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

FORM 10-Q

(Mark One)

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended June 30, 2026

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 000-23441

POWER INTEGRATIONS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**94-3065014**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
5245 Hellyer Avenue **San Jose, California**	**95138**
(Address of Principal Executive Offices)	(Zip Code)

(408) 414-9200
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	**POWI**	The Nasdaq Global Select 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer ☐
Non-accelerated Filer	☐	Smaller Reporting Company ☐
		Emerging Growth Company ☐

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding at August 3, 2026
Common Stock, $0.001 par value	55,873,298

POWER INTEGRATIONS, INC.

TABLE OF CONTENTS

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements identifiable by the use of the words “would,” “could,” “will,” “may,” “expect,” “believe,” “should,” “anticipate,” “if,” “future,” “intend,” “plan,” “estimate,” “potential,” “target,” “seek,” or “continue” and similar words and phrases, including the negatives or other variations of these terms, that denote future events. These statements reflect our current views with respect to future events and our potential financial performance and are subject to risks and uncertainties that could cause our actual results and financial position to differ materially and/or adversely from what is projected or implied in any forward-looking statements included in this Quarterly Report on Form 10-Q. These factors include, but are not limited to: changes in global trade policy, including tariffs, could reduce demand for end products that incorporate our products, which could have a material adverse effect on our revenue and operating results; if demand for our products declines in our major end markets, our net revenue will decline; we do not have long-term contracts with any of our customers and if they fail to place orders for our products, or if they cancel or reschedule orders, our operating results and our business may suffer; our products are sold through distributors, which limits our direct interaction with our end customers, therefore reducing our ability to forecast sales and increasing the complexity of our business; if our products do not penetrate additional markets, our business will not grow as we expect; intense competition in the high-voltage power supply industry may lead to a decrease in our average selling price and reduced sales volume of our products; we depend on third-party suppliers to provide us with wafers for our products, and if they fail to provide us sufficient quantities of wafers, our business may suffer; if we are unable to adequately protect or enforce our intellectual property rights, we could lose market share, incur costly litigation expenses, suffer incremental price erosion or lose valuable assets, any of which could harm our operations and negatively impact our profitability; and the other risk factors described under the caption “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2025, in this Quarterly Report on Form 10-Q and under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Quarterly Report on Form 10-Q. We make these forward-looking statements based upon information available on the date of this Quarterly Report on Form 10-Q, and we expressly disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information or otherwise, except as required by laws.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

POWER INTEGRATIONS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In thousands)	June 30, 2026	December 31, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	$ 70,612	$ 58,755
Short-term investments	192,001	190,755
Accounts receivable, net	26,778	18,254
Inventories	157,790	166,887
Prepaid expenses and other current assets	23,983	23,678
Total current assets	471,164	458,329
Property and equipment, net	142,143	146,536
Intangible assets, net	6,893	7,244
Goodwill	95,271	95,271
Other non-current assets	63,535	64,827
TOTAL ASSETS	$ 779,006	$ 772,207
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable	$ 28,645	$ 33,963
Accrued payroll and related expenses	13,104	13,840
Other accrued liabilities	24,899	22,558
Total current liabilities	66,648	70,361
Other liabilities	31,830	29,001
TOTAL LIABILITIES	98,478	99,362
Commitments and contingencies (Note 11)		
STOCKHOLDERS’ EQUITY:		
Common stock, $0.001 par value, 140,000 shares authorized; and 55,783 and 55,339 shares issued and outstanding at June 30, 2026 and December 31, 2025, respectively	20	20
Additional paid-in capital	20,230	—
Accumulated other comprehensive loss	(2,948)	(1,105)
Retained earnings	663,226	673,930
TOTAL STOCKHOLDERS' EQUITY	680,528	672,845
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 779,006	$ 772,207

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

POWER INTEGRATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Net revenue	$ 118,939	$ 115,852	$ 227,247	$ 221,381
Cost of revenue	54,302	51,898	105,672	99,192
Gross profit	64,637	63,954	121,575	122,189
Operating expenses:				
Research and development	27,163	25,991	53,418	50,086
Selling, general and administrative	28,052	30,157	52,496	57,579
Other operating expenses (income)	522	9,151	(897)	9,151
Restructuring and related charges	—	—	6,204	—
Total operating expenses	55,737	65,299	111,221	116,816
Income (loss) from operations	8,900	(1,345)	10,354	5,373
Other income	2,333	2,690	4,799	5,857
Income before income taxes	11,233	1,345	15,153	11,230
Provision for (benefit from) income taxes	1,400	(24)	2,020	1,071
NET INCOME	$ 9,833	$ 1,369	$ 13,133	$ 10,159
Earnings per share:				
Basic	$ 0.18	$ 0.02	$ 0.24	$ 0.18
Diluted	$ 0.17	$ 0.02	$ 0.23	$ 0.18
Shares used in per share calculation:				
Basic	55,748	56,274	55,627	56,571
Diluted	56,696	56,387	56,335	56,787

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

POWER INTEGRATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In thousands)	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Net income	$ 9,833	$ 1,369	$ 13,133	$ 10,159
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments, net of $0 tax in each of the three and six months ended June 30, 2026 and 2025	69	657	(320)	1,047
Unrealized gain (loss) on investments, net of $0 and ($250) taxes in the three and six months ended June 30, 2026, respectively, and ($49) and ($166) taxes in the three and six months ended June 30, 2025, respectively	(527)	238	(1,526)	689
Amortization of defined benefit pension items, net of $0 taxes in each of the three and six months ended June 30, 2026, respectively, and $4 tax in each of the three and six months ended June 30, 2025	1	1	3	—
Total other comprehensive income (loss), net of tax	(457)	896	(1,843)	1,736
TOTAL COMPREHENSIVE INCOME	$ 9,376	$ 2,265	$ 11,290	$ 11,895

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

POWER INTEGRATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Three Months Ended June 30, 2026					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
(In thousands)	Shares	Amount				
BALANCE AT MARCH 31, 2026	55,600	$ 20	$ 8,997	$ (2,491)	$ 665,280	$ 671,806
Issuance of common stock under employee stock option and stock award plans	183	—	—	—	—	—
Stock-based compensation expense related to employee stock awards	—	—	10,763	—	—	10,763
Stock-based compensation expense related to employee stock purchases	—	—	470	—	—	470
Payment of dividends to stockholders	—	—	—	—	(11,887)	(11,887)
Unrealized actuarial gain on pension benefits	—	—	—	1	—	1
Unrealized loss on investments	—	—	—	(527)	—	(527)
Foreign currency translation adjustment	—	—	—	69	—	69
Net income	—	—	—	—	9,833	9,833
BALANCE AT JUNE 30, 2026	55,783	$ 20	$ 20,230	$ (2,948)	$ 663,226	$ 680,528

	Three Months Ended June 30, 2025					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
(In thousands)	Shares	Amount				
BALANCE AT MARCH 31, 2025	56,692	$ 22	$ 7,106	$ (2,183)	$ 730,870	$ 735,815
Issuance of common stock under employee stock option and stock award plans	171	—	—	—	—	—
Repurchase of common stock	(705)	(1)	(17,183)	—	(15,376)	(32,560)
Stock-based compensation expense related to employee stock awards	—	—	9,623	—	—	9,623
Stock-based compensation expense related to employee stock purchases	—	—	454	—	—	454
Payment of dividends to stockholders	—	—	—	—	(11,809)	(11,809)
Unrealized actuarial gain on pension benefits	—	—	—	1	—	1
Unrealized gain on investments	—	—	—	238	—	238
Foreign currency translation adjustment	—	—	—	657	—	657
Net income	—	—	—	—	1,369	1,369
BALANCE AT JUNE 30, 2025	56,158	$ 21	$ —	$ (1,287)	$ 705,054	$ 703,788

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

POWER INTEGRATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Six Months Ended June 30, 2026					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
(In thousands)	Shares	Amount				
BALANCE AT DECEMBER 31, 2025	55,339	$ 20	$ —	$ (1,105)	$ 673,930	$ 672,845
Issuance of common stock under employee stock option and stock award plans	375	—	—	—	—	—
Issuance of common stock under employee stock purchase plan	69	—	2,690	—	—	2,690
Stock-based compensation expense related to employee stock awards	—	—	16,680	—	—	16,680
Stock-based compensation expense related to employee stock purchases	—	—	860	—	—	860
Payment of dividends to stockholders	—	—	—	—	(23,837)	(23,837)
Unrealized actuarial gain on pension benefits	—	—	—	3	—	3
Unrealized loss on investments	—	—	—	(1,526)	—	(1,526)
Foreign currency translation adjustment	—	—	—	(320)	—	(320)
Net income	—	—	—	—	13,133	13,133
BALANCE AT JUNE 30, 2026	55,783	$ 20	$ 20,230	$ (2,948)	$ 663,226	$ 680,528

	Six Months Ended June 30, 2025					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
(In thousands)	Shares	Amount				
BALANCE AT DECEMBER 31, 2024	56,837	$ 22	$ 18,734	$ (3,023)	$ 734,039	$ 749,772
Repurchase of common stock	(1,109)	(1)	(40,281)	—	(15,376)	(55,658)
Issuance of common stock under employee stock purchase plan	430	—	2,787	—	—	2,787
Stock-based compensation expense related to employee stock awards	—	—	17,952	—	—	17,952
Stock-based compensation expense related to employee stock purchases	—	—	808	—	—	808
Payment of dividends to stockholders	—	—	—	—	(23,768)	(23,768)
Unrealized gain on investments	—	—	—	689	—	689
Foreign currency translation adjustment	—	—	—	1,047	—	1,047
Net income	—	—	—	—	10,159	10,159
BALANCE AT JUNE 30, 2025	56,158	$ 21	$ —	$ (1,287)	$ 705,054	$ 703,788

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

POWER INTEGRATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 13,133	$ 10,159
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	12,619	14,246
Amortization of intangible assets	351	415
Loss on disposal of property and equipment	495	—
Stock-based compensation expense	17,565	18,760
Accretion of discount on investments	(300)	(721)
Deferred income taxes	1,758	(854)
Decrease in accounts receivable allowance for credit losses	—	(381)
Change in operating assets and liabilities:		
Accounts receivable	(8,524)	(30)
Inventories	9,097	(2,784)
Prepaid expenses and other assets	3,925	6,405
Accounts payable	(7,210)	248
Other accrued liabilities	(884)	9,995
NET CASH PROVIDED BY OPERATING ACTIVITIES	42,025	55,458
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(6,300)	(11,652)
Purchases of investments	(24,076)	(47,696)
Proceeds from sales and maturities of investments	21,355	96,492
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(9,021)	37,144
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock under employee stock plans	2,690	2,787
Repurchase of common stock	—	(55,658)
Payments of dividends to stockholders	(23,837)	(23,768)
Proceeds from borrowings on line of credit	—	13,000
Repayments on line of credit	—	(13,000)
NET CASH USED IN FINANCING ACTIVITIES	(21,147)	(76,639)
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,857	15,963
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	58,755	50,972
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 70,612	$ 66,935

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

POWER INTEGRATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION:

The condensed consolidated financial statements include the accounts of Power Integrations, Inc., a Delaware corporation (the "Company"), and its wholly owned subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation. Certain prior period amounts have been reclassified to conform to current year presentation. These reclassifications had no effect on the reported results of operations.

While the financial information furnished is unaudited, the condensed consolidated financial statements included in this report reflect all adjustments (consisting only of normal recurring adjustments) that the Company considers necessary for the fair presentation of the results of operations for the interim periods covered and the financial condition of the Company at the date of the interim balance sheet in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The results for interim periods are not necessarily indicative of the results for the entire year. The condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and the notes thereto for the year ended December 31, 2025, included in its Form 10-K filed on February 6, 2026, with the Securities and Exchange Commission.

2. SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS:

Significant Accounting Policies and Estimates

No material changes have been made to the Company's significant accounting policies disclosed in Note 2, *Significant Accounting Policies and Recent Accounting Pronouncements*, of the Company's financial statements set forth in Item 8 of the Company's Annual Report on Form 10-K, filed on February 6, 2026, for the year ended December 31, 2025.

Recent Accounting Pronouncements

In November 2024, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2024-03, *Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40)* which requires additional disclosure of certain costs and expenses, including inventory purchases, employee compensation, selling expense, and depreciation expense within the notes to financial statements. The guidance is effective for annual periods beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. The Company is currently evaluating the impact that the updated standard will have on its financial statement disclosures.

In September 2025, the FASB issued ASU 2025-06, *Intangibles–Goodwill and Other–Internal-Use Software (Subtopic 350-40)* which amends certain aspects of the accounting for and disclosure of software costs. The guidance is effective for annual reporting periods beginning after December 15, 2027, and interim periods within fiscal years beginning after December 15, 2027. The Company is currently evaluating the impact that the updated standard will have on its financial statement disclosures.

3. CONDENSED CONSOLIDATED BALANCE SHEET COMPONENTS AND OTHER INFORMATION:

Accounts Receivable, net

(In thousands)	June 30, 2026	December 31, 2025
Accounts receivable trade	$ 64,028	$ 54,177
Allowance for ship and debit	(35,206)	(33,601)
Allowance for stock rotation and rebate	(1,950)	(2,228)
Allowance for credit losses	(94)	(94)
Total	$ 26,778	$ 18,254

Inventories

(In thousands)	June 30, 2026	December 31, 2025
Raw materials	$ 94,874	$ 101,366
Work-in-process	33,134	27,905
Finished goods	29,782	37,616
Total	$ 157,790	$ 166,887

Other non-current assets

(In thousands)	June 30, 2026	December 31, 2025
Deferred tax assets	$ 34,085	$ 35,594
Right of use lease assets	21,913	19,325
Prepaid expenses	5,438	6,863
Other non-current assets	2,099	3,045
Total	$ 63,535	$ 64,827

POWER INTEGRATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Accumulated Other Comprehensive Income

Changes in accumulated other comprehensive income (loss) for the three and six months ended June 30, 2026 and 2025, were as follows:

	Unrealized Gains and Losses on Investments		Defined Benefit Pension Items		Foreign Currency Items		Total	
	Three Months Ended June 30,		Three Months Ended June 30,		Three Months Ended June 30,		Three Months Ended June 30,	
(In thousands)	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**
Beginning balance	$ 752	$ 1,144	$ (30)	$ 98	$ (3,213)	$ (3,425)	$ (2,491)	$ (2,183)
Other comprehensive income (loss) before reclassifications	(527)	238	—	—	69	657	(458)	895
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	1 (1)	1 (1)	—	—	1	1
Net-current period other comprehensive income (loss)	(527)	238	1	1	69	657	(457)	896
Ending balance	$ 225	$ 1,382	$ (29)	$ 99	$ (3,144)	$ (2,768)	$ (2,948)	$ (1,287)

(1) This component of accumulated other comprehensive income is included in the computation of net periodic pension cost for the three months ended June 30, 2026 and 2025.

	Unrealized Gains and Losses on Investments		Defined Benefit Pension Items		Foreign Currency Items		Total	
	Six Months Ended June 30,		Six Months Ended June 30,		Six Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**
Beginning balance	$ 1,751	$ 693	$ (32)	$ 99	$ (2,824)	$ (3,815)	$ (1,105)	$ (3,023)
Other comprehensive income (loss) before reclassifications	(1,526)	689	—	—	(320)	1,047	(1,846)	1,736
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	3 (1)	— (1)	—	—	3	—
Net-current period other comprehensive income (loss)	(1,526)	689	3	—	(320)	1,047	(1,843)	1,736
Ending balance	$ 225	$ 1,382	$ (29)	$ 99	$ (3,144)	$ (2,768)	$ (2,948)	$ (1,287)

(1) This component of accumulated other comprehensive income is included in the computation of net periodic pension cost for the six months ended June 30, 2026 and 2025.

4. REVENUE:

Customer Concentration

The Company's top ten customers accounted for approximately 82% and 81% of net revenue in the three and six months ended June 30, 2026 and approximately 81% in both of the corresponding periods of 2025. A significant portion of revenue is attributable to sales of the Company's products to distributors of electronic components. These distributors sell the Company's products to a broad, diverse range of end users, including original equipment manufacturers ("OEMs") and merchant power-supply contract manufacturers ("CMs"). Similarly, merchant power-supply manufacturers sell power supplies incorporating the Company's products to a broad range of OEMs.

Sales to distributors and direct sales to OEMs and power-supply CMs contributed to the Company's net revenue as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**2026**	**2025**	**2026**	**2025**
Sales to distributors	$ 86,103	$ 81,298	$ 162,842	$ 156,462
Sales to OEMs and CMs	32,836	34,554	64,405	64,919
Total net revenue	$ 118,939	$ 115,852	$ 227,247	$ 221,381

During the three and six months ended June 30, 2026 and 2025, approximately 16% of net revenue in each period presented related to an OEM fulfilling its purchases through the Company's CM customers.

The following customers represented 10% or more of the Company's net revenue for the respective periods:

	Three Months Ended June 30,		Six Months Ended June 30,	
Customer	**2026**	**2025**	**2026**	**2025**
Customer A	33 %	33 %	31 %	32 %
Customer B	11 %	*	10 %	*
Customer C	11 %	11 %	10 %	*

* Total customer revenue was less than 10% of net revenue.

No other customers accounted for 10% or more of the Company's net revenue in the periods presented.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash investments and trade receivables. The Company does not have any off-balance-sheet credit exposure related to its customers.

As of June 30, 2026 and December 31, 2025, 90% and 89% of accounts receivable were concentrated in the Company's top ten customers.

The following customers represented 10% or more of accounts receivable at June 30, 2026 and December 31, 2025:

Customer	**June 30, 2026**	**December 31, 2025**
Customer A	38 %	32 %
Customer B	*	*
Customer C	13 %	18 %
Customer D	11 %	11 %

* Total customer accounts receivable was less than 10% of accounts receivable.

No other customers accounted for 10% or more of the Company's accounts receivable in the periods presented.

