

## RISK FACTORS

### A. CERTAIN RISKS RELATED TO THE STOCK OPTIONS

***Upon executing your award agreement and acquiring Stock Options, you will agree to be subject to various contractual restrictions with respect to your Stock Options, including vesting.***

Each Stock Option you acquire will be subject to certain vesting conditions, including certain individual and company performance conditions and your continued service. Unless and until you vest in a Stock Option through the satisfaction of these vesting conditions, you will not be able to freely exercise your Stock Option.

***The timing of vesting conditions associated with your Stock Options occur within specific periods and it is unknown what the value of the Stock Options will be at that time.***

The future value of the Stock Options is unknown and cannot be predicted with any degree of certainty. Employees must be prepared for the Stock Options to have no value at the time of vesting or any time after during the exercise period.

***The Stock Options will be denominated in RMB and the shares you acquire from exercising the Stock Options will be denominated in RMB. Your ability to convert RMB to US dollars and repatriate the US dollars on a timely basis will depend on foreign exchange rules and regulations in China, and the application of those rules and regulations is subject to uncertainty.***

There can be no assurances that the proceeds from the sale of the Shares you acquire from your Stock Options, or from dividends paid on the Shares you acquire from your Stock Options, will be converted to US dollars and repatriated from China in a timely fashion. It is possible that the holders of Stock Options may have taxable income based on the exercise of Stock Options prior to receiving any proceeds due to such foreign exchange rules.

***Sale of shares of Will Semiconductor Co., Ltd. Shanghai ("Will Semi") by other holders and entities may negatively impact the value of the Stock Options.***

In addition to the Stock Options, the shares of Will Semi are publicly traded. In the event that shareholders decide to sell their shares, the sale of substantial amounts of such shares, or the perception that such sales could occur, can adversely affect the value of the Stock Options.

### B. CERTAIN RISKS RELATED TO WILL SEMI'S CURRENT AND FUTURE BUSINESS

***Will Semi depends on a few key customers for a significant portion of its revenues and the loss of one or more of its key customers, or their key end-user customers, could significantly reduce its revenues.***

A relatively small number of OEMs, VARs and distributors account for a significant portion of Will Semi's revenues. Some of these OEMs and VARs are major producers of mobile phones, including smartphones, for some of the largest companies in the mobile phone industry and may rely upon one or more key end-user customers for a significant

portion of their revenue. Any material delay, alteration, cancellation or reduction of purchase orders from or change in the purchasing patterns of one or more of its major customers or distributors, or their key end-user customers, could result in its failure to achieve its revenue forecast for a particular period.

If Will Semi is unable to retain one or more of its largest OEM, VAR or distributor customers, if Will Semi is unable to maintain its current level of revenues from one or more of these significant customers, if its OEM, VAR or distributor customers are unable to retain one or more of their key end-user customers, or if Will Semi is unable to attract new customers to replace the revenue lost from such customers, its business and results of operation would be impaired, potentially significantly. Such a delay, alteration, cancellation or reduction of purchase orders, a change in purchasing patterns or its inability to retain a key customer or several of its smaller customers could be caused by, among other things, failure to meet its customers', including their key end-user customers', demand for its products or to timely develop and introduce new products that meet the needs of its customers, including their key end-user customers, and that are efficiently and successfully integrated into their products.

Will Semi's business, financial condition, results of operations and cash flows will continue to depend significantly on its ability to retain its current key customers and to attract new customers, as well as on the financial condition and success of its OEMs, VARs and distributors, including their ability to retain their key end-user customers and attract new customers.

***Will Semi faces foreign business, political and economic risks, because a majority of its products and those of its customers are manufactured and sold outside of the United States.***

Will Semi faces difficulties in managing its third-party foundries, color filter application service providers, packaging and other manufacturing service providers and its foreign distributors, most of whom are located in Asia. In addition, its presence in Asia presents the challenge of managing foreign operations and maintaining good relations with its employees located there. Any political and economic instability in Asia might have an adverse impact on foreign exchange rates and could cause service disruptions for its vendors and distributors and adversely affect its customers.

