Table of Contents

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: 001-36083

Applied Optoelectronics, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**76-0533927**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

13139 Jess Pirtle Blvd.
Sugar Land, TX 77478
(Address of principal executive offices)

(281) 295-1800
(Registrant's telephone number)

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

Title of each class	Trading Symbol(s)	Trading Name of each exchange on which registered
Common Stock, Par value $0.001	AAOI	NASDAQ Global 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 ☒

As of August 3, 2026, there were 84,569,237 shares of the registrant's Common Stock outstanding.

Applied Optoelectronics, Inc.
Table of Contents

Part I. Financial Information

Item 1. Condensed Consolidated Financial Statements

Applied Optoelectronics, Inc. and Subsidiaries
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands)

	June 30, 2026	December 31, 2025
ASSETS		
Current assets		
Cash and cash equivalents	$ 499,737	$ 206,140
Restricted cash	9,021	9,895
Accounts receivable, net	314,009	244,404
Inventories, net	278,791	183,105
Prepaid expenses and other current assets	88,316	32,183
Total current assets	1,189,874	675,727
Property, plant and equipment, net	697,086	376,050
Land use rights, net	4,917	4,825
Operating right of use assets	75,168	49,697
Intangible assets, net	3,633	3,623
Deferred income tax assets	6,469	7,616
Other assets, net	324,045	50,885
TOTAL ASSETS	$ 2,301,192	$ 1,168,423
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 286,088	$ 143,932
Bank acceptance payable	33,940	33,363
Accrued liabilities	46,939	42,491
Current lease liabilities - operating	4,223	3,522
Current portion of long-term debt	57,258	33,975
Total current liabilities	428,448	257,283
Non-current lease liabilities - operating	73,920	47,393
Non-current portion of long-term debt	1,657	—
Convertible senior notes	129,142	129,829
TOTAL LIABILITIES	633,167	434,505
Commitments and contingencies (Note 18)		
Stockholders' equity:		
Preferred Stock; 5,000 shares authorized at $0.001 par value; no shares issued and outstanding at June 30, 2026 and December 31, 2025, respectively	—	—
Common Stock; 120,000 shares authorized at $0.001 par value; 84,386 and 74,998 shares issued and outstanding at June 30, 2026 and December 31, 2025, respectively	84	75
Additional paid-in capital	2,192,682	1,224,538
Accumulated other comprehensive income (loss)	2,399	(617)
Accumulated deficit	(527,140)	(490,078)
TOTAL STOCKHOLDERS' EQUITY	1,668,025	733,918
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,301,192	$ 1,168,423

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

Applied Optoelectronics, Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
Revenue, net	$ 191,922	$ 102,952	$ 343,066	$ 202,811
Cost of goods sold	138,715	71,790	245,943	141,105
Gross profit	53,207	31,162	97,123	61,706
Operating expenses				
Research and development	34,871	20,612	60,527	38,422
Sales and marketing	11,490	8,135	17,837	13,492
General and administrative	31,573	18,391	56,477	34,706
Total operating expenses	77,934	47,138	134,841	86,620
Loss from operations	(24,727)	(15,976)	(37,718)	(24,914)
Other income (expense)				
Interest income	3,248	286	4,985	511
Interest expense	(927)	(818)	(1,790)	(1,752)
Other income (loss)	914	7,410	(201)	7,885
Total other income (expense), net	3,235	6,878	2,994	6,644
Loss before income taxes	(21,492)	(9,098)	(34,724)	(18,270)
Income tax expense	(1,289)	—	(2,338)	—
Net loss	$ (22,781)	$ (9,098)	$ (37,062)	$ (18,270)
Net loss per share				
Basic	$ (0.28)	$ (0.16)	$ (0.47)	$ (0.34)
Diluted	$ (0.28)	$ (0.16)	$ (0.47)	$ (0.34)
Weighted average shares used to compute net loss per share:				
Basic	81,568	56,772	78,789	53,426
Diluted	81,568	56,772	78,789	53,426

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

Applied Optoelectronics, Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited, in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2026	**2025**	**2026**	**2025**
Net loss	$ (22,781)	$ (9,098)	$ (37,062)	$ (18,270)
Gain on foreign currency translation adjustment	2,606	3,868	3,016	3,661
Comprehensive loss	$ (20,175)	$ (5,230)	$ (34,046)	$ (14,609)

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

Applied Optoelectronics, Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY
Three and Six Months ended June 30, 2026 and 2025
(Unaudited, in thousands, except for share amount)

	Common Stock		Additional paid-in capital	Accumulated other comprehensive gain (loss)	Accumulated deficit	Stockholders' equity
	Number of shares	Amount				
March 31, 2026	78,971	$ 79	$ 1,610,439	$ (207)	$ (504,359)	$ 1,105,952
Issuance of restricted stock, net of shares withheld for employee tax	1,391	1	(69,426)	—	—	(69,425)
Share-based compensation	—	—	4,863	—	—	4,863
Public offering of common stock, net	4,022	4	645,754	—	—	645,758
Convertible note to share	2	—	80	—	—	80
Warrants contra revenue	—	—	972	—	—	972
Foreign currency translation adjustment	—	—	—	2,606	—	2,606
Net loss	—	—	—	—	(22,781)	(22,781)
June 30, 2026	84,386	$ 84	$ 2,192,682	$ 2,399	$ (527,140)	$ 1,668,025

	Common Stock		Additional paid-in capital	Accumulated other comprehensive gain (loss)	Accumulated deficit	Stockholders' equity
	Number of shares	Amount				
March 31, 2025	53,212	$ 53	$ 772,738	$ (2,755)	$ (461,023)	$ 309,013
Issuance of restricted stock, net of shares withheld for employee tax	842	1	(6,116)	—	—	(6,115)
Share-based compensation	—	—	3,164	—	—	3,164
Public offering of common stock, net	7,836	8	124,097	—	—	124,105
Warrants contra revenue	—	—	44	—	—	44
Foreign currency translation adjustment	—	—	—	3,868	—	3,868
Net loss	—	—	—	—	(9,098)	(9,098)
June 30, 2025	61,890	$ 62	$ 893,927	$ 1,113	$ (470,121)	$ 424,981

	Common Stock		Additional	Accumulated other		
	Number of shares	Amount	paid-in capital	comprehensive gain (loss)	Accumulated deficit	Stockholders' equity
December 31, 2025	74,998	$ 75	$ 1,224,538	$ (617)	$ (490,078)	$ 733,918
Issuance of restricted stock, net of shares withheld for employee tax	1,610	1	(71,164)	—	—	(71,163)
Share-based compensation	—	—	9,254	—	—	9,254
Public offering of common stock, net	7,776	8	1,028,199	—	—	1,028,207
Convertible note to share	2	—	80	—	—	80
Warrants contra revenue	—	—	1,775	—	—	1,775
Foreign currency translation adjustment	—	—	—	3,016	—	3,016
Net loss	—	—	—	—	(37,062)	(37,062)
June 30, 2026	84,386	$ 84	$ 2,192,682	$ 2,399	$ (527,140)	$ 1,668,025

	Common Stock		Additional	Accumulated other		
	Number of shares	Amount	paid-in capital	comprehensive gain (loss)	Retained earnings	Stockholders' equity
December 31, 2024	49,393	$ 49	$ 683,462	$ (2,548)	$ (451,851)	$ 229,112
Issuance of restricted stock, net of shares withheld for employee tax	1,125	1	(7,802)	—	—	(7,801)
Share-based compensation	—	—	5,726	—	—	5,726
Public offering of common stock, net	11,372	12	195,758	—	—	195,770
Warrants contra revenue	—	—	16,783	—	—	16,783
Foreign currency translation adjustment	—	—	—	3,661	—	3,661
Net loss	—	—	—	—	(18,270)	(18,270)
June 30, 2025	61,890	$ 62	$ 893,927	$ 1,113	$ (470,121)	$ 424,981

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

Applied Optoelectronics, Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Six months ended June 30, 2026	Six months ended June 30, 2025
Operating activities:		
Net loss	$ (37,062)	$ (18,270)
Adjustments to reconcile net loss to net cash used in operating activities:		
Allowance for bad debt	49	1
Inventory reserve adjustment	1,133	3,728
Depreciation and amortization	19,729	12,125
Amortization of debt issuance costs and premium	(511)	(505)
Deferred tax asset	1,374	—
Loss on disposal of assets	244	9
Share-based compensation	9,254	5,726
Warrants contra revenue	2,130	53
Unrealized foreign exchange loss (gain)	532	(5,229)
Changes in operating assets and liabilities:		
Accounts receivable, trade	(69,649)	(94,652)
Inventories, net	(94,092)	(51,048)
Other current assets	(56,009)	(1,472)
Operating right of use asset	(26,043)	(11,204)
Accounts payable	142,156	27,993
Accrued liabilities	5,169	5,127
Lease liability	27,815	11,229
Net cash used in operating activities	(73,781)	(116,389)
Investing activities:		
Purchase of property, plant and equipment	(335,132)	(53,868)
Proceeds from disposal of equipment	3	—
Prepayment for equipment and others	(289,744)	(21,181)
Purchase of intangible assets	(259)	(145)
Purchase of land	(8,581)	—
Net cash used in investing activities	(633,713)	(75,194)
Financing activities:		
Proceeds from issuance of notes payable and long-term debt	1,653	—
Proceeds from line of credit borrowings	46,906	22,111
Repayments of line of credit borrowings	(24,733)	(26,708)
Changes in ADPI	80	—
Proceeds from bank acceptance payable	68,639	55,517
Repayments of bank acceptance payable	(69,215)	(42,820)
Payments of tax withholding on behalf of employees related to share-based compensation	(71,163)	(7,821)
Payment on convertible notes	(95)	(56)
Proceeds from common stock offering, net	1,028,207	195,770
Net cash provided by financing activities	980,279	195,993
Effect of exchange rate changes on cash	19,938	3,652
Net increase in cash, cash equivalents and restricted cash	292,723	8,062
Cash, cash equivalents and restricted cash at beginning of period	216,035	79,133
Cash, cash equivalents and restricted cash at end of period	$ 508,758	$ 87,195
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest, net of amounts capitalized	$ 1,942	$ 274
Income taxes	(3)	—
Non-cash investing and financing activities:		
Net change in accounts payable related to property and equipment additions	$ 770	$ 1,405
Net change in deposits and prepaid for equipment related to property and equipment additions	(1,405)	(17,484)
Non-cash operating and financing activities:		
Warrant issued and vested to customer	$ 1,775	$ 16,739

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

Applied Optoelectronics, Inc. and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Description of Business

Business Overview

Applied Optoelectronics, Inc. ("AOI" or the "Company") is a Delaware corporation. The Company is a leading, vertically integrated provider of fiber-optic networking products, primarily for four networking end-markets: internet and AI data centers, cable television ("CATV"), telecommunications ("telecom") and fiber-to-the-home ("FTTH"). The Company designs and manufactures a wide range of optical communications products at varying levels of integration, from components, subassemblies and modules to complete turn-key equipment.

