

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

**FORM 10-Q**

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

For the quarterly period ended May 31, 2024  
or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: 001-34992

**SemiLEDs Corporation**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**20-2735523**

(I.R.S. Employer  
Identification Number)

**3F, No. 11 Ke Jung Rd., Chu-Nan Site,  
Hsinchu Science Park, Chu-Nan 350,  
Miao-Li County, Taiwan, R.O.C.**  
(Address of principal executive offices)

**350**  
(Zip Code)

**+886-37-586788**

(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>
Common Stock, par value \$0.0000056	LEDS	The Nasdaq Stock Market

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, smaller reporting company, or an emerging growth company. See 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 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 7,196,299 shares of common stock, par value \$0.0000056 per share, outstanding as of July 5, 2024.

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**SEMLEDS CORPORATION**  
**FORM 10-Q for the Quarter Ended May 31, 2024**

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**PART I — FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**SEMILEDS CORPORATION AND SUBSIDIARIES**  
**Unaudited Condensed Consolidated Balance Sheets**  
**(In thousands of U.S. dollars and shares, except par value)**

	May 31, 2024	August 31, 2023
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,676	\$ 2,572
Restricted cash and cash equivalents	77	78
Accounts receivable (including related parties), net of allowance for doubtful accounts of \$170 and \$173 as of May 31, 2024 and August 31, 2023, respectively	668	793
Inventories	3,673	4,022
Prepaid expenses and other current assets	282	129
Total current assets	6,376	7,594
Property, plant and equipment, net	2,788	3,233
Operating lease right of use assets	1,109	1,371
Intangible assets, net	91	97
Investments in unconsolidated entities	957	974
Other assets	190	186
<b>TOTAL ASSETS</b>	<b>\$ 11,511</b>	<b>\$ 13,455</b>
<b>LIABILITIES AND EQUITY</b>		
CURRENT LIABILITIES:		
Current installments of long-term debt	\$ 2,848	\$ 5,042
Accounts payable	203	436
Accrued expenses and other current liabilities	2,665	2,711
Other payable to related parties	952	1,374
Operating lease liabilities, current	108	139
Total current liabilities	6,776	9,702
Long-term debt, excluding current installments	969	1,327
Operating lease liabilities, less current portion	1,001	1,232
Total liabilities	8,746	12,261
Commitments and contingencies (Note 5)		
EQUITY:		
SemiLEDs stockholders' equity		
Common stock, \$0.0000056 par value—7,500 shares authorized; 7,196 shares and 4,941 shares issued and outstanding as of May 31, 2024 and August 31, 2023, respectively	—	—
Additional paid-in capital	187,306	184,246
Accumulated other comprehensive income	3,530	3,550
Accumulated deficit	(188,121)	(186,645)
Total SemiLEDs stockholders' equity	2,715	1,151
Noncontrolling interests	50	43
Total equity	2,765	1,194
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 11,511</b>	<b>\$ 13,455</b>

See notes to unaudited condensed consolidated financial statements.

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**SEMILEDs CORPORATION AND SUBSIDIARIES**  
**Unaudited Condensed Consolidated Statements of Operations**  
(In thousands of U.S. dollars and shares, except per share data)

	Three Months Ended		Nine Months Ended	
	May 31, 2024	May 31, 2023	May 31, 2024	May 31, 2023
Revenues, net	\$ 1,323	\$ 1,679	\$ 3,859	\$ 4,526
Cost of revenues	780	1,438	2,959	3,560
Gross profit	543	241	900	966
Operating expenses:				
Research and development	320	372	943	1,032
Selling, general and administrative	696	850	2,131	2,271
Gain on disposals of long-lived assets, net	—	—	(50 )	—
Total operating expenses	1,016	1,222	3,024	3,303
Loss from operations	(473)	(981)	(2,124)	(2,337)
Other income (expenses):				
Investment loss from unconsolidated entities	(3)	—	—	—
Interest expenses, net	(58)	(67)	(211 )	(219 )
Other income, net	277	295	913	766
Foreign currency transaction loss, net	(59)	(3)	(47)	(20)
Total other income, net	157	225	655	527
Loss before income taxes	(316 )	(756 )	(1,469 )	(1,810 )
Income tax expense	—	—	—	—
Net loss	(316 )	(756 )	(1,469 )	(1,810 )
Less: Net income (loss) attributable to noncontrolling interests	3	—	7	(1 )
Net loss attributable to SemiLEDs stockholders	<u>\$ (319 )</u>	<u>\$ (756 )</u>	<u>\$ (1,476 )</u>	<u>\$ (1,809 )</u>
Net loss per share attributable to SemiLEDs stockholders:				
Basic	<u>\$ (0.04 )</u>	<u>\$ (0.15 )</u>	<u>\$ (0.25 )</u>	<u>\$ (0.37 )</u>
Diluted	<u>\$ (0.04 )</u>	<u>\$ (0.15 )</u>	<u>\$ (0.25 )</u>	<u>\$ (0.37 )</u>
Shares used in computing net loss per share attributable to SemiLEDs stockholders:				
Basic	<u>7,185</u>	<u>4,897</u>	<u>6,023</u>	<u>4,866</u>
Diluted	<u>7,185</u>	<u>4,897</u>	<u>6,023</u>	<u>4,866</u>

See notes to unaudited condensed consolidated financial statements.

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**SEMILEDs CORPORATION AND SUBSIDIARIES**  
**Unaudited Condensed Consolidated Statements of Comprehensive Loss**  
**(In thousands of U.S. dollars)**

	Three Months Ended		Nine Months Ended	
	May 31, 2024	May 31, 2023	May 31, 2024	May 31, 2023
Net loss	\$ (316)	\$ (756)	\$ (1,469)	\$ (1,810)
Other comprehensive loss, net of tax:				
Foreign currency translation adjustments, net of tax of \$0 for all periods presented	(42)	(33)	(20)	(39)
Comprehensive loss	\$ (358)	\$ (789)	\$ (1,489)	\$ (1,849)
Comprehensive income (loss) attributable to noncontrolling interests	2	—	7	(1)
Comprehensive loss attributable to SemiLEDs stockholders	<u><u>\$ (360)</u></u>	<u><u>\$ (789)</u></u>	<u><u>\$ (1,496)</u></u>	<u><u>\$ (1,848)</u></u>

See notes to unaudited condensed consolidated financial statements.

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**SEMILEDS CORPORATION AND SUBSIDIARIES**  
**Unaudited Condensed Consolidated Statement of Changes in Equity**  
**(In thousands of U.S. dollars and shares)**

						Accumulate d		Total SemiLED s Sharehol ders'		Non- Controll ing Interest s	Total
		Common Stock	Additional Paid-in Capital	Other Comprehe nse Income	Accumul ated Deficit		Equity				
		Shares	Amou nt								
BALANCE—September 1, 2023		4,941	\$ —	\$ 184,246	\$ 3,550	\$ (186,645)	\$ 1,151	\$ 43	\$ 1,194		
Stock-based compensation	28	—	—	113	—	—	113	—	—	113	
Comprehensive loss:											
Other comprehensive income	—	—	—	38	—	—	38	1	39		
Net loss	—	—	—	—	(598)	(598)	(598)	2	(596)		
BALANCE—November 30, 2023		4,969	—	184,359	3,588	(187,243)	704	46	750		
Stock-based compensation	43	—	107	—	—	—	107	—	107		
Conversion of convertible notes payable to common stock	1,228	—	1,609	—	—	—	1,609	—	1,609		
Issuance of common stock to repay long-term loan	935	—	1,200	—	—	—	1,200	—	1,200		
Comprehensive income (loss):											
Other comprehensive loss	—	—	—	(17)	—	—	(17)	—	(17)		
Net loss	—	—	—	—	(559)	(559)	(559)	2	(557)		
BALANCE—February 29, 2024		7,175	—	187,275	3,571	(187,802)	3,044	48	3,092		
Stock-based compensation	21	—	31	—	—	—	31	—	31		
Comprehensive loss:											
Other comprehensive loss	—	—	—	(41)	—	—	(41)	(1)	(42)		
Net loss	—	—	—	—	(319)	(319)	(319)	3	(316)		
BALANCE—May 31, 2024		<u>7,196</u>	<u>\$ —</u>	<u>\$ 187,306</u>	<u>\$ 3,530</u>	<u>\$ (188,121)</u>	<u>\$ 2,715</u>	<u>\$ 50</u>	<u>\$ 2,765</u>		
						Accumulate d		Total SemiLED s Sharehol ders'		Non- Controll ing Interest s	Total
		Common Stock	Additional Paid-in Capital	Other Comprehe nse Income	Accumul ated Deficit		Equity				
		Shares	Amou nt								
BALANCE—September 1, 2022		4,832	\$ —	\$ 183,711	\$ 3,697	\$ (183,955)	\$ 3,453	\$ 45	\$ 3,498		
Stock-based compensation	16	—	125	—	—	—	125	—	125		
Other comprehensive income	—	—	—	(55)	—	—	(55)	—	(55)		
Net loss	—	—	—	—	(512)	(512)	(512)	3	(509)		
BALANCE—November 30, 2022		4,848	—	183,836	3,642	(184,467)	3,011	48	3,059		
Stock-based compensation	44	—	115	—	—	—	115	—	115		
Comprehensive loss:											
Other comprehensive income (loss)	—	—	—	49	—	—	49	—	49		
Net loss	—	—	—	—	(541)	(541)	(541)	(4)	(545)		
BALANCE—February 28, 2023		4,892	—	183,951	3,691	(185,008)	2,634	44	2,678		
Stock-based compensation	23	—	141	—	—	—	141	—	141		
Comprehensive income (loss):											
Other comprehensive income	—	—	—	(33)	—	—	(33)	—	(33)		
Net loss	—	—	—	—	(756)	(756)	(756)	—	(756)		
BALANCE—May 31, 2023		<u>4,915</u>	<u>\$ —</u>	<u>\$ 184,092</u>	<u>\$ 3,658</u>	<u>\$ (185,764)</u>	<u>\$ 1,986</u>	<u>\$ 44</u>	<u>\$ 2,030</u>		

See notes to unaudited condensed consolidated financial statements.

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**SEMILEDS CORPORATION AND SUBSIDIARIES**  
**Unaudited Condensed Consolidated Statements of Cash Flows**  
**(In thousands of U.S. dollars)**

	Nine Months Ended	
	May 31, 2024	May 31, 2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (1,469)	\$ (1,810)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	455	885
Stock-based compensation expense	251	381
Provisions for inventory write-downs	300	471
Gain on disposals of long-lived assets, net	(50)	—
Loss on disposals of patent	—	4
Changes in:		
Accounts receivable	182	(81)
Inventories	(12)	(929)
Prepaid expenses and other	(41)	158
Accounts payable	(226)	253
Accrued expenses and other current liabilities	40	23
Net cash used in operating activities	(570)	(645)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment	(80)	(212)
Proceeds from sales of property, plant and equipment	50	—
Payments for development of intangible assets	(16)	(16)
Net cash used in investing activities	(46)	(228)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayments of long-term debt	(336)	(354)
Net cash used in financing activities	(336)	(354)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	54	(8)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>(898)</b>	<b>(1,235)</b>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH—Beginning of period	2,741	4,452
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH—End of period	<u>\$ 1,843</u>	<u>\$ 3,217</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES:</b>		
Accrual related to property, plant and equipment	<u>\$ 13</u>	<u>\$ 28</u>
Conversion of convertible notes payable to common stock	<u>\$ 1,609</u>	<u>\$ —</u>
Issuance of common stock to repay long-term loan	<u>\$ 1,200</u>	<u>\$ —</u>

See notes to unaudited condensed consolidated financial statements.

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### **SEMILEDs CORPORATION AND SUBSIDIARIES Notes to Unaudited Condensed Consolidated Financial Statements**

#### **1. Business**

SemiLEDs Corporation ("SemiLEDs" or the "parent company") was incorporated in Delaware on January 4, 2005 and is a holding company for two wholly owned subsidiaries. SemiLEDs and its subsidiaries (collectively, the "Company") develop, manufacture and sell high performance light emitting diodes ("LEDs"). The Company's core products are LED components, as well as LED chips and lighting products. LED components have become the most important part of its business. A portion of the Company's business consists of the sale of contract manufactured LED products. The Company's customers are concentrated in a few select markets, including the United States, Japan, Taiwan and the Netherlands.

As of May 31, 2024, SemiLEDs had two wholly owned subsidiaries. SemiLEDs Optoelectronics Co., Ltd., or Taiwan SemiLEDs, is the Company's wholly owned operating subsidiary, where a substantial portion of the assets is held and located, and where a portion of our research, development, manufacturing and sales activities take place. Taiwan SemiLEDs owns a 97.37% equity interest in Taiwan Bandaot Zhaoming Co., Ltd., formerly known as Silicon Base Development, Inc., which is engaged in the research, development, manufacturing and a substantial portion of marketing and sale of LED components, and where most of the Company's employees are based.