Net Revenue by Geography

The Company markets its products globally through its sales personnel and a worldwide network of independent sales representatives and distributors. Net revenue by region and country with 10% or more of the Company's revenue during any of the periods presented, based on "bill to" customer locations were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**2026**	**2025**	**2026**	**2025**
Americas	$ 4,659	$ 5,850	$ 11,742	$ 11,567
EMEA	17,430	12,756	32,555	24,047
APAC:				
Hong Kong/China	53,179	67,691	103,150	124,179
Singapore	15,917	3,979	22,018	6,642
Other APAC	27,754	25,576	57,782	54,946
Total net revenue	$ 118,939	$ 115,852	$ 227,247	$ 221,381

5. FAIR VALUE MEASUREMENTS:

The FASB established a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows: Level 1, observable inputs such as quoted prices for identical assets in active markets; Level 2, inputs other than the quoted prices in active markets that are observable either directly or indirectly; and Level 3, unobservable inputs in which there is little or no market data, which requires the Company to develop its own assumptions. This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

The Company's cash equivalents and short-term investments are classified within Level 1 or Level 2 of the fair-value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

The fair-value hierarchy of the Company's cash equivalents and short-term investments at June 30, 2026 and December 31, 2025, was as follows:

	Fair Value Measurement at June 30, 2026		
(In thousands)	**Total Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**
Commercial paper	$ 8,438	$ —	$ 8,438
Corporate securities	192,001	—	192,001
Money market funds	593	593	—
U.S. government securities	1,250	—	1,250
Total	$ 202,282	$ 593	$ 201,689

POWER INTEGRATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Fair Value Measurement at December 31, 2025		
(In thousands)	**Total Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**
Commercial paper	$ 5,555	$ —	$ 5,555
Corporate securities	189,258	—	189,258
Money market funds	3,559	3,559	—
U.S. government securities	999	—	999
Total	$ 199,371	$ 3,559	$ 195,812

The Company did not transfer any investments between Level 1 and Level 2 of the fair-value hierarchy in the three and six months ended June 30, 2026 and the twelve months ended December 31, 2025.

6. INVESTMENTS:

Amortized cost and estimated fair market value of investments classified as available-for-sale (excluding cash equivalents) at June 30, 2026, were as follows:

		Gross Unrealized		
(In thousands)	**Amortized Cost**	**Gains**	**Losses**	**Estimated Fair Market Value**
Investments due in 3 months or less:				
Corporate securities	$ 10,656	$ 15	$ —	$ 10,671
Total	10,656	15	—	10,671
Investments due in 4-12 months:				
Corporate securities	87,107	371	(2)	87,476
Total	87,107	371	(2)	87,476
Investments due in 12 months or greater:				
Corporate securities	94,075	106	(327)	93,854
Total	94,075	106	(327)	93,854
Total investments	$ 191,838	$ 492	$ (329)	$ 192,001

Accrued interest receivable was $2.3 million at June 30, 2026, and was recorded within prepaid expenses and other current assets on the condensed consolidated balance sheet.

Amortized cost and estimated fair market value of investments classified as available-for-sale (excluding cash equivalents) at December 31, 2025, were as follows:

		Gross Unrealized		
(In thousands)	**Amortized Cost**	**Gains**	**Losses**	**Estimated Fair Market Value**
Investments due in 3 months or less:				
Commercial paper	$ 1,498	$ —	$ —	$ 1,498
Corporate securities	8,152	8	—	8,160
Total	9,650	8	—	9,658
Investments due in 4-12 months:				
Corporate securities	32,256	267	—	32,523
Total	32,256	267	—	32,523
Investments due in 12 months or greater:				
Corporate securities	146,910	1,665	(1)	148,574
Total	146,910	1,665	(1)	148,574
Total investments	$ 188,816	$ 1,940	$ (1)	$ 190,755

Accrued interest receivable was $2.3 million at December 31, 2025, and was recorded within prepaid expenses and other current assets on the condensed consolidated balance sheet.

The following table summarizes investments classified as available-for-sale (excluding cash equivalents) in a continuous unrealized loss position for which an allowance for credit losses was not recorded at June 30, 2026:

	Less Than 12 Months		12 Months or Longer		Total	
(In thousands)	**Estimated Fair Market Value**	**Gross Unrealized Losses**	**Estimated Fair Market Value**	**Gross Unrealized Losses**	**Estimated Fair Market Value**	**Gross Unrealized Losses**
Corporate securities	$ 52,066	$ (329)	$ —	$ —	$ 52,066	$ (329)
Total investments	$ 52,066	$ (329)	$ —	$ —	$ 52,066	$ (329)

In the three and six months ended June 30, 2026 and 2025, no unrealized losses on investments were recognized in the condensed consolidated statements of income. The Company does not intend to sell, and it is unlikely that it will be required to sell the securities held prior to their anticipated recovery. The issuers are high-quality (investment grade) and the decline in fair value is largely due to changes in interest rates. Additionally, the issuers continue to make timely interest payments on the investments with the fair value expected to recover as they reach maturity.

7. BANK LINES OF CREDIT:

In 2016, the Company entered into a credit agreement with Wells Fargo Bank, National Association (the "Prior Credit Agreement") that provided the Company with a $75.0 million revolving line of credit to use for general corporate purposes and a $20.0 million sub-limit for the issuance of standby and trade letters of credit with an interest rate based on the Secured Overnight Financing Rates (“SOFR”). The Prior Credit Agreement had a term which originally extended to June 7, 2026, but was terminated by the Company on April 10, 2026. The Company was compliant with all covenants and had no advances outstanding under the Prior Credit Agreement at termination.

On February 24, 2026, the Company entered into a new unsecured loan agreement with PNC Bank, National Association (the "PNC Loan Agreement"), in part, to replace the Prior Credit Agreement. The PNC Loan Agreement became effective and available for use on April 10, 2026 when the Company terminated the Prior Credit Agreement. The PNC Loan Agreement provides the Company with a $100.0 million revolving line of credit with a $25.0 million sub-limit for the issuance of standby and trade letters of credit. The interest rate on outstanding borrowings under the PNC Loan Agreement is based on SOFR plus 1.60%. The PNC Loan Agreement term extends through February 24, 2031. All advances under the PNC Loan Agreement, together with all accrued and unpaid interest, fees, and other obligations owing thereon, will become due and payable on such date, or earlier upon the occurrence of an Event of Default as defined in the PNC Loan Agreement.

The PNC Loan Agreement requires the Company to maintain a Minimum Liquidity of at least $50.0 million as of the last day of each fiscal quarter and a ratio of Funded Indebtedness to Adjusted EBITDA, each as defined in the PNC Loan Agreement, of less than 2.00 to 1.00 as of the last day of each fiscal quarter and determined on a rolling four-quarter basis.

The PNC Loan Agreement contains representations and warranties, affirmative covenants, and conditions precedent to borrowings that are usual and customary for credit agreements of this type. The PNC Loan Agreement contains certain limited covenants that restrict, subject to certain exceptions, the Company’s ability to incur additional indebtedness or liens, issue guarantees or become liable for obligations of other persons or entities, liquidate, dissolve, merge, or consolidate with any other entity, or convey, transfer, or lease the Company's properties or assets to another person, which, in each case, are subject to certain qualifications and exceptions.

The Company was compliant with all covenants and had no advances outstanding under the PNC Loan Agreement as of June 30, 2026.

8. STOCKHOLDERS' EQUITY:

Cash Dividends

In October 2024, the Company's board of directors declared dividends of $0.21 per share to be paid to stockholders of record at the end of each quarter in 2025. In October 2025, the Company's board of directors raised the quarterly cash dividend and declared cash dividends of $0.215 per share to be paid at the end of each quarter in 2026.

For the three and six months ended June 30, 2026 and 2025, cash dividends declared and paid were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except per share amounts)	**2026**	**2025**	**2026**	**2025**
Dividends declared and paid	$ 11,887	$ 11,809	$ 23,837	$ 23,768
Dividends declared per common share	$ 0.215	$ 0.21	$ 0.430	$ 0.42

Common Stock Repurchases

From time to time, the Company's board of directors has authorized the use of funds to repurchase shares of the Company's common stock. As of June 30, 2026, the Company did not have any amount authorized to repurchase shares of its common stock.

Employee Stock Incentive Plans

The following table summarizes the stock-based compensation expense recognized in accordance with ASC 718 for the three and six months ended June 30, 2026 and 2025:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**2026**	**2025**	**2026**	**2025**
Cost of revenue	$ 707	$ 592	$ 1,176	$ 1,249
Research and development	3,036	3,190	4,940	5,440
Selling, general and administrative	6,993	6,295	10,519	12,071
Other operating expenses (see note below)	522	—	(897)	—
Restructuring and related charges	—	—	1,827	—
Total stock-based compensation expense	$ 11,258	$ 10,077	$ 17,565	$ 18,760

Other Operating Expenses

In connection with his retirement in July 2025, the Company's former chief executive officer, Balu Balakrishnan, entered into a transition agreement and a consulting agreement with the Company. Pursuant to these agreements, Mr. Balakrishnan's outstanding equity awards continue to vest subject to his continuous service and the applicable award agreements. The majority of these awards are subject to performance criteria established at the time of grant and will only be earned to the extent that the Company's performance satisfies such criteria at the conclusion of the applicable performance periods. As the services to be performed by Mr. Balakrishnan under the transition agreement and the consulting agreement do not qualify as "substantive services" under ASC 718, *Compensation–Stock Compensation,* the continued vesting of the outstanding equity awards represents a modification of the original awards. Consequently, in the year ended December 31, 2025, the Company recognized stock-based compensation in the amount of $8.4 million in other operating expenses. In the three months ended June 30, 2026, the Company recorded an expense of $0.5 million in other operating expenses on its condensed consolidated statements of income, adjusting a portion of the previously recognized stock-based compensation expenses. The corresponding amount for the six-month period was a credit of $0.9 million. The adjustment reflects our revised estimate of the portion of the awards that will ultimately vest based on the Company's forecasted performance. Subsequent changes in our estimates could result in further adjustments in future periods until the vesting of these equity awards.

9. EARNINGS PER SHARE:

Basic earnings per share are calculated by dividing net income by the weighted-average shares of common stock outstanding during the period. Diluted earnings per share are calculated by dividing net income by the weighted-average shares of common stock and dilutive common equivalent shares outstanding during the period. Dilutive common equivalent shares included in this calculation consist of the assumed vesting of outstanding restricted stock units, the assumed issuance of awards under the stock purchase plan, and contingently issuable performance-based awards, as computed using the treasury stock method.

A summary of the earnings per share calculation is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except per share amounts)	**2026**	**2025**	**2026**	**2025**
Basic earnings per share:				
Net income	$ 9,833	$ 1,369	$ 13,133	$ 10,159
Weighted-average common shares	55,748	56,274	55,627	56,571
Basic earnings per share	$ 0.18	$ 0.02	$ 0.24	$ 0.18
Diluted earnings per share: (1)				
Net income	$ 9,833	$ 1,369	$ 13,133	$ 10,159
Weighted-average common shares	55,748	56,274	55,627	56,571
Effect of dilutive awards:				
Employee stock plans	948	113	708	216
Diluted weighted-average common shares	56,696	56,387	56,335	56,787
Diluted earnings per share	$ 0.17	$ 0.02	$ 0.23	$ 0.18

(1) The Company includes the shares underlying performance-based awards in the calculation of diluted earnings per share if the performance conditions have been satisfied as of the end of the reporting period and excludes such shares when the necessary conditions have not been met. The Company has excluded the shares underlying the outstanding performance-based awards in the 2026 and 2025 calculations as the shares were not contingently issuable as of the end of the reporting period.

10. INCOME TAXES:

Income tax expense includes a provision for federal, state, and foreign taxes based on the annual estimated effective tax rate applicable to the Company and its subsidiaries, adjusted for certain discrete items which are fully recognized in the period they occur. Accordingly, the interim effective tax rate may not be reflective of the annual estimated effective tax rate.

The Company’s effective tax rate for the three and six months ended June 30, 2026, was 12.5% and 13.3%, respectively, and (1.8%) and 9.5% in the corresponding period of 2025. The effective tax rate in these periods were lower than the statutory federal income tax rate of 21% due to the geographic distribution of the Company’s worldwide earnings in lower tax jurisdictions and federal tax credits. For the three months ended June 30, 2026, our effective tax rate benefited from a tax accounting windfall related to share-based payments. For the six months ended June 30, 2026, our effective tax rate was adversely affected by a tax accounting shortfall related to share-based payments. Additionally, in the three and six months ended June 30, 2025, the Company’s effective tax rate was unfavorably affected by the recognition of share-based payments and foreign income subject to U.S. tax. The Company has not been granted any incentivized tax rates and does not operate under any tax holidays in any jurisdiction.

11. COMMITMENTS AND CONTINGENCIES:

Supplier Agreements

Under the terms of the Company's wafer supply agreements with various foundries located in Japan, the parties periodically review and negotiate pricing; the wafer purchases thereunder are denominated in U.S. dollars. To mitigate the impact of future fluctuations in the exchange rate between the Japanese yen and the U.S. dollar, these agreements contain provisions for the parties to share in that risk.

Warranty

The Company generally warrants that its products will substantially conform to its published specifications for 12 months from the date of shipment. Under the terms and conditions of sale, the Company's liability is generally limited to either a credit equal to the purchase price or replacement of the part.

Legal Proceedings

From time to time in the ordinary course of business, the Company becomes involved in lawsuits, or customers and distributors may make claims against the Company. In accordance with ASC 450-10, *Contingencies*, the Company makes a provision for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

In 2019, a third party caused a patent infringement matter to be filed against a customer of the Company related to that customer's use of Company products. The third party also caused a follow-on claim to be filed against the same customer in the first quarter of 2025. The Company intervened on behalf of the customer and sought a declaration of non-infringement with respect to the customer's use of the Company's products. In the second half of 2025, the Company obtained a verdict of non-infringement and invalidity as to all claims asserted against the customer. The third party appealed the judgment. In April 2026, during the pendency of the appeal, the Company entered into an agreement with the third party which resolved all matters between the parties, including a dismissal of the appeal and granted to the Company a full release and covenant by the third party not to assert any claims against the Company or its customers based on any of the third party's patents, including those upon which the original lawsuit was based. The Company did not provide any payment to the claimant in exchange for the resolution of the dispute. Pursuant to the settlement, all pending motions in the case have been terminated and the matter is now closed.

In 2021, the Company was named in a wrongful termination lawsuit by a former employee. The matter went to trial in 2025 and resulted in a jury verdict adverse to the Company of approximately $11.3 million; the Company reserved this amount. The Company disagrees with the jury's verdict and has appealed the judgment. The charges associated with the established reserve were recognized in other operating expenses in the accompanying condensed consolidated statements of income as of December 31, 2025.

The Company is unable to predict the outcome of any legal proceedings with certainty, and there can be no assurance that the Company will prevail in any litigation or dispute. The Company evaluates, at least quarterly, developments in its legal matters that could affect the amount of any accrual, as well as any developments that would result in a loss contingency becoming both probable and reasonably estimable. These litigation matters, whether or not ultimately determined in the Company's favor or settled, will be costly and will divert the efforts and attention of the Company's management and technical personnel from normal business operations, potentially causing a material adverse effect on the business, financial condition, and operating results. In addition, adverse determinations in any patent litigation matter could result in the loss of proprietary rights, subject the Company to significant liabilities, require the Company to seek licenses from third parties or prevent the Company from licensing its technology, and incur monetary losses, any of which could have a material adverse effect on the Company's business, financial condition, and operating results.

Indemnifications

The Company sells products to its distributors under agreements that generally include provisions for indemnification of the distributor against losses, expenses, and damages that may be awarded in the event the Company's products are found to infringe upon a patent, copyright, trademark, or other proprietary right of a third party. The agreements generally limit the scope of and remedies for these obligations, including, but not limited to, limitations based on time and geography, and a right to replace an infringing product.

While the Company has on occasion been made aware of claims against its distributors or customers that may trigger an indemnification claim, to date, the Company has not had to reimburse any of its distributors or customers for any material losses related to these indemnification obligations and no material claims were outstanding as of June 30, 2026.

12. SEGMENT REPORTING:

The Company is organized and operates as one operating and reportable segment; the design, development, manufacture, and marketing of integrated circuits and related components for use primarily in high-voltage power conversion. This determination is based on the management approach which designates the internal information regularly available to the Chief Operating Decision Maker ("CODM") for making decisions and assessing performance as the source of determination of the Company's reportable segment. The Company's CODM, the Chief Executive Officer, reviews financial information presented on a consolidated basis for the purpose of making operating decisions and assessing financial performance.

The CODM uses net income as the measure of profit or loss to allocate resources and assess performance. The CODM regularly reviews net income as reported on the Company's consolidated statements of income. Financial forecasts and comparisons of budget to actual results are used by the CODM to assess performance and allocate resources. In addition, these forecasts and comparisons are used for strategic decisions related to making headcount and capital expenditure decisions, all of which are reviewed on a consolidated basis. The CODM considers the impact on net income of the significant segment expenses in the table below when deciding whether to reinvest profits, propose dividends or share repurchase, or pursue strategic mergers and acquisitions.

The measure of segment assets is reported on the balance sheet as total assets. The CODM does not review segment assets at a level other than that presented in the Company's consolidated balance sheets.