The Company has manufacturing and research and development facilities located in the U.S., Taiwan and China. In the U.S., at its corporate headquarters and manufacturing facilities in Sugar Land, Texas, the Company primarily manufactures lasers and laser components as well as certain of its data center transceivers and performs research and development activities for laser component and optical module products and certain data center transceiver products. In addition, the Company has a research and development facility in Duluth, Georgia. The Company operates in Taipei, Taiwan and Ningbo, China through its wholly-owned subsidiary Prime World International Holdings, Ltd. ("Prime World", incorporated in the British Virgin Islands). Prime World operates a branch in Taipei, Taiwan, which primarily manufactures certain of its data center transceivers and certain CATV systems and equipment and performs research and development activities for the transceiver products. Prime World is the parent of Global Technology, Inc. ("Global", incorporated in the People's Republic of China). Through Global, the Company primarily manufactures certain of its data center transceiver products, including subassemblies, as well as CATV systems and equipment, and performs research and development activities for CATV and certain data center transceiver products.

Interim Financial Statements

The accompanying unaudited condensed consolidated financial statements of the Company as of June 30, 2026 and December 31, 2025 and for the three and six months ended June 30, 2026 and June 30, 2025, have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim information and with the instructions on Form 10-Q and Rule 10-01 of Regulation S-X pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). In accordance with those rules and regulations, the Company has omitted certain information and notes required by GAAP for annual consolidated financial statements. In the opinion of management, the condensed consolidated financial statements contain all adjustments, necessary for the fair statement of the Company's financial position and results of operations for the periods presented. The year-end condensed balance sheet data was derived from audited financial statements. These condensed consolidated financial statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Company's Annual Report on Form 10-K ("Annual Report") for the fiscal year ended December 31, 2025. The results of operations for the three and six months ended June 30, 2026 are not necessarily indicative of the results expected for the entire fiscal year. All significant inter-company accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ materially from those estimates in the consolidated financial statements and accompanying notes. Significant estimates and assumptions that impact these financial statements and the accompanying notes relate to, among other things, revenue recognition, allowance for credit losses, inventory reserve, valuation of long-lived assets, service and product warranty costs, share-based compensation expense, estimated useful lives of tangible and intangible assets, and taxes.

Note 2. Significant Accounting Policies

There have been no changes in the Company’s significant accounting policies for the three and six months ended June 30, 2026, as compared to the significant accounting policies described in its 2025 Annual Report.

Recent Accounting Pronouncements Adopted

In July 2025, the FASB issued ASU 2025-05—Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets, which added a practical expedient that assumes that current conditions as of the balance sheet date do not change for the remaining life of the asset when estimating expected credit losses for current accounts receivable and current contract assets. The guidance is effective for annual periods beginning after December 15, 2025. We have adopted this ASU and this ASU did not have a material impact on the Company's financial statements.

Recent Accounting Pronouncements Not Yet Adopted

In November 2024, the Financial Accounting Standard Board ("FASB") issued Accounting Standard Update ("ASU") 2024-03 "Income Statement: Reporting Comprehensive Income/Expense Disaggregation Disclosures (Subtopic 220-40)" to improve the disclosures about an entity's expenses. Upon adoption, we will be required to disclose in the notes a disaggregation of certain expense categories included within the expense captions of the income statement. The standard is effective for our 2027 annual period, and our interim periods beginning in 2028. The Company is currently evaluating the impact of the new standard will have on its annual financial statements and related disclosures.

In November 2024, the FASB issued ASU 2024- 04, Debt-Debt with Conversion and Other Options (Subtopic 470- 20): Induced Conversions of Convertible Debt Instruments. The amendments clarify the accounting for certain induced conversions of convertible debt instruments. The Company is currently evaluating the impact that adoption of this guidance may have on its consolidated financial statements and related disclosures. Because the Company has outstanding convertible debt instruments, the guidance may affect the accounting for future conversions, exchanges, or settlements of such instruments. The Company does not currently expect the adoption of ASU 2024- 04 to have a material impact on is consolidated statements.

In May 2025, the FASB issued ASU 2025-04 "Share-Based Consideration Payable to a Customer". The standard is effective for our 2026 annual period, and our interim periods beginning in 2027. The Company is currently evaluating the impact of this ASU on its annual financial statements and related disclosures.

In September 2025, the FASB issued ASU 2025- 06—Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350- 40): Targeted Improvements to the Accounting for Internal-Use Software, which removed the language around project stages that was used to assess when costs could be capitalized for an internal-use software. The update also requires internal-use software to be disclosed under the ASC 360 Property, Plant, and Equipment guidance. The guidance is effective for annual periods beginning after December 15, 2027. The Company is currently assessing the impact of this ASU on the Company’s accounting policies and the financial statements.

In December 2025, the FASB issued ASU 2025-10 to establish the accounting for a government grant received by a business entity including guidance for (1) a grant related to an asset and (2) a grant related to income. For public business entities, the provisions of ASU 2025-10 are effective for fiscal years beginning after December 15, 2028. Early adoption is permitted. Management is currently evaluating the requirements under this new standard and does not expect the adoption to have a material impact on the Company's results of operations or financial condition.

In December 2025, the FASB issued ASU No. 2025-11, Interim Reporting (Topic 270): Narrow-Scope Improvements. The ASU clarifies interim disclosure requirements and the applicability of Topic 270. The objective of the amendments is to provide further clarity about the current interim disclosure requirements. The ASU is effective for interim reporting periods within annual reporting periods beginning after December 15, 2027. Adoption of this ASU can be applied either a prospective or a retrospective approach. Early adoption is permitted. We are currently evaluating the provisions of this ASU and do not expect this ASU to have a material impact on our consolidated financial statements.

In December 2025, the FASB issued ASU 2025-12, Codification Improvements. The ASU addresses thirty-three items, representing the changes to the Codification that (1) clarify, (2) correct errors, or (3) make minor improvements. Generally, the amendments in this update are not intended to result in significant changes for most entities. The ASU is effective for interim reporting periods within annual reporting periods beginning after December 15, 2026. The adoption method of this ASU may vary, on an issue-by-issue basis. Early adoption is permitted. We are currently evaluating the provisions of this ASU and do not expect this ASU to have a material impact on our consolidated financial statements.

There have been no other recent accounting pronouncements or changes in accounting pronouncements during the second quarter of 2026 that are of significance or potential significance to us.

Note 3. Revenue Recognition

Disaggregation of Revenue

Revenue is classified based on the location where the product is manufactured. For additional information on the disaggregated revenues by geographical region, see Note 17, "Segment and Geographic Information."

All of the Company's contracts have original expected durations of one year or less, and therefore the Company does not disclose remaining performance obligations.

Revenue is also classified by major product categories and is presented below (in thousands):

	Three months ended June 30,			
	2026	% of Revenue	2025	% of Revenue
Data Center	$ 107,662	56.1%	$ 44,791	43.5%
CATV	80,578	42.0%	56,019	54.4%
Telecom	3,411	1.8%	1,940	1.9%
Other	271	0.1%	202	0.2%
Total Revenue	$ 191,922	100.0%	$ 102,952	100.0%

	Six months ended June 30,			
	2026	% of Revenue	2025	% of Revenue
Data Center	$ 189,066	55.1%	$ 76,841	37.9%
CATV	147,419	43.0%	120,520	59.4%
Telecom	5,971	1.7%	4,876	2.4%
Other	610	0.2%	574	0.3%
Total Revenue	$ 343,066	100.0%	$ 202,811	100.0%

Customer Warrant

On March 13, 2025, the Company issued a warrant (the "Customer Warrant") to a wholly-owned subsidiary of Amazon.com, Inc. to purchase up to an aggregate of 7,945,399 shares of the Company's common stock ("Warrant Shares") at an exercise price of $23.6956 per share. The Customer Warrant has a contractual term of 10 years. At the time of the issuance, the Customer Warrant is exercisable to purchase 1,324,233 Warrant Shares. The remaining 6,621,166 Warrant Shares may vest over the next 10 years, dependent on aggregate purchases by or on behalf of Amazon and its affiliates of $4 billion of the Company's products over this time period. The Company accounts for the Customer Warrant as an equity classified share-based consideration to a customer and will recognize the grant-date fair value of the Customer Warrant as a reduction of revenue from Amazon as the related goods or services are transferred. The grant date fair value of the Customer Warrant was determined to be $12.64 per share, using the Black-Scholes-Merton option pricing model.

The per share grant date fair value of the Customer Warrant was estimated using the following assumptions:

	At Grant Date
Expected volatility	80.00%
Weighted-average expected term (in years)	10
Risk-free interest rate	4.23%
Dividend yield	—%
Fair value per ordinary share at grant date	$ 15.87

For the six months ended June 30, 2026, the Company recognized approximately $2.1 million related reduction to $84.8 million revenue associated with customer arrangements that included the issuance of warrants. As of December 31, 2025, the Company recorded other current asset of $1.0 million and other noncurrent asset of $15.0 million. As of June 30, 2026, the Company recorded other current assets of $3.7 million and other noncurrent assets of $12.6 million, representing the aggregate grant-date fair value of 1,324,233 warrant shares vested at issuance.

Note 4. Leases

The Company leases space under non-cancellable operating leases for manufacturing facilities, research and development offices and certain storage facilities and apartments. These leases do not contain contingent rent provisions. The Company also leases certain machinery, office equipment and a vehicle under operating leases. The Company determines if an arrangement is or contains a lease at contract inception. Many of its leases include both lease (e.g. fixed payments including rent, taxes, and insurance costs) and non-lease components (e.g. common-area or other maintenance costs) which are accounted for as a single lease component as the Company has elected the practical expedient to group lease and non-lease components for all leases. Several of the leases include one or more options to renew which have been assessed and either included or excluded from the calculation of the lease liability of the right of use ("ROU") asset based on management's intentions and individual fact patterns. Several warehouses and apartments have non-cancellable lease terms of less than one-year and therefore, the Company has elected the practical expedient to exclude these short-term leases from its ROU asset and lease liabilities.

On October 7, 2024, Prime World entered into a Land and Building Lease Agreement with San Ho Enterprise Co., Ltd. ("San Ho Enterprise"), under which Prime World will lease approximately 38,072 square feet, of two adjoining parcels of land, in New Taipei City. The lease also includes a building on these parcels, totaling approximately 36,662 square feet. The lease term is for fifteen years, commencing on December 1, 2024, and ending on November 30, 2039. A two-month renovation period from October 1 to November 30, 2024, preceded the lease term, during which no rent was charged by San Ho Enterprise. During the lease term, the monthly rent will increase by three percent (3%) every three years.