SemiLEDs' common stock trades on the NASDAQ Capital Market under the symbol "LEDS".

#### **2. Summary of Significant Accounting Policies**

**Basis of Presentation** —The Company's unaudited interim condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and applicable provisions of the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") regarding interim financial reporting. Certain information and disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted as permitted by the rules and regulations of the SEC. Accordingly, these unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K filed with the SEC on November 28, 2023. The unaudited condensed consolidated balance sheet as of August 31, 2023 included herein was derived from the audited consolidated financial statements as of that date.

The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the Company's unaudited condensed consolidated balance sheet as of May 31, 2024, the unaudited condensed statements of operations and comprehensive loss for the three and nine months ended May 31, 2024 and 2023, the unaudited condensed statement of changes in equity for the three and nine months ended May 31, 2024 and 2023, and the unaudited condensed statements of cash flows for the nine months ended May 31, 2024 and 2023. The results for the three or nine months ended May 31, 2024 are not necessarily indicative of the results to be expected for the year ending August 31, 2024.

**Going Concern** —The accompanying unaudited interim condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The realization of assets and the satisfaction of liabilities in the normal course of business are dependent on, among other things, the Company's ability to operate profitably, to generate cash flows from operations, and to pursue financing arrangements to support its working capital requirements.

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The Company suffered losses from operations of \$3.4 million and \$3.2 million and used net cash in operating activities of \$984 thousand and \$1.5 million for the years ended August 31, 2023 and 2022, respectively. These facts and conditions raise substantial doubt about the Company's ability to continue as a going concern, even though gross profit on product sales was \$1.0 million for the year ended August 31, 2023 compared to \$1.4 million for the year ended August 31, 2022. Loss from operations for the three and nine months ended May 31, 2024 was \$473 thousand and \$2.1 million, respectively. Net cash used in operating activities for the nine months ended May 31, 2024 was \$570 thousand. Moreover, at May 31, 2024, the Company's cash and cash equivalents had decreased to \$1.7 million. Management believes that it has developed a liquidity plan, as summarized below, that, if executed successfully, should provide sufficient liquidity to meet the Company's obligations as they become due for a reasonable period of time, and allow the development of its core business.

- Gaining positive cash-inflow from operating activities through continuous cost reductions and the sales of new higher margin products. Steady growth of module products and the continued commercial sales of its UV LED product are expected to improve the Company's future gross margin, operating results and cash flows. The Company is targeting niche markets and focusing on product enhancement and developing its LED product into many other applications or devices.
- Continuing to monitor prices, work with current and potential vendors to decrease costs and, consistent with its existing contractual commitments, possibly decrease its activity level and capital expenditures further. This plan reflects its strategy of controlling capital costs and maintaining financial flexibility.
- Raising additional cash through potential equity offerings, sales of assets and/or issuance of debt as considered necessary and looking at other potential business opportunities.

While the Company's management believes that the measures described in the above liquidity plan will be adequate to satisfy its liquidity requirements for the twelve months after the date that the financial statements are issued, there is no assurance that the liquidity plan will be successfully implemented. Failure to successfully implement the liquidity plan may have a material adverse effect on its business, results of operations and financial position, and may adversely affect its ability to continue as a going concern. These unaudited interim condensed consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded assets or the amounts and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern.

**Restricted Cash Equivalents**—Restricted cash primarily consists of cash held in reserved bank accounts in Taiwan. As of May 31, 2024 and August 31, 2023, the Company's restricted cash equivalents at current portion amounted \$77 thousand and \$78 thousand, respectively. As of May 31, 2024 and August 31, 2023, the Company's restricted cash at noncurrent portion, which was recorded as other assets, amounted to \$90 thousand and \$91 thousand, respectively.

**Revenue Recognition**—Effective September 1, 2018, the Company adopted ASC 606 using the modified retrospective transition method. The Company applied the following five steps to achieve the core principles of ASC 606: 1) identified the contract with a customer; 2) identified the performance obligations (promises) in the contract; 3) determined the transaction price; 4) allocated the transaction price to the performance obligations in the contract; and 5) recognized revenue when (or as) the Company satisfies a performance obligation. The Company recognizes the amount of revenue when the Company satisfies a performance obligation to which it expects to be entitled for the transfer of promised goods or services to customers. The Company obtains written purchase authorizations from its customers as evidence of an arrangement and these authorizations generally provide for a specified amount of product at a fixed price. Generally, the Company considers delivery to have occurred at the time of shipment as this is generally when title and risk of loss for the products will pass to the customer. The Company provides its customers with limited rights of return for non-conforming shipments and product warranty claims. Based on historical return percentages, which have not been material to date, and other relevant factors, the Company estimates its potential future exposure on recorded product sales, which reduces product revenues in the consolidated statements of operations and reduces accounts receivable in the consolidated balance sheets. The Company also provides standard product warranties on its products, which generally range from three months to two years. Management estimates the Company's warranty obligations as a percentage of revenues, based on historical knowledge of warranty costs and other relevant factors. To date, the related estimated warranty provisions have been insignificant.

**Principles of Consolidation**—The unaudited interim condensed consolidated financial statements include the accounts of SemiLEDs and its consolidated subsidiaries. All intercompany transactions and balances have been eliminated during consolidation.

On September 1, 2018, the Company adopted ASC 825-10, "Financial Instruments- Overall: Recognition and Measurement of Financial Assets and Financial Liabilities". This standard allows equity investments that do not have readily determinable fair values to be re-measured at fair value either upon the occurrence of an observable price change or upon identification of impairment. The standard also simplifies the impairment assessment of equity investments without readily determinable fair values by requiring assessment for impairment qualitatively at each reporting period.

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Investments in which the Company has the ability to exercise significant influence over the investee but not a controlling financial interest, are accounted for using the equity method of accounting and are not consolidated. These investments are in joint ventures that are not subject to consolidation under the variable interest model, and for which the Company: (i) does not have a majority voting interest that would allow it to control the investee, or (ii) has a majority voting interest but for which other shareholders have significant participating rights, but for which the Company has the ability to exercise significant influence over operating and financial policies. Under the equity method, investments are stated at cost after adding or removing the Company's portion of equity in undistributed earnings or losses, respectively. The Company's investment in these equity-method entities is reported in the consolidated balance sheets in investments in unconsolidated entities, and the Company's share of the income or loss of these equity-method entities, after the elimination of unrealized intercompany profits, is reported in the consolidated statements of operations in equity in losses from unconsolidated entities. When net losses from an equity-method investee exceed its carrying amount, the carrying amount of the investment is reduced to zero. The Company then suspends using the equity method to provide for additional losses unless the Company has guaranteed obligations or is otherwise committed to provide further financial support to the equity-method investee. The Company resumes accounting for the investment under the equity method if the investee subsequently returns to profitability and the Company's share of the investee's income exceeds its share of the cumulative losses that have not been previously recognized during the period the equity method is suspended.

Investments in entities that are not consolidated or accounted for under the equity method are recorded as investments without readily determinable fair values. Investments without readily determinable fair values are reported on the consolidated balance sheets in investments in unconsolidated entities, at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. Dividend income, if any, received is reported in the consolidated statements of operations in equity in losses from unconsolidated entities.

If the fair value of an equity investment declines below its respective carrying amount and the decline is determined to be other-than-temporary, the investment will be written down to its fair value.

**Use of Estimates** —The preparation of unaudited interim condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited interim condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the preparation of the Company's consolidated financial statements on the basis that the Company will continue as a going concern, the collectability of accounts receivable, inventory net realizable values, realization of deferred tax assets, valuation of stock-based compensation expense, the useful lives of property, plant and equipment and intangible assets, the recoverability of the carrying amount of property, plant and equipment, intangible assets and investments in unconsolidated entities, the fair value of acquired tangible and intangible assets, income tax uncertainties, provision for potential litigation costs and other contingencies. Management bases its estimates on historical experience and also on assumptions that it believes are reasonable. Management assesses these estimates on a regular basis; however, actual results could differ materially from those estimates.

**Certain Significant Risks and Uncertainties** —The Company is subject to certain risks and uncertainties that could have a material and adverse effect on the Company's future financial position or results of operations, which risks and uncertainties include, among others: it has incurred significant losses over the past several years, any inability of the Company to compete in a rapidly evolving market and to respond quickly and effectively to changing market requirements, any inability of the Company to grow its revenue and/or maintain or increase its margins, it may experience fluctuations in its revenues and operating results, any inability of the Company to protect its intellectual property rights, claims by others that the Company infringes their proprietary technology, and any inability of the Company to raise additional funds in the future.

**Concentration of Supply Risk** —Some of the components and technologies used in the Company's products are purchased and licensed from a limited number of sources and some of the Company's products are produced by a limited number of contract manufacturers. The loss of any of these suppliers and contract manufacturers may cause the Company to incur transition costs to another supplier or contract manufacturer, result in delays in the manufacturing and delivery of the Company's products, or cause it to carry excess or obsolete inventory. The Company relies on a limited number of such suppliers and contract manufacturers for the fulfillment of its customer orders. Any failure of such suppliers and contract manufacturers to perform could have an adverse effect upon the Company's reputation and its ability to distribute its products or satisfy customers' orders, which could adversely affect the Company's business, financial position, results of operations and cash flows.

**Concentration of Credit Risk** —Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents and accounts receivable.

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The Company keeps its cash and cash equivalents in demand deposits with prominent banks of high credit quality and invests only in money market funds. Cash accounts at each institution are insured by the Federal Deposit Insurance Corporation in the U.S.A or Central Deposit Insurance Corporation in Taiwan up to certain limits. At times, such deposits may be in excess of the insurance limit. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of May 31, 2024 and August 31, 2023, the Company had no cash in excess of FDIC insured limits. The Company maintains cash in state-owned banks in Taiwan. In Taiwan, the insurance coverage of each bank is NTD\$3,000,000 (approximately USD\$92,580). As of May 31, 2024 and August 31, 2023, the Company had \$1,274 thousand and \$1,961 thousand cash in excess of the insured amount, respectively. The Company has not experienced any losses in such accounts. As of May 31, 2024 and August 31, 2023, cash and cash equivalents of the Company consisted of the following (in thousands):

Cash and Cash Equivalents by Location	May 31, 2024	August 31, 2023
United States:		
Denominated in U.S. dollars	\$ 187	\$ 190
Taiwan:		
Denominated in U.S. dollars	1,198	2,192
Denominated in New Taiwan dollars	276	174
Denominated in other currencies	15	16
Total cash and cash equivalents	\$ 1,676	\$ 2,572

The Company's revenues are substantially derived from the sales of LED products. A significant portion of the Company's revenues are derived from a limited number of customers and sales are concentrated in a few select markets. Management performs ongoing credit evaluations of its customers and generally does not require collateral on accounts receivable. Management evaluates the need to establish an allowance for doubtful accounts for estimated potential credit losses at each reporting period. The allowance for doubtful accounts is based on the management's assessment of the collectability of its customer accounts. Management regularly reviews the allowance by considering certain factors, such as historical experience, industry data, credit quality, ages of accounts receivable balances and current economic conditions that may affect a customer's ability to pay.

Net revenues generated from sales to the top ten customers represented 94% and 92% of the Company's net revenues for the three and nine months ended May 31, 2024, respectively, and 90% and 91% of the Company's net revenues for the three and nine months ended May 31, 2023, respectively.

The Company's revenues have been concentrated in a few select markets, including the United States, Japan, the Netherlands and Taiwan. Net revenues generated from sales to customers in these markets, in the aggregate, accounted for both 91% of the Company's net revenues for the three and nine months ended May 31, 2024, and 86% and 89% of the Company's net revenues for the three and nine months ended May 31, 2023, respectively.

**Noncontrolling Interests** —Noncontrolling interests are classified in the consolidated statements of operations as part of consolidated net income (loss) and the accumulated amount of noncontrolling interests in the consolidated balance sheets as part of equity. Changes in ownership interest in a consolidated subsidiary that do not result in a loss of control are accounted for as an equity transaction. If a change in ownership of a consolidated subsidiary results in loss of control and deconsolidation, any retained ownership interests are remeasured with the gain or loss reported in net earnings. On September 1, 2018, Taiwan Bandaoti Zhaoming Co., Ltd., the Company's wholly owned operating subsidiary, issued 414,000 common shares and amended its certificate of incorporation to increase its common stock issued from 12,087,715 to 12,501,715 shares. As of the issuance date, the increased capital of \$176 thousand (NT\$5.4 million) has been completely received in cash by Taiwan Bandaoti Zhaoming Co., Ltd. The Company did not subscribe for any newly issued common shares, and, as a result, the noncontrolling interest in the Company increased from zero to 3.31%. From January 2019 to September 2020, the Company purchased an additional 33,000 common shares of SBDI from non-controlling shareholders. From March 2022 to May 2022, the Company purchased an additional 52,000 common shares of SBDI from non-controlling shareholders. The noncontrolling interest in SBDI were 2.63% as of both May 31, 2024 and August 31, 2023.