The table below presents the Company's consolidated operating results including significant segment expenses:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**2026**	**2025**	**2026**	**2025**
Net revenue	$ 118,939	$ 115,852	$ 227,247	$ 221,381
Less:				
Stock-based compensation (1)	11,258	10,077	17,565	18,760
Amortization of acquisition-related intangible assets (2)	147	146	294	293
Cost of revenue (excluding 1 & 2)	53,448	51,160	104,202	97,650
Research and development (excluding 1)	24,127	22,801	48,478	44,646
Selling, general and administrative (excluding 1)	21,059	23,862	41,977	45,508
Other operating expenses (excluding 1)	—	9,151	—	9,151
Restructuring and related charges in operating expenses (excluding 1)	—	—	4,377	—
Income (loss) from operations	8,900	(1,345)	10,354	5,373
Other income	2,333	2,690	4,799	5,857
Provision for (benefit from) income taxes	1,400	(24)	2,020	1,071
Net income	$ 9,833	$ 1,369	$ 13,133	$ 10,159

The table below presents other segment information:

	Three Months Ended June 30,				Six Months Ended June 30,			
(In thousands)	**2026**		**2025**		**2026**		**2025**	
Depreciation	$	6,239	$	7,002	$	12,619	$	14,246
Amortization of intangible assets	$	168	$	208	$	351	$	415
Interest income	$	2,527	$	3,035	$	5,051	$	6,395

13. RESTRUCTURING:

The Company continuously evaluates its operations to better align the organization with market opportunities, increase operational efficiency, decrease costs, and increase profitability. During the three months ended March 31, 2026, the Company undertook a restructuring plan, reducing its workforce by approximately 7% to better align expenses with revenue and create flexibility to invest in the products, people, and markets that are expected to drive long-term growth and profitability. In conjunction with this restructuring plan, restructuring charges of $6.6 million were recognized during the first quarter of 2026, primarily composed of severance costs. The restructuring plan was substantially completed in the first quarter of 2026. No restructuring charges were incurred in fiscal 2025. Restructuring liabilities are included in other accrued liabilities in the accompanying unaudited condensed consolidated balance sheets, and are summarized in the following table:

	2026 Plan					
(in thousands)	**Employee severance**		**Other**		**Total**	
Restructuring liability as of January 1, 2026	$	—	$	—	$	—
Charges		4,591		151		4,742
Cash payments		(4,388)		(151)		(4,539)
Non-cash and other		—		—		—
Restructuring liability as of June 30, 2026	$	203	$	—	$	203

Cash severance charges of $0.4 million related to the departure of an executive officer are included in the table above. In addition, stock-based compensation expense of $1.8 million was recognized in the six months ended June 30, 2026 due to the acceleration of equity awards in accordance with the terms of the executive's severance agreement.

The following table provides a summary of restructuring-related charges as presented in the unaudited condensed consolidated statements of income:

	Three Months Ended June 30,				Six Months Ended June 30,			
(in thousands)	**2026**		**2025**		**2026**		**2025**	
Restructuring and related charges in cost of revenue	$	—	$	—	$	365	$	—
Restructuring and related charges in operating expenses		—		—		6,204		—
	$	—	$	—	$	6,569	$	—

In conjunction with the restructuring actions taken in the first quarter of 2026, certain engineers were moved from sales and marketing projects to product development priorities. Accordingly, $3.0 million of related department costs have been classified as research and development expense in the accompanying condensed consolidated statement of income for the first quarter ended March 31, 2026 and will be accounted for as such going forward.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis has been prepared as an aid to understanding our financial condition and results of operations. It should be read in conjunction with the condensed consolidated financial statements and the notes to those statements included elsewhere in this Quarterly Report on Form 10-Q, and with the consolidated financial statements and management's discussion and analysis of our financial condition and results of operations in our Annual Report on Form 10-K for the year ended December 31, 2025, filed with the SEC on February 6, 2026. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed under the caption "Risk Factors" included in this report. See also "Cautionary Note Regarding Forward-Looking Statements" at the beginning of this report.

Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements. Factors that could cause actual results to differ materially from those predicted include, but are not limited to:

- The demand for our products declining in the major end markets we serve, which may occur due to competitive factors, supply chain fluctuations, rising inflation, or other changes in macroeconomic or geopolitical conditions;
- our inability to penetrate new markets for our products;
- the volume and timing of orders received from customers;
- our ability to develop and bring new products and technologies to market, including on a timely basis;
- reliance on international sales activities for a substantial portion of our revenue;
- the length of our sales cycle;
- the significant sales of our products through distributors, which limits our direct interaction with our end customers, reducing our ability to forecast sales, and increasing the complexity of our business;
- the cyclical nature of the power supply industry and cyclical market patterns across different end markets for which our products are used;
- competitive pressures on selling prices;
- risks associated with our supply chain including, the volume, cost, and timing of delivery of orders placed by us with our wafer foundries and assembly subcontractors, and their ability to procure materials;
- undetected defects, quality issues, warranty claims, or product recalls related to our products;
- our ability to attract and retain qualified personnel;
- changes in global trade policy, including tariffs, could reduce demand for end products that incorporate our products, which could have a material adverse effect on our revenue and operating results;
- our ability to realize the expected benefits of restructuring initiatives designed to reduce costs and create a more efficient organization;
- debt obligations we incur in the future could adversely affect our financial condition;
- the inability to adequately protect or enforce our intellectual property rights;
- we have been and may be subject to or involved in litigation, threatened litigation, or other disputes, the outcome of which may be difficult to predict, and which may be costly to defend, divert management attention, require us to pay damages, or restrict the operation of our business;
- changes in tax rules and regulations, changes in interpretation of tax rules and regulations, or unfavorable assessments from tax audits may increase the amount of taxes we are required to pay and require management time and attention;
- continued impact of changes in securities laws and regulations, including potential risks resulting from our evaluation of our internal controls over financial reporting;
- current or potential war, domestic or international conflict, political or social instability, or military actions, including the conflicts in Ukraine and the Middle East;
- failure, disruption, security breaches, or other incidents impacting our information technology infrastructure or information management systems;

- interruptions in our information technology systems;
- unfavorable or uncertain market conditions and risks relating to the adoption, use, or application of emerging technologies, including AI, by our customers and in our business;
- fluctuations in exchange rates, particularly the exchange rate between the U.S. dollar and the Japanese yen, the euro and the Swiss franc;
- earthquakes, fire, global health crises, or other disasters;
- risks associated with acquisitions and strategic investments; and
- our ability to successfully integrate, or realize the expected benefits from, our acquisitions.

Overview

We are a leading innovator in semiconductor technologies for high-voltage power conversion. Our products are key building blocks in the clean-power ecosystem, enabling the generation of renewable energy as well as the efficient transmission and consumption of power in applications ranging from milliwatts to megawatts.

Our revenue was $118.9 million and $115.9 million in the three months ended June 30, 2026 and 2025, respectively, and $227.2 million and $221.4 million in the six months ended June 30, 2026 and 2025, respectively. The increase in revenue for the three- and six-month periods reflected higher sales in the industrial end market.

Our top ten customers, including distributors that resell to OEMs and merchant power supply manufacturers, accounted for approximately 82% and 81% of our revenue for the three and six months ended June 30, 2026 and approximately 81% in each of the corresponding periods of 2025. International sales accounted for approximately 98% of our revenue for each of the three and six months ended June 30, 2026, respectively, and 98% and 99%, respectively, in the corresponding periods of 2025.

Our gross margin was 54% and 55% for the three months ended June 30, 2026 and 2025, respectively, and 53% and 55% for the six months ended June 30, 2026 and 2025, respectively. The decrease in gross margin was primarily due to less favorable customer and product mix related to increased sales of lower margin products and decreased sales of higher margin products as well as less favorable impact of the dollar/yen exchange rate on our wafer costs and, for the six-month period, restructuring costs recorded in cost of sales.

Total operating expenses were $55.7 million and $65.3 million for the three months ended June 30, 2026 and 2025, respectively, and $111.2 million and $116.8 million for the six months ended June 30, 2026 and 2025, respectively. The decrease in operating expenses for the three- and six-month periods was primarily due to a non-recurring expense related to an employee litigation matter that occurred in the prior-year period as described in Note 11 *Commitments and Contingencies* of this report. These decreases were partially offset by restructuring and related charges for severance and benefit costs associated with the workforce reduction described in Note 13 *Restructuring* of this report.

Our management team continuously evaluates operations to better align our organization with market opportunities, increase operational efficiency, decrease costs and increase profitability. In connection with this, a restructuring plan was undertaken in the first quarter of 2026, reducing the Company's workforce by approximately 7% to better align our expenses with revenue and create flexibility to invest in the products, people, and markets that are expected to drive long-term growth and profitability. As a result, we recognized restructuring charges of $6.6 million during the first quarter of 2026, primarily composed of severance costs. The restructuring plan was substantially completed in the first quarter of 2026.

Capital Return Program. We remain committed to delivering stockholder value through our stock repurchase and dividend programs. Under future programs authorized by our Board of Directors, we may repurchase shares of our common stock in the open-market or through privately negotiated transactions. The extent to which we repurchase our stock and the timing of such repurchases will depend upon market conditions, the rules and regulations governing repurchases and other corporate considerations, as determined by our management team.

During the three and six months ended June 30, 2026, we returned $11.9 million and $23.8 million, respectively, of capital to stockholders through the payment of cash dividends.

We continue to monitor the environment for potential long-term impact on supply and demand from tariffs.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, including those listed below. We base our estimates on historical facts and various other assumptions that we believe to be reasonable at the time the estimates are made. Actual results could differ from those estimates.

Critical accounting policies are important to the portrayal of our financial condition and results of operations and require us to make judgments and estimates about matters that are inherently uncertain. There have been no material changes to our critical accounting policies and estimates disclosed in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates" and Note 2, *Significant Accounting Policies and Recent Accounting Pronouncements*, in each case in our Annual Report on Form 10-K for the year ended December 31, 2025, filed with the SEC on February 6, 2026. Currently, our only critical accounting policies relate to revenue recognition and estimating write-downs for excess and obsolete inventory.

Results of Operations

The following table sets forth certain operating data as a percentage of net revenue for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	**2025**	**2026**	**2025**
Net revenue	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue	45.7	44.8	46.5	44.8
Gross profit	54.3	55.2	53.5	55.2
Operating expenses:				
Research and development	22.8	22.4	23.5	22.6
Selling, general and administrative	23.6	26.0	23.1	26.0
Other operating expenses (income)	0.4	7.9	(0.4)	4.1
Restructuring and related charges	—	—	2.7	—
Total operating expenses	46.8	56.3	48.9	52.7
Income (loss) from operations	7.5	(1.1)	4.6	2.5
Other income	2.0	2.3	2.1	2.6
Income before income taxes	9.5	1.2	6.7	5.1
Provision for (benefit from) income taxes	1.2	—	0.9	0.5
Net income	8.3 %	1.2 %	5.8 %	4.6 %

Comparison of the three and six months ended June 30, 2026 and 2025

Net revenue. Net revenue consists of revenue from product sales, net of returns and allowances. Net revenue for the three and six months ended June 30, 2026 was $118.9 million and $227.2 million, respectively, and $115.9 million and $221.4 million, respectively, in the corresponding periods of 2025. The increases in net revenue for the three- and six-month periods were due to higher sales in the industrial end-market.

Our revenue mix by end market for the three and six months ended June 30, 2026 and 2025 was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
End Market	**2026**	**2025**	**2026**	**2025**
Communications	10 %	11 %	10 %	10 %
Computer	11 %	12 %	11 %	12 %
Consumer	36 %	37 %	37 %	41 %
Industrial	43 %	40 %	42 %	37 %

International sales, consisting of sales outside of the United States of America based on "bill to" customer locations, were $116.9 million and $223.4 million in the three and six months ended June 30, 2026, respectively, and $114.0 million and $218.2 million, respectively, in the corresponding periods of 2025. Although power converters using our products are distributed to end markets worldwide, most are manufactured in Asia. As a result, sales to this region represented approximately 81% of our net revenue in each of the three and six months ended June 30, 2026 and approximately 84% in each of the corresponding periods of 2025. We expect international sales, and sales to the Asia region in particular, to continue to account for a large portion of our net revenue in the future.

Sales to distributors accounted for approximately 72% of our net revenue in each of the three and six months ended June 30, 2026, respectively, and approximately 70% and 71%, respectively, in the corresponding periods of 2025. Direct sales to OEMs and merchant power-supply manufacturers accounted for the remainder.

Gross profit. Gross profit is net revenue less cost of revenue. Our cost of revenue consists primarily of the purchase of wafers from our contracted foundries, the assembly, packaging and testing of our products by sub-contractors, product testing performed in our own facility, overhead associated with the management of our supply chain and the amortization of acquired intangible assets. The following table compares gross profit and gross margin for the three and six months ended June 30, 2026 and 2025:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in millions)	**2026**	**2025**	**2026**	**2025**
Net revenue	$ 118.9	$ 115.9	$ 227.2	$ 221.4
Gross profit	$ 64.6	$ 64.0	$ 121.6	$ 122.2
Gross margin	54.3 %	55.2 %	53.5 %	55.2 %

The decrease in gross margin was primarily due to less favorable customer and product mix related to increased sales of lower margin products and decreased sales of higher margin products as well as less favorable impact of the dollar/yen exchange rate on our wafer costs.

Research and development expenses. Research and development ("R&D") expenses consist primarily of employee compensation including salaries and stock-based compensation, as well as expensed material and facility costs associated with the development of new processes and products. We also record R&D expenses for prototype wafers related to new products until the products are released to production. The following table compares R&D expenses for the three and six months ended June 30, 2026 and 2025:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in millions)	**2026**	**2025**	**2026**	**2025**
Research and development expenses	$ 27.2	$ 26.0	$ 53.4	$ 50.1

R&D expenses increased for the three and six months ended June 30, 2026 compared to the corresponding period of 2025, primarily due to application engineer project costs related to customer product development projects as described in Note 13 *Restructuring* of this report, as well as increased product-development expenses. These increases were partially offset by lower equipment-related expenses and lower stock-based compensation expenses.

Selling, General and Administrative. Selling, general and administrative ("SG&A") expenses consist primarily of employee compensation including salaries, commissions and stock-based compensation for personnel across our sales representatives, administration, finance, human resources, and general management functions. SG&A expenses also include facilities-related costs associated with our regional sales and support offices, as well as consulting, professional services, legal and auditing expenses. The following table below compares SG&A expenses for the three and six months ended June 30, 2026 and 2025:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in millions)	**2026**	**2025**	**2026**	**2025**
Selling, general and administrative expenses	$ 28.1	$ 30.2	$ 52.5	$ 57.6

SG&A expenses decreased for the three and six months ended June 30, 2026 compared to the corresponding periods of 2025 primarily due to the restructuring actions taken in the three months ended March 31, 2026 as described in Note 13 *Restructuring* of this report. The decrease was partially offset by increases in professional legal services.

Other operating expenses. Other operating expenses were $0.5 million in the three months ended June 30, 2026 and a credit of $0.9 million in the six months ended June 30, 2026. These items relate to the quarterly remeasurement of unvested equity awards associated with our retired former chief executive officer. Refer to Note 8 *Stockholders' Equity* of this report for details.

Restructuring and related charges. Restructuring and related charges were $6.6 million in the six months ended June 30, 2026. The charges were primarily related to severance and benefit costs associated with the workforce reduction described in Note 13 *Restructuring* of this report.

Other income. Other income consists primarily of interest income earned on cash and cash equivalents, marketable securities and other short-term investments, and the impact of foreign exchange gains or losses. The table below compares other income for the three and six months ended June 30, 2026 and 2025:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in millions)	**2026**	**2025**	**2026**	**2025**
Other income	$ 2.3	$ 2.7	$ 4.8	$ 5.9

Other income decreased for the three and six months ended June 30, 2026 as compared to the corresponding period of 2025 primarily due to lower interest income.

Provision for income taxes. Provision for income taxes represents federal, state and foreign taxes. The table below compares income-tax expense for the three and six months ended June 30, 2026 and 2025:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in millions)	**2026**	**2025**	**2026**	**2025**
Provision for (benefit from) income taxes	$ 1.4	$ —	$ 2.0	$ 1.1
Effective tax rate	12.5 %	(1.8)%	13.3 %	9.5 %

Income-tax expense includes a provision for federal, state and foreign taxes based on the annual estimated effective tax rate applicable to us and our subsidiaries, adjusted for certain discrete items which are fully recognized in the period in which they occur. Accordingly, the interim effective tax rate may not be reflective of the annual estimated effective tax rate.

Our effective tax rates for the three and six months ended June 30, 2026 were 12.5% and 13.3%, respectively, and (1.8%) and 9.5%, in the corresponding periods of 2025. The effective tax rate in these periods was lower than the statutory federal income-tax rate of 21% due to the geographic distribution of our world-wide earnings in lower-tax jurisdictions and the impact of federal research tax credits. For the three months ended June 30, 2026, our effective tax rate benefited from a tax accounting windfall related to share-based payments. For the six months ended June 30, 2026, our effective tax rate was adversely affected by a tax accounting shortfall related to share-based payments. In the three and six months ended June 30, 2025, our effective tax rate was adversely affected by the recognition of a tax deficiency or “shortfall” related to share-based payments. We have not been granted any incentivized tax rates and do not operate under any tax holidays in any jurisdiction.

Liquidity and Capital Resources

As of June 30, 2026, we had $262.6 million in cash, cash equivalents and short-term investments, an increase of $13.1 million from $249.5 million as of December 31, 2025. As of June 30, 2026, we had working capital, defined as current assets less current liabilities, of $404.5 million, an increase of approximately $16.5 million from $388.0 million as of December 31, 2025.

In 2016, we entered into the Prior Credit Agreement with Wells Fargo Bank, National Association, which provided us with a $75.0 million revolving line of credit to use for general corporate purposes and a $20.0 million sub-limit for the issuance of standby and trade letters of credit with an interest rate based on SOFR. The Prior Credit Agreement had a term which originally extended to June 7, 2026; the Prior Credit Agreement was terminated on April 10, 2026. We were compliant with all covenants and had no advances outstanding under the Prior Credit Agreement as of termination of the Prior Credit Agreement.

On February 24, 2026, we entered into the PNC Loan Agreement to replace the Prior Credit Agreement, which became effective and available for use on April 10, 2026 when we terminated the Prior Credit Agreement. The PNC Loan Agreement provides us with a $100.0 million revolving line of credit with a $25.0 million sub-limit for the issuance of standby and trade letters of credit. The interest rate on outstanding borrowings under the PNC Loan Agreement is based on SOFR plus 1.60%. The Company's obligations under the PNC Loan Agreement are unsecured. The PNC Loan Agreement term extends through February 24, 2031; all advances under the revolving line of credit, together with all accrued and unpaid interest, fees and other obligations owing thereon, will become due on such date, or earlier upon the occurrence of an Event of Default.

The PNC Loan Agreement requires us to maintain a Minimum Liquidity of at least $50.0 million as of the last day of each fiscal quarter and a ratio of Funded Indebtedness to Adjusted EBITDA of less than 2.00 to 1.00 as of the last day of each fiscal quarter and determined on a rolling four-quarter basis.

The PNC Loan Agreement contains representations and warranties, affirmative covenants and conditions precedent to borrowings that are usual and customary for credit agreements of this type. The PNC Loan Agreement contains certain limited covenants that restrict, subject to certain exceptions, our ability to incur additional indebtedness or liens, guarantee or become liable for obligations of other persons or entities, liquidate, dissolve, merge or consolidate with any other entity or convey, transfer or lease our properties or assets to another person, which, in each case, are subject to certain qualifications and exceptions.