On September 1, 2025, Prime World entered into a Lease Agreement with International Games System Co., Ltd., under which Prime World will lease a parcel of land with a total area of approximately 65,580 square feet, in New Taipei City. The lease includes a building on the parcel, totaling approximately 346,212 square feet, excluding approximately 54,086 square feet of the leased property which, at the same time, had previously been leased to an existing tenant. The lease term is for fifteen years, commencing November 1, 2025, and ending October 31, 2040. A two-month renovation period from September 1 to October 1, 2025, preceded the lease term, during which no rent was charged. During the lease term, the monthly rent will increase by three percent (3%) every five years. On October 28, 2025, Prime World entered into a lease to include 54,086 square feet of the property which was previously excluded in the lease entered into on September 1, 2025.

On September 19, 2025, the Company entered into a Lease Agreement with Coleman Logistics Assets LLC ("Coleman"), pursuant to which the Company will lease approximately 209,665 square feet of space located at 1111 Gillingham Lane, Sugar Land, Texas 77478. The leased premises will be used by the Company primarily for manufacturing and related operations. The lease has a term of 126 months, commencing on March 31, 2026, and expiring approximately 126 months thereafter, unless earlier terminated in accordance with the lease. Coleman agreed to provide a construction allowance toward the cost of leasehold improvements in an amount equal to the lesser of (i) the actual aggregate cost of such improvements or (ii) $1,886,985. Base rent under the lease is abated for the first seven months of the term and thereafter increases on a scheduled basis through the end of the term, reflecting an average annual escalation of approximately 3.5%. Beginning in the eighth month of the term, base rent will be $7.44 per rentable square foot on an annual basis (approximately $129,992 per month), escalating periodically to $10.49 per rentable square foot on an annual basis (approximately $183,367 per month) during the final six months of the term. The total undiscounted lease payments over the initial lease term are approximately $18.5 million. As of June 30, 2026, we recorded an $11.3 million ROU asset and $12.2 million in lease liability related to this agreement.

On February 23, 2026, the Company entered into a Lease Agreement with Blue Ridge Commerce Center West LLC ("Blue Ridge"), pursuant to which the Company will lease approximately 153,928 square feet of space in Building #3, located at 16851 Blue Ridge Commerce Drive, Houston, Texas 77489. The leased premises may be used for office, warehouse and light manufacturing and assembly purposes. The leased term is 130 months, commencing February 10, 2026. Blue Ridge agreed to provide improvement allowance in the amount of $3,078,560. Base rent is abated for the first five months of the term. For months 6 through 10, monthly base rent is $5.16 per rentable square foot on an annualized basis (approximately $66,189 per month). Beginning in month 11, base rent increases to $10.32 per rentable square foot on an annualized basis (approximately $132,378 per month) and escalates periodically throughout the remainder of the term, reflecting an average annual increase of approximately 3.5%. These scheduled increases culminate in base rent of $14.56 per rentable square foot on an annualized basis (approximately $186,732 per month) during the final 10 months of the term (months 121 through 130). The Company was required to pay (i) prepaid rent of $163,164 to be applied against the eleventh month's rent and (ii) an initial security deposit of $2 million, which accrues interest and is subject to partial reductions during the lease term if specified payment-performance conditions are satisfied. The lease provides for scheduled reductions of the security deposit of $0.5 million after 40 months, $0.5 million after 70 months, and $0.34 million after 100 months, subject to the Company not being in default and other conditions set forth in the Lease. The total undiscounted lease payments over the initial lease term are approximately $19.5 million. As of June 30, 2026, we recorded a $12.3 million ROU asset and $13.0 million in lease liability related to this agreement.

On May 8, 2026, the Company entered into three separate Lease Agreements with Hightower Phase I Owner, LLC ("Hightower"), pursuant to which the Company will lease three industrial buildings, located at 6000 McHard Road, Houston, Texas 77053 ("Building 1"), 6100 McHard Road, Houston, Texas 77053 ("Building 2") and 17255 Chimney Rock Road, Houston, Texas 77053 ("Building 3"). The leased premises may be used for manufacturing, warehouse and office use. Each lease has a term of 123 full calendar months, plus any partial month from the commencement date to the end of the calendar month in which the commencement date occurs. The commencement date will be the earliest of: (i) the date on which the Company occupies any portion of the applicable premises and begins conducting business therein, (ii) the date on which Hightower's work is substantially completed, or (iii) the date on which such work would have been substantially completed but for any tenant delay days. Under each lease agreement, the Company is entitled to an initial rent abatement period during the first three months. Commencing in the fourth month, base rent escalates periodically throughout the term. Building 1 consists of approximately 163,930 rentable square feet, together with approximately 3.34-acre adjacent unimproved tract. Monthly basic rent starts at $104,915.20 in month four, escalating periodically to $146,127.30 during months 112 through 123. Monthly basic rent for the adjacent unimproved tract starts at $6,680.00 in month four, escalating periodically to $9,303.99 during months 112 through 123. Building 2 consists of approximately 343,332 rentable square feet. Monthly basic rent starts at $205,999.20 in month four, escalating periodically to $286,918.45 during months 112 through 123. Building 3 consists of approximately 228,954 rentable square feet. Monthly basic rent starts at $146,530.56 in month four, escalating periodically to $204,089.73 during months 112 through 123. Each lease agreement includes a purchase and sale agreement granting the Company an option to purchase Building 1, Building 2 and Building 3, together with the land on which such buildings are located. The purchase and sale agreements provide for an aggregate purchase price of $102,250,000 and require earnest money of $1,758,750. As of June 30, 2026, the Company had not recorded any ROU asset nor lease liability related to this agreement as the Company has not met the commencement criteria.

As most of the Company’s leases do not provide an implicit rate, the Company uses its incremental borrowing rate, which is the rate incurred to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. Based on the applicable lease terms and current economic environment, the Company applies a location approach for determining the incremental borrowing rate.

Lease expense was included in general and administrative expenses and totaled $2.5 million and $0.8 million for the three months ended June 30, 2026 and 2025, respectively. Total lease expense was $4.7 million and $1.3 million for the six months ended June 30, 2026 and 2025, respectively. The components of lease expense were as follows for the periods indicated (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
Operating lease expense	$ 2,327	$ 509	$ 4,400	$ 915
Short Term lease expense	191	285	342	357
Total lease expense	$ 2,518	$ 794	$ 4,742	$ 1,272

Maturities of lease liabilities are as follows for the future one-year periods ending June 30, 2026 (in thousands):

Fiscal years:	Operating
2026 (remaining 6 months)	$ 4,664
2027	9,321
2028	9,318
2029	8,757
2030	8,340
2031 and thereafter	58,608
Total lease payments	99,008
Less imputed interest	(20,865)
Present value	$ 78,143

The weighted average remaining lease term and discount rate for the leases were as follows for the periods indicated:

	Six months ended June 30,	
	2026	2025
Weighted average remaining lease term (years) - operating leases	11.95	12.81
Weighted average discount rate - operating leases	4.77%	3.13%

Supplemental cash flow information related to the leases was as follows for the periods indicated (in thousands):

	Six months ended June 30,	
	2026	2025
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 3,302	$ 1,079
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 29,586	$ 12,037

Note 5. Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position that sum to the total of the same such amounts in the statement of cash flows (in thousands):

	June 30, 2026	December 31, 2025
Cash and cash equivalents	$ 499,737	$ 206,140
Restricted cash	9,021	9,895
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 508,758	$ 216,035

Restricted cash includes guarantee deposits for customs duties, a China government subsidy fund, and deposits as collateral in order to secure bank acceptance notes issued to vendors. As of June 30, 2026 and December 31, 2025, there were $6.9 million and $8.7 million of restricted cash required for bank acceptance notes issued to vendors, respectively. There were $2.1 million and $1.2 million guarantee deposits for customs duties as of June 30, 2026 and December 31, 2025, respectively.

Note 6. Earnings (Loss) Per Share

Basic net loss per share has been computed using the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share has been computed using the weighted-average number of shares of common stock and dilutive potential common shares from stock options, restricted stock units and senior convertible notes outstanding during the period. In periods with net losses, normally dilutive shares become anti-dilutive. Therefore, basic and diluted loss per share are the same. On March 13, 2025, the Company issued 7,945,399 stock warrants to a subsidiary of Amazon, and 1,324,233 warrants have been vested upon signing the warrant agreement. For the three and six months ended June 30, 2026, such warrants are both in the money and are considered dilutive instruments.

The following table sets forth the computation of the basic and diluted net loss per share for the periods indicated (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
Numerator:				
Net loss	$ (22,781)	$ (9,098)	$ (37,062)	$ (18,270)
Denominator:				
Weighted average shares used to compute net loss per share				
Basic	81,568	56,772	78,789	53,426
Diluted	81,568	56,772	78,789	53,426
Net loss per share				
Basic	$ (0.28)	$ (0.16)	$ (0.47)	$ (0.34)
Diluted	$ (0.28)	$ (0.16)	$ (0.47)	$ (0.34)

The following potentially dilutive securities were excluded from the diluted net loss per share as their effect would have been antidilutive (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
Restricted stock units	2,503	2,143	2,375	2,435
Shares for convertible senior notes	2,884	3,116	2,884	3,116
Amazon warrant	1,324	1,324	1,324	1,324
Total antidilutive shares	6,711	6,583	6,583	6,875

Note 7. Inventories

Inventories, net consist of the following for the periods indicated (in thousands):

	June 30, 2026	December 31, 2025
Raw materials	$ 164,768	$ 85,740
Work in process and sub-assemblies	116,690	95,538
Finished goods	15,294	18,822
Allowance for inventory	(17,961)	(16,995)
Total inventories	$ 278,791	$ 183,105

For the three months ended June 30, 2026 and 2025, the inventory reserve adjustment expensed for inventory was $(1.3) million and $1.9 million, respectively. For the six months ended June 30, 2026 and 2025, the inventory reserve adjustment expensed for inventory was $1.1 million and $3.7 million, respectively.

For the three months ended June 30, 2026 and 2025, the direct inventory write-offs related to scrap, discontinued products and damaged inventories were $3.6 million and $0.9 million, respectively. For the six months ended June 30, 2026 and 2025, the direct inventory write-offs related to scrap, discontinued products and damaged inventories were $6.0 million and $2.0 million, respectively.

