\*\*] shall be included in the Binding Epi Wafer Forecast as necessary to provide Transphorm with a rolling [\*\*\*] Binding Epi Wafer Forecast. By way of example, if Nexperia does not provide Transphorm an updated [\*\*\*] for [\*\*\*] months, then the [\*\*\*] months of the last previously-delivered [\*\*\*] will be included in the Binding Epi Wafer Forecast. Nexperia [\*\*\*] shall always be quantified in wafer outs, not wafer starts.

4.3.2. Standard Capacity and Lead-Times. Transphorm's and TJE's capacity and lead times to manufacture and supply Epi Wafers (and products incorporating Epi Wafers) are as set forth in Exhibit D (Epi Capacity and Lead-times). It is understood that expanding such capacity may require Transphorm to acquire and qualify additional MOCVD reactor(s) and/or other equipment at substantial cost and lead-time.

4.3.3. Capacity Expansion. In the first instance that Nexperia provides an Epi Wafer [\*\*\*] projecting Epi Wafer demand [\*\*\*] during a consecutive [\*\*\*] period, subject to Section 4.2, parties shall proceed without undue delay with the following:

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I. Transphorm shall i) within [\*\*\*] calendar days from the [\*\*\*] confirmation date, further herein “the [\*\*\*] Date”, purchase for installation at TJE the [\*\*\*] MOCVD reactor and ii) install and release for use in production at TJE the [\*\*\*] MOCVD reactor within [\*\*\*] from the [\*\*\*] Date.

II. Within 30 calendar days from “the [\*\*\*] Date” Nexperia shall provide an additional forecast of its purchase requirements for Epi Wafers for an additional consecutive [\*\*\*] month period following the initial Epi Wafer [\*\*\*], and subject to Section 4.2, the entirety of which shall be binding and deemed a Binding Epi Wafer Forecast.

Transphorm will, from time to time during the Term, provide Nexperia with an updated Exhibit D as additional Epi capacity is acquired or yield increased, which updated Exhibit D shall be mutually discussed.

4.3.4. Underloading Payments. At the end of any calendar year, if the Yearly Loaded Quantity-YLQ is less than the total Epi Wafers included in the Binding Epi Wafer Forecasts for such calendar year (as of [\*\*\*] of the applicable calendar year), then Nexperia will, as compensation for the unavoidable fixed costs incurred by Transphorm in connection with its supply obligations hereunder, pay Transphorm an underloading payment equal to [\*\*\*] of the Fixed Epi Wafer Price (as defined below) multiplied by the difference between the number of Epi Wafers included in the applicable Binding Epi Wafer Forecasts and YLQ (“Underloading Payment”). Transphorm will invoice Nexperia for any applicable Underloading Payments.

4.3.5. Delivery delays. Delivery delay shall be any shipment which fails to ship from Transphorm manufacturing facilities within the product lead time in Exhibit A or D counted from Purchase Order confirmation date. Any quantity of Transphorm Products subject to delivery delay greater than 3 business days shall be excluded from the Underloading Payment.

4.4. Third party license. In case of a License Trigger Event, at Nexperia’s written request, Transphorm will at Nexperia’s request, enter into good faith negotiations with a reputable third party manufacturer that is not a competitor of Transphorm, with respect to a non-exclusive, non-transferable, royalty-bearing license under Transphorm’s Intellectual Property Rights necessary for such third party to manufacture and supply wafers using the Alternate Epi Process only to Nexperia (and, at Transphorm’s option, to Transphorm) for a minimum period of 5 years. For the purpose of this Section, “License Trigger Event” means that at least one of the following conditions is met:

4.4.1. The demand for Epi Wafers of Transphorm and Nexperia combined exceeds 75% of Transphorm’s installed capacity for GEN 4 and 5 at TJE or commonly agreed alternate sources;

4.4.2. Upon the request by a Nexperia customer who is a manufacturer of original equipment used in the manufacture of automobiles (an “**OEM Customer**”) or a direct supplier to an OEM Customer of modules containing Nexperia GaN products for use in the manufacture of automobiles (a “**Tier One Automotive Customer**”) to line up a second source for Epi Wafers,

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provided that (i) the requestor is mass producing modules containing Nexperia GaN products; and (ii) Transphorm continues to be the supplier for at least 66.6% of the Epi Wafers required by Nexperia for such Tier One Automotive Customer or OEM Customer for the first 5 years following the start of such mass production, unless Transphorm is unable or unwilling to meet Nexperia's requirements for Epi Wafer as set forth in Nexperia's forecasts provided to Transphorm (provided that such forecasts are reasonably consistent with Nexperia's prior Orders of Epi Wafers) or as set forth in an Epi Wafer supply ramp-up plan agreed between the Parties in writing. For purposes of this Section, "mass production" means that the production volume for such design or products is greater than the equivalent of 100 Epi Wafers per month;

4.4.3. If Nexperia, in its good faith judgement, and after having consulted Transphorm's CEO, has serious reasons to believe that Transphorm will not be able to support the Nexperia business due to Transphorm going bankrupt or insolvent, and such reasons are not reasonably addressed by Transphorm within 60 days of Nexperia's written request for the license described in this Section; or

4.4.4. Nexperia shows by reasonable evidence, such as comparative price lists and data sheets, that the price, quality and performance, on the whole, of Epi Wafers supplied by Transphorm to Nexperia are not competitive with equivalent wafers available from third party suppliers. This will be reviewed on a regular basis.

**5. CANCELLATION**

5.1. **Liability for Cancellation.** Except for Orders that are consistent with binding portions of such Party's forecasts, the ordering Party may cancel an Order at no charge upon written notice outside of the then current lead-time. For cancellation of any Orders within the current lead-time, the cancelling Party shall be liable for all non-transferable and non-cancellable raw materials and the work in process charges as of the date that the other Party receives the notice. For the avoidance of doubt, all Orders that are consistent with the binding portions of a Party's forecasts shall not be cancellable by such Party in any event.

5.2. **Additional Cancellation Rights.** The ordering Party reserves the right to cancel all or any part of an Order, without any liability to the other Party, if the other Party is in material default under any of the terms and conditions of this Agreement, which default is not cured within thirty (30) days after written notice.

**6. PRICES; PAYMENT**

6.1. **Pricing.** Prices for the Products shall be as set forth in Exhibit A (Product List) and Exhibit D, or as may be otherwise mutually agreed between the Parties in a separate writing or price quotation ("**Prices**"). All Prices are and shall be expressed in U.S. Dollars.

6.2. **Pricing – Epi Wafers.** Epi Wafer pricing shall be fixed annually in accordance with the Epi Wafer pricing table set forth on Exhibit D (the "**Fixed Epi Wafer Price**"). The applicable Fixed Epi Wafer Price for any calendar year is the price in the green-shaded cell in the Epi Wafer

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pricing table; provided that if the initial Epi Wafer [\*\*\*] for any calendar year is below the volume range corresponding to the applicable green-shaded cell, then the Fixed Epi Wafer Price will be adjusted to reflect the quantity in the applicable Epi Wafer [\*\*\*].

Annually, parties shall reconcile the YLQ against the Epi Wafer pricing table and:

(i) if YLQ is below the number of Epi Wafers in the volume range corresponding to the applicable Fixed Epi Wafer Price for such year, Transphorm shall invoice Nexperia the Offset Amount multiplied by the YLQ;

or

(ii) if YLQ exceeds the number of Epi Wafers in the volume range corresponding to the applicable Fixed Epi Wafer Price for such year, Transphorm shall provide Nexperia a credit note equal to the Offset Amount multiplied by the difference between the maximum quantity in the applicable range and YLQ.

As used herein, "Offset Amount" means the difference between the Fixed Epi Wafer Price and the applicable Epi Wafer Price in the Epi Wafer pricing table for the YLQ.

6.3. Taxes. The selling Party will include as separate line items on its invoice any sales, value added, or similar turnover taxes or charges that it is required by law to collect from the purchasing Party, and will provide purchasing Party with all information and documentation that is required under local law in order to enable purchasing Party to recover or avoid any sales, value added, or similar turnover taxes or charges. Invoices will also be in the appropriate form as required by local law to permit deduction of payments for income tax purposes by the purchasing Party.

6.4. Payment Terms. The selling Party's invoices shall contain the applicable Order number, identification and part number of the Products purchased, the quantity, unit price and total price, the delivery address, and the date of shipment. Unless otherwise agreed in writing by the Parties, invoices will become due for payment [\*\*\*] days from the invoice date. The date of invoice will not predate the date of shipment of the Products. Invoices will accompany the shipment or shall otherwise be sent to the delivery location specified in the Order or to such other address as the purchasing Party may specify in the Order. All payments shall be without retention or set-off, except as mutually agreed upon by the Parties.

## 7. DELIVERY, TITLE AND RISK

7.1. Delivery Terms. Delivery by Transphorm shall be FCA, Transphorm's distribution center, in accordance with Incoterms 2010. Delivery by Nexperia shall be FCA, in accordance with Incoterms 2010. All deliveries shall meet the shipping criteria mutually agreed upon by the Parties. Title to and risk of loss of the Products shall pass upon delivery of such Products to carrier at the selling Party's premises.

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7.2. Delivery Dates. Upon acceptance of an Order, the selling Party shall make commercially reasonable efforts to deliver the Products at the place and on the date and/or times (if any) specified the accepted Order or as otherwise agreed upon by the Parties in writing. Shipment of Product(s) constituting Processed Wafers or silicon dies within +/- five per cent (5%) of the quantity ordered shall be deemed to constitute full delivery so long as selling Party makes up any shortfall in the next scheduled delivery of such Processed Wafers or silicon dies. Partial or early shipments are not allowed without previous written confirmation from the ordering Party.

7.3. Change Control. In the event that any Party plans to introduce any changes to the Products supplied under this Agreement or the manufacturing process therefor, the Change Control Procedure defined in the GQA (Exhibit F) applies.

In normal course of business, both Parties will continuously discuss and approve modifications to the Products for cost reduction/performance improvement. In such cases, both Parties will make commercially reasonable efforts to qualify mutually agreed changes and shall agree in good faith on a suitable end-of-life (for e.g. 1-2 years) for the Products manufactured prior to such modifications.

**8. PRODUCT WARRANTY**

8.1. Warranty. Each selling Party warrants to the purchasing Party that its Product(s) will, at the time of shipment and during the applicable Warranty Period, be free from defects in material and workmanship, be free of all liens and encumbrances, and will conform to the approved specifications for its Product(s).

8.2. Remedies. Following the delivery of any Product(s) and for a period of twelve (12) months thereafter, the purchasing Party may return to the selling Party, any Product reasonably determined by the Purchasing Party to not conform in any material respects to the warranty set forth in Section 8.1 above, provided that the purchasing Party also provides a description of the reasons such Product(s) are non-conforming. Upon receipt of such returned Product(s), the selling Party may inspect such returned Product(s) and, if they are non-conforming, shall, at selling Party's option and as Purchasing Party's sole remedy, either promptly replace the non-conforming Product(s) with new replacement Product(s) at selling Party's expense or refund to purchasing Party any amounts already paid to selling Party for such non-conforming Product(s). If the selling Party does not agree that such returned Product(s) are non-conforming, the Parties agree to promptly discuss the same in good faith to achieve a mutually agreeable resolution.

8.3. Exclusions. In no event, however, shall the selling Party be responsible for any non-conformance or defects in its Product(s) caused by: (i) improper handling during or after shipment, misuse, neglect, improper installation or operation, repair, alteration or accident, except in each case where the foregoing is by selling Party; or (ii) for any other cause not attributable to defective workmanship or failure on the part of the selling Party to meet selling Party's Product specifications. There shall be no obligation for the selling Party to compensate the purchasing Party for any failures outside of Section 8.1 above.

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8.4. Replacement Product. This warranty shall not be expanded, and no obligation or liability will arise, due to technical advice or assistance, data, facilities or services that may be provided in connection with the purchase. The replacement Product(s) shall be warranted for the remaining term of the warranty on the originally delivered Product.

8.5. “AS IS” PRODUCTS. FOR THE AVOIDANCE OF DOUBT, QUALIFICATION PRODUCT(S) OR OTHER NON-PRODUCTION PRODUCT(S) OR SAMPLES OF PRODUCTION PRODUCT(S) ARE NOT WARRANTED AND ARE PROVIDED ON AN “AS IS” BASIS ONLY.

8.6. SOLE REMEDY. THE REMEDIES SET FORTH IN THIS ARTICLE 8 ARE THE PARTIES’ EXCLUSIVE LIABILITY AND EXCLUSIVE REMEDIES FOR ANY BREACH OF WARRANTY SET FORTH ABOVE OR ANY NON-CONFORMITY OF THE PRODUCT(S). THE WARRANTY SET FORTH ABOVE IS EXCLUSIVE AND IN LIEU OF ALL OTHER WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, INCLUDING BUT NOT LIMITED TO THE WARRANTIES FOR MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WHICH ARE HEREBY EXPRESSLY DISCLAIMED.

## 9. CHANGES

9.1. Engineering Changes. Each Party shall only use qualified manufacturing processes for the production of the Products. The manufacturing processes shall be deemed qualified upon the mutual written agreement of the Parties. The selling Party may submit to the purchasing Party engineering change requests with a notice period as defined in the GQA (which shall include any changed specifications, rationale and proposed date for the change) (“**Engineering Change Requests**”) to request changes to the previously qualified manufacturing processes, and will not implement any changes to the manufacturing processes without purchasing Party’s prior written consent. The purchasing Party may submit Engineering Change Requests to selling Party from time to time. The selling Party shall use commercially reasonable efforts to accommodate all such requests by purchasing Party.

9.2. Manufacturing Location. Each Party shall manufacture the Products in the locations specified in Exhibit B. In addition to the foregoing, if either Party desires to make any change in location of manufacturing, that Party shall provide prior written notice to the other Party at least eighteen (18) months prior to the proposed date of implementation for such change, unless a shorter notice period is agreed between the Parties with respect to one or more manufacturing steps upon the request of either Party, the approval of which request shall not be unreasonably denied or delayed by the other Party. Such notice shall include the details regarding such proposed change, and such other information as may be reasonably requested by the other Party. Without limiting the foregoing, the Parties shall not implement any change in the location of manufacturing of any Product without prior written approval, unless otherwise agreed to by the Parties in writing. Notwithstanding anything in the foregoing, Transphorm is required to give only twelve (12) months’ notice of change of location of any manufacturing step for which a second source has been qualified by or for Nexperia.

## 10. CONFIDENTIALITY

10.1. Definition. “**Confidential Information**” means (a) all Technology and other information, data, or materials which the disclosing Party or any of its Affiliates (“**Discloser**”) has disclosed or otherwise made available to the receiving Party or any of its Affiliates (“**Recipient**”), or which Recipient has observed or otherwise obtained from Discloser including in connection with any visit to any facility of Discloser, whether made available orally, in writing or in electronic form, provided that such Technology and other information, data, or materials is (i) marked as “proprietary” or “confidential” at the time of disclosure, or (ii) if disclosed in a form not susceptible to marking, described and designated as “proprietary” or “confidential” in a writing provided to Recipient within thirty (30) days of such disclosure, and (b) any portions, extracts, copies, and derivatives of the materials described in subsection (a).

10.2. Restrictions. Recipient shall not use Confidential Information of Discloser for any purpose other than as required to exercise its rights and perform its obligations under this Agreement (the “**Purpose**”). For a period of five (5) years from the receipt of such Confidential Information, Recipient shall hold all Confidential Information in strict confidence and shall not publish, disseminate, or otherwise disclose, or permit or facilitate the disclosure of, any Confidential Information to any third party. Except as expressly permitted otherwise under this Agreement, Recipient may disclose the Confidential Information only to (i) its Affiliates, and, (ii) its and its Affiliates’ employees and subcontractors, which Affiliates, employees and subcontractors: (A) need to know such information to carry out the Purpose, and (B) are bound or under law by restrictions regarding disclosure and use of such information comparable to, and in no event less restrictive than, those set forth herein. Recipient shall be responsible for all acts and omissions by its Affiliates and its and its Affiliates’ employees and subcontractors as if such acts or omissions were acts or omissions of Recipient. Any portion, extract, copy, or derivative of Discloser’s Confidential Information shall be identified by Recipient as belonging to Discloser and prominently marked “Confidential.”