Sales outside of the United States accounted for a significant portion of its revenues in recent years. Will Semi anticipates that sales outside of the United States, in particular in China, will account for a substantial portion of its revenues in future periods. Will Semi continues to invest resources in China in anticipation of continued revenues from these markets. Dependence on sales to foreign customers, in particular in China, involves certain risks, including:

- increased price competition, in particular in the China market;
- longer payment cycles;
- the adverse effects of tariffs, duties, price controls or other restrictions that impair trade;
- decreased visibility as to future demand;
- difficulties in accounts receivable collections; and
- burdens of complying with a wide variety of foreign laws and labor practices.

Although Will Semi believes that its long standing relationships with OEMs in Asia, especially China, could assist Will Semi in sales trends favoring the Asian markets, sales driven by end-user customers in these markets could also create additional risks and challenges such as increased unpredictability of its sales because Will Semi tends to experience greater fluctuations in demand, often at a rapid pace, from end-user customers in Asia as compared to end-user customers in North America. Since a significant amount of its revenues is derived from markets outside of the United States, a slowdown in demand in these markets could have an adverse effect on its financial results.

***Will Semi faces intense competition in its markets, and if Will Semi is unable to compete successfully Will Semi may not be able to maintain or grow its business.***

The image-sensor market is intensely competitive, and Will Semi expects competition in this industry to continue to increase. This competition has resulted in rapid technological change, evolving standards, reductions in product selling prices and rapid product obsolescence. If Will Semi is unable to successfully meet these competitive challenges, Will Semi may be unable to maintain and grow its business. Any inability on its part to compete successfully would also adversely affect its results of operations and impair its financial condition.

***The development of new and more complex products can increase its cost of revenue and adversely affect its gross margins.***

A key component of its future success is the continued development of new and innovative products and technologies. These new products and technologies are often very complex and may require additional equipment and resources to develop and manufacture. In addition, for these new products, Will Semi may initially experience lower production yields than its other more established products. These new products and technologies also often have a higher cost structure than its existing products and technologies because Will Semi must devote more time and effort to developing the products and technologies and its suppliers and manufacturers may incur additional costs by acquiring new equipment or components in order to meet its design specification and capacity requirements. As its product mix shifts to include a higher volume of these new products and technologies, its gross margins may be lower than in comparable historical periods.

***Sales of its image-sensor products for mobile phones, including smartphones, account for a large portion of its revenues, and any decline in sales to the mobile phone market or failure of this market and other emerging markets to continue to grow as expected could adversely affect its results of operations.***

Sales to the mobile phone market, including smartphones, account for a large portion of its revenues. Will Semi expects that revenues from sales of its image-sensor products to the mobile phone market will continue to account for a significant portion of its revenues in 2020 and beyond. Any factors adversely affecting the demand for its image sensors in this market could cause its business to suffer and adversely affect its financial condition, operating results and cash flows. The digital image-sensor market for mobile phones is extremely competitive, and Will Semi expects to face increased competition in this market in the future. In addition, Will Semi continues to believe the market for mobile phones is also relatively concentrated. If Will Semi does not continue to achieve design wins with key mobile phone manufacturers or if Will Semi experiences a cutback in orders from its key customers, its market share or revenues could decrease. The mobile phone image-sensor market is also subject to rapid technological change. In order to compete successfully in this market, Will Semi will have to correctly forecast customer demand for technological improvements and be able to deliver such products on a timely basis at competitive prices. If Will Semi fails to correctly forecast customer demand in its target markets and timely deliver products at competitive prices, its results of operations,

business and prospects would be materially and adversely affected. In addition, current domestic and global economic conditions could negatively affect the mobile phone market if consumers and/or businesses defer purchases in response to tighter credit, negative financial news, and/or decreased corporate or consumer spending.