Note 8. Property, Plant & Equipment

Property, plant and equipment consisted of the following for the periods indicated (in thousands):

	June 30, 2026	December 31, 2025
Land improvements	$ 806	$ 806
Buildings and improvements	212,792	138,163
Machinery and equipment	527,292	404,145
Furniture and fixtures	8,928	6,974
Computer equipment and software	19,583	17,180
Transportation equipment	862	786
	770,263	568,054
Less accumulated depreciation	(251,664)	(232,913)
	518,599	335,141
Construction in progress	168,805	39,808
Land	9,682	1,101
Total property, plant and equipment, net	$ 697,086	$ 376,050

Capital Equipment Prepayments

Other assets, net primarily consist of long-term prepayments made in connection with the Company's capital expansion projects. As of June 30, 2026, other assets, net was $324.0 million, compared to $50.9 million as of December 31, 2025. The increase was primarily attributable to advance payments for equipment and facility related capital expenditures associated with the Company's manufacturing expansion initiatives. These amounts are expected to be reclassified to property, plant and equipment as the related assets are received and placed into service.

For the three months ended June 30, 2026 and 2025, the depreciation expense of property, plant and equipment was $10.4 million and $6.3 million, respectively. For the six months ended June 30, 2026 and 2025, the depreciation expense of property, plant and equipment was $19.5 million and $11.9 million, respectively.

Note 9. Intangible Assets, net

Intangible assets consisted of the following for the periods indicated (in thousands):

	June 30, 2026		
	Gross Amount	Accumulated amortization	Intangible assets, net
Patents	$ 10,500	$ (7,015)	$ 3,485
Trademarks	252	(104)	148
Total intangible assets	$ 10,752	$ (7,119)	$ 3,633

	December 31, 2025		
	Gross Amount	Accumulated amortization	Intangible assets, net
Patents	$ 10,263	$ (6,797)	$ 3,466
Trademarks	243	(86)	157
Total intangible assets	$ 10,506	$ (6,883)	$ 3,623

For the three months ended June 30, 2026 and 2025, amortization expense for intangible assets, included in general and administrative expenses on the statement of operations, was $0.1 million and $0.2 million, respectively. For the six months ended June 30, 2026 and 2025, amortization expense for intangible assets, included in general and administrative expenses on the statement of operations, was $0.2 million and $0.3 million, respectively. The remaining weighted average amortization period for intangible assets is approximately 7.4 years.

On June 30, 2026, future amortization expenses for intangible assets for future periods are estimated to be (in thousands):

2026 (remaining 6 months)	$ 245
2027	493
2028	493
2029	493
2030	493
2031 and thereafter	1,416
Total	$ 3,633

Note 10. Fair Value of Financial Instruments

The carrying value amounts of cash and cash equivalents, restricted cash, accounts receivable, prepaid expenses, notes receivable and other current assets, accounts payable, accrued expenses, bank acceptance payable and other current liabilities approximate fair value because of the short-term maturity of these instruments. The Company believes that the interest rates in effect at each period end represent the current market rates for similar borrowings.

The Company's accounts receivable was $314.0 million as of June 30, 2026. Of this amount, $211.0 million was due from Digicomm International Inc. For the three months ended June 30, 2026 and 2025, our top ten customers represented 99% and 98% of our revenue, respectively. For the three months ended June 30, 2026, our top three customers represented 42%, 26% and 24% of our revenue, respectively. For the three months ended June 30, 2025, our top three customers represented 54%, 34% and 6% of our revenue, respectively. For the six months ended June 30, 2026, our top three customers represented 43%, 26% and 24% of our revenue, respectively. For the six months ended June 30, 2025, our top three customers represented 59%, 30% and 5% of our revenue, respectively.

The fair value of convertible senior notes is measured for disclosure purposes only. The fair value and carrying amount of our convertible senior notes as of June 30, 2026 was $445.1 million and $129.1 million, respectively. As of December 31, 2025, the fair value and carrying amount of our convertible senior notes was $145.2 million and $129.8 million, respectively. The fair value is based on observable market prices for this debt, which is traded in less active markets and is therefore classified as a Level 2 fair value measurement. The significant increase in the fair value of the convertible senior notes relative to their carrying amount as of June 30, 2026 is primarily attributable to a substantial increase in the market price of the Company's common stock during the quarter, which increased the value of the conversion feature embedded in the notes.

Note 11. Notes Payable and Long-Term Debt

Notes payable and long-term debt consisted of the following for the periods indicated (in thousands):

	June 30, 2026	December 31, 2025
Revolving line of credit and equipment term loan with a China bank up to $44 million with interest at 2.6% and 3%, maturing June 25, 2027 and June 12, 2032, respectively	$ 21,069	$ 20,203
Revolving line of credit with a China bank up to $14.7 million with interest at 2.45%, maturing March 26, 2027	14,682	13,772
Revolving line of credit and equipment term loan with a China bank up to $3.0 million with interest at 3%, maturing May 8, 2028	734	-
Revolving line of credit with a China bank up to $2.9 million with interest at 2.45%, maturing December 28, 2026	-	-
Revolving line of credit with a China bank up to $14.7 million with interest at 2.31%, maturing June 25, 2027	14,682	-
Revolving line of credit with a China bank up to $2.9 million with interest at 2.4%, maturing June 11, 2027	1,468	-
Revolving line of credit with a Taiwan bank up to $3.1 million with interest at 2.5%, maturing July 13, 2026	3,140	-
Revolving line of credit with a Taiwan bank up to $3.1 million with interest at 3.20%, maturing August 25, 2026	3,140	-
Revolving line of credit and equipment term loan with a Taiwan bank up to $8.8 million with interest at 3%, maturing June 11, 2027 and June 11, 2029, respectively	-	-
Total	$ 58,915	$ 33,975
Less current portion	(57,258)	(33,975)
Non-current portion	$ 1,657	$ -

Bank Acceptance Notes Payable	**June 30, 2026**	**December 31, 2025**
Bank acceptance notes issued to vendors with 0.05% handling fees	$ 33,940	$ 33,363

SPD Credit Line

On July 29, 2025, Global entered into a five-year revolving credit line agreement with Shanghai Pudong Development Bank Co., Ltd. in Ningbo City, China ("SPD"), totaling 250,000,000 RMB (the "¥250M SPD Credit Line"), or approximately $34.9 million at that time, and a mortgage contract. The ¥250M SPD Credit Line is included in the prior 82,000,000 RMB credit facility entered into by Global on July 18, 2025.

On June 11, 2026, Global entered into a one-year revolving credit line agreement with SPD increasing the ¥250M SPD Credit Line to 500,000,000 RMB (the "¥500M SPD Credit Line"), or approximately $73.8 million at that time. Borrowing under the ¥500M SPD Credit Line will be used for general corporate and capital investment purposes. Global's obligation under the ¥500M SPD Credit Line will be secured by certain real property owned by Global. As of June 30, 2026, $21.1 million was outstanding under the ¥500M SPD Credit Line, and the outstanding balance of bank acceptance notes under this bank issued to vendors was $9.5 million. The unused credit as of June 30, 2026 was $45.7 million.

CCB Loan

On June 12, 2025, Global entered into a one-year credit facility with China Construction Bank Co., Ltd., in Ningbo, City, China ("CCB"), totaling 96,800,000 RMB (the "CCB Credit Facility"), or approximately $13.5 million at that time.

On June 26, 2025, Global entered into a five-year revolving credit line agreement with CCB, totaling 162,260,000 RMB (the "CCB Credit Line"), or approximately $22.7 million at that time. The amount available under the CCB Credit Line is inclusive of the CCB Credit Facility previously granted by CCB on June 12, 2025. On December 19, 2025, the CCB Credit Line was increased to 250,000,000 RMB. Global's obligation under the CCB Credit Line is secured by certain real property owned by Global. As of June 30, 2026, there was $14.7 million outstanding under the CCB Credit Line. The outstanding balance of bank acceptances notes under this bank issued to vendors was $20.2 million as of June 30, 2026. The unused credit as of June 30, 2026 was $5.9 million.

NBCB Loan

On June 23, 2025, Global entered into a five-year credit facility with Bank of Ningbo, in Ningbo City, China, totaling 20,000,000 RMB (the "NBCB Credit Facility"), or approximately $2.8 million at that time. On December 19, 2025, the parties entered into an amendment to the NBCB Credit Facility, increasing the credit limit to 50,000,000 RMB, or approximately $7.1 million at that time (the "NBCB Credit Line"). As of June 30, 2026, there was $0.7 million outstanding under the NBCB Credit Line. The outstanding balance of bank acceptance notes issued to vendors under this bank was $4.3 million as of June 30, 2026. The unused credit as of June 30, 2026 was $2.3 million.

CZB Loan

On December 26, 2025, Global entered into an asset pooling cooperation agreement with China Zheshang Bank in Ningbo City, China totaling 40,000,000 RMB (the "CZB Credit Line"), or approximately $5.7 million at that time. As of June 30 2026, there was $1.5 million outstanding under the CZB Credit Line. The unused credit as of June 30, 2026 was $1.5 million.

BOC Loan

On April 29, 2026, Global entered into a one-year credit facility with Bank of China in Ningbo City, China, totaling 100,000,000 RMB (the "BOC Credit Line"), or approximately $14.7 million at that time. As of June 30, 2026, there was $14.7 million outstanding under the BOC Credit Line. The unused credit as of June 30, 2026 was $0.

BOKF Loan

On July 31, 2025, the Company entered into a Loan and Security Agreement with BOKF, NA dba BOK Financial, as agent for secured parties (the "BOKF Credit Facility"). The BOKF Credit Facility provides the Company with a three-year, $35 million revolving line of credit, with the ability to request additional lender commitments in an aggregate amount not to exceed $40 million (for a total aggregate amount of $75 million) pursuant to certain conditions. As of June 30, 2026, $0 was outstanding under the BOKF Credit Facility.

Taishin Loan

On November 27, 2025, Prime World entered into a credit facility with Taishin International Bank in Taiwan, consisting of a NT$100,000,000 line of credit (the "NT$100M Credit Line"), or approximately $3.1 million at that time, and a US$2,000,000 line of credit (the "US$2M Credit Line", collectively, with the NT$100M Credit Line, the "Taishin Credit Facility"). Prime World may utilize the Taishin Credit Facility from November 27, 2025 through October 31, 2026. Borrowings under the NT$100M Credit Line may be drawn as short-term loans, while the US$2M Credit Line is a derivatives-based facility and may be used by Prime World to enter into foreign exchange hedging transactions. As of June 30, 2026, the $3.1 million was outstanding under the NT$100M Credit Line and the US$2M Credit Line was unutilized.

FCB Loan

On January 2, 2026, Prime World entered into a credit facility with First Commercial Bank in Taiwan, consisting of a NT$100,000,000 line of credit (the "FCB Credit Facility"), or approximately $3.1 million at that time. As of June 30, 2026, there was $3.1 million outstanding under the FCB Credit Facility.

CTBC Loan

On June 11, 2026, Prime World entered into a credit facility with CTBC Bank Co., Ltd. in Taiwan, consisting of a NT$100,000,000 line of credit and a NT$180,000,000 equipment term loan (collectively, the "CTBC Credit Facility"), or approximately a total of $8.8 million at that time. As of June 30, 2026, the CTBC Credit Facility was unutilized.