10.3. Exceptions. The restrictions on use and disclosure of Confidential Information set forth herein shall not apply to any Technology, information, data, or materials to the extent such Technology, information, data, or materials, and its specific characteristics, usefulness, and value (a) are or become publicly known through no act or omission of Recipient (or any entity or person Recipient is responsible for pursuant to Section 10.2); (b) are rightfully known by Recipient, without confidentiality or use restriction, prior to receipt from Discloser; (c) are rightfully disclosed to Recipient by a third party under no obligation to Discloser to protect the confidentiality thereof, without confidentiality or use restriction, after receipt from Discloser, or (d) are developed by Recipient without use of or reference to any Confidential Information of Discloser and by employees or contractors of Recipient.

10.4. Compelled Disclosure. This Agreement will not prevent Recipient from disclosing Confidential Information of Discloser to the extent required by a judicial order or other legal obligation, provided that, in such event, Recipient shall promptly notify Discloser to allow intervention (and shall cooperate with Discloser) to contest or minimize the scope of the disclosure (including application for a protective order). Recipient shall advise Discloser in

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writing of any misappropriation or misuse of Confidential Information of Discloser of which Recipient becomes aware.

10.5. Equitable Relief. Recipient acknowledges that Discloser considers its Confidential Information to contain trade secrets and other valuable proprietary information of Discloser and that any unauthorized use or disclosure of such Confidential Information would cause Discloser irreparable harm for which remedies at law would be inadequate. Accordingly, Recipient acknowledges and agrees that Discloser shall be entitled to seek, in addition to any other remedies available to it at law or in equity, the issuance of injunctive relief enjoining any breach or threatened breach of Recipient's obligations hereunder with respect to the Confidential Information of Discloser.

10.6. Terms and Conditions of Agreement. Each Party agrees that the terms and conditions of this Agreement shall be treated as Confidential Information of the Parties; provided that each Party may disclose the terms and conditions of this Agreement: (a) as required by judicial order or other legal obligation, provided that, in such event, the Party subject to such obligation shall promptly notify the other Party to allow intervention (and shall cooperate with the other Party) to contest or minimize the scope of the disclosure (including application for a protective order); (b) as required by the applicable securities laws or rules of any stock exchange on which such Party is listed, including, without limitation, requirements to file a copy of this Agreement or to disclose information regarding the provisions hereof or performance hereunder, provided that such filing or disclosing Party shall consult with the other Party prior to such filing or disclosure and seek confidential treatment of any terms and conditions hereof and any information contained herein to the maximum extent permissible; (c) in confidence, to legal counsel, accountants and other professionals who are under similar obligations to maintain the confidentiality thereof; (d) pursuant to a written nondisclosure agreement, to banks, investors and other financing sources and their advisors, provided if the prospective recipient of the disclosure does not enter into a written nondisclosure agreement, the disclosure shall be conditioned on the prior written consent of the other Party, which consent shall not be unreasonably withheld, conditioned, or delayed, and the disclosing Party shall use reasonable efforts to control the timing of this disclosure as may be reasonably requested by the other Party; or (e) pursuant to a written nondisclosure agreement, in connection with an actual or prospective merger, acquisition, asset sale, transfer of applicable intellectual property, or similar transaction, provided if the prospective recipient of the disclosure does not enter into a written nondisclosure agreement, the disclosure shall be conditioned on the prior written consent of the other Party, which consent shall not be unreasonably withheld, conditioned, or delayed, and the disclosing Party shall use reasonable efforts to control the timing of this disclosure as may be reasonably requested by the other Party.

## 11. INTELLECTUAL PROPERTY INDEMNIFICATION

11.1. Obligation. Subject to Sections 11.2 and 11.3, each Party (the "**Indemnifying Party**") shall defend, indemnify and hold harmless the other Party, its Affiliates, and their respective directors, officers, and employees (the "**Indemnified Party**") from and against any and all losses, damages, costs, liabilities, expenses (including reasonable attorneys' fees) and settlement



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amounts (“**Losses**”) incurred by the Indemnified Party in connection with any suit, claim, action or proceeding by any third party (each a “**Claim**”) alleging (a) that any Product of the Indemnifying Party supplied under this Agreement infringes, misappropriates or violates the Intellectual Property Rights of any third party, (b) any violation by the Indemnifying Party of any applicable laws, rules or regulations in connection with this Agreement, or (c) gross negligence, recklessness or willful misconduct by the Indemnifying Party in connection with this Agreement.

11.2. **Exclusions.** The Indemnifying Party shall have no liability for any Losses suffered by the Indemnified Party in connection with, and the obligations to indemnify the Indemnified Party pursuant to Section 11.1 shall not apply with respect to, any Claim to the extent based on (a) the combination or operation of any Product of the Indemnified Party with any materials, components, equipment, or other products not supplied by the Indemnifying Party, where the applicable Claim would not have occurred but for such combination, (b) any modification made by the Indemnified Party or a third party to such Product, where the alleged Claim would not have occurred but for such modification, except in the case where such modification was made at the Indemnifying Party’s written request, (c) Technology owned by the Indemnified Party, or (d) Technology developed by the Indemnified Party pursuant to the DLA.

11.3. **Limitation on Use.** Should any Product of a Party become, or in such Party’s reasonable opinion be likely to become, the subject of a claim for infringement for which such Party is obligated to indemnify the other Party pursuant to Section 11.1 (each such Product, an “**Affected Product**,” and each such Party, a “**Concerned Party**”), the Concerned Party, at its option and expense, may (a) obtain a license at no cost to the other Party permitting the continued use of the applicable Affected Product in accordance with this Agreement or (b) modify the applicable Affected Product such that it performs its intended function without infringing any Intellectual Property Right for which the other Party is entitled to indemnification as set forth in Section 11.1. In the event that Concerned Party is unable, on commercially reasonable terms, to obtain such a license or make such modifications or substitutions, it shall promptly notify the other Party, and the other Party shall promptly confer with the Concerned Party regarding a mutually acceptable solution, and in the interim, if the Affected Product has been subject to the commencement of an infringement suit, shall curtail further use of the applicable Affected Product. The Concerned Party shall have no obligation to indemnify the other Party for any Claim related to the Affected Product following such Party’s receipt of such notice from the Concerned Party, provided that the foregoing shall not limit the Concerned Party’s liability with respect to the other Party’s authorized use or exploitation of such Affected Product prior to the receipt of such notice.

11.4. **Process for Indemnification.** If a claim is to be made by an Indemnified Party to seek indemnification hereunder against the Indemnifying Party, the Indemnified Party shall give prompt written notice to the Indemnifying Party of any Claims that may give rise to any claim for which indemnification may be required under this Article 11; provided, however, that failure to give such notice shall not relieve the Indemnifying Party of its obligation to provide indemnification hereunder except if and to the extent that such failure materially and adversely affects the ability of the Indemnifying Party to defend or mitigate the applicable Claim. The Indemnifying Party shall be entitled to assume the defense and control of any such Claim at its

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own cost and expense, provided that the Indemnified Party shall have (i) the right to be represented by its own counsel at its own cost in such matters, and (ii) if the Indemnifying Party refuses to assume the defense of the Claim, the right to assume such defense at the Indemnified Party's sole cost and expense. Neither Party shall settle or dispose of any such matter in any manner that would adversely affect the rights or interests of the other Party (including the obligation to indemnify hereunder) without the prior written consent of the other Party, which shall not be unreasonably withheld or delayed. Each Party shall cooperate with the other Party and its counsel in the course of the defense of any such Claim, such cooperation to include, without limitation, using reasonable efforts to provide or make available documents, information and witnesses. Notwithstanding the foregoing, the Indemnifying Party's right to control the defense pursuant to the foregoing shall not extend to issues involving the validity of any Intellectual Property Right of the Indemnified Party.

**12. LIMITATION OF LIABILITY**

12.1. **LIABILITY CAP.** EXCEPT IN CASE OF WILFULL CONDUCT OR GROSS NEGLIGENCE, IN NO EVENT SHALL EITHER PARTY'S AGGREGATE LIABILITY FOR ANY BREACH, WARRANTY, INDEMNITY OR OTHER OBLIGATION OR LIABILITY ARISING OUT OF THIS AGREEMENT OR IN CONNECTION WITH THE SALE OR USE OF ANY PRODUCTS PROVIDED HEREUNDER, EXCEED THE AGGREGATE PRICES PAID OR PAYABLE FOR THE PRODUCT IN CONNECTION WITH WHICH THE LIABILITY AROSE DURING THE TWELVE (12) MONTHS PERIOD PRECEDING THE DATE THE LIABILITY AROSE.

12.2. **DAMAGES LIMITATIONS.** EXCEPT IN CASE OF WILFULL CONDUCT OR GROSS NEGLIGENCE, IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL OR INDIRECT DAMAGES (INCLUDING WITHOUT LIMITATION LOSS OF USE, LOSS OF OPPORTUNITY, MARKET POTENTIAL, GOODWILL AND/OR PROFIT, LOSS OF REPUTATION AND OTHER ECONOMIC LOSS) ARISING OUT OF THIS AGREEMENT WHETHER BASED ON CONTRACT, TORT, THIRD PARTY CLAIMS OR OTHERWISE, EVEN IF THE OTHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

12.3. **Exceptions.** The Parties expressly agree that the waivers and limitations of liability set forth in Sections 12.1 and 12.2 shall not apply to the Parties' obligations under Article 11, and that the cap on liability set forth in Section 12.1 shall not apply to the purchasing party's payment obligations in Article 6.

**13. TERM AND TERMINATION**

13.1. **Term and Good faith.** This Agreement shall come into force on the Effective Date and, subject to Section 18.3, shall remain in effect until December 31, 2025 ("**Initial Term**"). Following the Initial Term, this Agreement will automatically be renewed for additional one (1) year periods ("**Renewal Term**"). Each Party shall negotiate such renewals in good faith having

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in mind the purpose of the Strategic Agreements with the other Party. The Initial Term and any Renewal Terms shall be referred to herein as the “**Term**”.

13.2. Termination for convenience by Nexperia. Nexperia may terminate this Agreement for convenience by providing to Transphorm written notice at least [\*\*\*] months before the lapse of a Term.

13.3. Termination for convenience by Transphorm. Transphorm may not terminate this Agreement for convenience if such termination would take effect prior to the Option Termination. Termination for convenience effective after Option Termination is subject to a written notice to Nexperia of at least [\*\*\*] months.

13.4. Termination of Epi Wafer Product Supply. Upon Closing (as defined in Exhibit C of the Option Agreement) all Transphorm obligations to supply Epi Wafer Products pursuant to this Agreement shall immediately terminate, except any accepted Purchase Orders or unless otherwise agreed by the Parties.

13.5. Termination for Default. Without prejudice to any other rights and remedies a Party may have in case of default, either Party may terminate this Agreement (including any pending Orders) upon the occurrence of any of the following events of default:

13.5.1. If the other Party materially fails to perform or comply with this Agreement or any provision hereof, provided the Party claiming such failure notifies the other Party in writing and (i) with respect to a failure related to Transphorm’s obligation to timely supply Epi Wafers, such failure is not remedied as soon as reasonably possible but in any event within 120 days of the receipt of such notice, and (ii) with respect to any other failure, such failure is not remedied within 60 days of the receipt of such notice; or

13.5.2. If the other Party becomes insolvent or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors, if a Party files a petition under any foreign, state, or United States bankruptcy act, receivership statute, or the like, as they now exist or as they may be amended, or such a petition is filed by any third party, or an application for a receiver of a Party is made by anyone and such petition or application is not resolved favorably within sixty (60) days.

13.6. Termination for Violation of Laws. If a Party reasonably believes that performance under this Agreement will violate any applicable laws or regulations, that Party shall have the right to immediately terminate this Agreement upon notice to the other Party.

13.7. Effect of Termination: The following shall occur if this Agreement terminates.

13.7.1. Return of Confidential Information. Upon termination of this Agreement each Party shall return to or destroy the Confidential Information of the other Party, except for that Confidential Information which is required in order for a Party to carry out its continuing rights and obligations.

13.7.2. Last-Time Buy Order. Upon termination or expiration of the Term, each Party shall each have the option to submit a non-cancelable Order for a last-time buy, which order shall be accepted by the other Party so long as it meets the requirements of Section 3.2 and is within the forecasts provided under Article 4 prior to such termination or expiration. Notice of such last-time buy Order shall be made at least 60 days prior to the termination or expiration of the Initial Term or then-current Renewal Term as applicable, with delivery to occur within 6 months from such expiration or termination date.

13.7.3. Survival of Provisions. Articles 6.3, 6.4, 8, 10, 11, 12, and 18, and Section 13.4 shall survive any expiration or termination of this Agreement. No expiration or termination of this Agreement shall affect any right or liability of a Party accrued before the effective date of such expiration or termination.

#### 14. COMPLIANCE

14.1. Each Party will comply with all requirements of the Code of Conduct attached hereto as Exhibit G.

#### 15. AUDIT

Each Party shall have the right, by itself or through its appointed representatives that are reasonably acceptable to the other Party, to inspect on a routine basis, at its own cost, during normal business hours, not more than once each calendar year and upon at least two weeks' advance written notice, the other Party's manufacturing and distribution facilities, quality procedures and manufacturing processes, in each case that are applicable to the Products supplied under this Agreement, to verify and audit compliance with this Agreement. Each such inspection shall be subject to the inspecting Party and its representatives entering into appropriate confidentiality agreements with the other Party. In case of incidents, ad-hoc audits shall be scheduled between the parties.

#### 16. EXPORT CONTROL

16.1. Each Party shall comply with all applicable export and import control laws and regulations including but not limited to the US Export Administration Regulations (including prohibited party lists issued by other federal governments), Catch-all regulations and all national and international embargoes. Each Party further agrees that it will not knowingly transfer, divert, export or re-export, directly or indirectly, any product, software, including software source code, or technology restricted by such regulations or by other applicable national regulations, received from the other Party under this Agreement, or any direct product of such software or technical data to any person, firm, entity, country or destination to which such transfer, diversion, export or re-export is restricted or prohibited, without obtaining prior written authorization from the applicable competent government authorities to the extent required by those laws. This provision shall survive termination or expiration of this Agreement.

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16.2. Each Party shall obtain all international and national export licenses or similar permits required in connection with the supply of Products by such Party under this Agreement unless otherwise mutually agreed in writing by the Parties. Each Party will cooperate in informing the other Party whether or not the Products are US controlled and/or controlled under the export control laws of its country, and indicate the Export Control Classification Number (ECCN) when applicable.

**17. SUPPLY CHAIN SECURITY**

17.1. Nexperia as a multinational company operates according to a uniform and company-wide framework on Supply Chain Security in which all requirements of governmental security programs like the U.S. Customs and Border Protection program C-TPAT (Customs – Trade Partnership Against Terrorism) and the European Customs program AEO (Authorized Economic Operator) are incorporated in guidelines as laid down in the Nexperia Security Standards. Such programs may require security standards from Transphorm.

17.2. In case Transphorm is not involved in any governmental Supply Chain Security Program, Transphorm declares to have measures in place (internal Supply Chain Security Policy and Program) that are intended:

- To ensure goods are produced, stored, prepared, packed, loaded in and transported from safe business premises;
- To ensure goods are protected against unauthorized intervention during production, storage, preparation, packing loading and transport, and
- To ensure goods are forwarded and shipped by authorized third parties.

17.3. On request, Transphorm shall provide to Nexperia:

- Written statement referring to the measures in place (internal Supply Chain Security Policy and Program), and/or
- A security audit plan auditable by or on behalf of Nexperia.

**18. GENERAL**

18.1. Entire Agreement. This Agreement and all appendices, schedules, and exhibits hereto constitutes the entire agreement and understanding of the Parties with respect to the subject matter hereof, and supersedes all prior and contemporaneous correspondence, negotiations, agreements and understandings among the Parties, both oral and written, regarding such subject matter (except for those signed by duly authorized representatives of the Parties).

18.2. Amendment. The terms of this Agreement may not be amended unless the amendment is in writing and signed by duly authorized representatives of both Parties.