We were compliant with all covenants and had no advances outstanding under the PNC Loan Agreement as of June 30, 2026.

Cash from Operating Activities

Our operating activities generated $42.0 million of cash in the six months ended June 30, 2026. Net income for this period was $13.1 million; we also incurred non-cash stock-based compensation expense, depreciation and a decrease in deferred tax assets of $17.6 million, $12.6 million and $1.8 million, respectively. Sources of cash included a $9.1 million decrease in inventories and a $3.9 million decrease in prepaid expenses and other assets. These sources of cash were partially offset by an $8.5 million increase in accounts receivable due to timing of receipts and a $7.2 million decrease in accounts payable (excluding payables related to property and equipment) due to timing of payments.

Our operating activities generated $55.5 million of cash in the six months ended June 30, 2025. Net income for this period was $10.2 million; we also incurred non-cash stock-based compensation expense, depreciation and an increase in deferred tax assets of $18.8 million, $14.2 million and $0.9 million, respectively. Sources of cash included a $10.0 million increase in other accrued liabilities and a $6.4 million decrease in prepaid expenses and other assets. These sources of cash were partially offset by a $2.8 million increase in inventories.

Cash from Investing Activities

Our investing activities in the six months ended June 30, 2026, resulted in a $9.0 million net use of cash, primarily consisting of $2.7 million for purchases of investments, net of maturities and $6.3 million for purchases of property and equipment.

Our investing activities in the six months ended June 30, 2025, generated $37.1 million of cash, primarily consisting of $48.8 million from sales and maturities of investments, net of purchases, partially offset by $11.7 million for purchases of property and equipment—primarily production-related machinery and equipment.

Cash from Financing Activities

Our financing activities in the six months ended June 30, 2026 resulted in a $21.1 million net use of cash, consisting of $23.8 million for the payment of dividends to stockholders, partially offset by proceeds of $2.7 million from the issuance of shares through our employee stock purchase plan.

Our financing activities in the six months ended June 30, 2025 resulted in a $76.6 million net use of cash, consisting of $55.7 million for the repurchase of our common stock and $23.8 million for the payment of dividends to stockholders, partially offset by proceeds of $2.8 million from the issuance of shares through our employee stock purchase plan.

Other Information

Our cash, cash equivalents and investment balances may change in future periods due to changes in our planned cash outlays, including changes in incremental costs such as direct and integration costs related to future acquisitions. Current U.S. tax laws generally allow companies to repatriate accumulated foreign earnings without incurring additional U.S. federal taxes. Accordingly, as of June 30, 2026, our worldwide cash and short-term investments are available to fund capital allocation needs, including capital and internal investments, acquisitions, stock repurchases and/or dividends without incurring significant U.S. federal income taxes.

If our operating results deteriorate in future periods, either as a result of a decrease in customer demand or pricing pressures from our customers or our competitors, or for other reasons, our ability to generate positive cash flow from operations may be jeopardized. In that case, we may be forced to use our cash, cash equivalents and short-term investments, use our current financing or seek additional financing from third parties to fund our operations. We believe that cash generated from operations, together with existing sources of liquidity, will satisfy our projected working capital and other cash requirements for at least the next 12 months. Our uses of cash beyond the next 12 months will depend on many uncertain factors, including the general economic environment in which we operate and our ability to generate cash flow from operations, but include funding our operations and additional capital expenditures.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to our interest rate risk and foreign currency exchange risk during the first six months of 2026. For a discussion of our exposure to interest rate risk and foreign currency exchange risk, refer to our market risk disclosures set forth in Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” of the 2025 Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Limitation on Effectiveness of Controls

Any control system, no matter how well designed and operated, can provide only reasonable assurance as to the tested objectives. The design of any control system is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. The inherent limitations in any control system include the realities that judgments related to decision-making can be faulty, and that reduced effectiveness in controls can occur because of simple errors or mistakes. Due to the inherent limitations in a cost-effective control system, misstatements due to error may occur and may not be detected.

Evaluation of Disclosure Controls and Procedures

Management is required to evaluate our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”). Disclosure controls and procedures are controls and other procedures designed to provide reasonable assurance that information required to be disclosed in our reports filed under the Exchange Act, such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include controls and procedures designed to provide reasonable assurance that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer as appropriate to allow timely decisions regarding required disclosure. Based on our management’s evaluation (with the participation of our principal executive officer and principal financial officer), our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2026, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information with respect to this item may be found in Note 11, *Commitments and Contingencies,* in our Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1, of this Quarterly Report on Form 10-Q, which information is incorporated herein by reference.

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Quarterly Report on Form 10-Q, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes, before making a decision to invest in our common stock. Our business, financial condition, results of operations, or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material. If any of the risks actually occur, our business, financial condition, results of operations, and prospects could be adversely affected. In that event, the market price of our common stock could decline, and you could lose all or part of your investment.

Risks Related to Ownership of Our Common Stock

Our operating results are volatile and difficult to predict. If we fail to meet the expectations of public market analysts or investors, the market price of our common stock may decrease significantly.

Our net revenue and operating results have varied significantly in the past, are difficult to forecast, are subject to numerous factors both within and outside of our control, and may fluctuate significantly in the future. As a result, our operating results could fall below the expectations of public market analysts or investors. If that occurs, the price of our stock may decline.

Some of the factors that could affect our operating results and the price of our stock include but are not limited to the following:

<u>Risks Related to the Operation and Growth of Our Business</u>

- The demand for our products may decline in the major end markets we serve and our products may be unable to penetrate additional markets; which may occur due to competitive factors, supply chain fluctuations, rising inflation or other changes in macroeconomic or geopolitical conditions;
- the volume and timing of orders received from customers;
- our ability to develop and bring to market new products and technologies, including on a timely basis;
- reliance on international sales activities for a substantial portion of our net revenue;
- the lengthy timing of our sales cycle;
- sales of our products through distributors, which limits our direct interaction with our end customers, reducing our ability to forecast sales and increasing the complexity of managing our business;
- the cyclical nature of the power supply industry and cyclical market patterns across different end markets for which our products are used;
- competitive pressures on selling prices;
- risks associated with our supply chain including the volume, cost, and timing of delivery of orders placed by us with our wafer foundries and assembly subcontractors, and their ability to procure materials;
- undetected defects, quality issues, warranty claims, or product recalls related to our products;
- our ability to attract and retain qualified personnel;

- changes in global trade policy, including tariffs, could reduce demand for end products that incorporate our products, which could have a material adverse effect on our revenue and operating results;
- our ability to realize the expected benefits of restructuring initiatives designed to reduce costs and create a more efficient organization;
- debt obligations we incur in the future could adversely affect our financial condition;

Risks Related to Laws and Regulations

- the inability to adequately protect or enforce our intellectual property rights;
- we have been and may be subject to or involved in litigation, threatened litigation, or other disputes, the outcome of which may be difficult to predict, and which may be costly to defend, divert management attention, require us to pay damages or other payments, or restrict the operation of our business;
- expenses we are required to incur (or choose to incur) in connection with litigation;
- changes in tax rules and regulations, changes in interpretation of tax rules and regulations, or unfavorable assessments from tax audits may increase the amount of taxes we are required to pay and require management time and attention;
- changes in environmental laws and regulations, including with respect to energy consumption and climate change;
- continued impact of changes in securities laws and regulations, including potential risks resulting from our evaluation of our internal controls over financial reporting;

General Risk Factors

- current or potential war, domestic or international conflict, political or social instability, or military actions, including the conflicts in Ukraine and the Middle East;
- failure, disruption, security breaches, or other incidents impacting our information technology infrastructure or information management systems;
- interruptions in our information technology systems;
- unfavorable or uncertain market conditions and risks relating to the adoption, use, or application of emerging technologies, including AI, by our customers and in our business;
- fluctuations in exchange rates, particularly the exchange rate between the U.S. dollar and the Japanese yen, the Euro and the Swiss franc;
- earthquakes, fire, global health crises, or other disasters;
- risks associated with acquisitions and strategic investments; and
- our ability to successfully integrate, or realize the expected benefits from, our acquisitions.

Risks Related to the Operation and Growth of Our Business

If demand for our products decline in our major end markets and we do not penetrate additional markets, our net revenue will decrease.

When our customers are not successful in maintaining high levels of demand for their products, their demand for our products decreases, which adversely affects our operating results. A limited number of applications for our products, such as consumer appliances and cellphone chargers, make up a significant percentage of our revenue. We expect that a significant level of our revenue and, therefore, our operating results will continue to be dependent upon these applications in the near and mid-term. Demand for end products incorporating our products has been highly cyclical over time and has been impacted by economic downturns. Our recent results have been impacted by economic conditions, including increases in inflation rates as well as softness in the housing market, which affects demand for consumer appliances. Any economic slowdown or disruption in the end markets that we serve could cause a slowdown in demand for our products, causing our revenue to decline and potentially result in lower revenue and write-offs of excess or obsolete inventory, which could cause the price of our stock to fall.

We believe that our future success depends in part upon our ability to penetrate additional markets for our products. We cannot provide assurances that we will be able to overcome the marketing or technological challenges necessary to penetrate additional markets. To the extent that a competitor penetrates additional markets before we do, or takes market share from us in our existing markets, our revenue and financial condition could be materially adversely affected.

We do not have long-term contracts with any of our customers and if they fail to place, cancel, or reschedule orders for our products, our operating results and our business may suffer.

Our business is characterized by short-term customer orders and shipment schedules. The ordering patterns of some of our large customers have been unpredictable in the past and will likely remain unpredictable in the future. Not only does the volume of units ordered by particular customers vary substantially from period to period, but purchase orders received from particular customers often vary substantially from early oral estimates provided by those customers for planning purposes. In addition, customer orders can generally be canceled or rescheduled without significant penalty to the customer. In the past, we have experienced customer cancellations of substantial orders for reasons beyond our control usually due to decreased demand from our customers' end customers. Significant cancellations could occur again at any time. A relatively small number of distributors, OEMs, and other customers account for a significant portion of our revenue. As a result, any challenges that we face with a key distributor, including the loss of a key distributor, could harm our business. Similarly, although we sell through various distributors, certain end customers account for a significant portion of our revenue.

If our efforts to enhance existing products and introduce new products are not successful, we may not be able to generate demand for our products.

Our success depends in significant part upon our ability to develop new products for high-voltage power conversion for both existing and new markets, to introduce these products in a timely manner, and to have these products selected for design into our customers' end products. New product introduction schedules are subject to risks and uncertainties that typically accompany development and delivery of complex technologies to the marketplace, including product development delays and defects. We have experienced delays in the past in completing new product development. If we fail to develop and sell new products in a timely manner in the future, then our net revenue and ability to compete both domestically or internationally could decline.

In addition, we cannot be sure that we will be able to adjust to changing market demands as quickly and as cost-effectively as necessary to successfully compete. Furthermore, we cannot provide assurances that we will be able to introduce new products in a timely and cost-effective manner or in sufficient quantities to meet customer demand or that these products will achieve market acceptance. Our failure, or our customers' failure, to develop and introduce new products successfully and in a timely manner would harm our business. In addition, customers may defer or return orders for existing products. While we maintain reserves for potential customer returns, we cannot provide assurances that these reserves will be adequate.

Our international sales activities account for a substantial portion of our net revenue, which subjects us to substantial risks.

Sales to customers outside of the U.S. account for, and have historically accounted for, a large portion of our revenue. Approximately 98% of our revenue for each of the years ended December 31, 2025, 2024 and 2023 was generated by sales to customers outside of the U.S. If our international sales decline and we are unable to increase domestic sales, our revenue and operating results would be harmed. International sales and global conditions involve a number of risks to our business, including:

- tariffs, protectionist measures, and other trade barriers and restrictions;
- potential insolvency of international distributors and representatives;
- reduced protection for intellectual property rights in some countries;
- the impact of recessionary environments and inflation in the U.S. and other geographies where we do business;
- global, regional, and local circumstances, including, but not limited to, social, economic, political, and supply chain instability related to the uncertainty regarding relationships among countries, including tensions between China and Taiwan and between China and other countries;

- ongoing, escalating or potential conflicts between countries or regions, including those currently involving Russia, Ukraine, Israel, Gaza, Lebanon, Iran, and the United States, as well as the risk of broader regional destabilization in the Middle East, and the related disruption to global energy supplies, volatility in oil and commodity prices, and adverse macroeconomic effects;
- the burdens of complying with a variety of foreign and applicable U.S. Federal and state laws; and
- foreign-currency exchange fluctuations.

Our failure to adequately address these risks could reduce our international sales and materially and adversely affect our operating results. Furthermore, because substantially all of our foreign sales are denominated in U.S. dollars, increases in the value of the dollar versus other currencies causes the price of our products in foreign markets to rise, making our products more expensive relative to competing products priced in local currencies.

Because the sales cycle for our products can be lengthy, we may incur substantial expenses before we generate significant revenue, if any.

Our products are generally incorporated into a customer's products at the design stage. However, customer decisions to use our products, commonly referred to as "design wins," can often require us to expend significant research and development and sales and marketing resources without any assurance of success. These significant research and development and sales and marketing resources often precede volume sales, if any, by a year or more. The value of any design win will largely depend upon the commercial success of the customer's product. We cannot provide assurances that we will continue to achieve design wins or that any design win will result in future revenue. If a customer decides at the design stage not to incorporate our products into its product, we may not have another opportunity for a design win with respect to that product for many months or years.

Our products are sold through distributors, which limits our direct interaction with our end customers, therefore reducing our ability to forecast sales and increasing the complexity of our business.

Sales to distributors account for a significant portion of our revenue. Selling through distributors reduces our ability to forecast sales and creates challenges for our business by requiring us, among other things, to:

- manage a more complex supply chain;
- monitor the level of inventory of our products at each distributor, and
- monitor the financial condition and credit-worthiness of our distributors, many of which are located outside of the United States and are not publicly traded.

Since we have limited ability to forecast inventory levels at our end customers, it is possible that there may be significant build-up of inventories in the distributor channel, with the OEM or the OEM's contract manufacturer. Such a buildup could result in a slowdown in orders, requests for returns from customers, or requests to move out future shipments. This could adversely impact our revenue and profits. Any failure to manage these complexities could disrupt or reduce sales of our products and unfavorably impact our financial results.

In addition, to the extent we are not able to keep our products away from unintended markets, demand and pricing dynamics can become distorted in our distributor channel and in certain geographies, which could adversely affect our revenue. Customers purchasing our products on unintended markets may use our products for purposes for which they were not intended, or may purchase counterfeit or substandard products, for instance that have been altered or damaged, which could harm our business and cause our reputation to be adversely affected.

Our products are used across different end markets and a significant downturn in any of these end markets could cause a meaningful reduction in demand for our products and adversely affect our operating results.

The power supply industry is highly cyclical and subject to downturns, such as we have recently seen, and our revenue and gross margin can fluctuate significantly due to such downturns. These downturns can be severe and prolonged and result in price erosion and weak demand for our products. Weak demand for our products resulting from general economic conditions affecting the end markets we serve, or the power supply industry specifically, and reduced spending by our customers can result, and in the past has resulted, in diminished product demand, high inventory levels, erosion of average selling prices, excess and obsolete inventories, and corresponding inventory write-downs. Our expense levels are based, in part, on our expectations of future sales. Many of our expenses, particularly those relating to facilities, capital equipment, and other overhead, are relatively fixed. We might be unable to reduce spending quickly enough to compensate for reductions in sales. Accordingly, shortfalls in sales could adversely affect our operating results. Furthermore, any significant upturn in the power supply industry could result in increased competition for access to raw materials and third-party service providers. For example, infrastructure investments in AI have increased substantially, driving significant demand increases in the data center computing market and straining the supply chain. If we are unable to manage our supply chain or timely or efficiently scale to meet growing demand or if we have not accurately assessed the magnitude or sustainability of such demand, our results of operations could be adversely impacted.

Additionally, our products are used across different end markets, and demand for our products is difficult to predict as demand varies within and among our end markets. Our target markets may not grow or develop as we currently expect, and demand may increase or change in one or more of our end markets. Changes in demand may reduce our revenue, lower our gross margin, and effect our operating results. Any deterioration in these end markets, reductions in the magnitude of revenue streams, our inability to meet design and pricing requirements, or volatility in demand for our products could lead to a reduction in our revenue and adversely affect our operating results. Our success in our end markets depends on many factors, including the strength or financial performance of our customers, our ability to timely meet rapidly changing product requirements, market needs, and our ability to maintain design wins across different markets and customers to dampen the effects of market volatility. The dynamics of the markets in which we operate make prediction of and timely reaction to such events difficult.

In addition, expectations and front-loaded investment related to AI may increase the magnitude and volatility of industry cycles, making downturns more abrupt or recoveries more uneven. Recent industry investment and customer spending patterns have been influenced by heightened interest in AI and AI-related applications. To the extent that current levels of investment in AI-related infrastructure, products, or end-market demand reflect expectations that are not ultimately realized, or if customer spending related to AI moderates, is delayed, or declines more rapidly than anticipated, the industry could experience an accelerated or more pronounced downturn.

Due to these and other factors, our past results may not be reliable predictors of our future results. If we are unable to accomplish any of the foregoing, or to offset the volatility of cyclical changes in the power supply industry or our end markets through diversification into other markets, these factors could materially and adversely affect our business, financial condition, and operating results.

Intense competition in the high-voltage power supply industry may lead to a decrease in our average selling price and reduced sales volume of our products.

The high-voltage power supply industry is intensely competitive and characterized by significant price sensitivity. Our products face competition from alternative technologies, such as linear transformers, discrete switcher power supplies, and other integrated and hybrid solutions. If the price of competing solutions decreases significantly, the cost effectiveness of our products will be adversely affected. If power requirements for applications in which our products are currently utilized go outside the cost-effective range of our products, some of these alternative technologies can be used more cost effectively. In addition, as our patents expire, our competitors could legally begin using the technology covered by the expired patents in their products, potentially increasing the performance of their products and/or decreasing the cost of their products, which may enable our competitors to compete more effectively. Our current patents may or may not inhibit our competitors from getting any benefit from an expired patent.