Covenants

As of June 30, 2026, we were in compliance with the covenants in the lending arrangements.

Unused Borrowing Capacity

As of June 30, 2026 and December 31, 2025 , the Company had $106.5 million and $60.7 million of unused borrowing capacity, respectively.

As of June 30, 2026 and December 31, 2025, there was $6.9 million and $8.7 million of restricted cash, investments or security deposits associated with the loan facilities, respectively.

Note 12. Convertible Senior Notes

On December 18, 2024, the Company entered into exchange agreements with certain holders of its 5.25% senior convertible notes due 2026 (the "2026 Notes") to exchange approximately $76.7 million principal amount of the 2026 Notes for aggregate consideration consisting of (i) $125.0 million aggregate principal amount of 2.75% Convertible Senior Notes due 2030 (the "2030 Notes"), (ii) 1,487,874 shares of the Company's common stock, par value $0.001 per share (the "Common Stock") and (iii) approximately $89.6 thousands of cash in aggregate, representing accrued and unpaid interest on the 2026 Notes and the value of fractional shares of Common Stock (such transactions, collectively, the "Exchanges"). The Exchanges closed on December 23, 2024, and we recorded a debt extinguishment loss of $112.0 million due to these Exchanges. There was $3.5 million principal amount for the 2026 Notes remaining. On July 30, 2025, the Company retired the final $3.5 million principal and accrued and unpaid interest on the 2026 Notes by exchanging such outstanding principal for 239,404 shares of the Company's common stock and by paying the accrued and outstanding interest in cash.

The 2030 Notes were issued pursuant to an Indenture, dated as of December 23, 2024 (the "Indenture"), between the Company, as issuer, and Computershare Trust Company, N.A., as trustee. The 2030 Notes bear interest at a rate of 2.75% per year and will pay interest semiannually in arrears on January 15 and July 15 of each year, beginning on July 15, 2025. The 2030 Notes will mature on January 15, 2030, unless earlier converted, redeemed or repurchased in accordance with their terms.

During the three months ended June 30, 2026, a holder of the 2030 Notes exercised its conversion right with respect to $75,000 in aggregate principal amount of 2030 Notes. The Company settled the conversion by delivering 1,731 shares of Common Stock and $84 in cash to the converting holder based on the applicable conversion rate of 23.0884 shares per $1,000 principal amount. Following this conversion, the aggregate principal amount of 2030 Notes outstanding was approximately $124.9 million as of June 30, 2026.

The following table presents the carrying value of the 2030 Notes for the periods indicated (in thousands):

	June 30, 2026	December 31, 2025
2030 Notes		
Principal	124,925	125,000
Premium upon issuance	7,343	8,376
Unamortized debt issuance costs	(3,126)	(3,547)
Net carrying amount	129,142	129,829
Total net carrying amount	$ 129,142	$ 129,829

The conversion rate for the 2030 Notes is 23.0884 shares of Common Stock per $1,000 principal amount of the 2030 Notes (which is equivalent to a conversion price of approximately $43.31 per share of Common Stock, representing a premium of approximately 27.50% over the last reported sale price of the Common Stock on December 18, 2024 of $33.97 per share), subject to adjustment. Before October 15, 2029, holders of the 2030 Notes will have the right to convert their 2030 Notes only upon the satisfaction of a common stock sale price condition or a note trading price condition (each, as described in the Indenture) or upon the occurrence of certain events (including the occurrence of a Fundamental Change, Make-Whole Fundamental Change or Common Stock Change Event (each as defined in the Indenture). From and after October 15, 2029, holders of the 2030 Notes may convert their 2030 Notes at any time at their election until the close of business on the second scheduled trading day immediately before the maturity date. The Company will settle conversions by paying or delivering, as applicable, cash, shares of its Common Stock or a combination of cash and shares of its Common Stock, at the Company's election, based on the applicable conversion rate(s).

The 2030 Notes will be redeemable, in whole or in part (subject to certain limitations described in the Indenture), at the Company's option at any time, and from time to time, on or after January 15, 2027 and on or before the 40th scheduled trading day immediately before the maturity date, at a cash redemption price equal to the principal amount of the 2030 Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, but only if the last reported sale price per share of the Common Stock exceeds 130% of the conversion price on (1) each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the trading day immediately before the date the Company sends the related redemption notice; and (2) the trading day immediately before the date it sends such notice.

In addition, the 2030 Notes will be redeemable, in whole or in part, at the Company's option at any time, and from time to time, on or before the 40th scheduled trading day immediately before the maturity date, at a cash redemption price equal to the principal amount of the 2030 Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date (subject to the right of a holder of 2030 Notes as of the close of business on a record date to receive the related interest payment on the corresponding interest payment date), if the "Specified Divestiture" (as defined in the Indenture) is completed.

Calling any 2030 Note for redemption will constitute a "Make-Whole Fundamental Change" (as defined in the Indenture) with respect to that 2030 Note, in which case the conversion rate applicable to the conversion of that 2030 Note will be increased in certain circumstances if it is converted after it is called for redemption.

In addition, if the Specified Divestiture is completed, then unless the Company has previously elected to redeem all of the 2030 Notes, each holder of 2030 Notes will have the right to require the Company to repurchase its 2030 Notes for cash on a date of the Company's choosing, which must be a business day that is no more than 35, nor less than 20, business days after the date the Company's sends the related notice of Specified Divestiture. The repurchase price for a note tendered for such repurchase will be equal to the principal amount of the 2030 Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the repurchase date (subject to the right of a holder of 2030 Notes as of the close of business on a record date to receive the related interest payment on the corresponding interest payment date).

Moreover, if the Company undergoes a fundamental change, as described in the Indenture, holders of the 2030 Notes may require the Company to repurchase for cash all or part of their 2030 Notes at a repurchase price equal to 100% of the principal amount of the 2030 Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the required repurchase date.

Additionally, the 2030 Notes are subject to customary events of default. The 2030 Notes do not restrict the Company's ability to incur debt or liens. No sinking fund is provided for the 2030 Notes. There are no guarantors of the 2030 Notes.

Pursuant to the guidance in ASC 815-40, Contracts in Entity's Own Equity, the Company evaluated whether the conversion feature of the note needed to be bifurcated from the host instrument as a freestanding financial instrument. Under ASC 815-40, to qualify for equity classification (or non-bifurcation, if embedded) the instrument (or embedded feature) must be both (1) indexed to the issuer's own stock and (2) meet the requirements of the equity classification guidance. Based upon the Company's analysis, it was determined the conversion option is indexed to its own stock and also met all the criteria for equity classification. Accordingly, the conversion option is not required to be bifurcated from the host instrument as a derivative.

Pursuant to ASC 815-15, the Company further determined that the contingent redemption features in the 2030 Notes are not required to be bifurcated from the host contract and accounted for separately. Additionally, the Company then evaluated whether the conversion feature needed to be separately accounted for as an equity component under ASC 470-20, Debt with Conversion and Other Options, and determined that the additional premium was not substantial. Accordingly, that amount was recognized as a premium on the 2030 Notes.

The following table sets forth interest expense information related to the 2026 Notes and 2030 Notes (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
Contractual interest expense	$ 344	$ 46	$ 691	$ 92
Amortization of debt issuance costs	220	350	436	701
Total interest cost	$ 564	$ 396	$ 1,127	$ 793
Effective interest rate	1.0%	1.0%	1.0%	1.0%

Note 13. Accrued Liabilities

Accrued liabilities consisted of the following for the periods indicated (in thousands):

	June 30, 2026	December 31, 2025
Accrued payroll	$ 24,172	$ 28,383
Accrued employee benefits	6,065	5,506
Accrued state and local taxes	5,263	965
Accrued income taxes	965	—
Accrued interest	1,609	1,599
Accrued shipping and tariff expenses	1,859	516
Advanced payments	1,913	288
Accrued commission expenses	1,281	1,381
Accrued professional fees	453	581
Accrued product warranty	424	480
Accrued capital expenditure	135	1,583
Accrued other	2,800	1,209
Total accrued liabilities	$ 46,939	$ 42,491

Note 14. Other Income and Expense

Other income and expense consisted of the following for the periods indicated (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
Loss on disposal of assets	$ (227)	$ (1)	$ (244)	$ (9)
Government subsidy income	880	1,315	994	1,497
Foreign exchange gain (loss)	195	6,082	(1,058)	6,354
Other non-operating gain	66	14	107	43
Total other income (expenses), net	$ 914	$ 7,410	$ (201)	$ 7,885

Note 15. Share-Based Compensation

Equity Plans

The Company’s board of directors and stockholders approved the following equity plans:

- the Amended and Restated 2021 Equity Incentive Plan ("2021 Plan")
- the 2023 Equity Inducement Plan ("Inducement Plan")
- the 2026 Equity Incentive Plan ("2026 Plan")

The Company has issued stock options, restricted stock awards ("RSAs") and restricted stock units ("RSUs") to employees, consultants and non-employee directors. Stock option awards generally vest over a four-year period and have a maximum term of ten years. Stock options under these plans have been granted with an exercise price equal to the fair market value on the date of the grant. Nonqualified and Incentive Stock Options, RSAs and RSUs may be granted from these plans.

Performance Based Incentive Plan

Starting in 2021, certain senior executives were granted performance stock units ("PSUs") under our 2021 Plan, which generally vest over a three-year period subject to achievement of certain pre-established performance metrics. The number of shares of common stock that would ultimately be issued to settle PSUs granted ranged from 0% to 200% of the target number of shares granted. We estimate the fair value of the PSUs on the date of grant using a Monte Carlo simulation model, with stock-based compensation expense recognized ratably over the applicable three-year performance period. The Company recognized stock-based compensation expense for the PSUs for the three months ended June 30, 2026 and 2025 of $2.1 million and $1.2 million, respectively. The Company recognized stock-based compensation expense for the PSUs for the six months ended June 30, 2026 and 2025 of $3.9 million and $2.1 million, respectively.

The following is a summary of PSU activity for the six months ended June 30, 2026:

	Number of shares	Weighted Average Share Price on Date of Vesting	Weighted Average Fair Value	Aggregate Intrinsic Value
	(in thousands, except price data and Contractual Life)			
Outstanding at January 1, 2026	1,189	—	$ 11.55	$ 41,442
Granted	937	—	24.00	134,219
Vested	(1,534)	$ 181.57	8.89	278,493
Cancelled/Forfeited	—	—	-	-
Outstanding, June 30, 2026	592	—	38.14	87,779
Expected to vest	592	—	38.14	87,779

As of June 30, 2026, there was $16.8 million of unrecognized stock-based compensation expense related to outstanding PSUs, which expense is expected to be recognized over 2.4 years.