18.3. Assignment. Neither Party may assign, delegate, or otherwise transfer any of its rights or obligations under this Agreement to any third party without the prior written consent of the other

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Party, not to be unreasonably withheld, conditioned or delayed, provided that either Party may freely assign this Agreement, without obtaining the other Party's consent, to a successor to all or substantially all of its relevant assets, whether by sale, merger, or otherwise. Any purported or attempted assignment, delegation or other transfer of any rights or obligations under this Agreement in contravention of the foregoing sentence shall be null and void. Subject to the foregoing, this Agreement shall be binding upon the Parties and their respective successors. In the event of an assignment of this Agreement by a Party to a direct competitor of the other Party, the assigning Party shall give prior written notice of the assignment to the other Party as soon as practicable under the circumstances and at least thirty (30) days prior to such assignment. In the event of an assignment of this Agreement by Transphorm during the last two (2) years of the Initial Term to a successor to all or substantially all of its relevant assets, the Initial Term shall automatically be extended to end on the date that is two (2) years from the date of such assignment.

18.4. **Subcontracting.** Either Party shall be entitled to use the services of its subcontractors and/or consultants provided that the Party remains fully liable for the performance of its subcontractors or consultants hereunder.

18.5. **Notice.** Any notice required to be given hereunder (other than routine transactional communications) shall be in writing and shall be sent by certified mail or courier service (such as FedEx) to the following addresses of the respective Parties (or to such other address as either Party may designate from time to time by written notice to the other Party):

If to Transphorm:

Transphorm Inc.  
115 Castilian Drive  
Suite 100  
Goleta, California 93117  
USA

Attn:

If to Nexperia:  
Jonkerbosplein 52  
6534 AB Nijmegen  
Netherlands  
Attn: General Counsel

18.6. **No Waiver.** No failure or delay by a Party in exercising any right, power, or remedy under this Agreement shall operate as a waiver of any such right, power, or remedy. No waiver of any provision of this Agreement shall be effective unless in writing and signed by the Party against whom such waiver is sought to be enforced.

18.7. **Severability.** In the event that any provision of this Agreement (or any portion hereof) is determined by a court of competent jurisdiction to be illegal, invalid or otherwise unenforceable, such provision (or part thereof) shall be enforced to the extent possible consistent with the stated

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intention of the Parties, or, if incapable of such enforcement, shall be deemed to be deleted from this Agreement, while the remainder of this Agreement shall continue in full force and remain in effect according to its stated terms and conditions.

18.8. Independent Contractors. The relationship between Transphorm and Nexperia is one of independent contractors, and neither Party will at any time or in any way represent itself as being a dealer, agent or other representative of the other Party or as having authority to assume or create obligations or otherwise act in any manner on behalf of the other Party.

18.9. Compliance with Laws. Each Party will comply with all laws, legislation, rules, regulations and governmental requirements applicable to the exercise of its rights and performance of its obligations under this Agreement.

18.10. Force Majeure. Except for any obligation to pay money, no Party shall be liable to the other Party for any failure or delay in performance caused by any acts of God or other natural disasters or by other reasons similarly beyond such Party's reasonable control, provided that such Party exercises commercially reasonable efforts to resume performance as soon as possible. Notwithstanding the foregoing, if a Party's performance is delayed by one hundred twenty (120) days, or the Parties mutually agree that performance will be delayed by one hundred twenty (120) days (such agreement not to be unreasonably withheld or delayed), then the other Party may terminate this Agreement on notice to the affected Party.

18.11. Remedies Cumulative. Unless expressly set forth herein to the contrary, a Party's election of any remedies provided for in this Agreement shall not be exclusive of any other remedies available hereunder or otherwise at law or in equity, and all such remedies shall be deemed to be cumulative.

18.12. Applicable Law. The validity, performance, construction and interpretation of this Agreement shall be governed by the laws of the State of California, U.S.A., without regard to its conflict of law provisions. All disputes arising out of or in connection with this Agreement shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said rules. The arbitration shall be conducted in the English language. The award of the arbitrators shall be final and binding, subject to neither appeal nor confirmation. Each Party represents that the arbitration award can be entered and enforced under its national law in any court of competent jurisdiction. Place of arbitration shall be London (UK). The UN Convention on Contracts for the International Sale of Products (Vienna, 1980) shall not apply to this Agreement or to any dispute or transaction arising out of this Agreement.

18.13. Resale, Imports and Exports. Where applicable, the selling Party will obtain all necessary licenses and consents for resale, import and export of Products under the regulations of any relevant jurisdiction. The purchasing Party will provide such assistance and information or documentation as may reasonably request for purposes of obtaining such licenses and consents.

18.14. Language and Translation. This Agreement shall be executed in the English language only and no translation shall be considered in the interpretation hereof.

18.15. Construction. This Agreement shall be fairly interpreted in accordance with its terms and without any strict construction in favor of or against any Party. As used in this Agreement, the words “include” and “including,” and variations thereof, will be deemed to be followed by the words “without limitation.”

19. Exhibits

The following Exhibits are attached hereto and incorporated herein by this reference:

Exhibit A: **Product List - Processed Wafers from AFSW or Nexperia**

Exhibit B: **Manufacturing Facilities**

Exhibit C: **Reserved**

Exhibit D: **Epi Product Pricing, Capacity and Lead-times**

Exhibit E: TPS

Exhibit F: GQA

Exhibit G: Sustainability, Code of Conduct

Exhibit H: Banned Substances



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IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representative as of the date first shown above.

**For Transphorm, Inc.**

By: /s/ Primit Parikh  
Signature  
Name: Primit Parikh  
Title: President & COO  
Date: 5/18/2021

**For Nexperia B.V.**

By: /s/ Charles Smit  
Signature  
Name: Charles Smit  
Title: SVP & General Counsel  
Date: May 19, 2021

Exhibit A - Product List - Processed Wafers from AFSW or Nexperia

**SECTION 1 - GAN PROCESSED WAFERS – BY AFSW**

**Table 1.1 - Pricing for TPH GaN processed wafers at AFSW**

	Gen[***] Gen[***]				
Wafers / mo ==>	0-100	101-200	201-3000	3001-4000	4001-5000
Fab+Probe	[***]	[***]	[***]	[***]	[***]
1) Terms [***] 2) Table is tiered pricing: 3,500 wafer order: 3,000 wafers price @ [***] and 500 wafers price @[***] 3) BSM/BND [***] not included					

The above pricing is for Gen[\*\*\*] wafers included in Table 1.3.

Pricing for Gen[\*\*\*] and Gen[\*\*\*] wafers to be scaled according to respective steps, for which March 2021 status is in table 4 below. Based on below steps for Gen[\*\*\*], Gen[\*\*\*] pricing is [\*\*\*]% of Gen[\*\*\*] pricing and Gen[\*\*\*] pricing is [\*\*\*]% of Gen[\*\*\*] pricing. (Note Gen[\*\*\*] is in engineering development and any final changes to be reflected below after qualification).

BSM/BND to be managed directly by Nexperia at [\*\*\*] or a supplier of Nexperia choice.

**Table 1.2 – Product Families**

	Gen[***]	Gen[***]	Gen[***]
Number of Process Steps	[***]	[***]	[***]
Number of Mask Layers	[***]	[***]	[***]

**Table 1.3 - Current wafer products include:**

Item	TPH Names (= commercial name)	TPH mask set no. (= fab name)
1	[***]	[***]
2	[***]	[***]
3	[***]	[***]
4	[***]	[***]

Nexperia shall supply GaN wafers manufactured by Nexperia under Licensed technology (Gen[\*\*\*]) to Transphorm in accordance with Section 2 hereunder.

**Table 1.4 - Transphorm Wafer Fabrication Capacity**

Aizu Fujitsu Semiconductor Wafer-Solution (AFSW)

Epi Wafer (Gen[***], Gen[***], Gen[***])	Wafer/Month (Total AFSW capacity)	Lead-time (weeks)	Capacity Increase Lead-time (in months)
Base Demand	[***]	[***]	[***]
Incremental Step 1	[***]	[***]	[***]
Incremental Step 2	[***]	[***]	[***]
Incremental Steps	[***]	[***]	[***]

**SECTION 2 GAN PROCESSED WAFERS – BY NEXPERIA [\*\*\*]\*****Table 2.1 - [\*\*\*] GaN processed wafers pricing**

Gan Wafer	<100 wfrs/month	101-200 wfrs/month	201-3000 wfrs/month
Wafer + Probe	[***]	[***]	[***]

\* Note: Max monthly purchasing quantity agreed is 10% of total available capacity for GaN wafers at [\*\*\*] . Parties will negotiate in good faith if and when concrete opportunity from Transphorm rises above these levels.

**SECTION 3 - MOSFET PROCESSED WAFERS – BY NEXPERIA**

Nexperia Silicon wafers are based on T9-30V 200mm, non Automotive or Automotive

**Table 3. Wafer cost (USD):**

Non-Auto	2021	2022	2023	2024	2025
0-100wfrs/mth	[***]	[***]	[***]	[***]	[***]
100-500wfrs/mth		[***]	[***]	[***]	[***]
>500wfrs/mth		[***]	[***]	[***]	[***]

Auto	2021	2022	2023	2024	2025
0-100wfrs/mth	[***]	[***]	[***]	[***]	[***]
100-500wfrs/mth		[***]	[***]	[***]	[***]
>500wfrs/mth		[***]	[***]	[***]	[***]

Parts in scope:

12NC	Name	status	comment
[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]

This table will be reviewed every [\*\*\*] months.

Exhibit B – Manufacturing Facilities

For Transphorm:

Process	Supplier	Address	Service
TPH MOCVD Goleta USA	Transphorm, Inc. EPI	115 Castillian Drive Goleta, CA 93117	EPI Wafer Fabrication – GEN [***]
TJE MOCVD Aizu Japan	Transphorm Japan EPI	Fukushima Aizuwakamatsu-shi 4-6 Kogyodanchi Monden-machi, Kato Yuichi-san 965-85 4 Japan	EPI Wafer Fabrication – GEN [***] and GEN [***]
Wafer Fab	Aizu Fujitsu Semiconductor Wafer-Solution	Fukushima Aizuwakamatsu-shi 4-6 Kogyodanchi Monden-machi, Kato Yuichi-san 965-85 4 Japan	Full process product wafer fabrication – all GEN

For Nexperia:

Process	Supplier	Address
MOSFET wafers	Nexperia DMAN	Hazel Grove, Manchester, UK
MOSFET wafers	[***]	[***]
GaN wafers – Gen [***]	Nexperia [***]	[***]

Exhibit C – Reserved

Exhibit D – Epi Product Pricing, Capacity and Lead-times

Table 1. Gen [\*\*\*] Epi-wafer pricing (GS[\*\*\*], TJE [\*\*\*]) at any volume

Pricing from Goleta	2021	2022	2023
EPIWAFER + Si Sub	[***]	[***]	[***]

Table 2. Epi Wafer Pricing Table from TJE: Gen [\*\*\*], Gen [\*\*\*]\* wafers (GS[\*\*\*] – [\*\*\*], GS[\*\*\*] – [\*\*\*])

Reactors	Annual Volume		Pricing in USA				
	Min	Max	2021	2022	2023	2024	2025*
1	[***]	[***]	[***]	[***]	[***]		
1	[***]	[***]	[***]	[***]	[***]	[***]	
2	[***]	[***]		[***]	[***]	[***]	[***]
3	[***]	[***]			[***]	[***]	[***]
4	[***]	[***]				[***]	[***]

Table 2 represents fixed pricing per year for the products indicated and at the volume ranges indicated using the pricing formulas described in 6.1.

\*Prices for 20[\*\*\*] to be negotiated in 20[\*\*\*] and below [\*\*\*] per wafer at the indicated volume. Price to be renegotiated to meet market competitive pricing supported by data sets from TPH and Nexperia.

\*\* Requires [\*\*\*] prepayment on initial Order to initiate production.

Price Offset Calculation Example:

20[\*\*\*]: invoicing during the year at [\*\*\*]\$/wfr  
 Realized 20[\*\*\*] = [\*\*\*] (below the lower limit of [\*\*\*]wfrs)  
 ->rebate EOY to from Nexperia to TPH: [\*\*\*]wfrs x ([\*\*\*])\$/wfr  
 Realized 20[\*\*\*] = [\*\*\*] ([\*\*\*]k above the upper limit of [\*\*\*]k)  
 ->rebate EOY from TPH to Nexperia: [\*\*\*]wfrs x ([\*\*\*])\$/wfr

\*Note – Gen[\*\*\*] is in engineering development and final price to be fixed after qualification. At this time we expect Gen[\*\*\*] price to be similar to Gen[\*\*\*] price.

**Table 3. TPH Goleta Epi Capacity and Lead-times**

TPH (Goleta) Capacity and Lead-times			
Epi Wafer: Gen3,	Wafers/ Month	Lead-time (weeks) if forecasted	Capacity Increase Lead-time (in months)
Base Demand	[***]	[***]	[***]
Incremental Step 1	[***]	[***]	[***]
Incremental Step 2	[***]	[***]	[***]
Incremental Step 3	[***]	[***]	[***]
Each Subsequent Increment of [***] wafers	[***]	[***]	[***]

**Table 4. TJE (Aizu) Epi Capacity and Lead-times**

TPH (Goleta) Capacity and Lead-times			
Epi Wafer: Gen[***], Gen[***]	Wafers/ Month	Lead-time (weeks) if forecasted	Capacity Increase Lead-time (in months)
Base Demand	[***]	[***]	[***]
Incremental Step 1	[***]	[***]	[***]
Incremental Step 2	[***]	[***]	[***]
Each Subsequent Increment of [***] wafers	[***]	[***]	[***]

\*\* MOCVD reactor max capacity is [\*\*\*] wafers for month

Binding forecast example for wafer demand > [\*\*\*]k wafers/year (special [\*\*\*] month case for reactor #3):

In Q2, 20[\*\*\*] Nexperia forecast for Q3 20[\*\*\*] is > [\*\*\*] wafers and expected to hold steady or increase (> [\*\*\*]k wafers/year). New MOCVD machine is triggered and committed to be in service starting Q3 20[\*\*\*]. Forecast of Q3 20[\*\*\*]-Q2 20[\*\*\*] is a Binding Epi Wafer Forecast subject to underloading payments if forecast quantities are not realized.

Underloading payment example for Binding Forecasts (applies to usual [\*\*\*] month Binding forecast and special [\*\*\*] month Binding forecast for Reactor 3:

20[\*\*\*] forecast [\*\*\*]k wfr, 20[\*\*\*] realization [\*\*\*]k wfr  
 Nexperia pays extra [\*\*\*] wfr \* [\*\*\*]% \* \$[\*\*\*]



**Exhibit E: Technical Purchasing Specification (TPS)**

- Will be agreed at product qualification

**Exhibit F: General Quality Agreement (GQA)**

- Attached

**Exhibit G: Sustainability, Code of Conduct**

- attached

**New: Exhibit H: Banned Substances**

- pending

**AMENDMENT NO. 5 TO LOAN AND SECURITY AGREEMENT**

This Amendment No. 5 to Loan and Security Agreement, dated as of March 1, 2021 (this "Amendment"), is entered into by and among Nexperia B.V., a private limited liability company incorporated under the laws of the Netherlands with its registered office at Jonkerbosplein 52, 6534 AB Nijmegen, the Netherlands ("Nexperia" or the "Lender"), and Transphorm Technology, Inc., a Delaware corporation (the "Borrower"), and amends that certain Loan and Security Agreement, dated as of April 4, 2018, as previously amended by Amendment No. 1 to Loan and Security Agreement dated as of March 21, 2019, Amendment No. 2 to Loan and Security Agreement dated as of February 7, 2020, Amendment No. 3 to Loan and Security Agreement dated as of April 8, 2020, and Amendment No. 4 to Loan and Security Agreement dated as of April 28, 2020 (such Loan and Security Agreement as amended by Amendment No. 1, Amendment No. 2, Amendment No. 3 and Amendment No. 4, collectively, the "Loan and Security Agreement"). Capitalized terms used herein but not defined herein are used as defined in the Loan and Security Agreement.

W I T N E S S E T H:

WHEREAS, the Borrower desires to request an extension of the Tranche B Maturity Date and the Lender is willing to grant such an extension;

NOW, THEREFORE, in consideration of the premises and agreements, provisions and covenants herein contained, the parties hereto agree as follows:

**SECTION 1. AMENDMENT TO THE LOAN AND SECURITY AGREEMENT**

1.1 The definition of Tranche B Maturity Date is hereby amended and restated in its entirety as follows:

"**Tranche B Maturity Date**" means June 30, 2021.