### **Recent Accounting Pronouncements**

In August 2020, the FASB issued ASU 2020-06, Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging —Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity ("ASU 2020-06"). ASU 2020-06 simplifies the accounting for convertible debt by eliminating the beneficial conversion and cash conversion accounting models. Upon adoption of ASU 2020-06, convertible debt, unless issued with a substantial premium or an embedded conversion feature that is not clearly and closely related to the host contract, will no longer be allocated between debt and equity components. This modification will reduce the issue discount and result in less non-cash interest expense in financial statements. ASU 2020-06 also updates the earnings per share calculation and requires entities to assume share settlement when

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the convertible debt can be settled in cash or shares. For contracts in an entity's own equity, the type of contracts primarily affected by ASU 2020-06 are freestanding and embedded features that are accounted for as derivatives under the current guidance due to a failure to meet the settlement assessment by removing the requirements to (i) consider whether the contract would be settled in registered shares, (ii) consider whether collateral is required to be posted, and (iii) assess shareholder rights. ASU 2020-06 is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted, but only if adopted as of the beginning of such fiscal year. The Company is currently evaluating the impact that the standard will have on its unaudited condensed consolidated financial statements.

In May 2021, the FASB issued ASU 2021-04, Earnings Per Share (Topic 260), Debt — Modifications and Extinguishments (Subtopic 470-50), Compensation — Stock Compensation (Topic 718), and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options ("ASU 2021-04"). ASU 2021-04 provides guidance as to how an issuer should account for a modification of the terms or conditions or an exchange of a freestanding equity-classified written call option (i.e., a warrant) that remains classified after modification or exchange as an exchange of the original instrument for a new instrument. An issuer should measure the effect of a modification or exchange as the difference between the fair value of the modified or exchanged warrant and the fair value of that warrant immediately before modification or exchange and then apply a recognition model that comprises four categories of transactions and the corresponding accounting treatment for each category (equity issuance, debt origination, debt modification, and modifications unrelated to equity issuance and debt origination or modification). ASU 2021-04 was effective for the fiscal years beginning September 1, 2022, including interim periods within those fiscal years. An entity should apply the guidance provided in ASU 2021-04 prospectively to modifications or exchanges occurring on or after the effective date. The Company concluded that the standard has no material impact on its unaudited condensed consolidated financial statements.

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures ("ASU 2023-07"). The amendments in ASU 2023-07 improve reportable segment disclosure requirements through enhanced disclosures about significant segment expenses that are regularly provided to the chief operating decision maker (CODM). In addition, the amendments enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provide new segment disclosure requirements for entities with a single reportable segment, and contain other disclosure requirements. ASU 2023-07 will be effective for annual reporting periods beginning after December 15, 2023, and interim periods within annual reporting periods beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact of this standard on its unaudited condensed consolidated financial statements.

### **3. Balance Sheet Components**

#### **Inventories**

Inventories as of May 31, 2024 and August 31, 2023 consisted of the following (in thousands):

	May 31, 2024	August 31, 2023
Raw materials	\$ 370	\$ 491
Work in process	866	1,216
Finished goods	2,437	2,315
<b>Total</b>	<b>\$ 3,673</b>	<b>\$ 4,022</b>

Inventory write-downs to estimated net realizable values were \$119 thousand and \$300 thousand for the three and nine months ended May 31, 2024, respectively, and \$97 thousand and \$471 thousand for the three and nine months ended May 31, 2023, respectively.

#### **Property, Plant and Equipment**

Property, plant and equipment as of May 31, 2024 and August 31, 2023 consisted of the following (in thousands):

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	May 31, 2024	August 31, 2023
Buildings and improvements	\$ 12,942	\$ 13,136
Machinery and equipment	26,056	26,606
Leasehold improvements	151	154
Other equipment	2,217	2,165
Construction in progress	76	118
Total property, plant and equipment	41,442	42,179
Less: Accumulated depreciation and amortization	(38,654)	(38,946)
Property, plant and equipment, net	<u><u>\$ 2,788</u></u>	<u><u>\$ 3,233</u></u>

**Intangible Assets**

Intangible assets as of May 31, 2024 and August 31, 2023 consisted of the following (in thousands):

	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	May 31, 2024
Patents and trademarks	15	\$ 563	\$ 472	\$ 91	\$ 91
Acquired technology	5	314	314	—	—
<b>Total</b>		<u><u>\$ 877</u></u>	<u><u>\$ 786</u></u>	<u><u>\$ 91</u></u>	

	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	August 31, 2023
Patents and trademarks	15	\$ 568	\$ 471	\$ 97	\$ 97
Acquired technology	5	320	320	—	—
<b>Total</b>		<u><u>\$ 888</u></u>	<u><u>\$ 791</u></u>	<u><u>\$ 97</u></u>	

**Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities as of May 31, 2024 and August 31, 2023 consisted of the following (in thousands):

	May 31, 2024	August 31, 2023
Accrued compensation and benefits	\$ 1,763	\$ 1,766
Customer deposits	349	346
Accrued business expenses	160	163
Accrued professional service fees	111	102
Other (individually less than 5% of total accrued expenses and other current liabilities)	282	334
<b>Total</b>	<u><u>\$ 2,665</u></u>	<u><u>\$ 2,711</u></u>

**4. Investments in Unconsolidated Entities**

The Company's ownership interest and carrying amounts of investments in unconsolidated entities as of May 31, 2024 and August 31, 2023 consisted of the following (in thousands, except percentages):

	May 31, 2024	August 31, 2023		
	Percentage Ownership	Amount	Percentage Ownership	Amount
Equity investment without readily determinable fair value	Various	\$ 866	Various	\$ 881
Equity method investments, net	47.62	\$ 91	47.62	\$ 93
<b>Total investments in unconsolidated entities</b>		<u><u>\$ 957</u></u>		<u><u>\$ 974</u></u>

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There were no dividends received from unconsolidated entities through May 31, 2024.

### **Equity Investments without Readily Determinable Fair Value**

Equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the Company) which do not have readily determinable fair values are recorded as equity investment without readily determinable fair value. All equity investments without readily determinable fair value are assessed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable, and measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuers.

### **Equity Method Investment**

In July 2023, TSLC Corporation, the Company's subsidiary, approved board resolution to acquire an equity interest in Yi Yang Optoelectronics Co., Ltd. The company accounts for its equity interest using the equity method as prescribed in ASC 323, Investments—Equity Method and Joint Ventures ("ASC 323"). Equity method adjustments include the Company's proportionate share of investee's income or loss and other adjustments required by the equity method. As of May 31, 2024, the Company owns 47.62% of the common shares of Yi Yang Optoelectronics Co., Ltd.

### **5. Commitments and Contingencies**

**Operating Lease Agreements** —The Company has several operating leases with unrelated parties, primarily for land, plant and office spaces in Taiwan, which include cancelable and noncancelable leases and which expire at various dates between December 2024 and December 2040. Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term. For lease agreements entered into or reassessed after the adoption of Topic 842, the Company did not combine lease and non-lease components.

Most leases do not include options to renew. The exercise of lease renewal options has to be agreed by the lessors. The depreciable life of assets and leasehold improvements are limited by the term of leases, unless there is a transfer of title or purchase option reasonably certain of exercise. Lease expense is recognized on a straight-line basis over the term of the lease. Lease expense related to these noncancelable operating leases was \$37 thousand and \$118 thousand for the three and nine months ended May 31, 2024, respectively. Lease expense related to these noncancelable operating leases was \$39 thousand and \$125 thousand for the three and nine months ended May 31, 2023, respectively.

Balance sheet information related to the Company's leases is presented below:

	May 31, 2024	August 31, 2023
<b>Assets</b>		
Operating lease right of use assets	<u>\$ 1,109</u>	<u>\$ 1,371</u>
<b>Liabilities</b>		
Operating lease liabilities, current portion	<u>\$ 108</u>	<u>\$ 139</u>
Operating lease liabilities, less current portion	<u>1,001</u>	<u>1,232</u>
<b>Total</b>	<u><u>\$ 1,109</u></u>	<u><u>\$ 1,371</u></u>

The following provides details of the Company's lease expenses:

	Three Months Ended May 31, 2024	2023
Operating lease expenses, net	<u>\$ 37</u>	<u>\$ 39</u>
	Nine Months Ended May 31, 2024	2023
Operating lease expenses, net	<u>\$ 118</u>	<u>\$ 125</u>

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Other information related to leases is presented below:

	Nine Months Ended May 31, 2024		2023	
<b>Cash Paid for amounts Included In Measurement of Liabilities:</b>				
Operating cash flows from operating leases	\$	118	\$	125
<b>Weighted Average Remaining Lease Term:</b>				
Operating leases		15.56 years		15.98 years
<b>Weighted Average Discount Rate</b>				
Operating leases		1.76%		1.76%

As most of the Company's leases do not provide an implicit rate, the Company uses its average borrowing rate from non-related parties of 1.76% based on the information available at commencement date in determining the present value of lease payments.

The aggregate future noncancelable minimum rental payments for the Company's operating leases as of May 31, 2024 consisted of the following (in thousands):

Years Ending August 31,	Operating Leases
Remainder of 2024	\$ 37
2025	111
2026	80
2027	81
2028	81
Thereafter	875
Total future minimum lease payments, undiscounted	1,265
Less: Imputed interest	156
Present value of future minimum lease payments	<u>\$ 1,109</u>

**Purchase Obligations** —The Company had purchase commitments for inventory, property, plant and equipment in the amount of zero and \$116 thousand as of May 31, 2024 and August 31, 2023, respectively.

**Litigation** —The Company is directly or indirectly involved from time to time in various claims or legal proceedings arising in the ordinary course of business. The Company recognizes a liability when it is probable that a loss has been incurred and the amount is reasonably estimable. There is significant judgment required in assessing both the likelihood of an unfavorable outcome and whether the amount of loss, if any, can be reasonably estimated.

As of May 31 2024, there was no pending or threatened litigation that could have a material impact on the Company's financial position, results of operations or cash flows.

## 6. Common Stock

On July 6, 2021, the Company entered into a Sales Agreement (the "Sales Agreement") with Roth Capital Partners, LLC (the "Agent"). In accordance with the terms of the Sales Agreement, the Company may offer and sell, from time to time through the Agent, the Company's common stock having an aggregate offering price of up to the greater of \$20,000,000, or the aggregate market value of common stock sold by the Company in the prior 12 months which is no more than one-third of the aggregate market value of the Company's common stock held by non-affiliates (the "Placement Shares"). Sales of the Placement Shares, if any, will be made on Nasdaq at market prices by any method permitted by law deemed to be an "at the market offering" as defined in Rule 415 of the Securities Act of 1933, as amended. The Company will pay a commission to the Agent of 3.0% of the gross proceeds of the sale of the Placement Shares sold under the Agreement and reimburse the Agent for certain expenses. During the year ended August 31, 2022, the Company sold 286,328 shares of the Company's common stock for gross proceeds of \$995 thousand before placement agent fees and bank fees of \$31 thousand. The Company did not sell any shares of its common stock under its ATM program in fiscal year 2023 and during the nine months ended May 31, 2024. The ATM program expired on June 8, 2024.

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### **7. Stock-based Compensation**

The Company currently has one equity incentive plan (the "2010 Plan"), which provides for awards in the form of restricted shares, stock units, stock options or stock appreciation rights to the Company's employees, officers, directors and consultants. In April 2014, SemiLEDs' stockholders approved an amendment to the 2010 Plan that increases the number of shares authorized for issuance under the plan by an additional 250 thousand shares. On July 31, 2019, the stockholders approved an increase in the authorized share reserve under the 2010 plan by an additional 500 thousand shares, to extend expiration of the 2010 Plan to November 3, 2023, to remove the IRS Code section 162(m) provisions, and to modify the maximum grant limit to 35 thousand shares to one person in a one year period. On September 25, 2020, the stockholders approved an amendment to the 2010 Equity Incentive Plan to increase the authorized shares reserve by an additional 400 thousand shares. On March 17, 2023, the Board approved the amendment of the 2010 Plan to extend the term to March 17, 2033, which was approved by the Company's stockholders at the annual meeting held on May 18, 2023.

A total of 1,421 thousand and 1,421 thousand shares was reserved for issuance under the 2010 Plan as of May 31, 2024 and 2023, respectively. As of May 31, 2024 and 2023, there were 449 thousand and 674 thousand shares of common stock available for future issuance under the equity incentive plans, respectively.

In July 2023, SemiLEDs granted 10 thousand restricted stock units to its directors, which vested 25% every three months from the vesting commencement date of July 7, 2023. The grant-date fair value of the restricted stock units was \$2.44 per unit.