Restricted Stock Units

Restricted stock units are issued to employees through a vesting plan and distribution schedule after employee remains with the Company for a particular length of time. The following is a summary of RSU activity:

	Number of shares	Weighted Average Share Price on Date of Vesting	Weighted Average Fair Value	Aggregate Intrinsic Value
		(in thousands, except price data)		
Outstanding, January 1, 2026	1,461	—	$ 8.13	$ 50,964
Granted	412	—	48.10	19,812
Vested	(516)	$ 96.42	8.67	49,767
Cancelled/Forfeited	(40)	—	10.73	5,935
Outstanding, June 30, 2026	1,317	—	20.33	195,223
Expected to vest	1,317	—	20.33	195,223

As of June 30, 2026, there was $24.7 million of unrecognized compensation expense related to these RSUs. This expense is expected to be recognized over 3.0 years.

Share-Based Compensation

Employee share-based compensation expenses recognized for the periods indicated (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
Share-based compensation - by expense types				
Cost of goods sold	$ 170	$ 94	$ 326	$ 177
Research and development	495	331	946	607
Sales and marketing	439	499	891	822
General and administrative	3,759	2,240	7,091	4,120
Total share-based compensation expense	$ 4,863	$ 3,164	$ 9,254	$ 5,726

Note 16. Income Taxes

For the three months ended June 30, 2026, the Company recorded an income tax expense of $1.3 million, compared with no income tax expense or benefit for the three months ended June 30, 2025. For the six months ended June 30, 2026, the Company recorded an income tax expense of $2.3 million, compared with no income tax expense or benefit for the six months ended June 30, 2025. The income tax expense for the current period was primarily attributable to income in China, as well as the impact of valuation allowances and discrete items.

For the three months ended June 30, 2026 and 2025, the effective tax rates were (6.0)% and 0.0%, respectively. For the six months ended June 30, 2026 and 2025, the effective tax rates were (6.7)% and 0.0%, respectively. The effective tax rate differed from the U.S. federal statutory rate of 21% primarily due to the impact of valuation allowances recorded against deferred tax assets ("DTA") in the United States and Taiwan, and the China R&D Super Deduction.

The Company assesses the realizability of its DTAs, including an analysis of factors such as future taxable income, reversal of existing taxable temporary differences, and tax planning strategies. In assessing the need for a valuation allowance, the Company considered both positive and negative evidence related to the likelihood of realization of deferred tax assets using a “more likely than not” standard. In making such assessment, more weight was given to evidence that could be objectively verified, including recent cumulative losses. Based on the Company’s review of this evidence, management determined that a full valuation allowance against all of the Company’s US and Taiwan net deferred tax assets remains appropriate as of June 30, 2026.

The Company expects any earnings of foreign subsidiaries to be indefinitely invested outside the United States. As of December 31, 2025, however, the Company does not have any accumulated undistributed earnings generated by foreign subsidiaries and has estimated that its tax basis in foreign subsidiaries exceeds its book basis. The Company has concluded that no deferred tax asset (DTA) should be recorded because at the present time it does not expect that the temporary book-tax basis difference that would create this DTA will reverse in the foreseeable future.

Recent Tax Legislation

The Company continues to evaluate the provisions of the One Big Beautiful Bill Act ("OBBBA"), which was enacted on July 4, 2025. Consistent with its prior assessment, the Company does not expect the provisions related to domestic research and development expenditures, bonus depreciation, business interest expense limitations, or clean energy tax credits to have a material impact on its income tax provision or effective tax rate.

Note 17. Segment and Geographic Information

The Company operates in one reportable segment. The Company’s Chief Executive Officer, who is considered to be the chief operating decision maker ("CODM"), manages the Company’s operations as a whole and reviews financial information presented on a consolidated basis, accompanied by information about product revenue, for purposes of evaluating financial performance and allocating resources. Our CEO is the functional head of all operations and manufacturing. Our Board, in conjunction with our CODM, considers our consolidated performance and does not have individual financial or operating goals for each location, nor for any other subset of the Company's operations. As such, the Company has determined it operates as one reportable segment.

Our CODM uses net income or loss to allocate resources and assess performance. The CODM regularly reviews the consolidated net income or loss to make strategic decisions, such as capital expenditure plan, production plan and manpower allocation. The following table is in thousands.

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
Revenues	$ 191,922	$ 102,952	$ 343,066	$ 202,811
Cost of goods sold	(138,715)	(71,790)	(245,943)	(141,105)
Adjusted research and development	(34,039)	(20,425)	(59,243)	(37,960)
Adjusted sales and marketing	(10,602)	(7,303)	(16,498)	(12,337)
Adjusted general and administrative	(22,914)	(14,336)	(43,187)	(27,224)
Other segment items	(8,433)	1,804	(15,257)	(2,455)
Net loss	$ (22,781)	$ (9,098)	$ (37,062)	$ (18,270)

We exclude share-based compensation and related expense, certain legal expenses associated with litigation and other one-time expenses from adjusted research and development, adjusted sales and marketing and adjusted general and administrative expenses.

Other segment items include share-based compensation expense, interest expense, interest income, certain legal expenses associated with litigation and other one-time items.

The following tables set forth the Company's revenue and asset information by geographic region. Revenue is classified based on the location of where the product is manufactured. Long-lived assets in the tables below comprise property, plant, equipment, land use rights, right of use assets and intangible assets (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
Revenues:				
United States	$ 1,339	$ 803	$ 2,216	$ 1,954
Taiwan	108,426	39,505	189,364	67,333
China	82,157	62,644	151,486	133,524
Total	$ 191,922	$ 102,952	$ 343,066	$ 202,811

	June 30, 2026	December 31, 2025
Long-lived assets:		
United States	$ 313,023	$ 123,677
Taiwan	195,828	146,673
China	271,954	162,322
Total	$ 780,805	$ 432,672

Note 18. Commitments and Contingencies

Litigation

From time to time, the Company may be subject to legal proceedings and litigation arising in the ordinary course of business, including, but not limited to, inquiries, investigations, audits and other regulatory proceedings, such as described below. The Company records a loss provision when it believes it is both probable that a liability has been incurred and the amount can be reasonably estimated.

The Company believes that there are no claims or actions pending or threatened against it, the ultimate disposition of which would have a material adverse effect on it.

Other Contingencies

On August 9, 2021, the Company received a Taxes Notification of Audit Result ("Notice") from the Texas Comptroller's Office (the "Comptroller"), for fiscal years between 2016 and 2019, informing the Company that the Comptroller believes the Company did not qualify for certain sales and use tax exemptions on various Research and Development purchases and accordingly the Company is liable for Sale and Use Tax in the amount of approximately $1.0 million including interest charges. The Company paid $0.4 million for the tax notice in May 2021, but challenged the remaining tax assessments and vigorously defended its position. The Comptroller's office exhausted its redetermination period and therefore moved the Company's case to the hearing process. No hearing date has yet been scheduled, and as a result the Company is not able to determine the outcome of this sales tax dispute or the likelihood or amount of the Company's loss, if any, arising from this matter.

On February 20, 2026, the United States Supreme Court issued a ruling invalidating certain tariffs previously imposed under the International Emergency Economic Powers Act ("IEEPA"). Following this ruling, the U.S. Court of International Trade issued an order directing U.S. Customs and Border Protection ("CBP") to establish a process for the submission and review of refund claims related to affected IEEPA tariffs. On April 20, 2026, CBP launched an online portal through which companies may submit IEEPA tariff refund requests. On April 29, 2026, the Company submitted refund claims totaling $5.7 million. The Company received payments of approximately $0.2 million and $1.2 million on May 20 and May 27, 2026, respectively.

Note 19. Subsequent Events

On July 6, 2026, subsequent to the end of the reporting period, the Company received the remaining payment of approximately $4.5 million in connection with the IEEPA tariff refund claims. In the aggregate, the Company received approximately $5.9 million, consisting of the entire $5.7 million of duties claimed plus applicable interest. Accordingly, the Company's duty recovery under CAPE 1 is fully complete, and no refund claims or amounts remaining outstanding under Phase 1.

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

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the accompanying notes appearing elsewhere in this Quarterly Report on Form 10-Q for the period ended June 30, 2026 and the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the fiscal year ended December 31, 2025 included in our Annual Report. References to "Applied Optoelectronics," "we," "our" and "us" are to Applied Optoelectronics, Inc. and its subsidiaries unless otherwise specified or the context otherwise requires.

This Quarterly Report on Form 10-Q contains "forward-looking statements" that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. The statements contained in this Quarterly Report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Terminology such as "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "could," "would," "target," "seek," "aim," "believe," "predicts," "think," "objectives," "optimistic," "new," "goal," "strategy," "potential," "is likely," "will," "expect," "plan," "project," "permit," or by other similar expressions that convey uncertainty of future events or outcomes are intended to identify forward-looking statements.

We have based these forward-looking statements largely on our current expectations and projections about future events and industry and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified in "Part II —Item 1A. Risk Factors" provided below, those discussed in other documents we file with the SEC, including our Report on Form 10-K for the year ended December 31, 2025 and subsequent Quarterly Reports on Form 10-Q, and geopolitical tensions and conflicts, including with respect to international trade policies in areas such as tariffs and export controls, and the availability, timing and amount of refunds of previously paid tariffs. Furthermore, such forward-looking statements speak only as of the date of this Quarterly Report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of this Quarterly Report.

Overview

We are a leading, vertically integrated provider of fiber-optic networking products. We target four networking end-markets: internet and AI data centers, CATV, telecom, and FTTH. We design and manufacture a range of optical communications products at varying levels of integration, from components, subassemblies and modules to complete turn-key equipment. In designing products for our customers, we typically begin with the fundamental building blocks of lasers and laser components. From these foundational products, we design and manufacture a wide range of products to meet our customers' needs and specifications, and such products differ from each other by their end market, intended use and level of integration. We are primarily focused on the higher-performance segments within the internet data center, CATV, telecom and FTTH markets which increasingly demand faster connectivity and innovation.

Our vertically integrated manufacturing model provides us several advantages, including rapid product development, fast response times to customer requests and control over product quality and manufacturing costs.

The four end markets we target are all driven by significant bandwidth demand fueled by the growth of artificial intelligence (AI), cloud computing, network-connected devices, video traffic, and online social networking. Within the data center market, AI workloads are fueling the retooling of existing data centers and the construction of purpose-built data centers for AI, in both cases significantly increasing demand for higher speed optical networking technology. Existing internet data centers are also being upgraded with higher speed optical networking equipment to support ever-increasing data traffic. Within the CATV market, we benefit from a number of ongoing trends including the move to higher bandwidth networks among CATV service providers, especially the desire by CATV multiple system operators ("MSOs") to increase the return-path bandwidth available to offer to their customers. In the FTTH market, we benefit from continuing Passive Optical Networks ("PON") deployments and system updates among telecom service providers. In the telecom market, we benefit from deployment of new high-speed fiber-optic networks by telecom network operators, including 5G networks.