1.2 The definition of Tranche C Maturity Date is hereby amended and restated in its entirety as follows:

"**Tranche C Maturity Date**" means May 18, 2021.

**SECTION 2. MISCELLANEOUS**

**2.1 Reference to and Effect on the Loan Documents.**

(a) After giving effect to this Amendment, each reference in the Loan and Security Agreement to "*this Agreement*," "*hereunder*," "*hereof*," "*herein*," or words of like import, and each reference in the other Loan Documents to the Loan and Security Agreement (including, without limitation, by means of words like "*thereunder*," "*thereof*," "*therein*" and words of like import), shall mean and be a reference to the Loan and Security Agreement as amended by this Amendment.

(b) Except as expressly amended or waived, as applicable, hereby, all of the terms and provisions of the Loan and Security Agreement and all other Loan Documents are and shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Lender under the Loan and Security Agreement or any Loan Document, or constitute a waiver or amendment of any other provision of the Loan and Security Agreement or any Loan Document (as amended hereby) except as and to the extent expressly set forth herein.

**2.2 Choice of Law; Dispute Resolution; Severability of Provisions; Counterparts; Electronic Execution of Documents; Captions; Construction of Agreement; Third Parties.** The terms of Sections 11, 12.5,

12.7, 12.10, 12.11, 12.12 and 12.14 of the Loan and Security Agreement with respect to Choice of Law, Dispute Resolution, Severability of Provisions, Counterparts, Electronic Execution of Documents, Captions, Construction of Agreement and Third Parties are incorporated herein by reference, mutatis mutandis, and the parties hereto agree to such terms.

2.3 **Loan Document and Integration**. This Amendment shall constitute a Loan Document, and together with the other Loan Documents, incorporates all negotiations of the parties hereto with respect to the subject matter hereof and is the final expression and agreement of the parties hereto with respect to the subject matter hereof.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers and members thereunto duly authorized, as of the date indicated above.

**TRANSPHORM TECHNOLOGY, INC., as the  
Borrower**

By: /s/ Cameron McAulay  
Name: Cameron McAulay  
Title: CFO

**NEXPERIA B.V., as the Lender**

By: /s/ Charles Smit  
Name: Charles Smit  
Title: SVP & General Counsel

## AMENDMENT NO. 6 TO LOAN AND SECURITY AGREEMENT

This Amendment No. 6 to Loan and Security Agreement, dated as of May 18, 2021 (this "Amendment"), is entered into by and among Nexperia B.V., a private limited liability company incorporated under the laws of the Netherlands ("Nexperia" or the "Lender"), Transphorm Technology, Inc., a Delaware corporation ("OpCo" or the "Borrower"), and Transphorm, Inc., a Delaware corporation and the parent company of OpCo ("TopCo" or the "Guarantor"), and amends that certain Loan and Security Agreement, dated as of April 4, 2018, as previously amended by Amendment No. 1 to Loan and Security Agreement dated as of March 21, 2019, Amendment No. 2 to Loan and Security Agreement dated as of February 7, 2020, Amendment No. 3 to Loan and Security Agreement dated as of April 8, 2020, Amendment No. 4 to Loan and Security Agreement dated as of April 28, 2020, and Amendment No. 5 to Loan And Security Agreement, dated as of March 1, 2021 (such Loan and Security Agreement as amended by Amendment No. 1, Amendment No. 2, Amendment No. 3 and Amendment No. 4, and Amendment No. 5 collectively, the "Loan and Security Agreement"). Capitalized terms used herein but not defined herein are used as defined in the Loan and Security Agreement.

### W I T N E S S E T H:

WHEREAS, OpCo desires to request an extension of the Tranche C Maturity Date; and

WHEREAS, as an inducement to Nexperia to grant an extension of the Tranche C Maturity Date, TopCo is agreeing to provide the parent guaranty as set forth in Section 2 of this Amendment.

NOW, THEREFORE, in consideration of the premises and agreements, provisions and covenants herein contained, the parties hereto agree as follows:

#### SECTION 1. AMENDMENT TO THE LOAN AND SECURITY AGREEMENT

1.1 The definition of Tranche C Maturity Date is hereby amended and restated in its entirety as follows:

"**Tranche C Maturity Date**" means the earlier of (a) the fifth anniversary of the Effective Date and (b) the date on which a Change of Control described in clauses (i), (ii) or (iii) of the definition thereof occurs.

1.2 The Tranche B.1 Loan (USD 2 million) is hereby converted by Nexperia into a Tranche C.1 Loan and consequently Nexperia is hereby fully waiving its rights to receive the Tranche B.1 Deliverables as defined in the DLA. All of the terms and conditions applicable to the Tranche C Loan (including in respect of interest rates, prepayments, maturity date and security rights) of the Loan and Security Agreement shall also apply to the Tranche C.1 Loan from and after the date hereof.

#### SECTION 2. GUARANTY

2.1 The Guarantor hereby unconditionally and irrevocably guarantees the payment and performance of the Obligations as and when the same shall be due and payable, whether by lapse of time, by acceleration of maturity or otherwise (the "Guaranty," and such guaranteed Obligations, the "Guaranteed Obligations"). The Guarantor hereby unconditionally and irrevocably covenants and agrees that it is liable for the Guaranteed Obligations as a primary obligor and not merely as surety.

2.2 The Guarantor hereby unconditionally and irrevocably waives any right to revoke this Guaranty and acknowledges that this Guaranty is continuing in nature and applies to all presently existing and future Guaranteed Obligations.

2.3 The Guarantor hereby unconditionally and irrevocably waives promptness, diligence, notice of acceptance, presentment, demand for performance, notice of non-performance, default, acceleration, protest or



dishonor and any other notice with respect to any of the Guaranteed Obligations and this Guaranty and any requirement that the Lender protect, secure, perfect or insure any Lien or any property subject thereto.

2.4 The Guarantor hereby unconditionally and irrevocably waives any defense based on any right of set-off or recoupment or counterclaim against or in respect of the Guaranteed Obligations of the Guarantor hereunder.

2.5 The Guarantor acknowledges that the Lender may, at its election and without notice to or demand upon the Guarantor, foreclose on any collateral held by it by one or more judicial or non-judicial sales, accept an assignment of any such collateral or other collateral in lieu of foreclosure, compromise or adjust any part of the Guaranteed Obligations, make any other accommodation with the Borrower or exercise any other right or remedy available to it against the Borrower, without affecting or impairing in any way the liability of the Guarantor hereunder except to the extent the Guaranteed Obligations have been paid in full or collateralized in full in cash, deposit account balances or other credit support reasonably acceptable to the Lender. The Guarantor hereby waives any defense arising out of such election even though such election operates, pursuant to applicable law, to impair or to extinguish any right of subrogation, reimbursement, exoneration, contribution or indemnification or other right or remedy of the Guarantor against the Borrower or any collateral.

### SECTION 3. MISCELLANEOUS

#### 3.1 Reference to and Effect on the Loan Documents.

(a) After giving effect to this Amendment, each reference in the Loan and Security Agreement to "this Agreement," "hereunder," "hereof," "herein," or words of like import, and each reference in the other Loan Documents to the Loan and Security Agreement (including, without limitation, by means of words like "thereunder", "thereof", "therein" and words of like import), shall mean and be a reference to the Loan and Security Agreement as amended by this Amendment.

(b) Except as expressly amended or waived, as applicable, hereby, all of the terms and provisions of the Loan and Security Agreement and all other Loan Documents are and shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Lender under the Loan and Security Agreement or any Loan Document, or constitute a waiver or amendment of any other provision of the Loan and Security Agreement or any Loan Document (as amended hereby) except as and to the extent expressly set forth herein.

3.2 Choice of Law; Dispute Resolution; Severability of Provisions; Counterparts; Electronic Execution of Documents; Captions; Construction of Agreement; Third Parties. The terms of Sections 11, 12.5, 12.7, 12.10, 12.11, 12.12 and 12.14 of the Loan and Security Agreement with respect to Choice of Law, Dispute Resolution, Severability of Provisions, Counterparts, Electronic Execution of Documents, Captions, Construction of Agreement and Third Parties are incorporated herein by reference, mutatis mutandis, and the parties hereto agree to such terms.

3.3 Loan Document and Integration. This Amendment shall constitute a Loan Document, and together with the other Loan Documents, incorporates all negotiations of the parties hereto with respect to the subject matter hereof and is the final expression and agreement of the parties hereto with respect to the subject matter hereof.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers and members thereunto duly authorized, as of the date indicated above.

**TRANSPHORM TECHNOLOGY, INC., as the Borrower**

By: /s/ Primit Parikh  
Name: Primit Parikh  
Title: President & COO

**TRANSPHORM, INC., as the Guarantor**

By: /s/ Mario Rivas  
Name: Mario Rivas  
Title: Chief Executive Officer

**NEXPERIA B.V., as the Lender**

By: /s/ Charles Smit  
Name: Charles Smit  
Title: SVP & General Counsel

[\*\*\*] Certain information in this document has been excluded because it both (i) is not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

**AMENDED and RESTATED DEVELOPMENT and LICENSE AGREEMENT**

This Amended and Restated Development Agreement, effective as of May 18, 2021, is entered into by and among:

**Nexperia B.V.**, Jonkerbosplein 52, 6534AB Nijmegen, The Netherlands ("Nexperia");

and

**Transphorm, Inc.**, 115 Castilian Drive, Goleta, CA 93117 ("TopCo");

and

**Transphorm Technology Corp.**, 115 Castilian Drive, Goleta, California 93117 ("OpCo," and collectively with TopCo, "Transphorm").

Nexperia and Transphorm hereinafter collectively referred to as the "Parties" and each individually as a "Party".

WHEREAS, Nexperia is engaged in research and development, manufacture and sale of (among others) power MOS discrete semiconductors for use in the automotive market;

WHEREAS, Transphorm is engaged in the business of designing, developing, manufacturing and selling GaN on silicon and GaN on sapphire products;

WHEREAS, the Parties have been collaborating under various agreements with the aim to introduce GaN technology developed by Transphorm to automotive Tier 1 suppliers and OEM's;

WHEREAS, Nexperia and OpCo are parties to that certain Development and License Agreement, dated as of April 4, 2018 ("Effective Date") by and between Nexperia and OpCo, as previously amended by Amendment No. 1 dated March 21, 2019 and Amendment No. 2 dated February 7, 2020 (the "Prior Agreement");

WHEREAS, the Prior Agreement provides for development, transfer and licensing of certain Transphorm-developed manufacturing process technology (but specifically excluding Epi Process Technology (as defined below)) to Nexperia in Europe in stages as more particularly described in the SOWs (as defined below) under this Agreement, with a limited exclusivity to Nexperia in exchange for funding Transphorm's technology development, giving Nexperia a reasonable lead-time;

WHEREAS, Transphorm has effected a corporate restructuring pursuant to which TopCo became the parent company of OpCo, which in turn is the parent company of Transphorm Japan, Inc., a Japanese company, which in turn is the parent company of Transphorm Japan Epi, Inc. (the "TPH Restructuring");

WHEREAS, pursuant to the Amendment No. 2 dated February 7, 2020, the Parties agreed that the TPH Restructuring shall not be deemed to be, or deemed to result in, directly or indirectly, a "Change of Control" of Transphorm under the Prior Agreement, and made other modifications to the Prior Agreement as set forth therein; and

WHEREAS, the Parties desire to amend and restate the Prior Agreement as set forth below in this Agreement, to, among other things, (a) add GaN on sapphire products and technology to the definitions of "Product" and "Epi Process Technology," respectively, (b) provide Nexperia with the right to sue under the exclusive and sole licenses, (c) include Gen 5 in the "Foreground IPR," (d) update and align on the addendums attached thereto, and (e) make other clarifications and changes as set forth herein.

NOW THEREFORE, in consideration of the mutual promises and covenants contained herein, the Parties hereby amend, restate and replace the Prior Agreement in its entirety with this Agreement and further agree as follows:

## 1 Definitions

The following terms used in this Agreement have the following meanings:

- 1.1 "Acceptance Criteria" means the objective measures (including procedures for making such measurements) of successful completion by Transphorm of a task (such as a Milestone or Deliverable) or engagement, or a portion thereof, that are set forth in any SOW.
- 1.2 "Affiliates" means, with respect to a Party hereto, all entities Controlled by such Party. "Control" and its correlates means: (a) the ownership, directly or indirectly, of at least fifty percent (50%) of the issued voting securities of an entity; or (b) the possession, directly or indirectly, of the legal power to direct or cause the direction of the general management and policies of an entity or the power to elect or appoint at least fifty percent (50%) or more of the members of the governing body of the entity, whether through the ownership of voting securities, by contract or otherwise. An entity may be considered an Affiliate only when such control exists.
- 1.3 "Agreement" means the present Agreement, the SOWs, and all other addenda, exhibits and schedules attached hereto.
- 1.4 "Authorized Purpose" is defined in Section 15.1.
- 1.5 "Automotive Field" means the field of sale to third parties of power GaN products for ultimate incorporation in automobiles, which automobiles shall expressly exclude scooters, motorcycles and electric bicycles.
- 1.6 "Background IPR" of a Party means any Intellectual Property, other than Foreground IPR, that, absent a license, would necessarily be infringed by use of the Deliverables (including natural evolutions thereof developed by Nexperia) and (a) which was owned or controlled by the Party or any of such Party's Affiliates at the Effective Date, or (b) in respect of which ownership or control is acquired by the Party or any of such Party's Affiliates during the Term of this Agreement because of activities that are independent from but concurrent with the Projects.
- 1.7 "Change of Control" means the occurrence of any of the following events: (i) a consolidation, merger or other business transaction of a Party (or its parent entity) with or into any other entity as a result of which the stockholders of such Party (or its parent entity) immediately prior to such transaction do not own at least 50% of the issued and outstanding stock (or, if not a corporation, the equity interests) of the surviving or resulting entity (or if such surviving or resulting entity is a wholly-owned subsidiary immediately following such transaction, its parent); (ii) a person or entity (or a group of persons or entities, as described in Section 13(d) of the Securities Exchange Act of 1934, as amended) acquires more than 50% of the issued and outstanding voting stock of such Party (or its parent entity); (iii) the sale, assignment, license or other disposition of all or substantially all of the assets of such Party (or its parent entity); or (iv) the closing of Transphorm's (or its parent entity's) first firm commitment underwritten public offering of stock registered under the Securities Act of 1933, as amended.
- 1.8 "Confidential Information" means (i) any business or technical information of the disclosing Party provided to or obtained by the receiving Party, including but not limited to any information relating to the disclosing Party's product plans, designs, costs, product prices and names, finances, marketing plans, business opportunities, personnel, research, development or know-how, and (ii) any written information that is designated by the disclosing Party as "confidential" or "proprietary" at the time of disclosure to the

receiving Party or, if orally disclosed, is identified by the disclosing Party as confidential or proprietary at the time of disclosure to the receiving Party and is subsequently reduced to writing and marked as "confidential" by the disclosing Party in a writing provided to the receiving Party within fifteen (15) business days of such disclosure. Notwithstanding the foregoing, information disclosed by the Parties pursuant to this Agreement shall not be Confidential Information to the extent that it can be proven that the information:

- (a) is in or enters the public domain other than through the fault or negligence of the receiving Party and without breach of this Agreement;
- (b) is in the possession of the receiving Party prior to receiving it from the disclosing Party other than as a result of the receiving Party's breach of any legal obligation or a prior confidential disclosure by the disclosing Party;
- (c) is obtained by the receiving Party from a Third Party without restriction on disclosure and which Third Party is under no obligation of confidentiality (either direct or indirect) to the disclosing Party which respect to such Confidential Information; or
- (d) is developed by the receiving Party completely independently of and without use of any Confidential Information of the disclosing Party.