***Will Semi depends on a limited number of third-party wafer foundries, which reduces its ability to control its manufacturing process.***

Unlike some of its larger competitors, Will Semi does not own or operate a semiconductor fabrication facility. Instead, Will Semi relies on third-party manufactures.

Will Semi secures manufacturing capacity in any particular period on a purchase order basis. The foundries have no obligation to supply products to Will Semi for any specific period, in any specific quantity or at any specific price, except as set forth in a particular purchase order. In general, its reliance on third party foundries involves a number of significant risks, including:

- reduced control over delivery schedules, quality assurance, manufacturing yields and production costs;
- lack of guaranteed production capacity or product supply;
- unavailability of, or delayed access to, next generation or key process technologies; and
- financial difficulties or disruptions in the operations of third-party foundries due to causes beyond its control.

***Litigation regarding intellectual property could divert management attention, be costly to defend and prevent Will Semi from using or selling the challenged technology.***

In recent years, there has been significant litigation in the United States and other jurisdictions involving intellectual property rights, including rights pertaining to the semiconductor industry. Will Semi has in the past been, currently is and may in the future be, subject to legal proceedings and claims with respect to its intellectual property, including such matters as trade secrets, patents, product liability and/or other claims and liabilities and other actions arising out of the normal course of business. These claims may increase as Will Semi's business and profile grows. Intellectual property claims against Will Semi, and any resulting lawsuit, may cause Will Semi to incur significant expenses, subject Will Semi to liability for damages and invalidate its proprietary rights. Any potential intellectual property litigation against Will Semi would likely be time-consuming and expensive to resolve and would divert management's time and attention and could also force Will Semi to take actions such as:

- ceasing the sale or use of products or services that incorporate the infringed intellectual property;
- obtaining from the holder of the infringed intellectual property a license to sell or use the relevant technology, which license may not be available on acceptable terms, if at all; or
- redesigning those products or services that incorporate the disputed intellectual property, which could result in substantial unanticipated development expenses and delay and prevent Will Semi from selling the products until the redesign is completed, if at all.

If Will Semi is subject to a successful claim of infringement and Will Semi fails to develop non-infringing intellectual property or license the infringed intellectual property on acceptable terms and on a timely basis, Will Semi may be unable to sell some or all of its products, and its operating results could be adversely affected. Will Semi may in the future initiate claims or litigation against third parties for infringement of its intellectual property rights or to determine the scope and validity of its proprietary rights or the proprietary rights of competitors. These claims could also result in significant expense and the diversion of technical and management attention.

***There are risks associated with its operations in China.***

There are certain administrative, legal and governmental risks to operating in China that could result in increased operating expenses or could hamper Will Semi in the development of its operations in China. The risks from operating in China that could increase its operating expenses and adversely affect its operating results, financial condition and ability to deliver its products and grow its business include, without limitation:

- difficulties in staffing and managing foreign operations, particularly in attracting and retaining personnel qualified to design, sell, test and support its products;
- difficulties in managing employee relations;
- implications of the ongoing general labor disputes in China;
- increases in the value of the Chinese Yuan, or CNY;
- difficulties in coordinating its operations in China with those in California;
- difficulties in enforcing contracts in China;
- difficulties in protecting intellectual property;
- diversion of management attention;
- imposition of burdensome governmental regulations;
- difficulties in maintaining uniform standards, controls, procedures and policies across its global operations, including inventory management and financial consolidation;
- political and economic instability, which could have an adverse impact on foreign exchange rates in Asia and could impair its ability to conduct its business in China; and
- inadequacy of the local infrastructure to support its operations.

***If Will Semi needs additional capital in the future, it may not be available to Will Semi on favorable terms, or at all.***

If Will Semi is unable to sell its inventories or collect on its accounts receivable as anticipated, Will Semi may be required to raise additional capital through equity or debt financing. Such additional financing may not be available on

acceptable terms, or at all, and could have a material adverse effect on its business, financial condition, operating results and cash flows. If Will Semi raises additional funds through issuances of equity, convertible debt securities or other securities convertible into equity, its existing stockholders could suffer significant dilution in their percentage ownership and any new securities Will Semi issues could have rights, preferences and privileges senior to those of holders of its common stock.