Our vertically integrated manufacturing model provides us several advantages, including rapid product development, fast response times to customer requests and greater control over product quality and manufacturing costs. We design, manufacture and integrate our own analog and digital lasers using a proprietary Molecular Beam Epitaxy ("MBE"), and Metal Organic Chemical Vapor Deposition ("MOCVD") alternative processes for the fabrication of lasers. We believe the use of both processes, and our knowledge of how to combine these processes with others to fabricate lasers is unique in our industry. We manufacture the majority of the laser chips and optical components that are used in our products. The lasers we manufacture are tested extensively to enable reliable operation over time and our devices are often highly tolerant of changes in temperature and humidity, making them well-suited to the CATV, FTTH and 5G telecom markets where networking equipment is often installed outdoors. All of our laser chips are manufactured in our facility in Sugar Land, Texas. We believe that our domestic production capacity for these devices gives us a competitive advantage over many of our competitors, as we believe that many of our customers prefer to source key components from suppliers who have domestic manufacturing capacity.

We have three manufacturing sites: Sugar Land, Texas, Ningbo, China and Taipei, Taiwan. Our research and development functions are generally partnered with our manufacturing locations, and we have an additional research and development facility in Duluth, Georgia. In our Sugar Land facility, we manufacture laser chips (utilizing our MBE and MOCVD processes), transceivers for the internet data center market, subassemblies and components. The subassemblies are used in the manufacture of components by our other manufacturing facilities or sold to third parties as modules. We manufacture our laser chips only within our Sugar Land facility, where our laser design team is located. In our Taiwan location, we manufacture optical components, such as our butterfly lasers, which incorporate laser chips, subassemblies and components manufactured within our Sugar Land facility. Additionally, in our Taiwan location, we manufacture transceivers for the internet data center, telecom, FTTH and other markets. We also manufacture CATV outdoor equipment including amplifiers. In our China facility, we do certain assembly operations on various products, including some optical subassemblies and transceivers for the CATV transmitters (at the headend), some CATV outdoor equipment and transceivers for our internet data center market. The extent of the assembly operations in our China facility do not always establish the country of origin for these products as China for U.S. tariff purposes. Each manufacturing facility conducts testing on the components, modules or subsystems it manufactures, and each facility is certified to ISO 9001:2015. Our facilities in Ningbo, China, Taipei, Taiwan, and Sugar Land, Texas are all certified to ISO 14001:2015. We have recently announced plans to expand our manufacturing space in and around the Sugar Land, Texas area and are currently in the process of building out suitable facilities for this expansion. We expect the first of these new facilities to begin production later in 2026.

Our business depends on winning competitive bid selection processes to develop components, systems and equipment for use in our customers' products. These selection processes are typically lengthy, and as a result our sales cycles will vary based on the level of customization required, market served, whether the design win is with an existing or new customer and whether our solution being designed in our customers' product is our first generation or subsequent generation product. We do not have any long-term purchase commitments (in excess of one year) with any of our customers, most of whom purchase our products on a purchase order basis. However, once one of our solutions is incorporated into a customer's design, we believe that our solution is likely to continue to be purchased for that design throughout that product's life cycle because of the time and expense associated with redesigning the product or substituting an alternative solution.

Our principal executive offices are located at 13139 Jess Pirtle Blvd., Sugar Land, TX 77478, and our telephone number is (281) 295-1800.

Trends and Other Matters Affecting Our Business

Demand for our data center products remained strong during the six months ended June 30, 2026, driven by continued investments by hyperscale customers in artificial intelligence, cloud computing and high-speed networking infrastructure. We experienced significant growth in sales of data center products during the period, reflecting increased customer deployments and demand for higher speed optical connectivity solutions.

At the same time, the global economic environment remains subject to uncertainty resulting from evolving trade policies, tariffs, export controls, geopolitical developments and other macroeconomic factors. These conditions may impact the availability and cost of materials and components, customer purchasing decisions, deployment schedules and capital spending plans. In addition, changes in global trade policies and regulations could affect our manufacturing operations, supply chain and customer demand.

We continue to monitor these developments and have implemented strategies intended to reduce potential disruptions, including supply chain diversification, inventory management initiatives and operational efficiencies. However, future demand may be affected by changes in customer deployment schedules, inventory levels, capital spending plans and general market conditions.

Results of Operations

The following table sets forth our consolidated results of operations for the periods presented and as a percentage of our revenue for those periods (in thousands, except percentages):

	Three months ended June 30,				Six months ended June 30,			
	2026		2025		2026		2025	
Revenue, net	$ 191,922	100.0%	$ 102,952	100.0%	$ 343,066	100.0%	$ 202,811	100.0%
Cost of goods sold	138,715	72.3%	71,790	69.7%	245,943	71.7%	141,105	69.6%
Gross profit	53,207	27.7%	31,162	30.3%	97,123	28.3%	61,706	30.4%
Operating expenses								
Research and development	34,871	18.2%	20,612	20.0%	60,527	17.6%	38,422	18.9%
Sales and marketing	11,490	6.0%	8,135	7.9%	17,837	5.2%	13,492	6.7%
General and administrative	31,573	16.4%	18,391	17.9%	56,477	16.5%	34,706	17.1%
Total operating expenses	77,934	40.6%	47,138	45.8%	134,841	39.3%	86,620	42.7%
Loss from operations	(24,727)	(12.9)%	(15,976)	(15.5)%	(37,718)	(11.0)%	(24,914)	(12.3)%
Other income (expense)								
Interest income	3,248	1.7%	286	0.3%	4,985	1.5%	511	0.3%
Interest expense	(927)	(0.5)%	(818)	(0.8)%	(1,790)	(0.5)%	(1,752)	(0.9)%
Other income, net	914	0.5%	7,410	7.2%	(201)	-0.1%	7,885	3.9%
Total other income (expense), net	3,235	1.7%	6,878	6.7%	2,994	0.9%	6,644	3.3%
Loss before income taxes	(21,492)	(11.2)%	(9,098)	(8.8)%	(34,724)	(10.1)%	(18,270)	(9.0)%
Income tax expense	(1,289)	(0.7)%	—	—%	(2,338)	(0.7)%	—	—%
Net loss	$ (22,781)	(11.9)%	$ (9,098)	(8.8)%	$ (37,062)	(10.8)%	$ (18,270)	(9.0)%

Comparison of Financial Results

Revenue

We generate revenue through the sale of our products to equipment providers and network operators for the internet data center, CATV, telecom, FTTH and other markets. We derive a significant portion of our revenue from our top ten customers, and we anticipate that we will continue to do so for the foreseeable future. The following charts provide the revenue contribution from each of the markets we served for the three and six months ended June 30, 2026 and 2025 (in thousands, except percentages):

	Three months ended June 30,				Change	
	2026		2025			
	Amount	% of Revenue	Amount	% of Revenue	Amount	%
	(in thousands, except percentages)					
Data Center	$ 107,662	56.1%	$ 44,791	43.5%	$ 62,871	140.4%
CATV	80,578	42.0%	56,019	54.4%	24,559	43.8%
Telecom	3,411	1.8%	1,940	1.9%	1,471	75.8%
FTTH and Other	271	0.1%	202	0.2%	69	34.2%
Total Revenue	$ 191,922	100.0%	$ 102,952	100.0%	$ 88,970	86.4%

	Six months ended June 30,				Change	
	2026		2025			
	Amount	% of Revenue	Amount	% of Revenue	Amount	%
	(in thousands, except percentages)					
Data Center	$ 189,066	55.1%	$ 76,841	37.9%	$ 112,225	146.0%
CATV	147,419	43.0%	120,520	59.4%	26,899	22.3%
Telecom	5,971	1.7%	4,876	2.4%	1,095	22.5%
FTTH and Other	610	0.2%	574	0.3%	36	6.3%
Total Revenue	$ 343,066	100.0%	$ 202,811	100.0%	$ 140,255	69.2%

Revenues for the three months ended June 30, 2026 increased by $89.0 million, or 86.4%, compared to the three months ended June 30, 2025. The increase was primarily driven by:

- $62.9 million increase in data center product revenues, reflecting continued demand for our high-speed connectivity products; and
- $24.6 million increase in CATV product revenues, primarily driven by higher sales volume resulting from market share gains and continued aggressive deployment of our CATV products by our MSO customers.

Revenues for the six months ended June 30, 2026 increased by $140.3 million, or 69.2%, compared to the six months ended June 30, 2025. The increase was primarily driven by:

- $112.2 million increase in data center product revenues reflecting continued demand for our high-speed connectivity products; and
- $26.9 million increase in CATV product revenues primarily driven by higher sales volume resulting from market share gains and continued aggressive deployment of our CATV products by our MSO customers.

Future revenue trends are expected to depend on customer demand, customer deployment schedules, competitive pricing, supply chain conditions and broader macroeconomic conditions.

For the three months ended June 30, 2026 and 2025, our top ten customers represented 99% and 98% of our revenue, respectively. For the six months ended June 30, 2026 and 2025, our top ten customers represented 99% and 97% of our revenue, respectively. We believe that diversifying our customer base is critical for our future success, since reliance on a small number of key customers makes our ability to forecast future results dependent upon the accuracy of the forecasts we receive from those key customers. We continue to prioritize new customer acquisition and growth of diverse revenue streams.

Cost of goods sold and gross margin

	Three months ended June 30,				Change	
	2026		2025			
	Amount	% of Revenue	Amount	% of Revenue	Amount	%
	(in thousands, except percentages)					
Cost of goods sold	$ 138,715	72.3%	$ 71,790	69.7%	$ 66,925	93.2%
Gross profit	53,207	27.7%	31,162	30.3%	22,045	70.7%

	Six months ended June 30,				Change	
	2026		2025			
	Amount	% of Revenue	Amount	% of Revenue	Amount	%
	(in thousands, except percentages)					
Cost of goods sold	$ 245,943	71.7%	$ 141,105	69.6%	$ 104,838	74.3%
Gross profit	97,123	28.3%	61,706	30.4%	35,417	57.4%

Cost of goods sold increased by $66.9 million, or 93.2%, for the three months ended June 30, 2026, compared to the three months ended June 30, 2025. The increase was primarily attributable to:

- $47.5 million increase in direct material costs, primarily due to higher production volumes;
- $8.6 million increase in direct labor costs, primarily due to increased production ramp activity;
- an increase in other manufacturing and production related costs of approximately $12.5 million, associated with higher production levels; and
- partially offset by $1.7 million decrease in inventory reserve adjustments.