- 1.9 "Confidentiality Period", with respect to any item of Confidential Information, means the Term of this Agreement or three (3) years after such item of Confidential Information was disclosed to the receiving Party, whichever is longer; provided, however, that with respect to any such items that are the disclosing Party's trade secrets, the Confidentiality Period shall continue for so long as that item qualifies as trade secret under applicable law.
- 1.10 "Deliverable(s)" means all deliverable(s) due from Transphorm to Nexperia as specified in the SOWs.
- 1.11 "Development Work" means the development work that Transphorm shall perform as set forth in a SOW.
- 1.12 "Due Date" of a Deliverable means the date, according to the applicable SOW, upon which the Deliverable is due to be delivered to Nexperia.
- 1.13 "Epi Process Technology" means any technology related to Transphorm's proprietary MOCVD process of layering an epitaxial layer on a silicon layer (or GaN on silicon wafer) or on a sapphire layer (or GaN on sapphire wafer), and wafers manufactured using such process.
- 1.14 "Force Majeure Event" is defined in Section 19.1.
- 1.15 "Foreground IPR" means any Intellectual Property that arises because of and within the course of a Project, including without limitation Intellectual Property that arises as a result of investigations and research conducted in preparation of a Project, including without limitation the Intellectual Property arising from the development of the Gen4 and Gen5 technology provided by Transphorm to Nexperia pursuant to the SOWs.
- 1.16 "Group Companies" means, with respect to an entity, all other entities which directly or indirectly Control, are Controlled by, or are under common Control with such entity.
- 1.17 "Intellectual Property" or "Intellectual Property Rights" means rights in or to any patents, utility models, trade secrets, registered and unregistered designs, mask works, copyrights, database rights, moral rights and any other form of protection afforded by law to inventions, models, designs, trade secrets, know-how or Confidential Information, as well as any registrations, applications, divisions, continuations, re-

examinations, renewals or reissues of any of the foregoing, but excluding any and all rights with respect to trademarks, trade names, logos, service marks and other indicia of origin.

- 1.18 “Japanese Automotive Customer” means any entity based in Japan that performs substantial design and development in Japan of power GaN products for ultimate incorporation in automobiles (other than scooters, motorcycles and electric bicycles). For purposes of clarification, an entity that substantially designs and develops power GaN products in Japan for ultimate incorporation in automobiles (other than scooters, motorcycles and electric bicycles) outside of Japan shall be deemed a Japanese Automotive Customer, while an entity that substantially designs and develops power GaN products outside of Japan (e.g., in Europe) for ultimate incorporation in automobiles (other than scooters, motorcycles and electric bicycles) in Japan shall not be a Japanese Automotive Customer.
- 1.19 “Lead Time Period” means the period starting on the Effective Date and ending on the earlier of (i) the fifth anniversary of the Effective Date, and (ii) 12 months after the date on which a Change of Control of Transphorm is effectuated.
- 1.20 “LSA” means the Loan and Security Agreement between Nexperia and Transphorm to provide for pre-funding of development work, dated as of the Effective Date, as which may be amended and/or restated from time to time;
- 1.21 “Milestone(s)” means one or more phases of the Project, as specified in the SOW.
- 1.22 “Open License Terms” means any license agreement that require as a condition of use, modification and/or distribution of a licensed work (i) the making available of source code of any work that contains, is combined with, requires or otherwise is based on such licensed work, or (ii) the granting of permission for creating derivative works of any work that contains, is combined with, requires or otherwise is based on such licensed work.
- 1.23 “Open Source Software” means any software that is subject to Open License Terms.
- 1.24 “Other Field” means all fields of application other than the Automotive Field;
- 1.25 “Prior Agreement” is defined in the Recitals;
- 1.26 “Products” means GaN on silicon and GaN on sapphire products sold by Nexperia under its own branding.
- 1.27 “Project” means the development project set out in a SOW.
- 1.28 “Specifications” means the design, functional, and technical specifications for a Deliverable as set forth in a SOW.
- 1.29 “Statements of Work” or “SOWs” means the documents attached hereto as Addendums 1, 2 and 3, which documents describe the organization, technical and other details of each Project that is the subject of this Agreement, as may be amended in writing by the Parties during the Term in accordance with the provisions of this Agreement. A “Statement of Work” or a “SOW” means one of the SOWs as defined above.
- 1.30 “Steering Committee” is defined in Section 4.1.
- 1.31 “Subcontractor” is defined in Section 5.1.
- 1.32 “Term” is defined in Section 14.1.
- 1.33 “Third Party” means any entity or person that is not a Party or Affiliate of a Party.

1.34 “Transphorm Licensed IPR” means Transphorm’s Background IPR and Foreground IPR, in each case other than any Intellectual Property that is directed at or relates to Epi Process Technology.

## 2 Development; Exclusion of Epi Process Technology

2.1 Development. Transphorm shall use commercially reasonable efforts to perform the Development Work as described in the SOWs for the following technologies:

2.1 (a): Generation 3 or dMode, as described in the SOW attached hereto as Addendum 1 (the “Gen3-SOW”);

2.1 (b): [\*\*\*], as described in the SOW attached hereto as Addendum 2 (the “[\*\*\*]-SOW”);

2.1 (c): [\*\*\*], as described in the SOW attached hereto as Addendum 3 (the “[\*\*\*]”);

2.2 Changes and refinements to SOWs. The parties acknowledge that each of the SOWs may be amended over time in good faith by mutual agreement of the parties to include more detailed measurable specifications and Deliverables. Parties will refine the SOWs by adding Acceptance Criteria whenever they have the information available to do such refinements.

2.3 Exclusion of Epi Process Technology. The parties expressly acknowledge and agree that Epi Process Technology is not within the scope of the Development Work or this Agreement. No Epi Process Technology shall be deemed to constitute a Deliverable under this Agreement.

2.4 Testing. Prior to delivery of a Deliverable, Transphorm will perform testing in accordance with the requirements set forth in the respective SOW to assure that the Deliverable conforms to applicable Specifications.

2.5 Delivery. Upon completion of each Milestone, Transphorm shall deliver to Nexperia the corresponding Deliverable, if any.

## 3 Acceptance and Rejection

3.1 Acceptance. Nexperia will only reject a Deliverable if it fails to meet any applicable Acceptance Criteria or otherwise does not materially conform to the SOW. Nexperia will give Transphorm written notice of acceptance or rejection of a Deliverable in accordance with procedures to be set forth in the applicable SOW or as otherwise reasonably agreed by the Steering Committee.

3.2 Rejection. In case of rejection of a Deliverable by Nexperia, Transphorm shall submit a corrective action plan within thirty (30) business days aimed at correcting the aspects of the Deliverable that failed the applicable Acceptance Criteria and redelivering the corrected Deliverable as soon as reasonably practicable.

## 4 Project Management and Oversight

4.1 Steering Committee. Each Party shall appoint two persons to a joint Steering Committee (“Steering Committee”), which shall convene once every month with the task to monitor the execution of the Development Work, and to discuss the need for any amendments to SOWs.

4.2 Updates. Transphorm shall provide a demonstration or written update about progress of the Development Work to all Steering Committee members during a Steering Committee meeting.

4.3 Assistance. Nexperia shall provide without cost to Transphorm reasonable amounts of feedback and assistance as Transphorm may reasonably request to facilitate Transphorm’s performance of its obligations under this Agreement. In the event either party’s performance of any obligation under this Agreement is

delayed due to the lack of cooperation or assistance by, or other constraints or reasons attributable to, the other party, the period of performance of such obligation as required under this Agreement will be deemed extended to reflect such delay.

## 5 Subcontractors

- 5.1 Transphorm shall be permitted to subcontract with Third Party contractors ("Subcontractors") for the performance of certain Development Work provided that Transphorm enters into a written agreement with the Subcontractor under which the Subcontractor shall be bound to maintain as confidential all Confidential Information of Nexperia it comes to know under terms and conditions no less protective of Nexperia than those in Section 15.
- 5.2 Transphorm shall remain primarily liable to Nexperia for all obligations of Transphorm hereunder that are subcontracted by Transphorm to a Subcontractor.

## 6 Payments and pre-funding

- 6.1 Payments due by Nexperia to Transphorm shall be as set forth in the SOWs. Nexperia will pay any due amounts to Transphorm within thirty (30) days from the receipt of the relevant invoice. Nexperia has the right to set off any due invoices against any amounts owed to Nexperia by Transphorm under the LSA as further set forth in Section 2.2(e) of the LSA.
- 6.2 Pre-funding
  - (a) Upon the delivery of the Deliverables identified in the [\*\*\*]-SOW as due evidence of proof of concept for the [\*\*\*]-SOW, Transphorm may request in writing pre-funding by Nexperia of the Development Work under the [\*\*\*]-SOW as further set forth in Section 3.1 of the LSA.
  - (b) Upon the delivery of the Deliverables identified in the [\*\*\*]-SOW as due evidence of proof of concept for the [\*\*\*]-SOW, Transphorm may request in writing pre-funding by Nexperia of the Development Work under the [\*\*\*]-SOW as further set forth in Section 3.2 of the LSA.

## 7 Information and Intellectual Property Rights

- 7.1 Ownership. Except as expressly provided herein otherwise, all right, title and interest in and to any Background IPR of a Party shall remain solely and exclusively with such Party or its Affiliates. Any Foreground IPR developed solely by or on behalf of a Party shall be solely and exclusively owned by that Party. Any Foreground IPR developed, jointly by the Parties shall be owned jointly by the Parties and each Party will have the right to use and exploit such jointly-owned Foreground IPR without permission from and without accounting to the other Party.
- 7.2 Insolvency. In the event Transphorm becomes subject to any court or administration order pursuant to any insolvency law, Transphorm shall offer Nexperia the right to purchase all Foreground IPR from Transphorm at commercially reasonable prices and terms, and to the extent allowed by applicable laws and regulation, provided that Nexperia has paid all outstanding license fees with respect to such Foreground IPR. Notwithstanding the foregoing, the foregoing shall not obligate Transphorm to sell any such Foreground IPR to Nexperia at prices less than those offered by a third party for such Foreground IPR. Nexperia shall have the right to set off the purchase price for such Foreground IPR against any amounts owed to Nexperia by Transphorm under the LSA in accordance with the terms of Section 2.2(e) of the LSA.
- 7.3 Maintenance. Transphorm shall duly pay the fees and duties required to maintain its rights in its Background IPR and Foreground IPR relevant to the Development Work consistent with its past business practices. Should Transphorm wish to surrender its rights in any patents or patent applications constituting



Foreground IPR, it shall first offer to sell each such patent or patent application to Nexperia for USD 1.00. Should Nexperia not accept such prices and terms, Transphorm may surrender such rights or sell such rights to a third party, provided that in the event Transphorm sells such rights: (i) it shall retain a license for itself and a sublicense for Nexperia consistent with the terms of this agreement, and (ii) if Transphorm desires to offer to a third party better terms than those offered to Nexperia, it shall first offer Nexperia such terms.

- 7.4 License. Subject to the terms and conditions of this Agreement, including without limitation Nexperia's timely payment to Transphorm of the license fees as provided for in Section 7.7, Transphorm grants to Nexperia an irrevocable, perpetual (except as set forth in Section 14.4), world-wide, non-transferable, non-sublicensable (except as expressly permitted below), fully-paid license, under the Transphorm Licensed IPR, to develop, manufacture and sell Products. In case that Nexperia has not paid for all SOWs, the license specified above is limited to the Foreground IPR resulting from SOWs with respect to which Nexperia has paid all applicable license fees under Section 7.7 and the Background IPR that would be infringed by Nexperia's use of the Deliverables provided pursuant to such SOWs (including natural evolutions of such Deliverables developed by Nexperia).
- 7.5 The foregoing license shall be non-exclusive except as expressly set forth in Section 7.6 below. Nexperia may grant sublicenses under the foregoing license to its subcontractors providing manufacturing services solely with Transphorm's prior written approval on a case by case basis, which approval shall not be unreasonably withheld or denied. Transphorm may withhold its approval for subcontractors that are its competitors.
- 7.6 Exclusive and Non-exclusive license.
- (a) Gen3, [\*\*\*] and [\*\*\*]: With regard to the Deliverables provided under the SOWs, and subject to the exceptions set forth in Section 7.6(b) below, the license set forth in Section 7.4 shall be:
- (1) during the Lead Time Period: (i) exclusive to Nexperia (also excluding Transphorm), in the Automotive Field, throughout the world except for Japan; and (ii) "sole" to Nexperia (i.e. Transphorm shall not grant licenses to any other parties to develop, manufacture or sell products using such Deliverables but shall have and retain the rights set forth in Section 7.6(b)(2) below), in the Automotive Field in Japan;
  - (2) during the Lead Time Period, "sole" to Nexperia (i.e. Transphorm shall not grant licenses to any other parties to develop, manufacture or sell products using such Deliverables but shall have and retain the rights set forth in Section 7.6(b)(2) below), in the Other Field;
  - (3) after the Lead Time Period, non-exclusive to Nexperia in the Automotive Field and in the Other Field throughout the world;
- (b) Exceptions. Notwithstanding anything in is Agreement to the contrary:
- (1) During the Lead Time Period, Transphorm may develop, manufacture, have manufactured, or directly or indirectly sell or distribute any products in the Automotive Field for or to., Tesla, Inc. and Tata Sons or any of their respective Group Companies (collectively, the "Specified Customers") anywhere in the world.
  - (2) Transphorm has and retains all rights to use or exploit the Deliverables in any manner in the Automotive Field in Japan and in the Other Field, including without limitation all rights to make, have made, sell, distribute, license, use, test and support Transphorm's and its Affiliate's products, and to grant licenses to its Affiliates, vendors, manufacturers, service providers, distributors and customers as may be necessary for their manufacture, sale, distribution, use, test and support of Transphorm's and its Affiliates' products.

- (3) Nothing in this Agreement shall restrict any general and customary marketing activities of an acquirer or successor of Transphorm by way of a Change of Control with respect to such products of that acquirer or successor that are not the same as or substantially similar to Transphorm's products immediately prior to such Change of Control.
- (c) Restriction on Product Sampling. Notwithstanding anything in this Agreement to the contrary, in the event of a Change of Control of Transphorm (other than pursuant to an initial public offering of Transphorm's shares):
- (1) until the later of (i) the first anniversary of the effectuation of such Change of Control, or (ii) the date of the [\*\*\*] anniversary of the Effective Date: Transphorm or its successor will not provide any product samples to any customers for use in the Automotive Field other than to Japanese Automotive Customers and the Specified Customers.
  - (2) Intentionally Omitted.
- (d) Enforcement.
- (1) With respect to Nexperia's Exclusive License. During the Lead time Period, Nexperia has the right to sue third party infringers of the Transphorm Licensed IPR, in each case to the extent needed to maintain Nexperia's exclusive rights in the Automotive Field throughout the world except for Japan under the terms of this Agreement. In any such litigation: Nexperia shall control such litigation and Transphorm will cooperate and provide support reasonably requested by Nexperia, including without limitation by joining as a party if necessary to establish standing. Nexperia shall indemnify Transphorm for all expenses incurred in such litigation, including without limitation attorney fees and judgments that may be incurred. Nexperia shall not enter into any settlement of such litigation that involves the grant of any rights or licenses with respect to any Transphorm Licensed IPR or otherwise affects Transphorm's rights in or to any Transphorm Licensed IPR, or that requires any monetary payments by Transphorm or its Affiliates. For avoidance of doubt, Nexperia is allowed to enter into a settlement of such litigation under any other commercial terms, including and not limited to a settlement that includes a payment by said third party infringer(s) to Nexperia in exchange to an agreement not to sue the third party infringer(s) within the Lead Time Period.
  - (2) With respect to Nexperia's "Sole" License. During the Lead time Period, each Party (the "Enforcing Party") has the right to sue third party infringers of the Transphorm Licensed IPR, in the Automotive Field in Japan and in the Other Field. In any such litigation: the Enforcing Party shall control such litigation and the other Party (the "Cooperating Party") will cooperate and provide support as reasonably requested by the Enforcing Party, including without limitation by joining as a party if necessary to establish standing. The Enforcing Party shall indemnify the Cooperating Party for all expenses incurred in such litigation, including without limitation attorney fees and judgments that may be incurred; and any settlement shall be approved by the Cooperating Party, such approval not to be unreasonably withheld. Any recovery from the litigation shall first be used to compensate the Enforcing Party for its costs and expenses incurred in such litigation. If Nexperia is the Enforcing Party, any remaining recovery from the litigation shall be divided equally between Nexperia and Transphorm. If Transphorm is the Enforcing Party, it shall retain any remaining recovery from the litigation.