***Will Semi maintains a backlog of customer orders that is subject to cancellation or delay in delivery schedules, and any cancellation or delay may result in lower than anticipated revenues.***

Will Semi's sales are generally made pursuant to standard purchase orders. Will Semi includes in its backlog only those customer orders for which Will Semi has accepted purchase orders and assigned shipment dates within the upcoming 12 months. Orders constituting its current backlog are subject to cancellation or changes in delivery schedules, and backlog may not necessarily be an indication of future revenue. Any cancellation or delay in orders which constitute its current or future backlog may result in lower than expected revenues.

***Will Semi may experience integration or other problems with potential future acquisitions, which could have an adverse effect on its business or results of operations. New acquisitions could dilute the interests of existing stockholders, and the announcement of new acquisitions could result in a decline in the price of its common stock.***

Will Semi may acquire, or invest in, businesses that offer products, services and technologies that Will Semi believes would complement its products. Will Semi may also make acquisitions of, or investments in, businesses that Will Semi believes could expand its distribution channels. Even if Will Semi were to announce an acquisition, Will Semi may not be able to complete it. In addition, any future acquisition or substantial investment could present numerous risks, including:

- difficulty in realizing the potential technological benefits of the transaction;
- difficulty in integrating the technology, operations or work force of the acquired business with its existing business;
- unanticipated expenses related to technology integration;
- disruption of its ongoing business;
- difficulty in realizing the potential financial or strategic benefits of the transaction;
- difficulty in maintaining uniform standards, controls, procedures and policies;
- possible impairment of relationships with employees, customers, suppliers and strategic partners as a result of integration of new businesses and management personnel;
- reductions in its future operating results from amortization of intangible assets;
- impairment of resulting goodwill; and

- potential unknown or unexpected liabilities associated with acquired businesses.

Will Semi expects that any future acquisitions could include consideration to be paid in cash, shares of its common stock or a combination of cash and its common stock. If and when consideration for a transaction is paid in common stock, it will result in dilution to its existing stockholders.

***Will Semi may not achieve all of the anticipated benefits of its alliances with, and strategic investments in, third parties.***

Will Semi expects to develop its business partly through forming alliances or joint ventures with and making strategic investments in other companies, some of which may be companies at a relatively early stage of development.

Will Semi's investments in these and other companies may negatively impact its operating results, because, under certain circumstances, Will Semi is required to recognize its portion of any loss recorded by each of these companies or to consolidate them into its operating results. Will Semi expects to continue to utilize partnerships, strategic alliances and investments, particularly those that enhance its manufacturing capacity and those that provide manufacturing services and testing capability. These investments and partnering arrangements are crucial to its ability to grow its business and meet the increasing demands of its customers. However, Will Semi cannot ensure that Will Semi will achieve the benefits Will Semi expects from these alliances. For example, Will Semi may not be able to obtain acceptable quality and/or wafer manufacturing yields from these companies, which could result in higher operating costs and could impair its ability to meet customer demand for its products. In addition, certain of these investments or partnering relationships may place restrictions on the scope of its business, the geographic areas in which Will Semi can sell its products and the types of products that Will Semi can manufacture and sell.

***If Will Semi does not effectively manage its growth, its ability to increase its revenues and improve its earnings could be adversely affected.***

Will Semi's growth has placed, and will continue to place, a significant strain on its management and other resources. To manage its growth effectively, Will Semi must, among other things:

- continuously improve its operational, financial and accounting systems;
- train, manage and maintain good relations with its existing employee base in both its U.S. and international locations;
- attract and retain qualified personnel with relevant experience; and
- effectively manage accounts receivable and inventory.

For example, its failure to effectively manage its inventory levels could result either in excess inventories, which could adversely affect its gross margins and operating results, or lead to an inability to fill customer orders, which would result in lower sales and could harm its relationships with existing and potential customers.