Additionally, we compete with major domestic and international semiconductor companies, many of which have greater market recognition and substantially greater financial, technical, marketing, distribution, and other resources than we do. In addition, some governments, such as China, may provide, or have provided and may continue to provide, significant financial assistance or otherwise, to some of our competitors, or to new entrants, and may intervene in support of national industries and/or competitors, including to try to disrupt the U.S. semiconductor industry. The semiconductor industry has experienced significant consolidation in recent years, which has resulted in several of our competitors becoming much larger in terms of revenue, product offerings, and scale. We may be unable to compete successfully in the future, which could harm our business.

We have experienced in the past, and may experience in the future, competitive pricing pressures on our products. We may be unable to maintain average selling prices due to increased pricing pressure, including as a result of actions taken by foreign governments such as China to favor companies located in their own country, which could adversely impact our operating results.

We, and our competitors, seek to improve yields, which could result in significant increases in worldwide supply and downward pressure on prices. Increases in worldwide supply of semiconductor products, if not accompanied by commensurate increases in demand, could lead to declines in average selling prices for our products, and could materially adversely affect our business, results of operations, or financial condition.

We depend on third-party suppliers to provide us with wafers for our products and if they fail to provide us sufficient quantities of wafers, our business may suffer.

Our primary supply arrangements for the production of wafers are with several fabs located in Japan and the U.S. Our contracts with these suppliers expire on varying dates through 2035. Although some aspects of our relationships with our fabs are contractual, many important aspects of these relationships depend on their continued cooperation. We cannot provide assurances that we will continue to work successfully with our wafer suppliers in the future, and that the wafer foundries' capacity will meet our needs. Additionally, one or more of these wafer foundries could seek an early termination of their wafer supply agreements with us. Any serious disruption in the supply of wafers from our wafer suppliers could harm our business. We estimate that it would take 12 to 24 months from the time we identified an alternate manufacturing source to produce wafers with acceptable manufacturing yields in sufficient quantities to meet our needs.

Although we provide our foundries with rolling forecasts of our production requirements, their ability to provide wafers to us is ultimately limited by the available capacity of the wafer foundry. Any reduction in wafer foundry capacity available to us could require us to pay amounts in excess of contracted or anticipated amounts for wafer deliveries, require us to make other concessions to meet our customers' requirements, or may limit our ability to meet demand for our products. Further, to the extent demand for our products exceeds wafer foundry capacity, this could inhibit us from expanding our business and harm relationships with our customers. Any of these concessions or limitations could harm our business.

If our third-party suppliers and independent subcontractors do not produce our wafers and assemble our finished products at acceptable yields, our revenue may decline. We depend on independent foundries to produce wafers, and independent subcontractors to assemble and test finished products, at acceptable yields and to deliver them to us in a timely manner. The failure of the foundries to supply us with wafers at acceptable yields could prevent us from selling our products to our customers and would likely cause a decline in our revenue and gross margin. In addition, our assembly process requires our manufacturers to use a high-voltage molding compound that has been available from only a few suppliers. These compounds and their specified processing conditions require a more exacting level of process control than normally required for standard semiconductor packages. Unavailability of assembly materials or issues with the assembly process can materially and adversely affect yields, timely delivery, and cost to manufacture. We may not be able to maintain acceptable yields in the future.

In addition, if prices for commodities used in our products increase significantly, raw material costs would increase for our suppliers which could result in an increase in the prices our suppliers charge us. To the extent we are not able to pass these costs on to our customers; this would have an adverse effect on our gross margins.

Additionally, certain materials are primarily available in a limited number of countries, including rare earth elements, minerals, and metals. Trade disputes, geopolitical tensions, economic circumstances, transit disruptions, political conditions, or public health issues, may limit our ability to obtain materials or equipment. Although rare earth and other materials are generally available from multiple suppliers, China is the predominant producer of certain of these materials. If China were to restrict or stop exporting these materials, our suppliers' ability to obtain such supply may be constrained and we may be unable to obtain sufficient quantities, or obtain supply in a timely manner, or at a commercially reasonable cost. Constrained supply of rare earth elements, minerals, and metals may restrict our ability to manufacture certain of our products and make it difficult or impossible to compete with other semiconductor manufacturers who are able to obtain sufficient quantities of these materials from China or other countries.

Our products must meet exacting specifications, and undetected defects, failures or other quality issues may occur which may cause customers to return or stop buying our products and/or impose significant costs to us.

Our customers generally establish demanding specifications for quality, performance, and reliability, and our products must meet these specifications. Semiconductors encounter development delays and may contain undetected defects, failures, or other quality issues when first introduced or after commencement of commercial shipments. We have in the past experienced product quality, performance, and reliability issues. If defects and failures occur in our products or if or any such failures are alleged to result in bodily injury, death, and/or property damage, we could experience lost revenue, decreased ability to compete, increased costs (including product warranty or liability claims) and costs associated with customer support and product recalls, delays in or cancellations or rescheduling of orders or shipments, and product returns. Some OEMs expect suppliers to warrant their products for longer periods of time and are increasingly looking to them for contribution when faced with product liability claims or recalls. While we specifically exclude consequential damages in our standard terms and conditions, certain of our contracts may not exclude such liabilities. We carry various commercial liability policies, including umbrella/excess policies which may cover certain damages arising out of product defects. These policies may not cover all claims or be of a sufficient amount to fully protect against such claims, and a successful warranty or product liability claim against us in excess of our available insurance coverage, or a requirement that we participate in a product recall, could have an adverse effect on our business results. Further, in the future, it is possible that we will not be able to obtain insurance coverage in the amounts and for the risks we seek at costs and terms we desire. Additionally, if our products fail to perform as expected or such failure of our products results in a recall, our reputation may be damaged, which could make it more difficult for us to sell our products to existing and prospective customers and could materially and adversely affect our business, results of operations, and financial condition.

We must attract and retain qualified personnel to be successful and competition for qualified personnel is intense in our market.

Our success depends to a significant extent upon the continued service of our executive officers and other key management and technical personnel, and on our ability to continue to attract, retain, and motivate qualified personnel, such as experienced analog design engineers and systems applications engineers. The competition for these employees is intense, particularly in Silicon Valley, where we are headquartered. The loss of the services of our engineers, executive officers, or other key personnel could harm our business. In addition, if qualified personnel leave our employ, and we are unable to quickly and efficiently replace those individuals with qualified personnel who can smoothly transition into their new roles, our business may suffer. We do not have employment contracts with, and we do not have in place key person life insurance policies on, any of our employees.

Changes in our management team can also disrupt our business and adversely affect our results of operations, given the lengthy sales cycle for our products and the large capital investments over a long time period required for our operations. We have had a number of changes in our senior leadership team in recent years, including, for example, the retirement of our former chief executive officer and the departure of our former chief financial officer in 2025. To the extent we do not effectively hire, onboard, retain, and motivate key employees and leadership, our business may be harmed.

Changes in global trade, in particular the escalation and imposition of new and higher tariffs and additional export controls, could reduce demand for end products that incorporate our products, which could have a material adverse effect on our revenue and operating results.

Although power supplies using our products are designed and distributed worldwide, most of these power supplies are manufactured by our customers in Asia. As a result, our business is subject to risks related to tariffs and other trade protection measures put in place by the U.S. or other countries, as well as evolving international trade relations, including but not limited to those between the U.S., China, countries in the APAC region, and the EU.

During 2025, the U.S. government imposed and threatened significant additional tariffs on goods imported into the U.S. from most of its trading partners, and, in response, multiple countries imposed or threatened retaliatory tariffs and other actions. Trade tensions between the U.S. and China have escalated and may continue to escalate, including the U.S. increasing tariffs on goods originating in China and China increasing tariffs on goods originating in the U.S. Changes in trade policies and a heightened risk of further increased tariffs or other barriers to international trade could further decrease international demand as many of our customers sell products incorporating our products into international markets.

Existing or future tariffs proposed or imposed on our customers' products may adversely affect our gross profit margins in the future due to the potential for increased pressure on our selling prices by customers seeking to offset the impact of tariffs on their own products or other products that they purchase. In addition, tariffs could make our customers' products less attractive relative to products offered by their competitors, that may not be subject to, or as significantly impacted by, similar tariffs. Further or sustained increases in tariffs on imported goods or the failure to resolve current or new international trade disputes could further decrease demand and have a material adverse effect on our business and operating results. Even if we are able to take measures to mitigate the impacts of existing or future tariffs, there is no guarantee that our efforts will be successful, or that we will be able to fully mitigate such impacts.

Resulting trade disputes, trade restrictions, tariffs, and other political tensions between the U.S. and other countries or among countries may also exacerbate unfavorable macroeconomic conditions including inflationary pressures, foreign exchange volatility, financial market instability, and economic recessions or downturns, which may also negatively impact customer demand for our products, delay purchases or renewals, limit our ability to obtain equipment, components or raw materials, limit expansion opportunities with customers, limit our access to capital, or otherwise negatively affect our business and operations. Ongoing tariff, trade restrictions and macroeconomic uncertainty also has and may continue to contribute to volatility in the price of our common stock.

In some cases, our products and power supplies using our products are subject to import and export control laws and regulations, including the Export Administration Regulations administered by the U.S. Department of Commerce and trade and economic sanctions, including those administered by the U.S. Treasury Department's Office of Foreign Assets

Control. As such, licenses and notices may be required to import, export, or re-export our products and power supplies using our products to certain countries and end users or for certain end uses. The process of obtaining necessary licenses or making required notices may be time-consuming or unsuccessful, potentially causing delays in sales or losses of sales opportunities. Trade controls are complex and ensuring compliance can be challenging. Failure to adhere to such rules and regulations can result in the incurrence of fines, loss of import or export privileges, seizure of products, loss of reputation and other penalties, any of which could have a material adverse effect on our business, sales, and earnings. A change in laws and regulations could restrict our ability to transfer products to previously permitted countries, customers, distributors, or others. It is also possible that evolving U.S. export controls may encourage non-U.S. governments to request that our customers purchase from companies not subject to U.S. export controls, thereby harming our business, market position, and financial results. Excessive export controls increase the risk of investing in U.S. semiconductor products, because by the time a new product is ready for market, it may be subject to new unilateral export controls restricting its sale. At the same time, such controls may increase investment in foreign competitors, which would be less likely to be restricted by U.S. controls.

Furthermore, compliance with import and export controls and implementation of additional tariffs may increase regulatory compliance costs and further affect our business and operating results.

We may incur higher than expected expenses or not realize the expected benefits, or any benefits, of restructuring initiatives designed to reduce costs and create a more efficient organization.

We have pursued in the past and may pursue in the future restructuring initiatives designed to reduce costs and create a more efficient organization to support our business, including reductions in our workforce or relocating certain operations. Any restructuring initiatives could result in potential adverse effects on employee capabilities; our continued ability to recruit, hire, retain, and motivate highly skilled personnel; our ability to maintain and grow our customer base; or our ability to effectively operate other aspects of our business. Adverse effects of our restructuring activities could lead to additional costs, harm our efficiency, or impact our ability to effectively operate our business. In addition, we may be unsuccessful in our efforts to realign our organizational structure and shift our investments. The potential negative impact of restructuring efforts on our business may have a material impact on our business, financial condition and results of operations.

Our reduction in force announced in February 2026 may not result in anticipated cost savings and could disrupt our business.

In February 2026, we announced a reduction in force that resulted in the termination of approximately 7% of our global workforce in order to decrease our costs and create a more efficient organization to support our business. We may not realize, in full or in part, the anticipated benefits, savings, and improvements in our operating structure from our new strategic efforts due to unforeseen difficulties, delays, or unexpected costs. If we are unable to realize the expected operational efficiencies and cost savings from the reduction in force, our results of operation and financial condition would be adversely affected. We also cannot guarantee that we will not have to undertake additional workforce reductions or related activities in the future. Such future cost reduction efforts may adversely affect our ability to attract and retain employees, and may adversely affect our culture and impact our ability to effectively pursue our business strategy. For example, our workforce reduction could yield unanticipated consequences, such as attrition beyond planned staff reductions, increased difficulties in our day-to-day operations, and reduced employee morale. If employees who were not affected by the reduction in force seek alternate employment, this could result in us seeking contract support which may result in unplanned additional expense or harm our productivity. Our workforce reduction could also harm our ability to attract and retain key management and technical personnel who are critical to our business.

Debt obligations we incur in the future could adversely affect our financial condition.

On April 10, 2026, we entered into a new unsecured loan agreement with PNC Bank, National Association (the “PNC Loan Agreement”) and terminated our credit agreement with Wells Fargo Bank, National Association. We had no advances outstanding under the PNC Loan Agreement as of June 30, 2026. In the future, we may incur, under the PNC Loan Agreement or otherwise, debt to finance our capital investments, general corporate purposes, and other activities. Any debt obligations could adversely impact us as follows:

- require us to use a large portion of our cash flow to pay principal and interest on debt, which will reduce the amount of cash flow available to fund our business activities;
- adversely impact our credit rating, which could increase borrowing costs and reduce our ability to raise funds on favorable terms;

- limit our future ability to raise funds for capital expenditures, strategic acquisitions or business opportunities, R&D, and other general corporate requirements;
- restrict our ability to incur specified indebtedness, create or incur certain liens, and enter into sale-leaseback financing transactions;
- increase our vulnerability to adverse economic and industry conditions;
- increase our exposure to rising interest rates from variable rate indebtedness; and
- result in certain of our debt instruments becoming immediately due and payable or being deemed to be in default if applicable cross default, cross-acceleration, and/or similar provisions are triggered.

Our ability to meet the payment obligations under any debt instruments in the future will depend on our ability to generate significant cash flows or obtain external financing in the future. This, to some extent, is subject to market, economic, financial, competitive, legislative, and regulatory factors, as well as other factors that are beyond our control. There can be no assurance that our business will generate cash flow from operations, or that additional capital will be available to us, in amounts sufficient to enable us to meet our debt payment obligations and to fund other liquidity needs. Additionally, events and circumstances may occur which would cause us to be unable to satisfy applicable draw-down conditions and therefore be unable to utilize our PNC Loan Agreement. If we are unable to generate sufficient cash flows to service our debt payment obligations or satisfy our debt covenants, we may need to refinance, restructure, or amend the terms of our debt, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may be unable to meet our debt payment obligations, which could have a material adverse effect on our business, results of operations, or financial condition.

Provisions in our charter documents and Delaware law could prevent, delay, or impede a change in control of us and may negatively affect the market price of our common stock.

Provisions of our certificate of incorporation and bylaws could have the effect of discouraging, delaying, or preventing a merger or acquisition that a stockholder may consider favorable. For example, our certificate of incorporation authorizes the issuance of blank-check preferred stock, the rights, preferences and privileges of which may be designated by our board of directors without stockholder approval. Our certificate of incorporation also does not permit stockholders to act by written consent in lieu of a meeting. In addition, while our bylaws permit stockholders holding at least 10% of the shares entitled to vote to call a special meeting, they impose detailed procedural and informational requirements on any such request, and our bylaws separately include advance notice provisions governing stockholder nominations of directors and proposals of other business at a stockholders' meeting. Our board of directors is expressly authorized to make, alter, or repeal our bylaws, and our certificate of incorporation requires the affirmative vote of holders of a majority of the outstanding voting power of our capital stock to amend or repeal certain provisions of our certificate of incorporation. We also are subject to the anti-takeover laws of Delaware which may discourage, delay, or prevent someone from acquiring or merging with us, which may adversely affect the market price of our common stock.

Risks Related to Laws and Regulations

If we are unable to adequately protect or enforce our intellectual property rights, we could lose market share, incur costly litigation expenses, suffer incremental price erosion, or lose valuable assets, any of which could harm our operations and negatively impact our profitability.

Our success depends upon our ability to continue our technological innovation and protect our intellectual property, including patents, trade secrets, copyrights, and know-how. We cannot provide assurances that the steps we have taken to protect our intellectual property will be adequate to prevent misappropriation, or that others will not develop competitive technologies or products. From time to time, we have received, and we may receive in the future, communications alleging our possible infringement of patents or other intellectual property rights of others. Costly litigation may be necessary to enforce our intellectual property rights or to defend us against claimed infringement. The failure to obtain necessary licenses and other rights, and/or litigation arising out of infringement claims could cause us to lose market share and harm our business.

Our U.S. patents have expiration dates ranging from 2026 to 2046. We cannot provide assurances that our products will continue to compete favorably or that we will be successful in the face of increasing competition from new products and enhancements introduced by existing competitors or new companies entering the market. We believe our failure to compete successfully in the high-voltage power supply business, including our ability to introduce new products with higher average selling prices, would materially harm our operating results. As our patents expire, we will lose intellectual property protection previously afforded by those patents. Additionally, the laws of some foreign countries in which our technology is or may in the future be licensed may not protect our intellectual property rights to the same extent as the laws of the U.S., thus limiting the protections applicable to our technology.

If we do not prevail in our litigation, we will have expended significant financial resources, potentially without any benefit, and may also suffer the loss of rights to use some technologies.

In the event of an adverse outcome in any litigation challenging our use of intellectual property, we may be required to pay substantial damages, stop our manufacture, use, sale, or importation of infringing products, or obtain licenses to any intellectual property we are found to have infringed. We have incurred significant legal costs in conducting lawsuits, and our involvement in any future intellectual property litigation could adversely affect sales and divert the efforts and attention of our technical and management personnel, whether or not such litigation is resolved in our favor.

We have been and, in the future, may be subject to or involved in litigation, threatened litigation, or other disputes, the outcome of which may be difficult to predict, and which may be costly to defend, divert management attention, require us to pay damages or other payments, or restrict the operation of our business.

From time to time, we have been and, in the future, may be subject to a variety of disputes and litigation, with and without merit, all of which may be costly and may divert the attention of our management. The claims underlying such disputes and litigation could be various and may include, but are not limited to, product indemnification claims, employment-related claims, including claims of wrongful termination, discrimination, harassment, retaliation, and wage and hour disputes, claims of alleged infringement of patents, trademarks, copyrights and other intellectual property rights, claims of alleged non-compliance with contract provisions, and claims related to alleged violations of laws and regulations. In 2021, we were named in a wrongful termination lawsuit by a former employee. The matter went to trial in 2025 and resulted in a jury verdict adverse to the Company in the amount of $9.15 million plus significant additional costs. The results of any complex legal proceeding is difficult to predict. The resolution of any litigation, threatened litigation, or other dispute, could involve the payment, which may be significant or involve an agreement that restricts the operation of our business. Regardless of the amount in damages we may pay, even if minimal, the costs of defending any such lawsuits may be significant. We may be unable to obtain insurance coverage for the claims underlying all of our litigation and dispute risks on terms acceptable to us, or at all. Allegations made in the course of legal proceedings may also harm our reputation, regardless of whether there is merit to such claims. Any litigation, threatened litigation, or other disputes could be harmful to our business and results of operations.