In April 2023, SemiLEDs granted 110.5 thousand restricted stock units to its employees, which vest 12.5% every three months from the vesting commencement date of April 25, 2023 and will become fully vested upon a change in control. The grant-date fair value of the restricted stock units was \$1.87 per unit.

In March 2023, SemiLEDs granted 20 thousand restricted stock units to its employees, which vest 25% every anniversary starting from the vesting commencement date of March 8, 2023 and will become fully vested upon a change in control. The grant-date fair value of the restricted stock units was \$2.30 per unit.

In November 2022, SemiLEDs granted 15 thousand restricted stock units to its directors that vested 25% every three months on February 7, 2023, May 7, 2023, August 7, 2023 and November 7, 2023. Since the 2023 annual meeting was held before November 7, 2023, 100% of the unvested restricted stock units shall immediately vested on May 19, 2023, the date of the 2023 annual meeting. The grant-date fair value of the restricted stock units was \$2.33 per unit.

The grant date fair value of stock options is determined using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires inputs including the market price of SemiLEDs' common stock on the date of grant, the term that the stock options are expected to be outstanding, the implied stock volatilities of several of the Company's publicly-traded peers over the expected term of stock options, risk-free interest rate and expected dividend. Each of these inputs is subjective and generally requires significant judgment to determine. The grant date fair value of stock units is based upon the market price of SemiLEDs' common stock on the date of the grant. This fair value is amortized to compensation expense over the vesting term.

Stock-based compensation expense is recorded net of estimated forfeitures such that expense is recorded only for those stock-based awards that are expected to vest. A forfeiture rate is estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. A forfeiture rate of zero is estimated for stock-based awards with vesting term that is less than or equal to one year from the date of grant.

A summary of the stock-based compensation expense for the three and nine months ended May 31, 2024 and 2023 was as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	May 31, 2024	May 31, 2023	May 31, 2024	May 31, 2023
Cost of revenues	\$ 8	\$ 38	\$ 78	\$ 108
Research and development	8	40	80	112
Selling, general and administrative	15	63	93	161
	<u>\$ 31</u>	<u>\$ 141</u>	<u>\$ 251</u>	<u>\$ 381</u>

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### **8. Net Loss Per Share of Common Stock**

The following stock-based compensation plan awards were excluded from the computation of diluted net loss per share of common stock for the periods presented because including them would have been anti-dilutive (in thousands of shares):

	Three Months Ended May 31, 2024	May 31, 2023	Nine Months Ended May 31, 2024	May 31, 2023
Stock units to purchase common stock	12	80	48	81

### **9. Income Taxes**

The Company's loss before income taxes for the three and nine months ended May 31, 2024 and 2023 consisted of the following (in thousands):

	Three Months Ended May 31, 2024	May 31, 2023	Nine Months Ended May 31, 2024	May 31, 2023
U.S. operations	\$ (139)	\$ (228)	\$ (384)	\$ (595)
Foreign operations	(177)	(528)	(1,085)	(1,215)
Loss before income taxes	<u>\$ (316)</u>	<u>\$ (756)</u>	<u>\$ (1,469)</u>	<u>\$ (1,810)</u>

### **Unrecognized Tax Benefits**

On December 22, 2017, the U.S. Tax Cuts and Jobs Act was adopted, which among other effects, reduced the U.S. federal corporate income tax rate to 21% from 34% (or 35% in certain cases) beginning in 2018, requires companies to pay a one-time transition tax on certain unrepatriated earnings from non-U.S. subsidiaries that is payable over eight years, makes the receipt of future non-U.S. sourced income of non-U.S. subsidiaries tax-free to U.S. companies and creates a new minimum tax on the earnings of non-U.S. subsidiaries relating to the parent's deductions for payments to the subsidiaries. Provisional estimate of the Company is that no tax will be due under this provision.

As of both May 31, 2024 and August 31, 2023, the Company had no unrecognized tax benefits related to tax positions taken in prior periods. The Company files income tax returns in the United States, various U.S. states and certain foreign jurisdictions. The tax years 2019 through 2022 remain open in most jurisdictions. With few exceptions, as of May 31, 2024, the Company is no longer subject to U.S. federal, state, local, or foreign examinations by tax authorities for tax years before 2019. The Company is not currently under examination by income tax authorities in federal, state or foreign jurisdictions.

### **10. Related Party Transactions**

On January 8, 2019, the Company entered into loan agreements with each of the Chairman and Chief Executive Officer and the largest shareholder of the Company, with aggregate amounts of \$1.7 million and \$1.5 million, respectively, and an annual interest rate of 8%. All proceeds of the loans were exclusively used to return the deposit to Formosa Epitaxy Incorporation in connection with the proposed sale of the Company's headquarters building pursuant to the agreement dated December 15, 2015. The Company were initially required to repay the loans of \$1.5 million on January 14, 2021 and \$1.7 million on January 22, 2021, respectively. On January 16, 2021, the maturity date of these loans was extended with same terms and interest rate for one year to January 15, 2022, and on January 14, 2022, the maturity date of these loans was extended again with same terms and interest rate for one more year to January 15, 2023. On January 13, 2023, the maturity date of these loans was further extended with same terms and interest rate for one year to January 15, 2024.

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On January 7, 2024, J.R. Simplot Company and the Company entered into an assignment agreement pursuant to which J.R. Simplot assigned and transferred all of its right, title and interest in and to the loan agreement to Simplot Taiwan Inc., in accordance with and subject to the terms and conditions of the loan agreement.

On January 7, 2024, the Company entered into the Fourth Amendment to the loan agreements with each of Simplot Taiwan Inc. and Trung Doan (each, a "Fourth Amendment").

The Fourth Amendment with Simplot Taiwan Inc. (i) extends the maturity date of its loan agreement to January 15, 2025, and (ii) upon mutual agreement of the Company and Simplot Taiwan Inc., permits the Company to repay any principal amount or accrued interest, in an amount not to exceed \$400,000, by issuing shares of the Company's common stock in the name of Simplot Taiwan Inc. as partial repayment of the loan agreement at a price per share equal to the closing price of the Company's common stock immediately preceding the business day of the payment notice date. All other terms and conditions of the loan agreement with Simplot Taiwan Inc. remained the same.

On January 7, 2024, the Company issued 305,343 shares of its common stock at a price of \$1.31 per share to repay \$400,000 of accrued interest on the loan agreement with Simplot Taiwan Inc. The shares of common stock were issued in reliance on Section 3(a)(9) of the Securities Act of 1933, as amended.

The Fourth Amendment to the loan agreement with Trung Doan amends the loan agreement's maturity date with same terms and interest rate to January 15, 2025. All other terms and conditions of the loan agreement with Trung Doan remained the same.

On February 9, 2024, the Company and Trung Doan entered into the Fifth Amendment to the loan agreement (the "Fifth Amendment"). The Fifth Amendment, upon the mutual agreement of the Company and Trung Doan, permits the Company to repay any principal amount or accrued interest, in an amount not to exceed \$800,000, by issuing shares of the Company's common stock to Trung Doan as partial repayment of the loan agreement at a price per share equal to the closing price of the Company's common stock immediately preceding the business day of the payment notice date.

On February 9, 2024, the Company repaid \$800,000 of loan principal by delivering 629,921 shares of the Company's common stock to Mr. Doan, based on the closing price of \$1.27 per share on February 8, 2024. The shares of common stock were issued on February 9, 2024 in reliance on Section 4(a)(2) of the Securities Act of 1933, as amended.

As of May 31, 2024 and August 31, 2023, these loans totaled \$2.4 million and \$3.2 million, respectively. The loans are secured by a second priority security interest on the Company's headquarters building.

On July 3, 2024, the Company and Trung Doan entered into the Sixth Amendment to the loan agreement (the "Sixth Amendment"). The Sixth Amendment amends the loan agreement to permit, upon the mutual agreement of the Company and Trung Doan, the Company to repay a portion of the principal amount or accrued interest under the loan agreement, by issuing shares of the Company's common stock to Trung Doan as partial repayment of the loan agreement at a price per share equal to the closing price of the Company's common stock immediately preceding the business day of the payment notice date. All other terms and conditions of the loan agreement, as amended by the Sixth Amendment, remained the same.

On November 25, 2019 and on December 10, 2019, the Company issued convertible unsecured promissory notes (the "Notes") to J.R. Simplot Company, its largest shareholder, and Trung Doan, our Chairman and Chief Executive Officer, (together, the "Holders") with a principal sum of \$1.5 million and \$500 thousand, respectively, and an annual interest rate of 3.5%. Principal and accrued interest is due on demand by the Holders on and at any time after May 30, 2021. On February 7, 2020, J.R. Simplot Company assigned all of its right, title and interest in the Notes to Simplot Taiwan Inc. The outstanding principal and unpaid accrued interest of the Notes may be converted into shares of the Company's common stock at a conversion price of \$3.00 per share, at the option of the Holders any time from the date of the Notes. On May 25, 2020, each of the Holders converted \$300,000 of the Notes into 100,000 shares of the Company's common stock. On May 26, 2021, the Notes were extended with the same terms and interest rate for one year and a maturity date of May 30, 2022. On May 26, 2022, the Notes were second extended with the same terms and interest rate for one year and a maturity date of May 30, 2023. On June 6, 2023, the Company entered into the Third Amendment to the Notes (the "Third Amendments") to amend the Notes to (i) extend the maturity date from May 30, 2023 to May 30, 2024, and (ii) change the conversion price from \$3.00 to \$2.046 per share. The change in conversion price is subject to stockholder approval. All other terms and conditions of the Notes remained the same.

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After the close of market on January 5, 2024, the Company entered into the Fourth Amendment to the Notes (the "Note Fourth Amendments") to amend the Notes to (i) convert the total principal and accrued interest on the Notes to common stock of the Company to be issued in the names of the Holders, and (ii) change the conversion price of the Notes from \$2.046 per share to the closing price immediately preceding the signing of the Note Fourth Amendments, or \$1.31 per share. All other terms and conditions of the Notes remained the same.

On January 5, 2024, the Holders converted the total principal and accrued interest of the Notes, in an aggregate amount of \$1,608,848, to 1,228,128 shares of its common stock at a conversion price of \$1.31 per share.

As of May 31, 2024 and August 31, 2023, the outstanding principal of these notes totaled zero and \$1.4 million, respectively.

### **11. Subsequent Events**

The Company follows the guidance in FASB ASC 855-10 for the disclosure of subsequent events. The Company has analyzed its operations subsequent to May 31, 2024 to the date these consolidated financial statements were issued, finding that no material subsequent events need to be disclosed.

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### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

#### **Forward Looking Statements**

This Quarterly Report on Form 10-Q, or this Quarterly Report, contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements other than statements of historical facts contained in this Quarterly Report, including statements regarding the future results of operations of SemiLEDs Corporation, or "we," "our" or the "Company," and financial position, strategy and plans, and our expectations for future operations, including the execution of our restructuring plan and any resulting cost savings, are forward-looking statements. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. The words "believe," "may," "should," "plan," "potential," "project," "will," "estimate," "continue," "anticipate," "design," "intend," "expect" and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, and actual results and the timing of certain events could differ materially and adversely from those anticipated or implied in the forward-looking statements as a result of many factors. These factors include, among other things:

- Our declining cash position.
- Our ability to improve our liquidity, access alternative sources of funding and obtain additional equity capital or credit when necessary for our operations, the difficulty of which may increase if our common stock is delisted from the Nasdaq Capital Market.
- Our ability to maintain compliance with the continued listing requirements to avoid our stock being delisted from the Nasdaq Capital Market.
- The inability of our suppliers or other contract manufacturers to produce products that satisfy our requirements.
- Our ability to implement our cost reduction programs and to execute our restructuring plan effectively.
- Our ability to improve our gross margins, reduce our net losses and restore our operations to profitability.
- Our ability to successfully introduce new products that we can produce and that customers will purchase in such amounts as to be sufficiently profitable to cover the costs of developing and producing these products, as well as providing us additional net income from operations.
- Our ability to effectively develop, maintain and expand our sales and distribution channels, especially in the niche LED markets, including the UV LED and architectural lighting that we focus on.
- Our ability to successfully manage our operations in the face of the cyclical, rapid technological change, rapid product obsolescence, declining average selling prices and wide fluctuations in supply and demand typically found in the LED market.
- Competitive pressures from existing and new companies.
- Our ability to grow our revenues generated from the sales of our products and to control our expenses.
- Loss of any of our key personnel, or our failure to attract, assimilate and retain other highly qualified personnel.
- Intellectual property infringement or misappropriation claims by third parties against us or our customers, including our distributor customers.
- The failure of LEDs to achieve widespread adoption in the general lighting market, or if alternative technologies gain market acceptance.
- The loss of key suppliers or contract manufacturers.
- Our ability to effectively expand or upgrade our production facilities or do so in a timely or cost-effective manner.
- Difficulty in managing our future growth or in responding to a need to contract operations, and the associated changes to our operations.
- Adverse macroeconomic developments in those selected markets, including the United States, Japan, Taiwan and the Netherlands, where our revenues are concentrated, including supply chain delays and the impact of inflation on customer demand.