## 7.7 License Fees.

- (a) Gen3. Nexperia shall pay to Transphorm a fixed license fee of MUSD 9,00 (nine million USD dollars), payable in three installments upon the completion of one or more Milestones as set forth in the Gen3-SOW. Each installment shall be payable within 30 days from the due delivery or completion of the relevant Milestone entitling such payment as set forth in the Gen3-SOW.
- (b) [\*\*\*]. Nexperia shall pay to Transphorm a fixed license fee of MUSD 5,00 (five million US dollars), payable in one installment upon the completion of the Milestone as set forth in the [\*\*\*]-SOW. Each installment shall be payable within 30 days from the due delivery or completion of the relevant Milestone entitling such payment as set forth in the [\*\*\*]-SOW.
- (c) [\*\*\*]. Nexperia shall pay to Transphorm a fixed license fee of [\*\*\*], payable in one installment upon the completion of the Milestone as set forth in the [\*\*\*]-SOW. Each installment shall be payable within 30 days from the due delivery or completion of the relevant Milestone entitling such payment as set forth in the [\*\*\*]-SOW.

7.8 Exceptions to Licenses. Notwithstanding anything to the contrary in this Agreement, no licenses are granted pursuant to this Section 7 by Transphorm under Intellectual Property Rights that are not Transphorm Licensed IPR or are not licensable by Transphorm without payment of royalty or other consideration to a Third Party.

## 8 Nexperia Customers

8.1 Transphorm shall refrain from invoking its patent rights against Nexperia customers based on their incorporation or use of Products licensed to Nexperia pursuant to Section 7.4 above in customer devices. At Nexperia's request, Transphorm shall provide any such Nexperia customer with a written statement to such effect.

## 9 Third Party Intellectual Property; Open License Terms and Open Source Software

9.1 Warranty. Transphorm warrants that its Deliverables shall not knowingly include any items that are subject to Open License Terms or the use of which requires a license under Third Party Intellectual Property Rights, except for the Third Party licenses and Open License Terms identified in the SOWs, unless approved by Nexperia in writing.

9.2 Notification and approval. If, to Transphorm's knowledge, a Deliverable, or part thereof, is subject to Open License Terms or the use of which requires an Intellectual Property license from a Third Party, and such Open License Terms or Third Party licenses have not been identified in the relevant SOWs, Transphorm shall notify the Steering Committee and provide the Steering Committee with a full specification of all applicable license conditions. The Nexperia members in the Steering Committee will have the decisive vote as to whether such Deliverable or part thereof will be approved to be delivered to Nexperia under this Agreement or not. In case no approval is granted, Transphorm shall not use it in the framework of the Project.

9.3 Technical Assistance. In the event of any Third Party claim against either Party alleging violation of such Third Party's Intellectual Property Rights arising from the use of any Deliverable or any product directly resulting from the Project, the other Party shall, upon the request of the Party against which the claim is directed, provide such reasonable technical and other assistance as the requesting Party may reasonably require in connection with the defense of such claim.

## 10 Representations and Warranties; Limitations of Liability

10.1 Each Party represents and warrants that (i) it is a corporation duly organized, validly existing, and in good standing under the law of the jurisdiction of its organization; (ii) it has all requisite corporate power and authority to execute and deliver this Agreement and to effect the transactions contemplated hereby; (iii) the

execution, delivery, and performance of this Agreement by it has been duly authorized by all requisite corporate action; and (iv) the execution of this Agreement does not in any way conflict with any of its prior commitments or agreements, and it shall not during the Term enter into any agreement that would in any way conflict with its obligations or the rights granted by it under this Agreement

10.2 Transphorm further represents and warrants that:

- (a) it is in compliance in all material respects with all applicable laws and all decrees, orders, judgments, permits, and licenses of or from governmental bodies;
- (b) it will perform all Development Work in a professional and workmanlike manner, consistent with the industry standards of skill and care exercised on projects of comparable scope and complexity;
- (c) the Deliverables will substantially conform to their respective Specifications; and
- (d) to its knowledge, there are no Third Party claims pending or threatened alleging infringement of such Third Party's Intellectual Property Rights arising from the use of any Deliverable and that it shall promptly notify the Steering Committee in the event it becomes aware of any such Third Party claim.
- (e) no action, suit, proceeding, arbitration, or governmental investigation is pending or, to Transphorm's knowledge, threatened against Transphorm that could reasonably be expected to interfere materially with the consummation of the transactions contemplated hereby.

10.3 EXCLUSIVE WARRANTIES. THE FOREGOING WARRANTIES IN SECTION 10.2 CONSTITUTE TRANSPHORMS' EXCLUSIVE WARRANTIES WITH RESPECT TO THE DEVELOPMENT WORK AND DELIVERABLES AND ARE MADE IN LIEU OF ALL OTHER WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, INCLUDING BUT NOT LIMITED TO THE WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE AND NON-INFRINGEMENT, ALL OF WHICH ARE HEREBY EXPRESSLY DISCLAIMED.

10.4 LIMITATIONS OF LIABILITY. IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL OR INDIRECT DAMAGES (INCLUDING WITHOUT LIMITATION LOSS OF USE, LOSS OF OPPORTUNITY, MARKET POTENTIAL, GOODWILL AND/OR PROFIT, LOSS OF REPUTATION AND OTHER ECONOMIC LOSS) ARISING OUT OF THIS AGREEMENT WHETHER BASED ON CONTRACT, TORT, THIRD PARTY CLAIMS OR OTHERWISE, EVEN IF THE OTHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT SHALL EITHER PARTY'S AGGREGATE LIABILITY ARISING OUT OF THIS AGREEMENT OR IN CONNECTION WITH THE USE OR EXPLOITATION OF ANY DELIVERABLES EXCEED MUS\$ 24,00 (twenty four million US Dollars).

## 11 Infringement

11.1 No Infringement. Save as disclosed to Nexperia prior to the Effective Date, Transphorm represents and warrants to the best of its knowledge that, except for the items subject to Third Party licenses and/or Open License Terms that are identified in the SOWs or approved by Nexperia in writing, Transphorm is the owner of any Intellectual Property embodied in or arising from the Deliverables, or any part thereof, and that the Deliverables do not violate or infringe any Third Party Intellectual Property Right. Transphorm will promptly notify Nexperia if it becomes aware of any claim of such infringement.

11.2 Should any third party bring a lawsuit against Nexperia, its subcontractors or customers alleging that the Deliverables provided by Transphorm to Nexperia infringe such third party's patents, then Transphorm shall provide, at Nexperia's sole cost and expense, information and assistance reasonably requested by Nexperia to assist Nexperia in defending such claim, which assistance may include, without limitation, (i)

licensing or transferring joint ownership of selected Transphorm owned patents to Nexperia for the sole purpose of making counterclaims against such third party, (ii) joining such lawsuit if necessary to establish standing to make such counterclaims, or (iii) granting licenses under Transphorm's patents to such third party under commercially reasonable terms in connection with a settlement of such lawsuit. Except for a non-exclusive license granted in a patent cross-license settlement agreement with such third party, Nexperia may not grant to any other party any rights or licenses under the patents for which joint ownership is transferred to Nexperia. Promptly after the date such patent cross-license settlement agreement is executed between Nexperia and such third party, Nexperia shall transfer all its rights, rights and title in such patents back to Transphorm, subject to the licenses granted in such patent cross-license settlement agreement.

## 12 Indemnification

Each Party agrees that it will indemnify and hold harmless the other Party and its Affiliates, and their respective successors, assigns, officers, directors, employees, and agents, against losses, damages, costs and expenses ("Losses") actually incurred as the result of a Third Party claim alleging that the Products (when Nexperia is the indemnifying Party) or the Deliverables (when Transphorm is the indemnifying Party) have caused personal injury or death or damage to property (so long as indemnified Party or its products are in no way at fault for such injury or damage to property); provided, in each case that the indemnified Party provides the indemnifying Party with: (a) prompt written notice of such claim; (b) sole control over the defense and settlement of such claim; and (c) all information and assistance reasonably requested by the indemnifying Party to defend and/or settle such claim.

## 13 Regulatory Approval

The Parties agree to comply fully with all relevant laws and regulations of the United States Government in their performance of obligations under this Agreement. Without limiting the generality of the foregoing, if either Party's performance under this Agreement or any portion

thereof becomes subject to or requires obtaining regulatory approval from a United States Government agency, then the performance under the relevant part of the Agreement will, unless otherwise agreed by the Parties, be suspended until such regulatory approval has been obtained. Parties shall jointly cooperate in good faith to obtain such approval at the reasonably earliest possible time, and shall accept any reasonable mitigation measures required by the relevant agency to provide such approval. Should the suspension so caused exceed a period of 6 (six) months, then parties shall in good faith discuss a solution that comes closest to the initial intent of the parties.

## 14 Term and Termination

14.1 Term. Unless terminated earlier under this Section, this Agreement will commence on the Effective Date and continue until both Parties have fulfilled all of their obligations under all Statements of Work (the "Term").

14.2 Termination for Change of Control. Upon a Change of Control of either Party, such Party will provide written notice to the other Party. Each Party may immediately terminate this Agreement upon a Change of Control of the other Party upon at least thirty (30) days' written notice if such Change of Control is materially detrimental to the business interests of such Party.

14.3 Termination for Cause.

- (a) Bankruptcy or Insolvency. Each Party may terminate this Agreement forthwith by means of a written notice to the other Party in the event that a creditor or other claimant takes possession of, or a receiver, administrator or similar officer is appointed over any of the assets of such other Party, or in the event that such other Party makes any voluntary arrangement with its creditors or

becomes subject to any court or administration order pursuant to any bankruptcy or insolvency law.

- (b) **Breach.** In case of a material breach by a Party of its obligations under this Agreement, the non-breaching Party shall provide the breaching Party written notice of such breach and give the breaching Party a reasonable period of no longer than 30 (thirty) business days to cure the breach. If the breach is not cured within that period, the non-breaching Party may terminate this agreement by written notice to the breaching Party. Such termination is without prejudice to any other remedies the non-breaching Party may have in connection with the material breach, such as rights to recover damages and rights to demand performance.
- (c) **Termination of LSA.** Each Party may immediately terminate this Agreement, with written notice to the other Party, upon any exercise by Nexperia of its remedies under the LSA with respect to the Collateral (as that term is defined in the LSA).

14.4 **Continued license.** In case of termination of this Agreement for any reason except termination by Transphorm pursuant to Section 14.3.(b), the licenses to Nexperia as per Section 7 shall survive the termination of this Agreement solely with respect to the Foreground IPR resulting from SOWs with respect to which Nexperia has paid all applicable license fees under Section 7.7 prior to the termination and the Background IPR that would be infringed by Nexperia's use of the Deliverables provided pursuant to such SOWs (including natural evolutions of such Deliverables developed by Nexperia).

14.5 **Survival.** The obligations of the Parties under this Agreement that by their nature would continue beyond the expiration or termination of this Agreement, shall survive expiration or earlier termination of this Agreement. Without limiting the foregoing, the following Sections will survive any expiration or termination of this Agreement: 1, 6.1, 7.1, 7.4, 7.5, 7.6, 7.7, 7.8, 10, 14.3, 14.4, 14.5, 15, and 17 through 24 .

## 15 Confidentiality

15.1 **Disclosure to Affiliates.** The receiving Party may disclose Confidential Information to the receiving Party's Affiliates that need to know the Confidential Information for exercising the receiving Party's and its Affiliates' rights and carrying out the receiving Party's and its Affiliates' obligations under this Agreement (the "Authorized Purpose"), are advised of this Agreement and are bound in writing by similar confidentiality obligations with respect to the Confidential Information as set out in this Agreement. The receiving Party shall be responsible for any breach of this Agreement by its Affiliates.

15.2 **No Transfer; No License.** All Confidential Information disclosed or transferred by either Party to the other shall remain the property of the disclosing Party. Except as otherwise expressly set forth in this Agreement, the receiving Party acknowledges and agrees that it does not, by implication, estoppel or otherwise, acquire any Intellectual Property Right, license, title or ownership with respect to any Confidential Information disclosed by the disclosing Party hereunder.

15.3 **NO WARRANTY.** ALL CONFIDENTIAL INFORMATION IS PROVIDED ON AN "AS IS" BASIS, WITHOUT ANY WARRANTY WHATSOEVER, WHETHER EXPRESS, IMPLIED OR OTHERWISE, REGARDING ITS ACCURACY, COMPLETENESS, PERFORMANCE, FITNESS OF THE INFORMATION FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS, OR OTHERWISE, AND THE RECEIVING PARTY AGREES THAT THE DISCLOSING PARTY SHALL HAVE NO LIABILITY WHATSOEVER TO THE RECEIVING PARTY RESULTING FROM THE USE OF THE CONFIDENTIAL INFORMATION PROVIDED.

15.4 **Keep Confidential Obligation.**

- (a) The receiving Party shall during the Confidentiality Period:

- (1) not use the Confidential Information for any purpose other than the Authorized Purpose; and
- (2) maintain in confidence the Confidential Information;

(b) The receiving Party agrees to use the same degree of care to maintain the confidentiality of all Confidential Information received from the disclosing Party that it uses to maintain the confidentiality of its own information of similar importance, but in no event will it use less than reasonable care to protect the confidentiality of such Confidential Information.

15.5 Return of Confidential Information. Upon expiration or termination of this Agreement, the receiving Party shall, upon the disclosing Party's written request, return all Confidential Information and any copies thereof immediately to the disclosing Party or certify destruction of same, except for one copy kept solely for archival purposes and subject to the confidentiality protections of this Agreement.

15.6 Compelled Disclosure. If a receiving Party is required, pursuant to administrative or judicial action or subpoena to disclose the other's Confidential Information, the receiving Party shall notify the disclosing Party thereof and give the disclosing Party the opportunity to seek any other legal remedies to prevent such disclosure or to otherwise maintain such Confidential Information in confidence, including a reasonable protective order.

## 16 No Publication

16.1 Neither party may publicize or disclose to any Third Party, without the written consent of the other party, the terms of this Agreement. Without limiting the generality of the foregoing sentence, no press releases may be made by either Party describing the Parties' relationship contemplated by this Agreement without the prior written consent of the other Party.

## 17 Notices

17.1 All notices given under this Agreement must be in writing and addressed to the receiving Party as set forth below:

If to Nexperia:

Nexperia B.V.

Attention: General Counsel  
Nexperia B.V.  
Jonkerbosplein 52  
6534AB Nijmegen  
The Netherlands

If to Transphorm:

Transphorm Inc.  
115 Castilian Drive  
Suite 100  
Goleta, California 93117  
USA  
Attn: Primit Parikh

or such other contacts and/or addresses as may have been previously specified in writing by either Party to the other by notice in accordance with this Section.

17.2 Notices are validly given upon the earlier of confirmed receipt by the receiving Party or three days after dispatch by courier or certified mail, postage prepaid, properly addressed to the receiving Party.

#### 18 Governing Law and Choice of Forum

The validity, performance, construction and interpretation of this Agreement shall be governed by the laws of the State of California, U.S.A., without regard to its conflict of law provisions. All disputes arising out of or in connection with this Agreement shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said rules. The arbitration shall be conducted in the English language. The award of the arbitrators shall be final and binding, subject to neither appeal nor confirmation. Each Party represents that the arbitration award can be entered and enforced under its national law in any court of competent jurisdiction. Place of arbitration shall be London (UK). The UN Convention on Contracts for the International Sale of Products (Vienna, 1980) shall not apply to this Agreement or to any dispute or transaction arising out of this Agreement.

#### 19 Force Majeure

19.1 In the event that the performance by a Party of any of its obligations under this Agreement is prevented, restricted, delayed or interfered with by fire, flood, accident, riot, earthquake, severe weather, war, act of terror, governmental interference or embargo, strike, shortage of labor, fuel, power, materials or supplies, pandemic, epidemic or viral outbreak, or any other circumstances beyond the reasonable control of that Party (a "Force Majeure Event"), then that Party shall, upon giving prompt notice to the other Party specifying the circumstances and obligations concerned, be excused from such performance to the extent of such prevention, restriction or interference, provided that the former Party shall endeavor to overcome the circumstances causing the non-performance and shall give prompt notice to the latter Party as soon as the performance of its obligations can be resumed.

19.2 In the event that the period of prevention, restriction or interference mentioned in Section 19.1 continues or can reasonably be expected to continue for more than 60 days, the latter Party shall be entitled to terminate this Agreement in writing.