Changes in tax rules and regulations, changes in interpretation of tax rules and regulations, or unfavorable assessments from tax audits may increase the amount of taxes we are required to pay.

Our operations are subject to income and other taxes in the U.S. and in multiple foreign jurisdictions. The U.S., countries in Asia, and other countries where we do business have recently enacted or are considering changes in relevant tax, accounting, and related laws, regulations, and interpretations, including changes to tax laws applicable to multinational companies. For example, on July 4, 2025, the U.S. enacted legislation commonly referred to as the “One Big Beautiful Bill Act,” which, among other changes, allows domestic research and development expenditures to be expensed for tax years beginning on January 1, 2025 and modifies certain international tax provisions for tax years starting on January 1, 2026. This legislation or other potential changes could adversely affect our effective tax rates or result in other costs to us.

The EU member states formally adopted the EU’s Pillar Two Directive, which was established by the Organization for Economic Cooperation and Development (the “OECD”), and which generally provides for a 15% minimum effective tax rate for multinational corporations, in all jurisdictions in which they operate (“Pillar Two”). However, on January 5, 2026, the OECD announced a “side-by-side” elective safe harbor that exempts U.S.-parented multinational corporations from certain provisions of Pillar Two for fiscal years beginning on January 1, 2026.
The foregoing items could have a material effect on our business, cash flow, results of operations or financial conditions.

Changes in environmental laws and regulations, including with respect to energy consumption and climate change, may have a negative impact on our business.

Changing environmental regulations and the timetable to implement them continue to impact our customers’ demand for our products. Currently we have limited visibility into our customers’ strategies to implement these changing environmental regulations into their business operations. The inability to accurately determine our customers’ strategies could make some of our products obsolete, thereby increasing our inventory-related costs.

The semiconductor industry is subject to environmental regulations, particularly those that control and restrict the sourcing, use, transportation, storage, and disposal of certain minerals, chemicals, and materials used in the semiconductor manufacturing process. We expect the heightened worldwide awareness regarding climate change and its environmental impact to continue, which may result in new environmental laws and regulations that could affect us, our suppliers, or our customers. New environmental laws and regulations could require us or our suppliers to obtain alternative materials that may increase our costs or be unavailable to us, thereby negatively impacting our ability to manufacture our products, which may adversely affect our operating results.

Additionally, the heightened worldwide awareness regarding climate change could also result in risks such as shifting customer preferences. Changing customer preferences may result in increased expectations regarding our solutions, products, and services, including the use of packaging materials and other components in our products and their environmental impact. These expectations may cause us to incur additional costs or make other changes to our operations to respond to these changes, which could adversely affect our financial results. If we fail to manage transition risks and customer expectations in an effective manner, customer demand for our solutions, products, and services could diminish, and our profitability could suffer. Concerns over climate change, as well as the adoption of new laws or regulations, may also result in shifts in customer expectations, preferences, or requirements, which may require us to change our practices or incur increased costs or adversely impact customer demand for our products and services.

Securities laws and regulations, including potential risk resulting from our evaluation of internal controls over financial reporting, will continue to impact our results.

Complying with the requirements of federal securities laws, state laws, stock exchange requirements, and other legal requirements has imposed significant compliance costs, and are expected to continue to impose significant costs as well as a management burden, on us. These rules and regulations could also make it more difficult for us to attract and retain qualified executive officers and members of our board of directors, particularly qualified members to serve on our audit committee, as executive officers and members of our board of directors expect that we will provide adequate director and officer liability insurance, which may not be available to us on terms which are acceptable to us, or at all.

Additionally, because these laws, regulations, and standards are expected to be subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices.

Changes in privacy and data security and protection laws could have an adverse effect on our operations.

We are or may become subject to a variety of laws and regulations regarding privacy, data protection, and data security, such as the European Union’s General Data Protection Regulation (“GDPR”). There are numerous U.S. federal, state, and local laws and regulations and foreign laws and regulations regarding privacy and the collection, sharing, use, processing, disclosure, and protection of personal data. Such laws and regulations often vary in scope, may be subject to differing interpretations, and may be inconsistent among different jurisdictions. The costs of compliance with the GDPR and similar laws may have an adverse effect on our operations. Given that the scope, interpretation, and application of these laws and regulations are often uncertain and may be in conflict across jurisdictions, it is possible they may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. Any failure or perceived failure by us to comply with our privacy or security policies or privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personal data, may result in governmental enforcement actions, litigation, or negative publicity, and could have an adverse effect on our operating results and financial condition.

General Risk Factors

Current or potential war, domestic or international conflict, political or social instability, or military actions could adversely affect our business.

Like other U.S. companies, our business and operating results are subject to uncertainties arising out of economic consequences of current and potential military actions, civil unrest (including theft, looting, and vandalism), terrorist activities or other acts of violence and associated political instability, and the impact of heightened security concerns on domestic and international travel and commerce. These uncertainties could also lead to delays or cancellations of customer orders, a general decrease in corporate spending, or our inability to effectively market and sell our products. Any of these results could substantially harm our business and results of operations, causing a decrease in our revenue.

The ongoing military conflict involving the U.S., Israel, Iran, and other countries in the Middle East and beyond, has increased regional and global tensions. As a result, actions have been taken that impact trade, including blockades of or other sanctions that limit access to the Strait of Hormuz. This conflict may continue to cause instability in the Middle East, disruption to global energy supplies and transportation routes, and volatility or sustained increase in oil, other energy, and commodity prices. Such developments could further increase costs to us, our customers, or our suppliers, contribute to inflationary pressures, and adversely affect global economic conditions, which may have an adverse effect on our business. If these conflicts, sanctions, or geopolitical tensions worsen, we cannot provide assurances that our business will not be impacted negatively in the future.

Any failure, disruption, or security breach or incident otherwise affecting our information technology infrastructure or information management systems could have an adverse impact on our business and operations.

Cyberattacks have become increasingly more prevalent and much harder to detect, defend against, and prevent. As the frequency of cyberattacks and resulting breaches reported by other businesses and governments increase, we expect to continue to devote significant resources to improve and maintain our IT infrastructure and its security. We have incurred and may in the future incur significant costs in order to implement, maintain, and/or update security systems we believe are necessary to protect our IT infrastructure. As the techniques used to obtain unauthorized access to or to sabotage or otherwise disrupt systems change frequently and are often not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventive measures. A breakdown in existing controls and procedures around our cybersecurity environment may prevent us from detecting, reporting, or responding to cyber incidents in a timely manner and any such breakdown, or any security breach or incident suffered by us or our third-party service providers, could have a material adverse effect including, but not limited to, interruptions, disruptions, or delays in our business operations, loss of existing or future customers, claims, demands, and liabilities as well as damage to our reputation, which could adversely affect our business, reputation, and financial results. We cannot guarantee that our implemented processes for IT and risk mitigation measures will be effective for our IT systems.

Furthermore, we rely on products and services provided by third-party suppliers to operate certain critical business systems. We cannot guarantee that third parties and the infrastructure in our supply chain or our partners' supply chains have not been or will not be compromised or that they do not or will not in the future contain exploitable defects or bugs that could result in a breach of or disruption to or other incident impacting our IT infrastructure, including our products and services, or the third-party information technology systems that support our services.

We have limited insight into the data privacy or security practices of third-party service providers. Our ability to monitor these third parties' information security practices is limited, and they may not have adequate information security measures in place. If one of our third-party suppliers suffers a security breach or incident, our response may be limited or more difficult because we may not have direct access to their systems, logs and other information related to the security breach or incident.

Interruptions in our information technology systems could adversely affect our business.

We rely on the efficient and uninterrupted operation of complex information technology systems and networks to operate our business. Any significant system or network disruption, including but not limited to, new system implementations, faulty software provided by one of our vendors, computer viruses, security breaches or incidents, or energy blackouts could have a material adverse impact on our operations, sales, and operating results. We have implemented measures to manage our risks related to such disruptions, but such disruptions could still occur and negatively impact our operations and financial results. Furthermore, the risk of state-supported and geopolitically motivated cybersecurity incidents may increase due to geopolitical instability. In addition, we may incur additional costs to remedy any damages caused by these disruptions, security breaches, or other security incidents.

Unfavorable or uncertain market conditions and risks relating to the adoption, use, or application of emerging technologies, including AI, by our customers and in our business, may impact financial results and could result in reputational and financial harm and liability.

The adoption of AI solutions and other emerging technologies may not develop in the manner or in the time periods we anticipate, and as these markets are still developing and continue to evolve, demand for products and solutions related to or that support such technologies may be unpredictable and may vary significantly from one period to another. In addition, market enthusiasm and capital spending for AI-related infrastructure and applications may be cyclical or volatile. If customers or end markets materially reduce, delay, or redirect spending (including due to macroeconomic conditions, budget constraints, changes in technology architectures, a perceived overbuild of AI capacity, or other unanticipated reasons), demand for our products could be adversely affected.

These markets may also not develop as anticipated if AI training and inference costs drop materially due to customer adoption of less expensive alternative technologies or approaches, or if customers achieve desired performance using alternative solutions that reduce the need for certain components. Even if these markets evolve in the manner we anticipate, if we do not have timely, competitively priced and market-accepted products available to meet customer needs in these areas, we may miss significant opportunities, our business, financial condition, and results of operations could be materially and adversely affected.

We also use AI technologies in our own business, including in our operations, and internal processes, and we expect our use of such technologies to increase over time. Our use of AI presents risks and challenges that could affect our business and reputation, including the potential for inaccurate, incomplete, biased, or unreliable outputs; errors in design, data, or implementation; intellectual property, privacy, cybersecurity, or other legal claims; and reputational harm, any of which could adversely affect our business, financial condition, and results of operations.

Fluctuations in exchange rates, particularly the exchange rate between the U.S. dollar and the Japanese yen, Swiss franc and euro, may impact our gross margin and net income.

Our exchange rate risk related to the Japanese yen includes several suppliers with which we have wafer supply agreements based in U.S. dollars; however, these agreements also allow for mutual sharing of the impact of the exchange rate fluctuation between Japanese yen and the U.S. dollar. Each year, our management and these suppliers review and negotiate pricing; the negotiated pricing is denominated in U.S. dollars but is subject to contractual exchange rate provisions. The fluctuation in the exchange rate is shared between us and these suppliers. We maintain cash denominated in Swiss francs and euros to fund the operations of our Swiss subsidiary. The functional currency of our Swiss subsidiary is the U.S. dollar; gains and losses arising from the remeasurement of non-functional currency balances are recorded in other income in our consolidated statements of income, and material unfavorable exchange-rate fluctuations with the Swiss franc could negatively impact our net income.

In the event of an earthquake, fire, other pandemics, natural or other disasters, including with respect to climate change, our operations may be interrupted, and our business would be harmed.

Our principal executive offices and operating facilities are situated near San Francisco, California, and most of our major suppliers, which are wafer foundries and assembly houses, are located in areas that have been subject to severe earthquakes, such as Japan. Many of our suppliers are also susceptible to other disasters such as tropical storms, typhoons, tsunamis, or other catastrophic events. In the event of a disaster, we or one or more of our major suppliers may be temporarily unable to continue operations and may suffer significant property damage. Additionally, our business or our suppliers may, in the future, be adversely impacted by worldwide responses to any global health or other crises. Such impacts could include public health measures, travel restrictions, business shutdowns, border closures, delivery and freight delays, and other disruptions. Any interruption in our ability, or that of our suppliers, to continue operations could delay the development and shipment of our products and have a substantial negative impact on our financial results.

We are exposed to risks associated with acquisitions and strategic investments.

We have made, and in the future intend to make, acquisitions of, and investments in, companies, technologies, or products in existing, related, or new markets. Acquisitions involve numerous risks, including but not limited to:

- the inability to realize anticipated benefits, which may occur due to any of the reasons described below, or for other unanticipated reasons;
- the risk of litigation or disputes with customers, suppliers, partners, or stockholders of an acquisition target arising from a proposed or completed transaction;
- impairment of acquired intangible assets and goodwill as a result of changing business conditions, technological advancements, or worse-than-expected performance, which would adversely affect our financial results; and
- unknown, underestimated, or undisclosed commitments, liabilities, or issues not discovered in our due diligence of such transactions.

We may also make strategic investments with other companies, which may decline in value or not meet our desired objectives. The success of these strategic investments depends on various factors over which we may have limited or no control and requires ongoing and effective cooperation with our strategic partners. Moreover, these relationships are often illiquid, such that it may be difficult or impossible for us to exit such relationships without loss of all or a significant portion of the amounts we invested.

Our inability to successfully integrate, or realize the expected benefits from, our acquisitions could adversely affect our results.

We have made, and in the future intend to make, acquisitions of other businesses and with these acquisitions there is a risk that integration difficulties may cause us not to realize expected benefits. The success of the acquisitions could depend, in part, on our ability to realize the anticipated benefits and cost savings (if any) from combining the businesses of the acquired companies and our business, which may take longer to realize than expected.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Plans

During the three months ended June 30, 2026, none of our directors or executive officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act or any “non-Rule 10b5-1 trading arrangement” as defined in Item 408(c) of Regulation S-K.

Amendment and Restatement of 2016 Incentive Award Plan

We amended and restated the Power Integrations, Inc. 2016 Incentive Award Plan (the “A&R 2016 Incentive Award Plan”), effective as of June 3, 2026, upon the approval by our stockholders at our 2026 Annual Meeting of Stockholders.

The A&R 2016 Incentive Award Plan was amended and restated to increase the number of shares of our common stock available for issuance thereunder by 2,000,000, for a total of 9,000,000 shares.

The material terms of the A&R 2016 Incentive Award Plan are described in “Proposal 4 - Approval of Amended and Restated 2016 Incentive Award Plan” in our definitive proxy statement on Schedule 14A filed with the United States Securities and Exchange Commission on April 21, 2026, which description is incorporated herein by reference.

The foregoing description of the A&R 2016 Incentive Award Plan is qualified in its entirety by reference to the text of the A&R 2016 Incentive Award Plan, which is filed as Exhibit 10.1 to this Quarterly Report on Form 10-Q and incorporated herein by reference.

ITEM 6. EXHIBITS

EXHIBIT NUMBER	Exhibit Description	Incorporation by Reference				
		Form	File Number	Exhibit/Other Reference	Filing Date	Filed Herewith
3.1	Amended and Restated Certificate of Incorporation	10-Q	000-23441	3.1	8/06/2025	
3.2	Amended and Restated Bylaws	8-K	000-23441	3.1	1/30/2026	
10.1†	Power Integrations, Inc. Amended and restated 2016 Incentive Award Plan					X
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1**	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2**	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL Instance Document - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)					

All references in the table hereto previously filed documents or descriptions are incorporating those documents and descriptions by reference thereto.

** The certifications attached as Exhibits 32.1 and 32.2 accompanying this Quarterly Report on Form 10-Q, are not deemed filed with the SEC, and are not to be incorporated by reference into any filing of Power Integrations, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

† Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

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

POWER INTEGRATIONS, INC.

Dated:	August 6, 2026	By:	/s/ NANCY ERBA
			Nancy Erba
			Chief Financial Officer
			(Principal Financial Officer and Principal Accounting Officer)

Power Integrations, Inc.
Amended and Restated 2016 Incentive Award Plan

(As Approved by the Board of Directors on March 13, 2019)
(As Approved by the Stockholders on May 22, 2019)
(As Adjusted for the 1-for-1 Stock Dividend on August 19, 2020)
(As Approved by the Board of Directors on March 11, 2021)
(As Approved by the Stockholders on May 21, 2021)
(As Approved by the Board of Directors on March 13, 2025)
(As Approved by the Stockholders on May 15, 2025)
(As Approved by the Board of Directors on April 9, 2026)
(As Approved by the Stockholders on June 3, 2026)

1. General.

(a) Eligible Award Recipients. Employees, Directors and Consultants are eligible to receive Awards.

(b) Available Awards. The Plan provides for the grant of the following types of Awards: (i) Restricted Stock Unit Awards; (ii) Performance Stock Unit Awards; and (iii) Performance Cash Awards. For the avoidance of doubt, no other forms of equity-based awards, including but not limited to stock options and stock appreciation rights, may be granted under the Plan.

(c) Purpose. The Plan, through the granting of Awards, is intended to help the Company secure and retain the services of eligible Award recipients and provide incentives for such persons to exert maximum efforts for the success of the Company and any Affiliate.

2. Administration.

(a) Administration by Board. The Board will administer the Plan. The Board may delegate administration of the Plan to a Committee or Committees, as provided in Section 2(c).

(b) Powers of Board. The Board will have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine (A) who will be granted Awards; (B) when and how each Award will be granted; (C) what type of Award will be granted; (D) the provisions of each Award (which need not be identical), including when a person will be permitted to receive cash or Common Stock under the Award; (E) the number of shares of Common Stock subject to, or the cash value of, an Award; and (F) the Fair Market Value applicable to an Award.

(ii) To construe and interpret the Plan and Awards granted under it, and to establish, amend and revoke rules and regulations for administration of the Plan and Awards. The Board, in the exercise of these powers, may correct any defect, omission or inconsistency in the Plan or in any Award Agreement or in the written terms of a Performance Cash Award, in a manner and to the extent it will deem necessary or expedient to make the Plan or Award fully effective.

(iii) To settle all controversies regarding the Plan and Awards granted under it.

(iv) To accelerate, in whole or in part, the time at which an Award may vest (or at which cash or shares of Common Stock may be issued).

(v) To suspend or terminate the Plan at any time. Except as otherwise provided in the Plan or an Award Agreement, suspension or termination of the Plan will not impair a Participant's rights under his or her then-outstanding Award without his or her written consent except as provided in subsection (viii), below.