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- Our ability to develop and execute upon a new strategy to exploit the China and India market.
- The reduction or elimination of government investment in LED lighting or the elimination of, or changes in, policies in certain countries that encourage the use of LEDs over some traditional lighting technologies.
- Loss of customers.
- Failure of our strategy of marketing and selling our products in jurisdictions with limited intellectual property enforcement regimes.
- Lack of marketing and distribution success by our third-party distributors.
- Our customers' ability to produce and sell products incorporating our LED products.
- Our failure to adequately prevent disclosure of trade secrets and other proprietary information.
- Ineffectiveness of our disclosure controls and procedures and our internal control over financial reporting.
- Our ability to profit from future joint ventures, investments, acquisitions and other strategic alliances.
- Impairment of long-lived assets or investments.
- Undetected defects in our products that harm our sales and reputation and adversely affect our manufacturing yields.
- The availability of adequate and timely supply of electricity and water for our manufacturing facilities.
- Our ability to comply with existing and future environmental laws and the cost of such compliance.
- The ability of SemiLEDs Optoelectronics Co., Ltd., or Taiwan SemiLEDs, to make dividends and other payments to SemiLEDs Corporation.
- Our ability to obtain necessary regulatory approvals to make further investments in Taiwan SemiLEDs.
- Catastrophic events such as fires, earthquakes, floods, tornados, tsunamis, typhoons, pandemics, wars, terrorist activities and other similar events, particularly if these events occur at or near our operations, or the operations of our suppliers, contract manufacturers and customers.
- The effect of the legal system in the People's Republic of China, or the PRC.
- Labor shortages, strikes and other disturbances that affect our operations.
- Deterioration in the relations between the PRC and Taiwan governments.
- Fluctuations in the exchange rate among the U.S. dollar, the New Taiwan, or NT, dollar, the Japanese Yen and other currencies in which our sales, raw materials and component purchases and capital expenditures are denominated.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We have not assumed any obligation to, and you should not expect us to, update or revise these statements because of new information, future events or otherwise.

For more information on the significant risks that could affect the outcome of these forward-looking statements, see Item 1A "Risk Factors" in Part I of our Annual Report on Form 10-K for the fiscal year ended August 31, 2023, or the 2023 Annual Report, and those contained in Part II, Item 1A of this Quarterly Report, and other information provided from time to time in our filings with the Securities and Exchange Commission, or the SEC.

The following discussion and analysis of our financial condition and results of operations is based upon and should be read in conjunction with the unaudited interim condensed consolidated financial statements and the notes and other information included elsewhere in this Quarterly Report, in our 2023 Annual Report, and in other filings with the SEC.

## **Company Overview**

We develop, manufacture and sell light emitting diode (LED) chips and LED components, LED modules and systems. Our products are used for general lighting and specialty industrial applications, including ultraviolet, or UV, curing of polymers, LED light therapy in medical/cosmetic applications, counterfeit detection, germicidal and viricidal devices LED lighting for horticulture applications, architectural lighting and entertainment lighting.

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Utilizing our patented and proprietary technology, our manufacturing process begins by growing upon the surface of a sapphire wafer, or substrate, several very thin separate semiconductive crystalline layers of gallium nitride, or GaN, a process known as epitaxial growth, on top of which a mirror-like reflective silver layer is then deposited. After the subsequent addition of a copper alloy layer and finally the removal of the sapphire substrate, we further process this multiple-layered material to create individual vertical LED chips.

We package our LED chips into LED components, which we sell to distributors and a customer base that is heavily concentrated in a few select markets, including Taiwan, the United States, the Netherlands, and Japan. We also sell our "Enhanced Vertical," or EV, LED product series in blue, white, green and UV in selected markets. We sell our LED chips to packagers or to distributors, who in turn sell to packagers. Our lighting products customers are primarily original design manufacturers, or ODMs, of lighting products and the end-users of lighting devices. We also contract other manufacturers to produce for our sale certain LED products, and for certain aspects of our product fabrication, assembly and packaging processes, based on our design and technology requirements and under our quality control specifications and final inspection process.

We have developed advanced capabilities and proprietary know-how in:

- reusing sapphire substrate in subsequent production runs;
- optimizing our epitaxial growth processes to create layers that efficiently convert electrical current into light;
- employing a copper alloy base manufacturing technology to improve our chip's thermal and electrical performance;
- utilizing nanoscale surface engineering to improve usable light extraction;
- manufacturing extremely small footprint LEDs with optimized yield, ideal for Mini LED applications;
- developing a LED structure that generally consists of multiple epitaxial layers which are vertically-stacked on top of a copper alloy base;
- developing low cost Chip Scaled Packaging (CSP) technology; and
- developing multi-pixel Mini LED packages for commercial displays.

These technical capabilities enable us to produce LED chips, LED component, LED modules and System products. We believe these capabilities and know-how should also allow us to reduce our manufacturing costs and our dependence on sapphire, a costly raw material used in the production of sapphire-based LED devices.

We were incorporated in the State of Delaware on January 4, 2005. We are a holding company for two wholly and majority owned subsidiaries. SemiLEDs Optoelectronics Co., Ltd., or Taiwan SemiLEDs, is our wholly owned operating subsidiary, where a substantial portion of our assets are held and located, where a portion of our research, development, manufacturing and sales activities take place. Taiwan SemiLEDs owns a 97.37% equity interest in Taiwan Bandaoti Zhaoming Co., Ltd., formerly known as Silicon Base Development, Inc., which is engaged in the research, development, manufacture and a substantial portion of marketing and sale of LED products, including lighting fixtures and systems, and where most of our employees are based.

## **Key Factors Affecting Our Financial Condition, Results of Operations and Business**

The following are key factors that we believe affect our financial condition, results of operations and business:

- Our ability to raise additional funding, sell additional equity securities and improve our liquidity.*** We need to improve our liquidity, access alternative sources of funding and obtain additional equity capital or debt when necessary for our operations. In July 2021, we established an at-the-market equity program ("ATM") that allowed us to sell up to \$20 million of shares of our common stock from time to time. In fiscal 2024 to date, we sold zero shares of our common stock pursuant to the ATM program. The ATM program expired on June 8, 2024. We may not be able to obtain such debt funding or sell equity securities on terms that are favorable to us, or at all, particularly if our common stock is delisted from the Nasdaq Capital Market. The raising of additional debt funding by us, if required and available, would result in increased debt service obligations and could result in additional operating and financing covenants, or liens on our assets, that would restrict our operations. The sale of additional equity securities, if required and available, could result in dilution to our stockholders.

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**•Our ability to source chips from other chip suppliers.** Our reliance on our chip suppliers exposes us to a number of significant risks, including reduced control over delivery schedules, quality assurance and production costs, lack of guaranteed production capacity or product supply. If our chip suppliers are unable or unwilling to continue to supply our chips at requested quality, quantity, performance and costs, or in a timely manner, our business and reputation could be seriously harmed. Our inability to procure chips from other chip suppliers at the desired quality, quantity, performance and cost might result in unforeseen manufacturing and operations problems. In such events, our customer relationships, business, financial condition and results of operations would be adversely affected.

**•Industry growth and demand for products and applications using LEDs.** The overall adoption of LED lighting devices to replace traditional lighting sources is expected to influence the growth and demand for LED chips and component products and impact our financial performance. We believe the potential market for LED lighting will continue to expand. LEDs for efficient generation of UV light are also starting to gain attention for various medical, germicidal and industrial applications. Since a substantial portion of our LED chips, LED components and our lighting products are used by end-users in general lighting applications and specialty industrial applications such as UV curing, medical/cosmetic, counterfeit detection, horticulture, architectural lighting and entertainment lighting the adoption of LEDs into these applications will have a strong impact on the demand of LED chips generally and, as a result, for our LED chips, LED components and LED lighting products.

**•Average selling price of our products.** The average selling price of our products may decline for a variety of factors, including prices charged by our competitors, the efficacy of our products, our cost basis, changes in our product mix, the size of the order and our relationship with the relevant customer, as well as general market and economic conditions. Competition in the markets for LED products is intense, and we expect that competition will continue to increase, thereby creating a highly aggressive pricing environment. For example, some of our competitors have in the past reduced their average selling prices, and the resulting competitive pricing pressures have caused us to similarly reduce our prices, accelerating the decline in our revenues and the gross margin of our products. When prices decline, we must also write down the value of our inventory. Furthermore, the average selling prices for our LED products have typically decreased over product life cycles. Therefore, our ability to continue to innovate and offer competitive products that meet our customers' specifications and pricing requirements, such as higher efficacy LED products at lower costs, will have a material influence on our ability to improve our revenues and product margins, although in the near term the introduction of such higher performance LED products may further reduce the selling prices of our existing products or render them obsolete.

**•Changes in our product mix.** We anticipate that our gross margins will continue to fluctuate from period to period as a result of the mix of products that we sell and the utilization of our manufacturing capacity in any given period, among other things. For example, we continue to pursue opportunities for profitable growth in areas of business where we see the best opportunity to develop as an end-to-end LED module solution supplier by providing our customers with high quality, flexible and more complete LED system solution, customer technical support and LED module/system design, as opposed to just providing customers with individual components. As a strategic plan, we have placed greater emphasis on the sales of LED components rather than the sales of LED chips where we have been forced to cut prices on older inventory. The growth of our module products and the continued commercial sales of our UV LED product are expected to improve our gross margin, operating results and cash flows. In addition, we have adjusted the lower-priced LED components strategy as appropriate. We have adopted a strategy to adjust our product mix by exiting certain high volume but low unit selling price product lines in response to the general trend of lower average selling prices for products that have been available in the market for some time. However, as we expand and diversify our product offerings and with varying average selling prices, or execute new business initiatives, a change in the mix of products that we sell in any given period may increase volatility in our revenues and gross margin from period to period.

**•Our ability to reduce cost to offset lower average selling prices.** Competitors may reduce average selling prices faster than our ability to reduce costs, and competitive pricing pressures may accelerate the rate of decline of our average selling prices. To address increased pricing pressure, we have improved and increased our production yields to reduce the per-unit cost of production of our products. However, such cost savings currently have limited impact on our gross profit, as we currently suffer from the underutilization of manufacturing capacity and must absorb a high level of fixed costs, such as depreciation. While we intend to focus on managing our costs and expenses, over the long term we expect to be required to invest substantially in LED component products development and production equipment if we are to grow.

**•Our ability to continue to innovate.** As part of our growth strategy, we plan to continue to be innovative in product design, to deliver new products and to improve our manufacturing efficiencies. Our continued success depends on our ability to develop and introduce new, technologically advanced and lower cost products, such as more efficient, better performance LED component products. If we are unable to introduce new products that are commercially viable and meet rapidly evolving customer requirements or keep pace with evolving technological standards and market developments or are otherwise unable to execute our product innovation strategy effectively, we may not be able to take advantage of market

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opportunities as they arise, execute our business plan or be able to compete effectively. To differentiate ourselves from other LED package manufacturers, we are putting more resources towards module and system design. Along with our technical know-how in the chip and package sectors, we are able to further integrate electrical, thermal and mechanical manufacturing resources to provide customers with one-stop system services. Services include design, prototyping, OEM and ODM. Key markets that we intend to target at the system end include different types of UV LED industrial printers, aquarium lighting, medical applications, niche imaging light engines, horticultural lighting and high standard commercial lighting. The modules are designed for various printing, curing, and PCB exposure industrial equipment, providing uncompromised reliability and optical output. Our LED components include different sizes and wattage to accommodate different demands in the LED market.

**•General economic conditions and geographic concentration.** Many countries including the United States and the European Union (the "E.U.") members have instituted, or have announced plans to institute, government regulations and programs designed to encourage or mandate increased energy efficiency in lighting. These actions include in certain cases banning the sale after specified dates of certain forms of incandescent lighting, which are advancing the adoption of more energy efficient lighting solutions such as LEDs. When the global economy slows or a financial crisis occurs, consumer and government confidence declines, with levels of government grants and subsidies for LED adoption and consumer spending likely to be adversely impacted. Our revenues have been concentrated in a few select markets, including the Netherlands, Taiwan, the United States, Germany, and Japan. Given that we are operating in a rapidly changing industry, our sales in specific markets may fluctuate from quarter to quarter. Therefore, our financial results will be impacted by general economic and political conditions in such markets. For example, the aggressive support by the Chinese government for the LED industry through significant government incentives and subsidies to encourage the use of LED lighting and to establish the LED-sector companies has resulted in production overcapacity in the market and intense competition. Furthermore, due to Chinese package manufacturers increasing usage of domestic LED chips, prices are increasingly competitive, leading to Chinese manufacturers growing market share in the global LED industry. In addition, we have historically derived a significant portion of our revenues from a limited number of customers. Some of our largest customers and what we produce/have produced for them have changed from quarter to quarter primarily as a result of the timing of discrete, large project-based purchases and broadening customer base, among other things. For the three and nine months ended May 31, 2024, sales to our three largest customers, in the aggregate, accounted for 79% and 65% of our revenues, respectively.