#### 20 Independent Contractors

The Parties are and intend to remain independent contractors. Nothing in this Agreement shall be construed as an agency, joint venture or partnership between the Parties.

#### 21 Assignment and Change of Control

21.1 This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns. This Agreement shall not be assignable by either Party, in whole or in part, to any Third Party (other than to an Affiliate of that Party) without the prior written consent of the other Party, not to be unreasonably withheld, conditioned or delayed, provided that either Party may freely assign this Agreement, without obtaining the other Party's consent, to a successor to all or substantially all of its relevant assets, whether by Change of Control or otherwise. Any purported or attempted assignment, delegation or other transfer of any rights or obligations under this Agreement in contravention of the foregoing sentence shall be null and void.

#### 22 No Waiver



22.1 Neither the failure nor the delay of either Party to enforce any provision of this Agreement shall constitute a waiver of such provision or of the right of each Party to enforce each and every provision of this Agreement.

### **23 Severability**

23.1 If any of the provisions of this Agreement is determined to be invalid or unenforceable by any court of competent jurisdiction, such finding shall not invalidate the remainder of this Agreement which shall remain in full force and effect as if the provision(s) determined to be invalid or unenforceable had not been a part of this Agreement. In the event of such finding of invalidity or unenforceability, the Parties will endeavor to substitute forthwith the invalid, or unenforceable provision(s) by such effective provision(s) as will most closely correspond with the original intention of the provision(s) so voided.

### **24 Entire Agreement**

24.1 The Prior Agreement shall be deemed amended and restated to read in its entirety as set forth in this Agreement. This Agreement, together with all Statements of Works, sets forth the entire understanding and agreement between the Parties as to the subject matter of this Agreement and supersedes, cancels and merges all prior agreements, negotiations, commitments, communications and discussions between the Parties relating to the subject matter hereof, including without limitation the Prior Agreement. Any change or variation to this Agreement shall be only binding upon the Parties if made by the Parties in writing and signed by an authorized representative of each of the Parties.

24.2 It is acknowledged and agreed that the performance by the Parties of their obligations pursuant to this Agreement shall by no means result in any obligation on the part of either Party to enter into any further agreement containing obligations for either Party beyond the obligations contained herein or to realize any transaction with the other with respect to the subject matter hereof or otherwise, including without limitation, any agreement or transaction concerning the supply of products or services by either Party to the other.

AS WITNESS, the Parties have, by their duly authorized representatives, executed this Agreement on the date first written above.

**Nexperia B.V.**

By: /s/ Charles Smit  
Print Name: Charles Smit  
Title: General Counsel

By: /s/ Toni Versluijs  
Print Name: Toni Versluijs  
Title: General Manager BG MOS Discretes

**Transphorm, Inc**

By: /s/ Cameron McAulay  
Print Name: Cameron McAulay  
Title: Chief Financial Officer

**Transphorm Technology Corp**

By: /s/ Primit Parikh  
Print Name: Primit Parikh  
Title: President and COO

## ADDENDUM 1

## Statement of Work 2.1a - Transfer Generation 3 Technology

## SCOPE:

Transphorm Generation 3 GaN die technology (650V rated) to be made available to Nexperia in order to enable Nexperia independent manufacturing in-house. This includes both wafer fab manufacturing (using the RPR process description method) and provide access to assembly subcons and/or enable Nexperia in-house assembly. Additionally, [\*\*\*], [\*\*\*], [\*\*\*] step and scalability improvements (details below).

DELIVERABLES: (1) Process descriptions, process toolset details, process recipes, FMEA, constructional analysis, target and specification values, process capability data. (2) Process control plan. Design rules. Yield / defectivity data. (3) Product specifications, test methods, screening method s. [\*\*\*]. (4) Direct access to material suppliers, supply chain, including packaging (for TO247 package at Fastech Inc.)

## MILESTONES:

Target Date	Task	Evidence	Comment
Jun'18	Agreed product/wafer spec, process and equipment set	Documented flow	DONE
Sep'18	Mask set for mix [***]; verify tighter [***] in Aizu	Masks / report	DONE
Oct'18	RPRs and metrology fully documented	Report (M1)	PASSED and \$3M paid
Jan '19	[1] [***] plan/ feasibility study [2] [2] [***] proposal and plan [3] [3] Capability improvement high Cpk [***] [4] [4] Scalability: [***] wpm vs [***] wpm, process simplification down selection	[1] Report and review of existing package level data [2] Documented plan [3] PCM (post [***]) [4] Plan for 2x sealing documented, PCM ([***]), operations [5] identified for DoEs	
Mar'19	[1] [***] phase 1 (mask design for [***] for feasibility evaluation) [3] Tighter [***] reliability, high CpK [***]: [4] Bypass Option for [***], process simplification impact validation w/ paper study	[1] [***] scheme proposal, GDS, feasibility report [3] Maintain yields, HTRB, [4] Probe Yield [5] Probe Yield, update [6] RPR, paper study report	PASSED and \$3M paid
Jun'19	[2] Process mod. For [***]: [***] setup [3] [3] High [***] & [***] wpm	[2] Waters ready for Assy [3] [3] Integration validation- Final test Yields.	
Sep'19	[1] Results of [***] experiment [2] Process mod. For [***]: [***] setup package validation [3] [3] Reliability for High Cpk & [***] wpm [4] [4] Process Simplification DoEs	[1] Report with Pkg level [***] yield on waters with [***] [2] Shear test w/ TPH Assy, [3] RPR [4] HTRB, Final RPRs and data report [5] [4] Unit process proof of concept, report on DoEs	PASSED and \$3M paid

## ADDENDUM 2

## Statement of Work 2.1b - Gen4 Development

## SCOPE:

Development of improved [\*\*\*] platform, manufactured in the Fujitsu fab. The resulting [\*\*\*] platform will be [\*\*\*] without [\*\*\*] and [\*\*\*]. Making information available to Nexperia to enable in-house manufacturing as per SOW 2.1a. Study work on [\*\*\*] solution focused on gate [\*\*\*] solutions using [\*\*\*] GaN.

The title of SOW 2.1b is updated from the previous scope of SOW2.1b to develop and release [\*\*\*] Technology.

DELIVERABLES: (1) Packaged dual die [\*\*\*] products, meeting upfront agreed targets largely the same as [\*\*\*]. (2) Process flow, control plans, equipment set, including test & measurement etc. (3) JEDEC qualification, Auto qualification

## MILESTONES:

Target Date	Task	Evidence	Comment
Jun '18	Publish development plan+ resourcing	Documented project plan	DONE
Sep '18	Working samples	Functional devices	DONE
Dec '18	Final samples ([***]mOhm, [***])	Functional devices	PASSED and Tranche A Loan of MUSD 5 has been triggered in January 2019
Sep '19	Reliability test first attempt	Report	
Dec '19	Process flow, design rules, equipment set	Documented process	
Mar '20	JEDEC reliability test. AEC qualification pass or <10% failures + failure analysis + gap closure plan against AEC-Q101	JEDEC release. AEC-Q101 Report	PASSED and \$5M paid (Tranche A Loan Paid Off)
Q3 '20	Reliability test/ release	AEC-Q101 qualified	AEC Q101 Report sent to Nexperia, the joint review AEC-Q101 qualification to be done in Q2 2021

Target Date	Task	Evidence	Comment
Sep'18	Define plan, finalize [***] contract for [***] GaN [***]	Documented project plan	DONE
Mar'19	Gate [***] on [***] GaN characterization for [***], stability, [***] and [***]	Report with test Data	DONE
Apr'19	Go-no-go [***]	Joint decision with Nexperia	DONE

## ADDENDUM 3

## Statement of Work 2.1c –Gen5 Development

## SCOPE:

Development of both [\*\*\*] technology with [\*\*\*] Ron improvement ([\*\*\*]) and [\*\*\*] technology with [\*\*\*] Ron improvement. Both manufactured in the Fujitsu fab. Making information available to Nexperia to enable in-house manufacturing as per SOW 2.1 a.

Additionally, a [\*\*\*] study activity (see table in SoW 2.1 c.1) to identify commercially viable technology options [\*\*\*]. Milestone timing in the table below in italics are to be confirmed after [\*\*\*] milestone.

The title of SOW 2.1c is updated from the previous scope to develop [\*\*\*].

DELIVERABLES: (1) [\*\*\*] two die solution ([\*\*\*]). (2) [\*\*\*] two die solution [\*\*\*]. (3) Process flow, control plans, equipment set, including test & measurement etc. (4) JEDEC & Automotive qualifications

## MILESTONES:

Target Date	Task	Evidence	Comment
Dec'18	[***] demo samples ([***]mOhm)	Functional devices	DONE
Mar'19	[***] packaged demo samples ([***]mOhm, T0247, [***], no [***])	Samples	PASSED and \$8M Tranche B Loan Triggered
Mar'20	[***] packaged qualification samples ([***], T0247, [***] Ron improvement)	JEDEC qualified	JEDEC qualification is DONE, Q2'20, TPH will send the related report to Nexperia to officially review and confirm
Q1'21	[***] packaged demo samples ([***], T0247, [***], no [***])	JEDEC qualified	
Q2'21	[***] and [***] HTRB/HTGB/HAST <10% failures + failure analysis + gap closure plan vs AEC-Q101.	Report	\$8M due (Tranche B Loan Paid Off) when Satisfied
Q4'21	[***] reliability test	AEC-Q101 Qualified	[***], likely to be done in Q1-22
Q4'21	[***] reliability test	AEC-Q101 qualified	

[\*\*\*] Certain information in this document has been excluded because it both (i) is not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

#### Amended and Restated License Agreement

This License Agreement (“**Agreement**”) is made as of May 18, 2021 (the “**Effective Date**”) by and between **Transphorm Japan Epi**, a Japanese company with an address at 2-5-15 Shinyokohama, Kohoku-ku, Yokohama City, Japan and company registration no.0200-01- 132392 (“**TJE**”); **Nexperia B.V.**, having its principal offices located at Jonkerbosplein 52, 6534AB Nijmegen, The Netherlands (“**Nexperia**”); and **Transphorm**, Inc., with an office at 115 Castilian Drive, Goleta, CA, (“**Transphorm**”) and amends and restates in its entirety that certain Intracompany License Agreement between the Transphorm, Nexperia and TJE dated October 14, 2019. (Transphorm, Nexperia and TJE are each denoted a “**Party**” and collectively the “**Parties**”).

#### Background:

A. TJE is a subsidiary of Transphorm Japan, Inc. (“**Transphorm Japan**”) in Japan and may become a subsidiary of Nexperia pursuant to the Nexperia Option Agreement;

B. Transphorm Japan is a subsidiary of Transphorm in Japan;

C. Transphorm and Transphorm Japan desire to engage TJE to provide the Services as defined below, and TJE desires to provide such Services to Transphorm;

D. The Parties agree that TJE wishes to perform the Services at arm’s length, and Transphorm wishes to compensate TJE for such Services at arm’s length, pursuant to applicable laws and regulation;

E. Nexperia and Transphorm are parties to that certain Series 3 Preferred Stock Financing and Related Transactions on April 4th, 2018 and Nexperia and Transphorm are now extending their relationship by entering into a Strategic Cooperation Agreement on the date hereof (the “**Strategic Cooperation Agreement**”) to identify the various agreements constituting the relationship among them, and to which this Agreement and the Nexperia Option Agreement are appended;

F. Transphorm: (i) caused Transphorm Japan to create TJE on 24-09-2019, (ii) transferred certain assets and technology to TJE, (iii) caused TJE to be ready for running full GaN on Silicon initial engineering Epi Wafer recipe from [\*\*\*], and (iv) Transphorm has assumed an obligation towards Nexperia to execute a plan which is intended to have TJE ready for [\*\*\*], and supply [\*\*\*] candidate Epi wafers on or before [\*\*\*], and additional epi process transfer services upon mutual agreement of the Parties; subject to Nexperia’s ongoing payments to the TJE as agreed per the estimated technical project plan and project costs and payment plan listed in Schedule 1.

G. In connection with the Services, the Parties seek to enter into this Agreement, under which Transphorm agrees to transfer certain Epi technology and grant to TJE certain licenses, as specified below in this Agreement.

H. The Parties intend for this Agreement to enable TJE, upon of a change of control of TJE as a consequence of executing the Option (as defined in the Nexperia Option Agreement), to become direct supplier of the Services to Nexperia.

**NOW, THEREFORE**, in consideration of the mutual promises and agreements set forth in this Agreement, the Parties, intending to be legally bound, hereby agree as follows:

#### **1. Definitions.**

The following terms will have the meaning indicated below:

a. **“Intellectual Property Rights”** means all proprietary or other rights throughout the world in and to (i) patents and patent applications, including, without limitation, any additions, continuations, continuations-in-part, divisions, reissues, reexaminations, renewals or extensions based thereon (**“Patents”**), (ii) copyrights and similar rights in works of authorship (**“Copyrights”**), (iii) trademarks, service marks, trade dress, and similar rights in indicia of origin (**“Trademarks”**), (iv) trade secret rights and similar rights in proprietary and confidential information (**“Trade Secrets”**), together with any other similar intellectual property rights that may exist in any relevant country or jurisdiction, and including, in each case, applications and registrations for any of the foregoing.

b. **“Licensed IP Rights”** means all Intellectual Property Rights owned, controlled or licensable by Transphorm Group as of the Effective Date related to the development, manufacture and sale of GaN based Epi wafers, to the extent that the performance of the Services requires a license to such Intellectual Property Rights.

c. **“Transphorm Group”** means all companies controlled by Transphorm, including but not limited to Transphorm Technology Inc., Transphorm Japan, TJE, and any affiliates of these companies.

d. **“Licensed Technology”** means designs, manufacturing plans, bills of materials, samples, materials, documentation and other information owned, controlled or licensable by Transphorm Group and necessary for TJE to perform the Services.

e. **“License Trigger Event”** has the meaning ascribed in the Nexperia Supply Agreement.

f. **“Modified IP”** has the meaning ascribed in Section 2.d of this Agreement.

g. **“Nexperia Option Agreement”** means that certain Option Agreement between Transphorm and Nexperia dated May 18, 2021.

h. **“Nexperia DLA”** means that certain Amended and Restated Development and License Agreement effective on May 18, 2021, and entered into by Transphorm and Nexperia.

i. **“Nexperia Supply Agreement”** means the Amended and Restated Supply Agreement effective on May 18, 2021, and entered into by Transphorm and Nexperia.

j. **“Option Trigger Event”** has the meaning ascribed in the Nexperia Option Agreement.

k. **“Services”** means certain services related to development, manufacturing and sales of the licensed variants of GaN based power semiconductor epi wafer products set forth in the Nexperia DLA, the services to be performed by TJE for Transphorm.

l. **“Epi Technology”** means all technology necessary for TJE to manufacture Epi Wafers using the EPI Process (whereby “Epi Wafers” and “Epi Process” have the meaning as laid down in the Nexperia Supply Agreement);

m. **“Triggered Assignment”** has the meaning ascribed in Section 2.e below.

## 2. License.

a. **Transfer of Epi Technology.** Transphorm shall execute and shall cause TJE to execute the plan for transfer of Epi Technology to TJE as laid down in Schedule 1 to this Agreement, which plan is intended to enable TJE to produce full GaN on Silicon initial engineering Epi Wafers on or before April 1, 2020 (this is already fulfilled) and qualifiable [\*\*\*] on Silicon wafers by [\*\*\*], and a first-pass qualification attempt with wafers to be started in fab by [\*\*\*], respectively, in accordance with the targets set forth in Schedule 1 and subject to Nexperia’s payment for the same in accordance with the estimated targets in Schedule 1.