(vi) To amend the Plan in any respect the Board deems necessary or advisable, including, without limitation, to make the Plan or Awards granted under the Plan exempt from or compliant with the requirements for nonqualified deferred compensation under Section 409A of the Code, subject to the limitations, if any, of applicable law. However, if required by applicable law or listing requirements, and except as provided in Section 8(a) relating to Capitalization Adjustments, the Company will seek stockholder approval of any amendment of the Plan that (A) materially increases the number of shares of Common Stock available for issuance under the Plan; (B) materially expands the class of individuals eligible to receive Awards under the Plan; (C) materially increases the benefits accruing to Participants under the Plan, (D) materially reduces the price at which shares of Common Stock may be issued under the Plan; (E) materially extends the term of the Plan; or (F) materially expands the types of Awards available for issuance under the Plan. Except as provided in the Plan (including Section 2(b)(viii)) or an Award Agreement, no amendment of the Plan will impair a Participant's rights under an outstanding Award without the Participant's written consent.

(vii) To submit any amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of Rule 16b-3.

(viii) To approve forms of Award Agreements for use under the Plan and to amend the terms of any one or more Awards, including, but not limited to, amendments to provide terms more favorable to the Participant than previously provided in the Award Agreement, subject to any specified limits in the Plan that are not subject to Board discretion; *provided*, *however*, that a Participant's rights under any Award will not be impaired by any such amendment unless (A) the Company requests the consent of the affected Participant; and (B) such Participant consents in writing. Notwithstanding the foregoing, (1) a Participant's rights will not be deemed to have been impaired by any such amendment if the Board, in its sole discretion, determines that the amendment, taken as a whole, does not materially impair the Participant's rights, and (2) subject to the limitations of applicable law, if any, the Board may amend the terms of any one or more Awards without the affected Participant's consent (A) to clarify the manner of exemption from, or to bring the Award into compliance with, Section 409A of the Code; or (B) to comply with other applicable laws or listing requirements.

(ix) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and that are not in conflict with the provisions of the Plan or Awards.

(x) To adopt such procedures and sub-plans as are necessary or appropriate to permit participation in the Plan by Employees, Directors or Consultants who are foreign nationals or employed outside the United States (provided that Board approval will not be necessary for immaterial modifications to the Plan or any Award Agreement that are required for compliance with the laws of the relevant foreign jurisdiction).

(c) Delegation to Committee.

(i) General. The Board may delegate some or all of the administration of the Plan to a Committee or Committees. If administration of the Plan is delegated to a Committee, the Committee will have, in connection with the administration of the Plan, the powers theretofore possessed by the Board that have been delegated to the Committee, including the power to delegate to a subcommittee of the Committee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board will thereafter be to the Committee or subcommittee, as applicable). Any delegation of administrative powers will be reflected in resolutions, not inconsistent with the provisions of the Plan, adopted from time to time by the Board or Committee (as applicable). The Committee may, at any time, abolish the subcommittee and/or revest in the Committee any powers delegated to the subcommittee. The Board may retain the authority to concurrently administer the Plan with the Committee and may, at any time, revest in the Board some or all of the powers previously delegated.

(ii) Rule 16b-3 Compliance. The Committee may consist solely of two (2) or more Non-Employee Directors, in accordance with Rule 16b-3.

(d) Delegation to an Officer. The Board may delegate to one or more Officers the authority to do one or both of the following (i) designate Employees who are not Officers to be recipients of Awards and the terms of such Awards, in each case to the extent permitted by applicable law; and (ii) determine the number of shares of Common Stock to be subject to such Awards granted to such Employees; *provided, however*, that the Board resolutions regarding such delegation will specify the total number of shares of Common Stock that may be subject to the Awards granted by such Officer and that such Officer may not grant an Award to himself or herself. Any such Awards will be granted using the relevant form of Award Agreement most recently approved for use by the Committee or the Board, unless otherwise provided in the resolutions approving the delegation authority. The Board may not delegate authority to an Officer who is acting solely in the capacity of an Officer (and not also as a Director) to determine the Fair Market Value pursuant to Section 12(w), below.

(e) Effect of Board's Decision. All determinations, interpretations, and constructions made by the Board in good faith will not be subject to review by any person and will be final, binding and conclusive on all persons.

3. Shares Subject to the Plan.

(a) Share Reserve.

(i) Subject to Section 8(a) relating to Capitalization Adjustments, the aggregate number of shares of Common Stock that may be issued pursuant to Awards from and after the Effective Date will not exceed nine million (9,000,000) shares (the "***Share Reserve***").

(ii) For clarity, the Share Reserve in this Section 3(a) is a limitation on the number of shares of Common Stock that may be issued pursuant to the Plan. Accordingly, this Section 3(a) does not limit the granting of Awards except as provided in the Plan. Shares may be issued in connection with a merger or acquisition as permitted by NASDAQ Listing Rule 5635(c) or, if applicable, NYSE Listed Company Manual Section 303A.08, AMEX Company Guide Section 711, or other applicable rule, and such issuance will not reduce the number of shares available for issuance under the Plan.

(b) Reversion of Shares to the Share Reserve. If any shares of Common Stock issued pursuant to an Award are forfeited back to the Company because of the failure to meet a contingency or condition required to vest such shares in the Participant, then the shares that are forfeited will revert to and again become available for issuance under the Plan. If any shares of Common Stock subject to an Award are not delivered to a Participant because such shares are withheld for the payment of taxes, the number of shares subject to the Award that are not delivered to the Participant shall not remain available for subsequent issuance under the Plan.

(c) Limitation on Grants to Non-Employee Directors. The maximum number of shares subject to Awards granted under this Plan or otherwise during a single fiscal year to any Non-Employee Director, taken together with any cash fees paid to such Non-Employee Director during the fiscal year, will not exceed seven hundred fifty thousand dollars ($750,000) in total value (calculating the value of any such Awards based on the grant date fair value of such Stock Awards for financial reporting purposes).

(d) Source of Shares. The stock issuable under the Plan will be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Company on the open market or otherwise.

4. Eligibility.

Awards may be granted to Employees, Directors, and Consultants; *provided*, *however*, that Awards may not be granted to Employees, Directors, and Consultants who are providing Continuous Service only to any "parent" of the Company, as such term is defined in Rule 405, unless (i) the stock underlying such Awards is treated as "service recipient stock" under Section 409A of the Code (for example, because the Awards are granted pursuant to a corporate transaction such as a spin off transaction) or (ii) the Company, in consultation with its legal counsel, has determined that such Awards are otherwise exempt from (or, alternatively, comply with) the distribution requirements of Section 409A of the Code.

5. Provisions of Awards.

(a) Restricted Stock Unit Awards. Each Restricted Stock Unit Award Agreement will be in such form and will contain such terms and conditions as the Board deems appropriate. The terms and conditions of Restricted Stock Unit Award Agreements may change from time to time, and the terms and conditions of separate Restricted Stock Unit Award Agreements need not be identical. Each Restricted Stock Unit Award Agreement will conform to (through incorporation of the provisions hereof by reference in the Agreement or otherwise) the substance of each of the following provisions:

(i) Consideration. At the time of grant of a Restricted Stock Unit Award, the Board will determine the consideration, if any, to be paid by the Participant upon delivery of each share of Common Stock subject to the Restricted Stock Unit Award. The consideration to be paid (if any) by the Participant for each share of Common Stock subject to a Restricted Stock Unit Award may be paid in any form of legal consideration that may be acceptable to the Board, in its sole discretion, and permissible under applicable law.

(ii) Vesting. At the time of the grant of a Restricted Stock Unit Award, the Board may impose such restrictions on or conditions to the vesting of the Restricted Stock Unit Award as it, in its sole discretion, deems appropriate.

(iii) Payment. A Restricted Stock Unit Award may be settled by the delivery of shares of Common Stock, their cash equivalent, any combination thereof, or in any other form of consideration, as determined by the Board and contained in the Restricted Stock Unit Award Agreement.

(iv) Additional Restrictions. At the time of the grant of a Restricted Stock Unit Award, the Board, as it deems appropriate, may impose such restrictions or conditions that delay the delivery of the shares of Common Stock (or their cash equivalent) subject to a Restricted Stock Unit Award to a time after the vesting of such Restricted Stock Unit Award.

(v) Dividend Equivalents. Dividend equivalents may be credited in respect of shares of Common Stock covered by a Restricted Stock Unit Award, as determined by the Board and contained in the Restricted Stock Unit Award Agreement. At the sole discretion of the Board, such dividend equivalents may be converted into additional shares of Common Stock covered by the Restricted Stock Unit Award in such manner as determined by the Board. Any additional shares covered by the Restricted Stock Unit Award credited by reason of such dividend equivalents will be subject to all of the same terms and conditions of the underlying Restricted Stock Unit Award Agreement to which they relate.

(vi) Termination of Participant's Continuous Service. Except as otherwise provided in the applicable Restricted Stock Unit Award Agreement, such portion of the Restricted Stock Unit Award that has not vested will be forfeited upon the Participant's termination of Continuous Service.

(b) Performance Awards.

(i) Performance Stock Unit Awards. A Performance Stock Unit Award is a Restricted Stock Unit Award that is granted or vests contingent upon the attainment during a Performance Period of certain Performance Goals. A Performance Stock Unit Award may, but need not, require the Participant's completion of a specified period of Continuous Service. The length of any Performance Period, the Performance Goals to be achieved during the Performance Period, and the measure of whether and to what degree such Performance Goals have been attained will be conclusively determined by the Board or Committee, in its sole discretion. In addition, to the extent permitted by applicable law and the applicable Award Agreement, the Board or Committee may determine that cash may be used in payment of Performance Stock Unit Awards.

(ii) Performance Cash Awards. A Performance Cash Award is a cash award that is payable contingent upon the attainment during a Performance Period of certain Performance Goals. A Performance Cash Award may also require the Participant's completion of a specified period of Continuous Service. At the time of grant of a Performance Cash Award, the length of any Performance Period, the Performance Goals to be achieved during the Performance Period, and the measure of whether and to what degree such Performance Goals have been attained will be conclusively determined by the Board or Committee, in its sole discretion.

(iii) Discretion. The Board or Committee retains the discretion to reduce or eliminate the compensation or economic benefit due upon attainment of Performance Goals and to define the manner of calculating the Performance Criteria it selects to use for a Performance Period.

6. Covenants of the Company.

(a) Availability of Shares. The Company will keep available at all times the number of shares of Common Stock reasonably required to satisfy then-outstanding Awards.

(b) Securities Law Compliance. The Company will seek to obtain from each regulatory commission or agency having jurisdiction over the Plan the authority required to grant Awards and to issue and sell shares of Common Stock upon settlement of the Awards; *provided*, *however*, that this undertaking will not require the Company to register under the Securities Act the Plan, any Award or any Common Stock issued or issuable pursuant to any such Award. If, after reasonable efforts and at a reasonable cost, the Company is unable to obtain from any such regulatory commission or agency the authority that counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company will be relieved from any liability for failure to issue and sell Common Stock upon settlement of such Awards unless and until such authority is obtained. A Participant will not be eligible for the grant of an Award or the subsequent issuance of cash or Common Stock pursuant to the Award if such grant or issuance would be in violation of any applicable securities law.

(c) No Obligation to Notify or Minimize Taxes. The Company will have no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of an Award. The Company has no duty or obligation to minimize the tax consequences of an Award to the holder of such Award.

7. Miscellaneous.

(a) Corporate Action Constituting Grant of Awards. Corporate action constituting a grant by the Company of an Award to any Participant will be deemed completed as of the date of such corporate action, unless otherwise determined by the Board, regardless of when the instrument, certificate, or letter evidencing the Award is communicated to, or actually received or accepted by, the Participant. In the event that the corporate records (e.g., Board consents, resolutions, or minutes) documenting the corporate action constituting the grant contain terms (e.g., vesting schedule or number of shares) that are inconsistent with those in the Award Agreement or related grant documents as a result of a clerical error in the papering of the Award Agreement or related grant documents, the corporate records will control and the Participant will have no legally binding right to the incorrect term in the Award Agreement or related grant documents.

(b) Stockholder Rights. No Participant will be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to an Award unless and until (i) such Participant has satisfied all requirements for the issuance of shares of Common Stock under the Award pursuant to its terms, and (ii) the issuance of the Common Stock subject to such Award has been entered into the books and records of the Company.

(c) No Employment or Other Service Rights. Nothing in the Plan, any Award Agreement, or any other instrument executed thereunder or in connection with any Award granted pursuant thereto will confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Award was granted or will affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate, or (iii) the service of a Director pursuant to the bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(d) Change in Time Commitment. In the event a Participant's regular level of time commitment in the performance of his or her services for the Company and any Affiliates is reduced (for example, and without limitation, if the Participant is an Employee of the Company and the Employee has a change in status from a full-time Employee to a part-time Employee) after the date of grant of any Award to the Participant, the Board has the right in its sole discretion to (x) make a corresponding reduction in the number of shares or cash amount subject to any portion of such Award that is scheduled to vest or become payable after the date of such change in time commitment, and (y) in lieu of or in combination with such a reduction, extend the vesting or payment schedule applicable to such Award. In the event of any such reduction, the Participant will have no right with respect to any portion of the Award that is so reduced or extended.

(e) Investment Assurances. The Company may require a Participant, as a condition of acquiring Common Stock under any Award, (i) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of accepting the Award; and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring Common Stock subject to the Award for the Participant's own account and not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, will be inoperative if (A) the issuance of the shares upon the acquisition of Common Stock under the Award has been registered under a then currently effective registration statement under the Securities Act, or (B) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

(f) Withholding Obligations. Unless prohibited by the terms of an Award Agreement, the Company may, in its sole discretion, satisfy any federal, state or local tax withholding obligation relating to an Award by any of the following means or by a combination of such means: (i) causing the Participant to tender a cash payment; (ii) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to the Participant in connection with the Award; *provided*, *however*, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law (or such lesser amount as may be necessary to avoid classification of the Award as a liability for financial accounting purposes); (iii) withholding cash from an Award settled in cash; (iv) withholding payment from any amounts otherwise payable to the Participant; or (v) by such other method as may be set forth in the Award Agreement.

(g) Electronic Delivery. Any reference herein to a "written" agreement or document will include any agreement or document delivered electronically, filed publicly at www.sec.gov (or any successor website thereto) or posted on the Company's intranet (or other shared electronic medium controlled by the Company to which the Participant has access).

(h) Deferrals. To the extent permitted by applicable law, the Board, in its sole discretion, may determine that the delivery of Common Stock or the payment of cash, upon the vesting or settlement of all or a portion of any Award may be deferred and may establish programs and procedures for deferral elections to be made by Participants. Deferrals by Participants will be made in accordance with Section 409A of the Code. Consistent with Section 409A of the Code, the Board may provide for distributions while a Participant is still an employee or otherwise providing services to the Company. The Board is authorized to make deferrals of Awards and determine when, and in what annual percentages, Participants may receive payments, including lump sum payments, following the Participant's termination of Continuous Service, and implement such other terms and conditions consistent with the provisions of the Plan and in accordance with applicable law.

(i) Compliance with Section 409A. To the extent that the Board determines that any Award granted hereunder is subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code. To the extent applicable, the Plan and Award Agreements shall be interpreted in accordance with Section 409A of the Code. Notwithstanding anything to the contrary in this Plan (and unless the Award Agreement specifically provides otherwise), if the shares of Common Stock are publicly traded and a Participant holding an Award that constitutes "deferred compensation" under Section 409A of the Code is a "specified employee" for purposes of Section 409A of the Code, no distribution or payment of any amount shall be made upon a "separation from service" before a date that is six (6) months following the date of such Participant's "separation from service" (as defined in Section 409A of the Code without regard to alternative definitions thereunder) or, if earlier, the date of the Participant's death.

(j) Clawback/Recovery. All Awards granted under the Plan will be subject to recoupment in accordance with any clawback policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law. In addition, the Board may impose such other clawback, recovery, or recoupment provisions in an Award Agreement as the Board determines necessary or appropriate, including, but not limited to, a reacquisition right in respect of previously acquired shares of Common Stock or other cash or property upon the occurrence of Cause. No recovery of compensation under such a clawback policy will be an event giving rise to a right to resign for "good reason" or "constructive termination" (or similar term) under any agreement with the Company.

8. Adjustments upon Changes in Common Stock; Other Corporate Events.

(a) Capitalization Adjustments. In the event of a Capitalization Adjustment, the Board will appropriately and proportionately adjust: (i) the class(es) and maximum number of securities subject to the Plan pursuant to Section 3(a)(i), and (ii) the class(es) and number of securities and price per share of stock subject to outstanding Awards. The Board will make such adjustments, and its determination will be final, binding and conclusive.

(b) **Dissolution**. Except as otherwise provided in the Award Agreement, in the event of a Dissolution of the Company, all outstanding Awards (other than Awards consisting of vested and outstanding shares of Common Stock not subject to a forfeiture condition or the Company's right of repurchase) will terminate immediately prior to the completion of such Dissolution, and the shares of Common Stock subject to the Company's repurchase rights or subject to a forfeiture condition may be repurchased or reacquired by the Company notwithstanding the fact that the holder of such Award is providing Continuous Service, *provided, however,* that the Board may, in its sole discretion, cause some or all Awards to become fully vested and/or no longer subject to repurchase or forfeiture (to the extent such Awards have not previously expired or terminated) before the Dissolution is completed but contingent on its completion.

(c) **Transactions.** The following provisions will apply to Awards in the event of a Transaction unless otherwise provided in the Award Agreement or any other written agreement between the Company or any Affiliate and the Participant or unless otherwise expressly provided by the Board at the time of grant of an Award. In the event of a Transaction, then, notwithstanding any other provision of the Plan, the Board may take one or more of the following actions with respect to Awards, contingent upon the closing or completion of the Transaction:

(i) arrange for the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) to assume or continue the Award or to substitute a similar Award for the Award (including, but not limited to, an award to acquire the same consideration paid to the stockholders of the Company pursuant to the Transaction);

(ii) arrange for the assignment of any reacquisition or repurchase rights held by the Company in respect of Common Stock issued pursuant to the Award to the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company);

(iii) accelerate the vesting, in whole or in part, of the Award to a date prior to the effective time of such Transaction as the Board determines (or, if the Board does not determine such a date, to the date that is five (5) days prior to the effective date of the Transaction);

(iv) arrange for the lapse, in whole or in part, of any reacquisition or repurchase rights held by the Company with respect to the Award;

(v) cancel or arrange for the cancellation of the Award, to the extent not vested prior to the effective time of the Transaction, in exchange for such cash consideration or no consideration, as the Board, in its sole discretion, may consider appropriate; and

(vi) make a payment, in such form as may be determined by the Board equal to the value of the property the Participant would have received upon the settlement of the Award immediately prior to the effective time of the Transaction. Payments under this provision may be delayed to the same extent that payment of consideration to the holders of the Common Stock in connection with the Transaction is delayed as a result of escrows, earn outs, holdbacks or any other contingencies.