**•Intellectual property issues.** Competitors of ours and other third parties have in the past and will likely from time to time in the future allege that our products infringe on their intellectual property rights. Defending against any intellectual property infringement claims would likely result in costly litigation and ultimately may lead to our not being able to manufacture, use or sell products found to be infringing. However, other third parties may also assert infringement claims against our customers with respect to our products, or our customers' products that incorporate our technologies or products. Any such legal action or the threat of legal action against us, or our customers, could impair such customers' continued demand for our products. This could prevent us from growing or even maintaining our revenues, or cause us to incur additional costs and expenses, and adversely affect our financial condition and results of operations.

**•Cash position.** Our cash and cash equivalents decreased to \$1.7 cash and cash equivalents were million as of May 31, 2024 from \$3.0 million as of May 31, 2023. We have implemented actions to accelerate operating cost reductions and improve operational efficiencies. The plan is further enhanced through the fabless business model in which we implemented certain workforce reductions and are exploring the opportunities to sell certain equipment related to the manufacturing of vertical LED chips, in order to reduce the idle capacity charges and minimize our research and development activities associated with chips manufacturing operation. Based on our current financial projections and assuming our outstanding notes are converted or extended, we believe that we will have sufficient sources of liquidity to fund our operations and capital expenditure plans for the next 12 months.

## **Critical Accounting Policies and Estimates**

We believe that the application of the following accounting policies, which are important to our financial position and results of operations, require significant judgments and estimates on the part of management. For a summary of our significant accounting policies, including the accounting policies discussed below, see Item 1 to the Unaudited Consolidated Financial Statements.

### **Revenue Recognition**

The Company recognizes the amount of revenue when the Company satisfies a performance obligation to which it expects to be entitled for the transfer of promised goods or services to customers. The Company obtains written purchase authorizations from its customers as evidence of an arrangement and these authorizations generally provide for a specified amount of product at a fixed price. Generally, the Company considers delivery to have occurred at the time of shipment as this is generally when title and risk of loss for

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the products will pass to the customer. The Company provides its customers with limited rights of return for non-conforming shipments and product warranty claims. Based on historical return percentages, which have not been material to date, and other relevant factors, the Company estimates its potential future exposure on recorded product sales, which reduces product revenues in the consolidated statements of operations and reduces accounts receivable in the consolidated balance sheets. The Company also provides standard product warranties on its products, which generally range from three months to two years. Management estimates the Company's warranty obligations as a percentage of revenues, based on historical knowledge of warranty costs and other relevant factors. To date, the related estimated warranty provisions have been insignificant. Refer to Note 2 to the Unaudited Condensed Consolidated Financial Statements for our revenue recognition policies.

### *Accounts Receivable*

The allowance for doubtful accounts is based on management's assessment of the collectability of customer accounts. Management regularly reviews the allowance by considering certain factors such as historical experience, industry data, credit quality, age of accounts receivable balances and current economic conditions that may affect a customer's ability to pay. No bad debt expenses were recognized during the three and nine months ended May 31, 2024 and 2023.

### *Write-down of Inventories*

The Company writes down excess and obsolete inventory to its estimated net realizable value. The net realized value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realized value is based on current market conditions and historical experience with product sales of similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value. For finished goods and work in process, if the estimated net realizable value for an inventory item, which is the estimated selling price in the ordinary course of business, less reasonably predictable costs to completion and disposal, is lower than its cost, the specific inventory item is written down to its estimated net realizable value. Net realizable value for raw materials is based on replacement cost. Provisions for inventory write downs are included in cost of revenues in the consolidated statements of operations. Once written down, inventories are carried at this lower cost basis until sold or scrapped. Inventory write-downs to estimated net realizable values were \$119 thousand and \$97 thousand for the three months ended May 31, 2024 and 2023, respectively. Inventory write-downs to estimated net realizable values were \$300 thousand and \$471 thousand for the nine months ended May 31, 2024 and 2023, respectively.

### **Exchange Rate Information**

We are a Delaware corporation and, under SEC requirements, must report our financial position, results of operations and cash flows in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. At the same time, our subsidiaries use the local currency as their functional currency. For example, the functional currency for Taiwan SemiLEDs is the NT dollar. The assets and liabilities of the subsidiaries are, therefore, translated into U.S. dollars at exchange rates in effect at each balance sheet date, and income and expense accounts are translated at average exchange rates during the period. The resulting translation adjustments are recorded to a separate component of accumulated other comprehensive income (loss) within equity. Any gains and losses from transactions denominated in currencies other than their functional currencies are recognized in the consolidated statements of operations as a separate component of other income (expense). Due to exchange rate fluctuations, such translated amounts may vary from quarter to quarter even in circumstances where such amounts have not materially changed when denominated in their functional currencies.

The translations from NT dollars to U.S. dollars were made at the exchange rates as set forth in the statistical release of the Bank of Taiwan. On May 31, 2024, the exchange rate was 32.4 NT dollars to one U.S. dollar. On July 1, 2024, the exchange rate was 32.55 NT dollars to one U.S. dollar.

No representation is made that the NT dollar or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or NT dollars, as the case may be, at any particular rate or at all.

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### Results of Operations

#### Three Months Ended May 31, 2024 Compared to the Three Months Ended May 31, 2023

	Three Months Ended						Change \$	Change %		
	May 31, 2024		May 31, 2023		% of Revenues (in thousands)	% of Revenues (in thousands)				
	\$	%	\$	%						
LED chips	\$ 33	2 %	\$ 35	2 %	\$ (2)	(6) %				
LED components	520	39 %	1,080	64 %	(560)	(52) %				
Lighting products	72	5 %	96	6 %	(24)	(25) %				
Other revenues <sup>(1)</sup>	698	53 %	468	28 %	230	49 %				
Total revenues, net	1,323	100 %	1,679	100 %	(356)	(21) %				
Cost of revenues	780	59 %	1,438	86 %	(658)	(46) %				
Gross profit	<u>\$ 543</u>	<u>41 %</u>	<u>\$ 241</u>	<u>14 %</u>	<u>\$ 302</u>	<u>125 %</u>				

(1) Other revenues includes primarily revenues attributable to the sale of epitaxial wafers, scraps and raw materials, the provision of services and a joint development project with CrayoNano AS.

#### **Revenues, net**

Our revenues decreased by 21% to \$1.3 million for the three months ended May 31, 2024 from \$1.7 million for the three months ended May 31, 2023. The decrease in revenues was driven primarily by a \$560 thousand decrease in sales of LED components, a \$2 thousand decrease in sales of LED chips and a \$24 thousand decrease in lighting products, offset in part by a \$230 thousand increase in other revenues.

Revenues attributable to the sales of our LED chips were \$33 thousand and \$35 thousand, representing both 2% of our revenues for the three months ended May 31, 2024 and 2023. The decrease was primarily due to fewer LED chips sold.

Revenues attributable to the sales of our LED components were \$520 thousand and \$1,080 thousand, representing 39% and 64%, respectively, of our revenues for the three months ended May 31, 2024 and 2023. Revenues attributable to sales of LED components were lower for the three months ended May 31, 2024 primarily due to fewer volumes sold.

Revenues attributable to the sales of lighting products represented 5% and 6% of our revenues for the three months ended May 31, 2024 and 2023, respectively. Revenues attributable to the sales of lighting products were lower for the three months ended May 31, 2024 primarily due to decreased demand for LED lighting products.

Revenues attributable to other revenues represented 53% and 28% of our revenues for the three months ended May 31, 2024 and 2023, respectively. The increase in revenues attributable to other revenues was primarily due to the provision of service and the sale of raw materials.

We have adopted a strategy to adjust our product mix by exiting certain high volume but low unit selling price product lines in response to the general trend of lower average selling prices for products that have been available in the market for some time and to focus on profitable products.

#### **Cost of Revenues**

Our cost of revenues was \$780 thousand and \$1.4 million for the three months ended May 31, 2024 and 2023, respectively. The decrease in cost of revenues was due to the decrease in the volume of products sold.

#### **Gross Profit**

Our gross profit increased from \$241 thousand for the three months ended May 31, 2023 to \$543 thousand for the three months ended May 31, 2024 as a consequence of an increase in the sales of products with higher margins.

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**Operating Expenses**

	Three Months Ended						Change \$	Change %		
	May 31, 2024		May 31, 2023		%	%				
	\$	% of Revenues	\$	% of Revenues						
Research and development	\$ 320	24 %	\$ 372	22 %	\$ (52)	(14) %				
Selling, general and administrative	696	53 %	850	51 %	(154)	(18) %				
<b>Total operating expenses</b>	<b>\$ 1,016</b>	<b>77 %</b>	<b>\$ 1,222</b>	<b>73 %</b>	<b>\$ (206)</b>	<b>(17) %</b>				

**Research and development** Our research and development expenses were \$320 thousand and \$372 thousand for the three months ended May 31, 2024 and 2023, respectively. The decrease was primary due to a \$38 thousand decrease in payroll and compensation and a \$14 thousand decrease in materials and supplies.

**Selling, general and administrative** Our selling, general and administrative expenses decreased from \$850 thousand for the three months ended May 31, 2023 to \$696 thousand for the three months ended May 31, 2024. The decrease was mainly attributable to a decrease in payroll and stock-based compensation, professional service fees and various other expenses.

**Other Income (Expenses)**

	Three Months Ended						%	%		
	May 31, 2024		May 31, 2023		%	%				
	\$	% of Revenues	\$	% of Revenues						
Investment loss from unconsolidated entities	\$ (3)	— %	\$ —	— %						
Interest expenses, net	(58)	(4) %	(67)	(4) %						
Other income, net	277	21 %	295	18 %						
Foreign currency transaction loss, net	(59)	(4) %	(3)	— %						
<b>Total other income, net</b>	<b>\$ 157</b>	<b>13 %</b>	<b>\$ 225</b>	<b>14 %</b>						

**Investment loss from unconsolidated entities** Investment loss from unconsolidated entities, net increased from zero for the three months ended May 31, 2023 to \$3 thousand for the three months ended May 31, 2024, primarily due to the decrease in equity method investments.

**Interest expenses, net** Interest expenses, net primarily consisted of accrued interest payment on \$2.4 million of loans with our Chairman and Chief Executive Officer and our largest shareholder. The decrease in interest expenses, net was primarily due to decrease in interest expense for the three months ended May 31, 2024.

**Other income, net** Other income, net which primarily consisted of rental income, was \$277 thousand and \$295 thousand for the three months ended May 31, 2024 and May 31, 2023, respectively.

**Foreign currency transaction loss, net** We recognized a net foreign currency transaction loss of \$59 thousand and \$3 thousand for the three months ended May 31, 2024 and 2023, respectively, primarily due to the impact of a lower exchange rate of the U.S. dollar against the NT dollar from bank deposits and accounts payables.

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**Income Tax Expense**

Our effective tax rate is expected to be approximately zero for fiscal 2024, consistent with 2023, since Taiwan SemiLEDs has incurred losses, and because we provided a full valuation allowance on all deferred tax assets, which consisted primarily of net operating loss carryforwards and foreign investment loss.

**Net Income Attributable to Noncontrolling Interests**

	Three Months Ended			
	May 31, 2024		May 31, 2023	
	\$	% of Revenues	\$	% of Revenues
Net income attributable to noncontrolling interests		\$ 3	1 %	\$ — %

We recognized net income attributable to non-controlling interests of \$3 and zero for the three months ended May 31, 2024 and 2023, respectively, which was attributable to the share of the net gain (loss) of Taiwan Bandaoti Zhaoming Co., Ltd held by the remaining non-controlling holders. Non-controlling interests represented 2.63% equity interest in Taiwan Bandaoti Zhaoming Co., Ltd., for both May 31, 2024 and 2023.

**Nine months Ended May 31, 2024 Compared to the Nine months Ended May 31, 2023**

	Nine Months Ended					
	May 31, 2024		May 31, 2023		Change	
	\$	% of Revenues	\$	% of Revenues	\$	%
LED chips	\$ 93	2 %	\$ 106	2 %	\$ (13)	(12) %
LED components	2,139	56 %	2,295	51 %	(156)	(7) %
Lighting products	169	4 %	307	7 %	(138)	(45) %
Other revenues <sup>(1)</sup>	1,458	38 %	1,818	40 %	(360)	(20) %
Total revenues, net	3,859	100 %	4,526	100 %	(667)	(15) %
Cost of revenues	2,959	77 %	3,560	79 %	(601)	(17) %
Gross profit	\$ 900	23 %	\$ 966	21 %	\$ (66)	(7) %

(1) Other revenues include primarily revenues attributable to the sale of epitaxial wafers, scraps and raw materials, the provision of services and a joint development project with CrayoNano AS.