Will Semi must also manage multiple relationships with customers, business partners and other third parties, such as its foundries and process and assembly vendors. Moreover, future growth could significantly overburden its management and financial systems and other resources. Will Semi may not make adequate allowances for the costs and

risks associated with its expansion. In addition, its systems, procedures or controls may not be adequate to support its operations, and Will Semi may not be able to expand quickly enough to capitalize on potential market opportunities. Its future operating results will also depend, in part, on its ability to expand sales and marketing, research and development, accounting, finance and administrative support.

***Will Semi's operations may be impaired as a result of pandemics, disasters, business interruptions or similar events.***

Disasters and business interruptions such as pandemics, earthquakes, water, fire, electrical failure, and accidents affecting its operating activities, major facilities, and employees' and customers' health could materially and adversely affect its operating results and financial condition. In particular, its Asian operations and most of its third-party service providers involved in the manufacturing of its products are located within relative close proximity. Therefore, any disaster that strikes within or close to that geographic area, such as the COVID-19 pandemic, and the earthquake and flooding that occurred in China, could be extremely disruptive to its business and could materially and adversely affect its operating results and financial condition. Will Semi is currently developing and implementing a disaster recovery plan.

***Acts of war and terrorist acts may seriously harm its business and revenue, costs and expenses and financial condition.***

Acts of war or terrorist acts, wherever they occur around the world, may cause damage or disruption to its business, employees, facilities, suppliers, distributors or customers, which could significantly impact its revenue, costs, expenses and financial condition. In addition, as a company with significant operations and major distributors and customers located in Asia, Will Semi may be adversely impacted by heightened tensions and acts of war that occur in locations such as the Korean Peninsula, Taiwan and China. The potential for future terrorist attacks, the national and international responses to terrorist attacks or perceived threats to national security, and other acts of war or hostility have created many economic and political uncertainties that could adversely affect its business and results of operations in ways that cannot presently be predicted. Will Semi is uninsured for losses and interruptions caused by terrorist acts and acts of war.

***Our operations and financial results have been, and will continue to be, adversely impacted by the COVID-19 pandemic in the United States and the rest of the world.***

In December 2019, COVID-19 was reported to have surfaced in Wuhan, China, resulting in significant disruptions to Chinese manufacturing and travel. COVID-19 has now spread to virtually all other countries, including the United States, resulting in the World Health Organization characterizing COVID-19 as a pandemic. As a result of measures imposed by the governments in affected regions, many commercial activities, businesses and schools have been suspended as part of quarantines, shelter-in-place orders and other measures intended to contain this pandemic.

The COVID-19 pandemic and the measures imposed to contain this pandemic disrupted and are expected to continue to impact our business. As a result of such measures, many of our employees have telecommuted, which may impact certain of our operations over the near term and long term. As the COVID-19 pandemic and new variants continue to spread around the globe, the impact may be prolonged and we may experience additional disruptions that could severely impact our business, including:

- significant interruptions to, or temporary closures of, our operations, including our facilities or the facilities of our suppliers;



- adverse effects of the COVID-19 pandemic on macroeconomic conditions and demand as well as within the economies and financial markets of specific regions in which our products are sold;
- interruption in global transportation that may affect the transportation of our products.

We are still assessing the impact that COVID-19 may have on our ability to effectively conduct our business operations as planned and there can be no assurance that we will be able to avoid a material impact on our business.

Additionally, certain third parties with whom we engage are similarly adjusting their operations and assessing their capacity in light of the COVID-19 pandemic. If these third parties experience shutdowns or continued business disruptions, our ability to conduct our business in the manner and on the timelines presently planned could be materially and negatively impacted

The global outbreak of COVID-19 continues to rapidly evolve. The magnitude of the impact of the COVID-19 pandemic on our productivity, results of operations and financial position, and its disruption to our business and our clinical programs and timelines, will depend, in part, on the length and severity of these restrictions and on our ability to conduct business in the ordinary course.