The Board need not take the same action or actions with respect to all Awards or portions thereof or with respect to all Participants. The Board may take different actions with respect to the vested and unvested portions of an Award.

(d) **Change in Control.** An Award may be subject to additional acceleration of vesting upon or after a qualifying termination that occurs in connection with a Change in Control as may be provided in the Award Agreement for such Award or as may be provided in any other written agreement between the Company or any Affiliate and the Participant, but in the absence of such provision, no such acceleration will occur.

9. **Plan Term; Earlier Termination or Suspension of the Plan.**

(a) **Suspension and Termination.** The Board may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall automatically terminate on March 10, 2031. No Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) **No Impairment of Rights.** Suspension or termination of the Plan will not impair rights and obligations under any Award granted while the Plan is in effect except with the written consent of the affected Participant or as otherwise permitted in the Plan.

10. **Effective Date of Plan.**

This Plan will become effective on the Effective Date.

11. **Choice of Law.**

The laws of the State of Delaware will govern all questions concerning the construction, validity, and interpretation of this Plan, without regard to that state's conflict of laws rules.

12. **Definitions.** As used in the Plan, the following definitions will apply to the capitalized terms indicated below:

(a) "***Affiliate***" means, at the time of determination, any "parent" or "subsidiary" of the Company as such terms are defined in Rule 405. The Board will have the authority to determine the time or times at which "parent" or "subsidiary" status is determined within the foregoing definition.

(b) "***Award***" means a grant of Restricted Stock Units or Performance Stock Units.

(c) "***Award Agreement***" means a written agreement between the Company and a Participant evidencing the terms and conditions of an Award.

(d) “***Board***” means the Board of Directors of the Company.

(e) “***Capitalization Adjustment***” means any change that is made in, or other events that occur with respect to, the Common Stock subject to the Plan or subject to any Award after the Effective Date without the receipt of consideration by the Company through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, stock split, reverse stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or any similar equity restructuring transaction, as that term is used in Statement of Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor thereto). Notwithstanding the foregoing, the conversion of any convertible securities of the Company will not be treated as a Capitalization Adjustment.

(f) “***Cause***” will have the meaning ascribed to such term in any written agreement between the Participant and the Company defining such term and, in the absence of such agreement, such term means, with respect to a Participant, the occurrence of any of the following events: (i) such Participant’s failure to substantially perform his or her duties with the Company or an Affiliate; (ii) such Participant’s failure to substantially follow and comply with the specific and lawful directives of the Board or any officer of the Company or an Affiliate to whom such Participant directly or indirectly reports; (iii) such Participant’s commission of an act of fraud or dishonesty resulting in actual economic, financial or reputational injury to the Company or an Affiliate; (iv) such Participant’s engagement in illegal conduct, gross misconduct or an act of moral turpitude, involving economic, financial or reputational injury to the Company or an Affiliate; (v) such Participant’s material violation of any material written policy, guideline, code, handbook or similar document governing the conduct of directors, officers or employees of the Company or its Affiliates resulting in actual economic, financial or reputational injury to the Company or an Affiliate; (vi) such Participant’s intentional, material violation of any contract or agreement between the Participant and the Company or of any statutory duty owed to the Company; or (vii) such Participant’s unauthorized use or disclosure of the Company’s confidential information or trade secrets. The determination that a termination of the Participant’s Continuous Service is either for Cause or without Cause will be made by the Company, in its sole discretion. Any determination by the Company that the Continuous Service of a Participant was terminated with or without Cause for the purposes of outstanding Awards held by such Participant will have no effect upon any determination of the rights or obligations of the Company or such Participant for any other purpose.

(g) “***Change in Control***” means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) any Exchange Act Person becomes the Owner, directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company’s then outstanding securities other than by virtue of a merger, consolidation, or similar transaction. Notwithstanding the foregoing, a Change in Control will not be deemed to occur (A) on account of the acquisition of securities of the Company directly from the Company, (B) on account of the acquisition of securities of the Company by an investor, any affiliate thereof, or any other Exchange Act Person that acquires the Company's securities in a transaction or series of related transactions the primary purpose of which is to obtain financing for the Company through the issuance of equity securities, or (C) solely because the level of Ownership held by any Exchange Act Person (the "***Subject Person***") exceeds the designated percentage threshold of the outstanding voting securities as a result of a repurchase or other acquisition of voting securities by the Company reducing the number of shares outstanding, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of voting securities by the Company, and after such share acquisition, the Subject Person becomes the Owner of any additional voting securities that, assuming the repurchase or other acquisition had not occurred, increases the percentage of the then outstanding voting securities Owned by the Subject Person over the designated percentage threshold, then a Change in Control will be deemed to occur;

(ii) there is consummated a merger, consolidation, or similar transaction involving (directly or indirectly) the Company and, immediately after the consummation of such merger, consolidation, or similar transaction, the stockholders of the Company immediately prior thereto do not Own, directly or indirectly, either (A) outstanding voting securities representing more than fifty percent (50%) of the combined outstanding voting power of the surviving Entity in such merger, consolidation, or similar transaction or (B) more than fifty percent (50%) of the combined outstanding voting power of the parent of the surviving Entity in such merger, consolidation, or similar transaction, in each case in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such transaction;

(iii) there is consummated a sale, lease, exclusive license, or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries, other than a sale, lease, license, or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries to an Entity, more than fifty percent (50%) of the combined voting power of the voting securities of which are Owned by stockholders of the Company in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such sale, lease, license, or other disposition; or

(iv) individuals who, on the date the Plan is adopted by the Board, are members of the Board (the "***Incumbent Board***") cease for any reason to constitute at least a majority of the members of the Board; *provided*, *however*, that if the appointment or election (or nomination for election) of any new Board member was approved or recommended by a majority vote of the members of the Incumbent Board then still in office, such new member will, for purposes of this Plan, be considered as a member of the Incumbent Board.

Notwithstanding the foregoing definition or any other provision of this Plan, the term Change in Control will not include a sale of assets, merger, or other transaction effected exclusively for the purpose of changing the domicile of the Company.

(h) "***Code***" means the Internal Revenue Code of 1986, as amended, including any applicable regulations and guidance thereunder.

(i) “***Committee***” means a committee of one or more Directors to whom authority has been delegated by the Board in accordance with Section 2(c).

(j) “***Common Stock***” means the common stock of the Company.

(k) “***Company***” means Power Integrations, Inc., a Delaware corporation.

(l) “***Consultant***” means any person, including an advisor, who is (i) engaged by the Company or an Affiliate to render consulting or advisory services and is compensated for such services, or (ii) serving as a member of the board of directors of an Affiliate and is compensated for such services. However, service solely as a Director, or payment of a fee for such service, will not cause a Director to be considered a “Consultant” for purposes of the Plan. Notwithstanding the foregoing, a person is treated as a Consultant under this Plan only if a Form S-8 Registration Statement under the Securities Act is available to register either the offer or the sale of the Company’s securities to such person.

(m) “***Continuous Service***” means that the Participant’s service with the Company or an Affiliate, whether as an Employee, Director, or Consultant, is not interrupted or terminated. A change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Director, or Consultant or a change in the Entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant’s service with the Company or an Affiliate, will not terminate a Participant’s Continuous Service; *provided, however,* that if the Entity for which a Participant is rendering services ceases to qualify as an Affiliate, as determined by the Board, in its sole discretion, such Participant’s Continuous Service will be considered to have terminated on the date such Entity ceases to qualify as an Affiliate. For example, a change in status from an Employee of the Company to a Consultant of an Affiliate or to a Director will not constitute an interruption of Continuous Service. To the extent permitted by law, the Board or the chief executive officer of the Company, in that party’s sole discretion, may determine whether Continuous Service will be considered interrupted in the case of (i) any leave of absence approved by the Board or chief executive officer, including sick leave, military leave, or any other personal leave, or (ii) transfers between the Company, an Affiliate, or their successors. Notwithstanding the foregoing, a leave of absence will be treated as Continuous Service for purposes of vesting in an Award only to such extent as may be provided in the Company’s leave of absence policy, in the written terms of any leave of absence agreement or policy applicable to the Participant, or as otherwise required by law.

(n) “***Corporate Transaction***” means the consummation, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) a sale or other disposition of all or substantially all, as determined by the Board, in its sole discretion, of the consolidated assets of the Company and its Subsidiaries;

(ii) a sale or other disposition of more than fifty percent (50%) of the outstanding securities of the Company;

(iii) a merger, consolidation or similar transaction following which the Company is not the surviving corporation; or

(iv) a merger, consolidation, or similar transaction following which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger, consolidation, or similar transaction are converted or exchanged by virtue of the merger, consolidation, or similar transaction into other property, whether in the form of securities, cash or otherwise.

(o) "***Director***" means a member of the Board.

(p) "***Disability***" means, with respect to a Participant, the inability of such Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than twelve (12) months, as provided in Sections 22(e)(3) and 409A(a)(2)(c)(i) of the Code, and will be determined by the Board on the basis of such medical evidence as the Board deems warranted under the circumstances.

(q) **"*Dissolution*"** means when the Company, after having executed a certificate of dissolution with the State of Delaware, has completely wound up its affairs. Conversion of the Company into a Limited Liability Company (or any other pass-through entity) will not be considered a "Dissolution" for purposes of the Plan.

(r) "***Effective Date***" means the effective date of this Plan document, which is the date of the annual meeting of stockholders of the Company held in 2016, provided this Plan is approved by the Company's stockholders at such meeting.

(s) "***Employee***" means any person employed by the Company or an Affiliate. However, service solely as a Director, or payment of a fee for such services, will not cause a Director to be considered an "Employee" for purposes of the Plan.

(t) "***Entity***" means a corporation, partnership, limited liability company or other entity.

(u) "***Exchange Act***" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(v) "***Exchange Act Person***" means any natural person, Entity or "group" (within the meaning of Section 13(d) or 14(d) of the Exchange Act), except that "Exchange Act Person" will not include (i) the Company or any Subsidiary of the Company, (ii) any employee benefit plan of the Company or any Subsidiary of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary of the Company, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, (iv) an Entity Owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their Ownership of stock of the Company; or (v) any natural person, Entity or "group" (within the meaning of Section 13(d) or 14(d) of the Exchange Act) that, as of the

Effective Date, is the Owner, directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company's then outstanding securities.

(w) "***Fair Market Value***" means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or traded on any established market, the Fair Market Value of a share of Common Stock will be, unless otherwise determined by the Board, the closing sales price for such stock as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the date of determination, as reported in a source the Board deems reliable.

(ii) Unless otherwise provided by the Board, if there is no closing sales price for the Common Stock on the date of determination, then the Fair Market Value will be the closing selling price on the last preceding date for which such quotation exists.

(iii) In the absence of such markets for the Common Stock, the Fair Market Value will be determined by the Board in good faith and in a manner that complies with Sections 409A and 422 of the Code.

(x) "***Non-Employee Director***" means a Director who either (i) is not a current employee or officer of the Company or an Affiliate, does not receive compensation, either directly or indirectly, from the Company or an Affiliate for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act ("***Regulation S-K***")), does not possess an interest in any other transaction for which disclosure would be required under Item 404(a) of Regulation S-K, and is not engaged in a business relationship for which disclosure would be required pursuant to Item 404(b) of Regulation S-K; or (ii) is otherwise considered a "non-employee director" for purposes of Rule 16b-3.

(y) "***Officer***" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act.

(z) "***Own,***" "***Owned,***" "***Owner,***" "***Ownership***" means a person or Entity will be deemed to "Own," to have "Owned," to be the "Owner" of, or to have acquired "Ownership" of securities if such person or Entity, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting, with respect to such securities.

(aa) "***Participant***" means a person to whom an Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Award.

(ab) "***Performance Cash Award***" means an award of cash granted pursuant to the terms and conditions of Section 5(b)(ii).

(ac) “***Performance Criteria***” means the one or more criteria that the Committee will select for purposes of establishing the Performance Goals for a Performance Period. The Performance Criteria that will be used to establish such Performance Goals may be based on any one of, or combination of, the following: (i) earnings (including earnings per share and net earnings); (ii) earnings before interest, taxes and depreciation; (iii) earnings before interest, taxes, depreciation and amortization; (iv) total stockholder return; (v) return on equity or average stockholder’s equity; (vi) return on assets, investment, or capital employed; (vii) stock price; (viii) margin (including gross or operating margin); (ix) income (before or after taxes); (x) operating income; (xi) operating income after taxes; (xii) pre-tax profit; (xiii) operating cash flow; (xiv) orders, sales or revenue targets; (xv) increases in revenue or product revenue; (xvi) expenses and cost reduction goals; (xvii) improvement in or attainment of working capital levels; (xviii) economic value added (or an equivalent metric); (xix) market share; (xx) cash flow; (xxi) cash flow per share; (xxii) share price performance; (xxiii) debt reduction; (xxiv) implementation or completion of projects or processes; (xxv) customer satisfaction; (xxvi) stockholders’ equity; (xxvii) capital expenditures; (xxviii) debt levels; (xxix) operating profit or net operating profit; (xxx) workforce diversity; (xxxi) growth of net income or operating income; (xxxii) billings; (xxxiii) quality measures; and (xxxiv) other measures of performance selected by the Board or Committee.

(ad) “***Performance Goals***” means, for a Performance Period, the one or more goals established by the Committee or Board for the Performance Period based upon the Performance Criteria. Performance Goals may be based on a Company-wide basis, with respect to one or more business units, divisions, Affiliates, or business segments, and in either absolute terms or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. Unless specified otherwise by the Board or Committee (i) in the Award Agreement at the time the Award is granted or (ii) in such other document setting forth the Performance Goals at the time the Performance Goals are established, the Board or Committee will appropriately make adjustments in the method of calculating the attainment of Performance Goals for a Performance Period as follows: (1) to exclude restructuring and/or other nonrecurring charges; (2) to exclude exchange rate effects; (3) to exclude the effects of changes to generally accepted accounting principles; (4) to exclude the effects of any statutory adjustments to corporate tax rates; (5) to exclude the dilutive effects of acquisitions or joint ventures; (6) to assume that any business divested by the Company achieved performance objectives at maximum levels during the balance of a Performance Period following such divestiture; (7) to exclude the effect of any change in the outstanding shares of common stock of the Company by reason of any stock dividend or split, stock repurchase, reorganization, recapitalization, merger, consolidation, spin-off, combination, or exchange of shares or other similar corporate change, or any distributions to common stockholders other than regular cash dividends; (8) to exclude the effects of stock based compensation and the award of bonuses under the Company’s bonus plans; (9) to exclude costs incurred in connection with potential acquisitions or divestitures that are required to be expensed under generally accepted accounting principles; (10) to exclude the goodwill and intangible asset impairment charges that are required to be recorded under generally accepted accounting principles; and (11) to exclude the effect of any other unusual, non-recurring gain or loss or any other adjustment made to arrive at the Company’s non-GAAP financial information as presented in the Company’s SEC filings.

(ae) "***Performance Period***" means the period of time selected by the Board or Committee over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant's right to and the payment of an Award or a Performance Cash Award. Performance Periods may be of varying and overlapping duration, at the sole discretion of the Board or Committee.

(af) "***Performance Stock Unit Award***" means an Award granted under the terms and conditions of Section 5(b)(i).

(ag) "***Plan***" means this Power Integrations, Inc. 2016 Incentive Award Plan.

(ah) "***Restricted Stock Unit Award***" means a right to receive shares of Common Stock which is granted pursuant to the terms and conditions of Section 5(a).

(ai) "***Restricted Stock Unit Award Agreement***" means a written agreement between the Company and a holder of a Restricted Stock Unit Award evidencing the terms and conditions of a Restricted Stock Unit Award grant. Each Restricted Stock Unit Award Agreement will be subject to the terms and conditions of the Plan.

(aj) "***Rule 16b-3***" means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

(ak) "***Rule 405***" means Rule 405 promulgated under the Securities Act.

(al) **"Rule 701"** means Rule 701 promulgated under the Securities Act.

(am) "***Securities Act***" means the Securities Act of 1933, as amended.

(an) "***Subsidiary***" means, with respect to the Company, (i) any corporation of which more than fifty percent (50%) of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, stock of any other class or classes of such corporation will have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, Owned by the Company, and (ii) any partnership, limited liability company or other entity in which the Company has a direct or indirect interest (whether in the form of voting or participation in profits or capital contribution) of more than fifty percent (50%).

(ao) "***Transaction***" means a Corporate Transaction or a Change in Control.

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jennifer A. Lloyd certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Power Integrations, Inc.;
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 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: August 6, 2026

By: /s/ JENNIFER A. LLOYD

Jennifer A. Lloyd
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Nancy Erba, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Power Integrations, Inc.;
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 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: August 6, 2026

By: /s/ NANCY ERBA

Nancy Erba
Chief Financial Officer

Exhibit 32.1

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

In connection with this Quarterly Report on Form 10-Q of Power Integrations, Inc. (the “Company”) for the fiscal quarter ended June 30, 2026, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Jennifer A, Lloyd, Chief Executive Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (“Section 906”), that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

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

Dated:	August 6, 2026	By:	/s/ JENNIFER A. LLOYD
			Jennifer A. Lloyd Chief Executive Officer

Exhibit 32.2

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

In connection with this Quarterly Report on Form 10-Q of Power Integrations, Inc. (the “Company”) for the fiscal quarter ended June 30, 2026, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Nancy Erba, Chief Financial Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (“Section 906”), that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

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

Dated: August 6, 2026

By: /s/ NANCY ERBA

Nancy Erba
Chief Financial Officer