**Revenues, net**

Our revenues decreased from \$4.5 million for the nine months ended May 31, 2023 to \$3.9 million for the nine months ended May 31, 2024. The \$667 thousand decrease in revenues reflects a \$156 thousand decrease in sales of LED components, a \$138 thousand decrease in sales of lighting products, a \$13 thousand decrease in sales of LED chips and a \$360 thousand decrease in sales of other revenues.

Revenues attributable to the sales of our LED chips were \$93 thousand and \$106 thousand, representing 2% of our revenues for both nine months ended May 31, 2024 and 2023, respectively. The slight decrease in sales of LED chips was a result of a decrease in the volume of LED chips sold.

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Revenues attributable to the sales of our LED components were \$2.1 million and \$2.3 million, representing 56% and 51% of our revenues for the nine months ended May 31, 2024 and 2023, respectively. The decrease in sales of LED components was primarily due to less volumes sold.

Revenues attributable to the sales of lighting products were \$169 thousand and \$307 thousand, representing 4% and 7% of our revenues for nine months ended May 31, 2024 and 2023, respectively. Revenues attributable to the sales of lighting products were \$138 thousand lower for the nine months ended May 31, 2023 primarily due to less demand for the lighting products sold.

Revenues attributable to other revenues represented 38% and 40% of our revenues for the nine months ended May 31, 2024 and 2023, respectively. The decrease in revenues attributable to other revenues was primarily due to reductions in the provision of service and the sale of raw materials.

### **Cost of Revenues**

Our cost of revenues decreased by 17% from \$3.6 million for the nine months ended May 31, 2023 to \$3 million for the nine months ended May 31, 2024. The decrease in cost of revenues was primarily due to the decrease in the volume of products sold.

### **Gross Profit**

Our gross profit decreased from \$966 thousand for the nine months ended May 31, 2023 to \$900 thousand for the nine months ended May 31, 2024. Our gross margin percentage was 23% for the nine months ended May 31, 2024, as compared to 21% for the nine months ended May 31, 2023 as a consequence of an increase in the sales of products with higher margins.

### **Operating Expenses**

	Nine Months Ended						
	May 31, 2024			May 31, 2023			Change
	\$	% of	\$	% of	\$	%	
Research and development	\$ 943	24 %	\$ 1,032	23 %	\$ (89)	(9) %	
Selling, general and administrative	2,131	55 %	2,271	50 %	(140)	(6) %	
Gain on disposals of long-lived assets, net	(50)	(1) %	—	— %	(50)	— %	
Total operating expenses	\$ 3,024	77 %	\$ 3,303	73 %	\$ (279)	(8) %	

**Research and development** Our research and development expenses were \$943 thousand and \$1.0 million for the nine months ended May 31, 2024 and 2023, respectively. The decrease was primary due to a \$74 thousand decrease in payroll and compensation and a \$14 thousand decrease in various other expenses.

**Selling, general and administrative** Our selling, general and administrative expenses were \$2.1 million and \$2.3 million for nine months ended May 31, 2024 and May 31, 2023. The slight decrease was mainly attributable to a \$67 thousand decrease in payroll and compensation, a \$16 thousand decrease in bank charges, a \$15 thousand decrease in insurance expenses, a \$9 thousand decrease in repair and maintenance expense and a \$7 thousand decrease in employee benefit.

### **Gain on disposal of long-lived assets, net**

We recognized a net gain of \$50 thousand and zero on the disposal of long-lived assets for the nine months ended May 31, 2024 and 2023, respectively. Due to the excess capacity charges that we have suffered for the last few years, and considering the risk of technological obsolescence and according to the production plan built based on our sales forecast, we disposed of certain of our idle equipment.

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### **Other Income (Expenses)**

	Nine Months Ended			
	May 31, 2024	% of Revenues	May 31, 2023	
			\$	\$
			(in thousands)	
Interest expenses, net	(211)	(5) %	(219)	(4) %
Other income, net	913	24 %	766	16 %
Foreign currency transaction loss, net	(47)	(1) %	(20)	— %
Total other income, net	\$ 655	17 %	\$ 527	12 %

**Interest expenses, net** Interest expenses, net primarily consisted of accrued interest payments on convertible notes, NT dollar denominated long-term notes and \$2.4 million of loans with our Chairman and Chief Executive Officer and our largest shareholder. The decrease in interest expense, net was primarily due to lower outstanding debt for the nine months ended May 31, 2024.

**Other income, net** Other income, net increased from \$766 thousand for the nine months ended May 31, 2023, to \$913 thousand for the nine months ended May 31, 2024, primarily due to an increase in rental income and revenue under the Patent Cross-License Agreement with CrayoNano AS.

**Foreign currency transaction loss, net** We recognized a net foreign currency transaction loss of \$47 thousand and \$20 thousand for the nine months ended May 31, 2024 and 2023, respectively, primarily due to the impact of a lower exchange rate of the U.S. dollar against the NT dollar from bank deposits and accounts payables.

### **Income Tax Expense**

Our effective tax rate is expected to be approximately zero for fiscal 2024, consistent with 2023, since Taiwan SemiLEDs has incurred losses, and because we provided a full valuation allowance on all deferred tax assets, which consisted primarily of net operating loss carryforwards and foreign investment loss.

### **Net (Loss) Income Attributable to Noncontrolling Interests**

	Nine Months Ended			
	May 31, 2024	% of Revenues	May 31, 2023	
			\$	\$
			(in thousands)	
Net income (loss) attributable to noncontrolling interests	\$ 7	— %	\$ (1)	—

We recognized net income attributable to non-controlling interests of \$7 thousand and net loss of \$1 thousand for the nine months ended May 31, 2024 and 2023, respectively, which was attributable to the share of the net gain (loss) of Taiwan Bandaoti Zhaoming Co., Ltd held by the remaining non-controlling holders. Non-controlling interests represented 2.63% equity interest in Taiwan Bandaoti Zhaoming Co., Ltd., for both May 31, 2024 and 2023.

### **Liquidity and Capital Resources**

This section includes a discussion and analysis of our cash requirements, contingencies, sources and uses of cash, operations, working capital and long-term assets and liabilities.

#### **Contingencies**

We have several operating leases with third parties, primarily for land, plant and office spaces in Taiwan, including cancellable and noncancelable leases that expire at various dates between December 2024 and December 2040. See Note 5, "Commitments and Contingencies" in the notes to our unaudited consolidated financial statements in this Quarterly Report.

#### **Sources and Uses of Cash**

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As of May 31, 2024 and August 31, 2023, we had cash and cash equivalents of \$1.7 million and \$2.6 million, respectively, which were predominately held in U.S. dollar denominated demand deposits and/or money market funds.

As of July 5, 2024, we had no available credit facility.

### *Long-term assets and liabilities*

Our long-term assets consist primarily of property, plant and equipment, intangible assets, operating lease assets and investments in unconsolidated entities. Our manufacturing rationalization plans have included efforts to utilize our existing manufacturing assets and supply arrangements more efficiently. We believe that near-term access to additional manufacturing capacity, should it be required, could be readily obtained on reasonable terms through manufacturing agreements with third parties. We will continue to look for opportunities to make strategic manufacturing in the future for additional capacity.

Our long-term liabilities consist primarily long-term debt and operating lease liabilities.

Our long-term debt, which consisted of NT dollar denominated long-term notes, convertible unsecured promissory notes, and loans from our Chairman and our largest shareholder, totaled \$4.0 million and \$6.4 million as of May 31, 2024 and August 31, 2023, respectively. In January 2024, the convertible unsecured promissory notes were all converted.

Our NT dollar denominated long-term notes, totaled \$1.4 million as of May 31, 2024 and \$1.8 million as of August 31, 2023. These long-term notes consisted of two loans which we entered into on July 5, 2019, with aggregate amounts of \$3.2 million (NT\$100 million). The first loan originally for \$2.0 million (NT\$62 million) has an annual floating interest rate equal to the NTD base lending rate plus 0.64% (or 2.29% currently), and was exclusively used to repay the existing loans. The second loan originally for \$1.2 million (NT\$38 million) has an annual floating interest rate equal to the NTD base lending rate plus 1.02% (or 2.67% currently) and was used for operating capital. These loans are secured by a \$77 thousand (NT\$2.5 million) security deposit and a first priority security interest on the Company's headquarters building.

- Starting from May 2021, the first note payable requires monthly payments of principal in the amount of \$23 thousand plus interest over the 74-month term of the note with final payment to occur in July 2027 and, as of May 31, 2024, our outstanding balance on this note payable was approximately \$879 thousand.
- Starting from May 2021, the second note payable requires monthly payments of principal in the amount of \$14 thousand plus interest over the 74-month term of the note with final payment to occur in July 2027 and, as of May 31, 2024, our outstanding balance on this note payable was approximately \$538 thousand.

Property, plant and equipment pledged as collateral for our notes payable were \$2.1 million and \$2.3 million as of May 31, 2024 and August 31, 2023, respectively.

On January 8, 2019, the Company entered into loan agreements with each of the Chairman and Chief Executive Officer and the largest shareholder of the Company, with aggregate amounts of \$1.7 million and \$1.5 million, respectively, and an annual interest rate of 8%. All proceeds of the loans were exclusively used to return the deposit to Formosa Epitaxy Incorporation in connection with the proposed sale of the Company's headquarters building pursuant to the agreement dated December 15, 2015. The Company were initially required to repay the loans of \$1.5 million on January 14, 2021 and \$1.7 million on January 22, 2021, respectively. On January 16, 2021, the maturity date of these loans was extended with same terms and interest rate for one year to January 15, 2022, and on January 14, 2022, the maturity date of these loans was extended again with same terms and interest rate for one more year to January 15, 2023. On January 13, 2023, the maturity date of these loans was further extended with same terms and interest rate for one year to January 15, 2024.

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On January 7, 2024, J.R. Simplot Company and the Company entered into an assignment agreement pursuant to which J.R. Simplot assigned and transferred all of its right, title and interest in and to the loan agreement to Simplot Taiwan Inc., in accordance with and subject to the terms and conditions of the loan agreement.

On January 7, 2024, the Company entered into the Fourth Amendment to the loan agreements with each of Simplot Taiwan Inc. and Trung Doan (each, a "Fourth Amendment").

The Fourth Amendment with Simplot Taiwan Inc. (i) extends the maturity date of its loan agreement to January 15, 2025, and (ii) upon mutual agreement of the Company and Simplot Taiwan Inc., permits the Company to repay any principal amount or accrued interest, in an amount not to exceed \$400,000, by issuing shares of the Company's common stock in the name of Simplot Taiwan Inc. as partial repayment of the loan agreement at a price per share equal to the closing price of the Company's common stock immediately preceding the business day of the payment notice date. All other terms and conditions of the loan agreement with Simplot Taiwan Inc. remained the same.

On January 7, 2024, the Company issued 305,343 shares of its common stock at a price of \$1.31 per share to repay \$400,000 of accrued interest on the Loan Agreement with Simplot Taiwan Inc. The shares of common stock were issued in reliance on Section 3(a)(9) of the Securities Act of 1933, as amended.

The Fourth Amendment to the loan agreement with Trung Doan amends the loan agreement's maturity date with same terms and interest rate to January 15, 2025. All other terms and conditions of the loan agreement with Trung Doan remained the same.

On February 9, 2024, the Company and Trung Doan entered into the Fifth Amendment to the loan agreement (the "Fifth Amendment"). The Fifth Amendment, upon the mutual agreement of the Company and Trung Doan, permits the Company to repay any principal amount or accrued interest, in an amount not to exceed \$800,000, by issuing shares of the Company's common stock to Trung Doan as partial repayment of the loan agreement at a price per share equal to the closing price of the Company's common stock immediately preceding the business day of the payment notice date.

On February 9, 2024, the Company repaid \$800,000 of loan principal by delivering 629,921 shares of the Company's common stock to Mr. Doan, based on the closing price of \$1.27 per share on February 8, 2024. The shares of common stock were issued on February 9, 2024 in reliance on Section 4(a)(2) of the Securities Act of 1933, as amended.

As of May 31, 2024 and August 31, 2023, these loans totaled \$2.4 million and \$3.2 million, respectively. The loans are secured by a second priority security interest on the Company's headquarters building.

On July 3, 2024, the Company and Trung Doan entered into the Sixth Amendment to the loan agreement (the "Sixth Amendment"). The Sixth Amendment amends the loan agreement to permit, upon the mutual agreement of the Company and Trung Doan, the Company to repay a portion of the principal amount or accrued interest under the loan agreement, by issuing shares of the Company's common stock to Trung Doan as partial repayment of the loan agreement at a price per share equal to the closing price of the Company's common stock immediately preceding the business day of the payment notice date. All other terms and conditions of the loan agreement, as amended by the Sixth Amendment, remained the same.