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b. License to TJE. Subject to TJE's full compliance with this Agreement, Transphorm hereby grants to TJE a non-exclusive, non-assignable and non-transferrable (except as permitted under Section 8.b.ii of this Agreement), worldwide license, under the Licensed IP Rights and Licensed Technology (including any Modified IP), to perform the Services, as directed by Transphorm from time to time (or, as directed by Nexperia from time to time, if the Option, as defined in the Nexperia Option Agreement, is executed). The foregoing license in this Section 2.b will remain in effect until this Agreement ends or expires in accordance with the terms herein. If TJE's exercise of such license requires payments to any third party, then TJE shall be solely responsible for, and shall bear and pay, such amounts.

c. Sublicenses to Contractors. TJE may sublicense its rights under Section 2.b above to any contractor approved by Transphorm in writing (such consent not to be unreasonably withheld, conditioned or delayed) ("Approved Contractor"), to the extent such Approved Contractor provides any portion of the Services on behalf of TJE or on behalf of Transphorm. If TJE sublicenses any of its rights under Section 2.b above to an Approved Contractor in accordance with the foregoing clause, such sublicense will be limited to enable the Approved Contractor to solely assist TJE with the performance of Services. TJE will ensure that each Approved Contractor has entered into an agreement that includes confidentiality provisions and other terms and conditions that are at least as protective of Transphorm and Nexperia as in this Agreement, and TJE will remain responsible jointly with such Approved Contractor for any breaches or misuse of the Licensed IP Rights and the Licensed Technology committed by such an Approved Contractor. Transphorm may terminate any sublicense upon at least 30 days written notice to TJE if Transphorm reasonably determines that the Approved Contractor is exercising the rights for any purpose other than to assist TJE with the performance of the Services, provided that the Approved Contractor does not cure such non-compliance within such 30 day period.

d. New IP Developments. To the extent that TJE develops (itself or through any other party) any improvements to, extensions of, additions to, or other modifications of the Licensed Technology and/or Licensed IP Rights ("Modified IP"), TJE hereby assigns to Transphorm full ownership of all such Modified IP, together with all related Intellectual Property Rights. The foregoing assignment in this Section 2.d will automatically apply to all Modified IP and related Intellectual Property Rights upon their creation. TJE will disclose to Transphorm on an ongoing basis any and all Modified IP created by or for TJE. Nexperia will be the beneficiary of this Section 2.d. with respect to Modified IP developed after execution of the Option, as defined in the Nexperia Option Agreement. For the avoidance of doubt, nothing herein shall be deemed to require assignment to Nexperia of any Modified IP developed prior to execution of the Option, as defined in the Nexperia Option Agreement.

i. Unassignable Rights. TJE hereby waives any moral rights and any other Intellectual Property Rights that are not assignable under applicable laws or regulations, including the right to identification of authorship or limitation on subsequent modification, that TJE or its employees or contractors may have in any Modified IP assigned to Transphorm (or to Nexperia if the Option, as defined in the Nexperia Option Agreement, is executed) under this Agreement.

ii. Assistance. TJE agrees to assist Transphorm, or its designee, at TJE's expense, in every proper way to secure Transphorm's rights in the Modified IP, including the execution of all applications, specifications, oaths, assignments, and all other instruments that Transphorm may deem necessary in order to apply for and obtain such rights and in order to assign and convey to Transphorm, its successors, assigns, and nominees the sole and exclusive rights, title, and interest in and to such Modified IP. TJE further agrees that TJE's obligation to execute or cause to be executed, when it is in TJE's power to do so, any such application, specification, oath assignment, or other instrument will continue after the termination or expiration of this Agreement. TJE agrees that if Transphorm is unable because of TJE's unavailability, incapacity, or for any other reason, to secure TJE's signature to apply for or to pursue any application or registrations for any IP Rights covering the Modified IP, then TJE hereby irrevocably designates and appoints Transphorm and its duly authorized officer, agent and attorney in fact, to act for and on TJE's behalf to execute and file any such applications and registrations and to do all other lawfully permitted acts to further the prosecution and issuance of patents or other registrations of such Intellectual Property Rights with the same legal force and effect as if executed by TJE. Nexperia will be the beneficiary of this Section 2.d.ii with respect to Modified IP developed after execution of the Option, as defined in the Nexperia Option Agreement.



### 3. Economics.

a. License Fees. The license in Section 2.b above is fully paid up and royalty free as of the Effective Date and will remain royalty free until the Option, as defined in the Nexperia Option Agreement, is executed. Upon the execution of the Option and the subsequent payment of the License Fee as defined in the Nexperia Option Agreement, the license in Section 2.b will be fully paid up.

b. Taxes. The Parties do not expect that any taxes or similar assessments or charges will be due under any jurisdiction, law or regulatory framework (including under any United States Federal or State laws or regulations, or under any foreign laws or regulations) in connection with this Agreement. If any such taxes or assessments may become due, the Parties will collaborate in good faith to restructure this Agreement as necessary and in accordance with applicable laws to minimize any such taxes or assessments.

### 4. Representations and Warranties of Transphorm.

Transphorm represents and warrants to TJE as follows:

a. Organization, Good Standing and Qualification. Transphorm is a company duly organized, validly existing and in good standing under the laws of Delaware, and has all requisite corporate power and authority to own its properties and assets and to carry on its business as now conducted and as presently proposed to be conducted.

b. Due Authorization. The execution, delivery of, and the performance of the obligations of Transphorm under this Agreement has been authorized by all necessary corporation action as of the Effective Date and constitutes the valid and legally binding obligation of Transphorm, enforceable against Transphorm in accordance with its terms, except as may be limited by (i) applicable bankruptcy, insolvency, reorganization or others laws of general application relating to or affecting the enforcement of creditors' rights generally and (ii) the effect of rules of law governing the availability of equitable remedies.

c. No Conflicting Obligations. The execution, delivery of, and performance of the obligations of Transphorm under this Agreement do not (i) violate or conflict with, or cause a default under any agreement, instrument, order or decree to which Transphorm is a party or by which Transphorm is bound, and (ii) violate any statute, regulation, rule or other law.

### 5. Representations and Warranties of TJE.

TJE represents and warrants to Transphorm as follows:

a. Organization, Good Standing and Qualification. TJE is a company duly organized, validly existing and in good standing under the laws of Japan, and has all requisite corporate power and authority to own its properties and assets and to carry on its business as now conducted and as presently proposed to be conducted.

b. Due Authorization. The execution, delivery of, and the performance of the obligations of TJE under this Agreement has been authorized by all necessary corporation action as of the Effective Date and constitutes the valid and legally binding obligation of TJE, enforceable against TJE in accordance with its terms, except as may be limited by (i) applicable bankruptcy, insolvency, reorganization or others laws of general application relating to or affecting the enforcement of creditors' rights generally and (ii) the effect of rules of law governing the availability of equitable remedies.

c. No Conflicting Obligations. The execution, delivery of, and performance of the obligations of TJE under this Agreement do not (i) violate or conflict with, or cause a default under any agreement, instrument, order or decree to which TJE is a party or by which TJE is bound, and (ii) violate any statute, regulation, rule or other law.

### 6. No Other Warranties.

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Except for the express representations and warranties made by Transphorm in Section 4 of this Agreement and for the express representations and warranties made by TJE under Section 5 of this Agreement, neither Party makes any other representations or warranties in connection with this Agreement to the other Party or to any other party, AND EACH PARTY DISCLAIMS AND THE OTHER PARTY HEREBY WAIVES, ANY AND ALL REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE, IN CONNECTION WITH THIS AGREEMENT, INCLUDING WITH RESPECT TO THE LICENSED TECHNOLOGY, AND LICENSED IP RIGHTS, AND INCLUDING ANY REPRESENTATION OR WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NONINFRINGEMENT.

**7. Confidentiality.**

a. **“Confidential Information”** means any information disclosed by one Party to the other Party in connection with this Agreement that is in written, oral, electronic, graphic, or other tangible or intangible form and is marked “Confidential”, “Proprietary” or in some other manner to indicate its confidential nature, or that should reasonably be construed as confidential based on the context of the disclosure or based on the nature of the information. The terms and conditions of this Agreement will be the Confidential Information of each Party, provided however that each Party will be allowed to publicly disclose the existence of this Agreement but not its actual terms and conditions. Notwithstanding anything to the contrary, the Licensed Technology and Licensed IP Rights will remain and be considered the Confidential Information of Transphorm.

b. **Exclusions.** Confidential Information will exclude any information that (i) was at the time of disclosure, or later becomes generally known and available in the public domain, through no fault of the receiving Party; (ii) is publicly disclosed with the prior written approval of the disclosing Party; (iii) was, or is later independently developed by the receiving Party without any use of the disclosing Party’s Confidential Information; or (iv) becomes known to the receiving Party from a source other than the disclosing Party and not in violation of the disclosing Party’s rights.

c. **Obligations.** With respect to Confidential Information of the other Party received, shared or otherwise accessed by each Party under this Agreement, (i) each Party will treat such Confidential Information as confidential and will handle it using at least the same procedures and degree of care which it uses to prevent the misuse and disclosure of its own confidential information of like importance, but in no event less than reasonable care, (ii) each Party will only use such Confidential Information as expressly permitted under this Agreement and to the extent reasonably necessary to conduct the transactions and activities described in this Agreement, and (iii) neither Party will disclose any such Confidential Information to any other party or individuals, including its own employees, consultants and representatives, except (1) to the extent reasonably needed to exercise that Party’s rights and discharge its obligations expressly granted in this Agreement, and subject to confidentiality and nonuse obligations at least as protective of the other Party as those set forth in this Agreement, or (2) to the extent permitted under Section 7(d) below.

**8. General.**

a. **Nexperia Approval:** Parties acknowledge that this Agreement is entered into to preserve the legitimate interests of Nexperia and its affiliates under the Strategic Cooperation Agreement and the agreements attached to the Strategic Cooperation Agreement. Parties agree that this Agreement creates enforceable obligations towards Nexperia, and any amendment of this Agreement is subject to Nexperia’s prior written approval, such approval not to be unreasonably withheld, conditioned, or delayed.

b. **Assignment.**

i. Transphorm (and any subsequent Transphorm assignee) may assign this Agreement to a third party that agrees to be bound by its terms and conditions, in which case Transphorm (or its assignee) will notify TJE and Nexperia about the assignment upon conclusion of such assignment and identify the respective assignee.

ii. TJE shall not assign or delegate this Agreement and/or any of its rights or obligations under this Agreement, either in whole or in part, without the prior written consent of Transphorm and Nexperia, which consent may be withheld by Transphorm and Nexperia in Transphorm's and Nexperia's sole discretion. For clarification, the foregoing assignment prohibition includes any direct or indirect assignment or attempt to assign this Agreement, whether through a corporate reorganization, by operation of law, change of control, acquisition, merger, or any other corporate transaction (including any reverse triangular merger or similar transaction). Notwithstanding the foregoing, Transphorm will grant consent to TJE to assign this Agreement to Nexperia upon the occurrence of an Option Trigger Event. Any attempted assignment in violation of the foregoing clauses of this Section 8.b.ii will be void.

c. Term and Termination. This Agreement becomes effective as of the Effective Date and continues in effect until terminated as specified below:

i. This Agreement may be terminated with the mutual written approval of each Party.

ii. This Agreement may be terminated by a Party in the event of a material breach by another Party, where such material breach is not substantially remedied within sixty (60) days of written notice provided by the nonbreaching Party and describing the breach.

iii. This Agreement may be terminated by a Party if another Party ceases to do business without a permitted successor, makes an assignment for the benefit of creditors, or files or has filed against it a petition of bankruptcy or other insolvency proceeding.

iv. This Agreement will automatically terminate upon termination or expiration of the Nexperia Supply Agreement.

d. Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of California excluding that body of law pertaining to conflict of laws.

e. Arbitration and Venue. Any dispute, claim or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this agreement to arbitrate, shall be determined by arbitration in San Francisco, California before one arbitrator. The arbitration shall be administered by JAMS pursuant to its Comprehensive Arbitration Rules and Procedures, unless the Parties agree in good faith to JAMS' Streamlined Arbitration Rules and Procedures. Judgment on the Award may be entered in any court having jurisdiction. This clause shall not preclude parties from seeking provisional remedies in aid of arbitration from a court of appropriate jurisdiction.

f. Severability. If any provision of this Agreement is for any reason found to be unenforceable, the remainder of this Agreement will continue in full force and effect.

g. Notices. Any notices under this Agreement will be sent by certified or registered mail, return receipt requested, to the address specified below or such other address as the party specifies in writing. Such notice will be effective two (2) days after mailing as specified.

h. Complete Understanding; Modification. This Agreement, together with its exhibits, amends and restates in its entirety the Intracompany License Agreement between the Parties dated October 14, 2019, and constitutes the complete and exclusive understanding and agreement of the parties and supersedes all prior understandings and agreements, whether written or oral, with respect to the subject matter hereof. Any waiver, modification or amendment of any provision of this Agreement will be effective only if in writing and signed by the parties hereto.

i. Reservation of Rights. Neither Party grants to the other Party or to any other party any license or right, whether by implication, estoppel or otherwise, except for the licenses and rights expressly provided in this

Agreement by that Party. Each Party reserves all of its rights other than the rights expressly granted in this Agreement.

**[SIGNATURE PAGE FOLLOWS]**

IN WITNESS WHEREOF, the Parties hereto have executed this License Agreement as of the date first above written.

**Transphorm Japan Epi, Inc.**

a Japanese corporation

By: /s/ Primit Parikh

Primit Parikh

Representative Director

**Transphorm, Inc.,**

a Delaware corporation

By: /s/ Mario Rivas

Mario Rivas

CEO

**Read and approved**

**Nexperia B.V.**

**A Dutch limited liability company**

By: /s/ Charles Smit

Charles Smit

General Counsel

Schedule 1

Period	What	Comment	Epi runs / Mth (tot)	Operating cost estimate
Month [***]	Facility Preparation and Resourcing	Tool repair cost excluded (if unexpected item, then extra) [***]	[***]	[***]
Month [***]	Process Transfer and Characterization	[***] to transfer [***] process to [***] Epi capable to run for full wafer runs – Initial epi process dial in	[***]	[***]
Month [***]	Process Maintenance and Improvement	1. [***] process transfer (new activity) [***] [***]	[***]	[***]
Month [***]	Process Maintenance and Improvement	[***] [***]	[***]	[***]
Month [***]	Qualification Epi Growths (Gen [***])	1. [***] 2. Production wafer cost determination, Capex plan for volume mass production – agreement with Nexperia	[***]	[***]
Month [***]	[***] deliveries for Nexperia [***]	3. Grow [***] qual wafers [***] at Nexperia request (New activity) Complete [***] validation - [***]. [***] 4. [***]	[***]	[***]
Month [***]	Process Improvement	1. Yield improvement and throughput improvement. Process maintenance and [***] tuning as needed	[***]	[***]
[***]	[***]	1. [***] wafers growth campaign. – [***] 2. Growth for [***] qual wafers	[***]	[***]
	[***]	[***]		[***]

- Month 1 is October [\*\*\*].
- Total cost (MOCVD development, [\*\*\*] Services, Minor Capex items): Estimate [\*\*\*].
- Added [\*\*\*] wafers. Budget estimate increase [\*\*\*], [\*\*\*] months additional schedule.
- Monthly billing from TJE to Nexperia, Nexperia pays TJE. Monthly cost and progress reviews
- TPH (Goleta) labor, TPJ (Japan) corporate support and test cost not charged, Fab, Assy lots part of Nexperia's ongoing fab-wafer orders
- [\*\*\*]

Independent Registered Public Accounting Firm's Consent

We consent to the incorporation by reference in the Registration Statements of Transphorm, Inc. on Form S-3 (333-255441) and Form S-8 (333-238866) of our report dated June 23, 2021, which includes an explanatory paragraph as to the Company's ability to continue as a going concern, with respect to our audits of the consolidated financial statements of Transphorm, Inc. as of March 31, 2021, December 31, 2020 and 2019 and for the three months ended March 31, 2021 and for each of the years in the two year period ended December 31, 2020 included in this Transition Annual Report on Form 10-KT to be filed with the U.S. Securities and Exchange Commission on June 23, 2021.

/s/ Marcum LLP

Marcum LLP  
Chicago, IL  
June 23, 2021

**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, Mario Rivas, certify that:

1. I have reviewed this transition report on Form 10-K 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: June 23, 2021

By: /s/ Mario Rivas  
Mario Rivas  
Chief Executive Officer  
(Principal Executive Officer)



**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 transition report on Form 10-K 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: June 23, 2021

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

**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, Mario Rivas, 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 Transition Report on Form 10-K for the transition period ended March 31, 2021 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: June 23, 2021

By: /s/ Mario Rivas

Mario Rivas  
Chief Executive Officer  
(Principal Executive Officer)

/s/ Cameron McAulay

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