On November 25, 2019 and on December 10, 2019, the Company issued convertible unsecured promissory notes (the "Notes") to J.R. Simplot Company, its largest shareholder, and Trung Doan, our Chairman and Chief Executive Officer, (together, the "Holders") with a principal sum of \$1.5 million and \$500 thousand, respectively, and an annual interest rate of 3.5%. Principal and accrued interest is due on demand by the Holders on and at any time after May 30, 2021. On February 7, 2020, J.R. Simplot Company assigned all of its right, title and interest in the Notes to Simplot Taiwan Inc. The outstanding principal and unpaid accrued interest of the Notes may be converted into shares of the Company's common stock at a conversion price of \$3.00 per share, at the option of the Holders any time from the date of the Notes. On May 25, 2020, each of the Holders converted \$300,000 of the Notes into 100,000 shares of the Company's common stock. On May 26, 2021, the Notes were extended with the same terms and interest rate for one year and a maturity date of May 30, 2022. On May 26, 2022, the Notes were second extended with the same terms and interest rate for one year and a maturity date of May 30, 2023. On June 6, 2023, the Company entered into the Third Amendment to the Notes (the "Third Amendments") to amend the Notes to (i) extend the maturity date from May 30, 2023 to May 30, 2024, and (ii) change the conversion price from \$3.00 to \$2.046 per share. The change in conversion price is subject to stockholder approval. All other terms and conditions of the Notes remained the same.

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After the close of market on January 5, 2024, the Company entered into the Fourth Amendment to the Notes (the "Note Fourth Amendments") to amend the Notes to (i) convert the total principal and accrued interest on the Notes to common stock of the Company to be issued in the names of the Holders, and (ii) change the conversion price of the Notes from \$2.046 per share to the closing price immediately preceding the signing of the Note Fourth Amendments, or \$1.31 per share. All other terms and conditions of the Notes remained the same.

On January 5, 2024, the Holders converted the total principal and accrued interest of the Notes, in an aggregate amount of \$1,608,848, to 1,228,128 shares of its common stock at a conversion price of \$1.31 per share.

As of May 31, 2024 and August 31, 2023, the outstanding principal of these notes totaled zero and \$1.4 million, respectively.

### *Working Capital*

We have incurred significant losses since inception, including net losses attributable to Semileds stockholders of \$319 thousand and \$756 thousand during the three months ended May 31, 2024 and 2023, respectively. Net cash used in operating activities for the nine months ended May 31, 2024 was \$570 thousand. As of May 31, 2024, we had cash and cash equivalents of \$1.7 million. We have undertaken actions to decrease losses incurred and implemented cost reduction programs in an effort to transform the Company into a profitable operation.

On July 6, 2021, we entered into a Sales Agreement (the "Sales Agreement") with Roth Capital Partners, LLC (the "Agent"). In accordance with the terms of the Sales Agreement, we may offer and sell from time to time through the Agent our common stock having an aggregate offering price of up to \$20,000,000 (the "Placement Shares"). Sales of the Placement Shares will be made on Nasdaq at market prices by any method permitted by law deemed to be an "at the market offering" as defined in Rule 415 of the Securities Act of 1933, as amended, or the Securities Act. We agree to pay a commission to the Agent of 3.0% of the gross proceeds of the sale of the Placement Shares sold under the Agreement and reimburse the Agent for certain expenses. We did not sell any shares of common stock under our ATM program in fiscal year 2023 or in the third quarter of fiscal 2024. The ATM program expired on June 8, 2024.

We estimate that our cash requirements to service debt and contractual obligations in fiscal 2024 is approximately \$3.4 million, which we have funded, or expect to fund through the issuance of additional equity to repay principal and accrued interest and through loan extensions. Based on our current financial projections and assuming the successful implementation of our liquidity plans, we believe that we will have sufficient sources of liquidity to fund our operations and capital expenditure plans for the next 12 months and beyond. The loans with each of our Chairman and Chief Executive Officer and our largest shareholder are expected to be extended upon maturity. However, there can be no assurances that our planned activities will be successful in raising additional capital, reducing losses and preserving cash. If we are not able to generate positive cash flows from operations, we may need to consider alternative financing sources and seek additional funds through public or private equity financings or from other sources, or refinance our indebtedness, to support our working capital requirements or for other purposes. There can be no assurance that additional debt or equity financing will be available to us or that, if available, such financing will be available on terms favorable to us.

### ***Cash Flows***

The following summary of our cash flows for the periods indicated has been derived from our unaudited interim condensed consolidated financial statements, which are included elsewhere in this Quarterly Report (in thousands):

	<b>Nine Months Ended</b>	
	<b>May 31, 2024</b>	<b>May 31, 2023</b>
Net cash used in operating activities	\$ (570)	\$ (645)
Net cash used in investing activities	\$ (46)	\$ (228)
Net cash used in financing activities	\$ (336)	\$ (354)

#### ***Cash Flows Used In Operating Activities***

Net cash used in operating activities for the nine months ended May 31, 2024 and May 31, 2023 was \$570 thousand and \$645 thousand, respectively. The decrease in cash flows used in operating activities for the nine months ended May 31, 2024 was primarily attributable to a \$263 thousand decrease of accounts receivable offset by an \$195 thousand increase in prepaid expense and other current assets.

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### ***Cash Flows Used In Investing Activities***

Net cash used in investing activities for the nine months ended May 31, 2024 and May 31, 2023 was \$46 thousand and \$228, respectively, primarily for the purchases of property, plant and equipment during each period.

### ***Cash Flows Used In Financing Activities***

Net cash used in financing activities for the nine months ended May 31, 2024 and May 31, 2023 was \$336 thousand and \$354 thousand, respectively. The decrease was primarily attributable to the repayments of long-term debt.

### **Capital Expenditures**

We had capital expenditures of \$80 thousand and \$212 thousand for the nine months ended May 31, 2024 and 2023, respectively. Our capital expenditures consisted primarily of the purchases of machinery and equipment, construction in progress, prepayments for our manufacturing facilities and prepayments for equipment purchases. We expect to continue investing in capital expenditures in the future as we expand our business operations and invest in such expansion of our production capacity as we deem appropriate under market conditions and customer demand. However, in response to controlling capital costs and maintaining financial flexibility, our management continues to monitor prices and, consistent with its existing contractual commitments, may decrease its activity level and capital expenditures as appropriate.

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**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Not applicable.

**Item 4. Controls and Procedures**

**Evaluation of disclosure controls and procedures**

Our management, with the participation of our chief executive officer, or CEO, and our chief financial officer, or CFO, has 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 May 31, 2024. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based upon the aforementioned evaluation, our CEO and CFO have concluded that, as of May 31, 2024, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

**Changes in internal control over financial reporting**

There were no changes in our internal control over financial reporting that occurred during the quarter ended May 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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## **PART II — OTHER INFORMATION**

### **Item 1. Legal Proceedings**

Due to the complex technology required to compete successfully in the LED industry, participants in our industry are often engaged in significant intellectual property licensing arrangements, negotiations, disputes and litigation. We are directly or indirectly involved from time to time and may be named in various other claims or legal proceedings arising in the ordinary course of our business or otherwise.

There were no material pending legal proceedings or claims as of May 31, 2024.

### **Item 1A. Risk Factors**

Except as set forth below, there are no material changes related to risk factors described in Item 1A "Risk Factors" in Part I of our 2023 Annual Report.

#### ***We may fail to qualify for continued listing on Nasdaq which could make it more difficult for investors to sell their shares.***

Our common stock is listed on the Nasdaq Capital Market. To maintain that listing, we must satisfy the continued listing requirements of Nasdaq for inclusion in the Nasdaq Capital Market, including among other things, a minimum stockholders' equity of \$2.5 million and a minimum bid price for our common stock of \$1.00 per share, that a majority of the members of our board of directors are independent under the Nasdaq Listing Rules and that our audit committee consist of three independent directors who satisfy additional requirements under the Exchange Act.

On July 10, 2023, Roger Lee resigned from our Board of Directors effective immediately, which resulted in one vacancy on our audit committee. In accordance with Nasdaq Listing Rule 5605(c)(4)(B), we have been provided a cure period until the earlier of our next annual meeting of stockholders or July 10, 2024, or if the next annual stockholders' meeting is held before January 8, 2024, then we must evidence compliance no later than January 8, 2024 to regain compliance with the audit committee requirements. If we do not regain compliance with the audit committee requirements by the period provided, Nasdaq will notify us that our common stock will be delisted. On July 3, 2024, we appointed Dr. Chris Chang Yu as a director and member of our audit committee, effective immediately. With the appointment of Dr. Yu to our audit committee, we believe our audit committee once again meets the requirements of Nasdaq Listing Rule 5605(c)(2)(A), being comprised of three independent members, but we have not yet received a compliance letter from Nasdaq.

Additionally, on July 11, 2023, we received a notice from NASDAQ indicating that we did not meet the minimum of \$2,500,000 in stockholders' equity required by Nasdaq Listing Rule 5550(b)(1) for continued listing or the alternatives of market value of listed securities or net income from continuing operations. Pursuant to the Nasdaq listing rule, we submitted a plan to regain compliance. Nasdaq accepted our plan and granted us an extension to January 8, 2024.

In January 2024, we converted the total principal and accrued interest of our outstanding convertible unsecured promissory notes, in an aggregate amount of \$1,608,848, to 1,228,128 shares of our common stock at a conversion price of \$1.31 per share. We also issued 305,343 shares of our common stock at a price of \$1.31 per share in January 2024 to repay \$400,000 of (1) accrued interest and, once repaid in full, (2) principal, on our existing Loan Agreement with Simplot Taiwan Inc. In February 2024, we prepaid \$800,000 of principal on our existing Loan Agreement with Trung Doan by delivering 629,921 shares of our common stock to Mr. Doan, based on the closing price of \$1.27 per share on February 8, 2024. Based on these transactions, Nasdaq issued a conditional compliance letter on January 18, 2024. Our stockholders' equity as of May 31, 2024 was \$2.7 million.

There can be no assurance that we will regain and maintain compliance with Nasdaq's continued listing requirements or that our common stock will not be delisted from Nasdaq in the future.

If our common stock is delisted by Nasdaq, we expect prices for our common stock to be quoted on one of the OTC Markets or the OTC Bulletin Board. Under such circumstances, stockholders may find it more difficult to sell, or to obtain accurate quotations, for our common stock, and our common stock would become substantially less attractive to certain purchasers such as financial institutions, hedge funds and other similar investors. There is no assurance, however, that prices of our common stock would be quoted on one of these other trading systems or that an active trading market for our common stock would thereafter exist, which would materially and adversely impact the market value of our common stock.

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**Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities**

None.

**Repurchases**

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

During the three months ended May 31, 2024, no director or officer of the Company adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

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**Item 6. Exhibits**

Exhibit No.	Description
10.1	<a href="#">Sixth Amendment, dated July 3, 2024, to the Loan Agreement between SemiLEDs Corporation and Trung Doan (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on July 8, 2024, File No. 001-34992)</a>
31.1	<a href="#">Certification of Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2	<a href="#">Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1*	<a href="#">Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2*	<a href="#">Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

\* This certification will not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent specifically incorporated by reference into such filing.

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**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.

SEMLEDS CORPORATION  
(Registrant)

Dated: July 11, 2024

By: /s/ Christopher Lee  
Name: Christopher Lee  
Title: Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a)  
AS ADOPTED PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002

I, Trung Tri Doan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SemiLEDs Corporation (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 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.

Dated: July 11, 2024

/s/ Trung Tri Doan

Name: Trung Tri Doan

Title: Chairman and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a)  
AS ADOPTED PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002

I, Christopher Lee, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SemiLEDs Corporation (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 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.

Dated: July 11, 2024

/s/ Christopher Lee  
Name: Christopher Lee  
Title: Chief Financial Officer

CERTIFICATION  
PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report of SemiLEDs Corporation (the "Registrant") on Form 10-Q for the quarter ended May 31, 2024, as filed with the Securities and Exchange Commission as of the date hereof (the "Report"), I, Trung Tri Doan, Chairman and Chief Executive Officer of the Registrant, hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 that:

- (1) the Report fully complies with the requirements of section 13(a) or 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.

Dated: July 11, 2024

/s/ Trung Tri Doan

Name: Trung Tri Doan

Title: Chairman and Chief Executive Officer

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CERTIFICATION  
PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report of SemiLEDs Corporation (the "Registrant") on Form 10-Q for the quarter ended May 31, 2024, as filed with the Securities and Exchange Commission as of the date hereof (the "Report"), I, Christopher Lee, Chief Financial Officer of the Registrant, hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 that:

- (1) the Report fully complies with the requirements of section 13(a) or 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.

Dated: July 11, 2024

/s/ Christopher Lee  
Name: Christopher Lee  
Title: Chief Financial Officer