Cost of goods sold increased by $104.8 million, or 74.3%, for the six months ended June 30, 2026 compared to the six months ended June 30, 2025. The increase was primarily attributable to:

- $69.6 million increase in direct material, direct labor and other standard manufacturing costs, primarily due to higher production volumes;
- $14.1 million increase in direct labor costs, primarily due to increased production ramp activity;
- an increase in other manufacturing and production related costs of approximately $20.9 million, associated with changes in inventory demand forecasts; and
- a slight $0.2 million increase in inventory reserve adjustments.

Gross margin decreased to 27.7% for the three months ended June 30, 2026, compared to 30.3% for the three months ended June 30, 2025. Despite the decrease in gross margin percentage, gross profit increased by $22.0 million, or 70.7%, driven by higher revenues. The decrease in gross margin was primarily attributable to:

- increased direct material, direct labor and other manufacturing costs associated with increased production volumes; and
- partially offset by a lower inventory reserve adjustment of 2.2%.

The increase in gross profit was primarily attributable to:

- higher revenues, which contributed approximately $27.0 million to the increase in gross profit; and
- increased costs associated with certain data center products, which negatively impacted gross profit by approximately $5.0 million.

Gross margin decreased to 28.3% for the six months ended June 30, 2026, compared to 30.4% for the six months ended June 30, 2025. Despite the decrease in gross margin percentage, gross profit increased by $35.4 million, or 57.4%, driven by higher revenues. The decrease in gross margin was primarily attributable to:

- improved absorption of manufacturing costs associated with higher production volumes, partially offset by increased inventory related costs and product mix.

The increase in gross profit was primarily attributable to:

- higher revenues, which contributed approximately $42.6 million to the increase in gross profit; and
- increased costs associated with certain data center products, which negatively impacted gross profit by approximately $7.2 million.

Management expects gross margin to increase in future periods as a result of product mix, cost optimization initiatives, and production efficiencies.

Operating Expenses

	Three months ended June 30,					
	2026		2025		Change	
	Amount	% of revenue	Amount	% of revenue	Amount	%
			(in thousands, except percentages)			
Research and development	$ 34,871	18.2%	$ 20,612	20.0%	$ 14,259	69.2%
Sales and marketing	11,490	6.0%	8,135	7.9%	3,355	41.2%
General and administrative	31,573	16.4%	18,391	17.9%	13,182	71.7%
Total operating expenses	$ 77,934	40.6%	$ 47,138	45.8%	$ 30,796	65.3%

	Six months ended June 30,					
	2026		2025		Change	
	Amount	% of revenue	Amount	% of revenue	Amount	%
			(in thousands, except percentages)			
Research and development	$ 60,527	17.6%	$ 38,422	18.9%	$ 22,105	57.5%
Sales and marketing	17,837	5.2%	13,492	6.7%	$ 4,345	32.2%
General and administrative	56,477	16.5%	34,706	17.1%	$ 21,771	62.7%
Total operating expenses	$ 134,841	39.3%	$ 86,620	42.7%	$ 48,221	55.7%

Research and Development Expense

Research and development expense increased by $14.3 million, or 69.2%, for the three months ended June 30, 2026 compared to the three months ended June 30, 2025. The increase was primarily attributable to:

- higher personnel-related expenses supporting product development activities; and
- increased engineering and development costs associated with data center products and new product development initiatives, including acceleration of planned development efforts to support anticipated demand from certain customers.

Research and development expense increased by $22.1 million, or 57.5%, for the six months ended June 30, 2026 compared to the six months ended June 30, 2025. The increase was primarily attributable to:

- increased personnel-related expenses and increased R&D related project costs associated with new product development activities; and
- higher customer demand for new products and the acceleration of planned development efforts to support anticipated demand from certain customers.

Sales and Marketing Expense

Sales and marketing expense increased by $3.4 million, or 41.2%, for the three months ended June 30, 2026 compared to the three months ended June 30, 2025. The increases were primarily attributable to:

- higher compensation and related costs associated with expanded sales efforts supporting data center and Quantum Bandwidth products; and
- higher shipping and logistics expenses, driven by accelerated customer demand, and the impact of tariffs of approximately $0.1 million.

Sales and marketing expense increased by $4.3 million, or 32.2%, for the six months ended June 30, 2026 compared to the six months ended June 30, 2025. The increases were primarily attributable to:

- higher compensation and related costs associated with expanded sales efforts supporting data center and Quantum Bandwidth products; and
- higher shipping and logistics expenses, driven by accelerated customer demand, and the impact of tariffs of approximately $0.8 million.

Management continues to monitor tariff developments and their potential impact on its cost structure and pricing strategy. Based on current conditions, management expects shipping costs and tariff-related impacts to continue in 2026, likely at a reduced level compared to 2025 due to the Supreme Court's decision overturning the IEEPA-related tariffs. Management cannot currently assess whether this tariff trend will continue given the Administration's current stated goal to replace the IEEPA tariffs with tariffs under other sections of federal law (e.g. Section 301 tariffs, reciprocal tariffs, etc.).

General and Administrative Expense

General and administrative expense increased by $13.2 million, or 71.7%, for the three months ended June 30, 2026 compared to the three months ended June 30, 2025. General and administrative expense increased by $21.8 million, or 62.7%, for the six months ended June 30, 2026 compared to the six months ended June 30, 2025. The increase was primarily due to increased personnel-related expense and expanded corporate infrastructure to support company growth.

Other Income (Expense), Net

	Three months ended June 30,					
	2026		2025		Change	
	Amount	% of revenue	Amount	% of revenue	Amount	%
	(in thousands, except percentages)					
Interest income	$ 3,248	1.7%	$ 286	0.3%	$ 2,962	1,035.7%
Interest expense	(927)	(0.5)%	(818)	(0.8)%	(109)	13.3%
Other income, net	914	0.5%	7,410	7.2%	(6,496)	(87.7)%
Total other income (expense), net	$ 3,235	1.7%	$ 6,878	6.7%	$ (3,643)	(53.0)%

	Six months ended June 30,					
	2026		2025		Change	
	Amount	% of revenue	Amount	% of revenue	Amount	%
	(in thousands, except percentages)					
Interest income	$ 4,985	1.5%	$ 511	0.3%	$ 4,474	875.5%
Interest expense	(1,790)	(0.5)%	(1,752)	(0.9)%	(38)	2.2%
Other income, net	(201)	(0.1)%	7,885	3.9%	(8,086)	(102.5)%
Total other income (expense), net	$ 2,994	0.9%	$ 6,644	3.3%	$ (3,650)	(54.9)%

Interest income increased by $3.0 million, or 1,035.7%, for the three months ended June 30, 2026 compared to the three months ended June 30, 2025. Interest income increased by $4.5 million, or 875.5%, for the six months ended June 30, 2026 compared to the six months ended June 30, 2025. The increase was primarily attributable to higher average cash and savings balances, as well as higher interest income earned on those balances during the period.

Interest expense increased by $0.1 million, or 13.3%, for the three months ended June 30, 2026 compared to the three months ended June 30, 2025. Interest expense increased by $0.04 million, or 2.2%, for the six months ended June 30, 2026 compared to the six months ended June 30, 2025. The increase was primarily attributable to changes in outstanding debt balances and related financing costs during the period.

Other income (expenses) decreased by $6.5 million, or 87.7%, for the three months ended June 30, 2026 compared to the three months ended June 30, 2025. Other income (expenses) decreased by $8.1 million, or 102.5%, for the six months ended June 30, 2026 compared to the six months ended June 30, 2025. The decrease was mainly due to the negative foreign exchange impact.

Benefit (Provision) for Income Taxes

The Company's effective tax rates for the three months ended June 30, 2026 and 2025 were (6.0)% and 0%, respectively. For the six months ended June 30, 2026 and 2025, the effective tax rates were (6.7)% and 0.0%, respectively. The effective tax rate varied from the federal statutory rate of 21% primarily due to the change of the valuation allowance on federal, state, and Taiwan deferred tax assets ("DTA"), and the R&D super deduction in China.

On August 9, 2022, the Creating Helpful Incentives to Produce Semiconductors Act ("CHIPS Act") was enacted. Among its provisions, the bill provides various federal grants, tax credits, and incentives for investment in the United States. To the extent that we make investments in expanding manufacturing in our semiconductor fabrication facility in Texas, we believe that the CHIPS Act would provide a refundable tax credit for certain equipment and facilities upgrades. We made significant investments in the three months ended June 30, 2026 which we believe should qualify for these credits, but we intend to continue to evaluate these and future investments for applicability to the tax credit provisions of the CHIPS Act.

Comprehensive Loss

	Three months ended June 30,					
	2026		2025		Change	
	Amount	% of revenue	Amount	% of revenue	Amount	%
	(in thousands, except percentages)					
Net loss	$ (22,781)	(11.9)%	$ (9,098)	(8.8)%	$ (13,683)	150.4%
Gain on foreign currency translation adjustment	2,606	1.4%	3,868	3.8%	(1,262)	(32.6)%
Comprehensive loss	$ (20,175)	(10.5)%	$ (5,230)	(5.0)%	$ (14,945)	285.8%

	Six months ended June 30,					
	2026		2025		Change	
	Amount	% of revenue	Amount	% of revenue	Amount	%
	(in thousands, except percentages)					
Net loss	$ (37,062)	(10.8)%	$ (18,270)	(9.0)%	$ (18,792)	102.9%
Gain on foreign currency translation adjustment	3,016	0.9%	3,661	1.8%	(645)	(17.6)%
Comprehensive loss	$ (34,046)	(9.9)%	$ (14,609)	(7.2)%	$ (19,437)	133.0%

Comprehensive loss increased by $14.9 million, or 285.8%, for the three months ended June 30, 2026, compared to the three months ended June 30, 2025.

Comprehensive loss increased by $19.4 million, or 133.0%, for the six months ended June 30, 2026 as compared to the six months ended June 30, 2025.

The functional currency for the Company's operations is generally the applicable local currency. Accordingly, the assets and liabilities of companies whose functional currency is other than the U.S. dollar are included in the consolidated financial statements by translating the assets and liabilities into the U.S. dollar at the exchange rates applicable at the end of the reporting period. Translation gains or losses are accumulated in other comprehensive income (loss) in the consolidated statements of shareholders' equity and are also included in comprehensive loss.

Liquidity and Capital Resources

As of June 30, 2026, we had $106.5 million of unused borrowing capacity from all of our loan agreements. As of June 30, 2026, our cash, cash equivalents and restricted cash totaled $508.8 million. Cash and cash equivalents are held for working capital purposes and are invested primarily in money market or time deposit funds. We do not enter into investments for trading or speculative purposes.

ATM Offerings

On December 18, 2024, the Company filed an automatic shelf registration statement on Form S-3ASR (Registration File No. 333-283905) (the "Automatic Shelf Registration Statement") with the U.S. Securities and Exchange Commission, which became effective immediately upon filing.

On February 26, 2026, the Company entered into an Equity Distribution Agreement (the "First EDA") with Raymond James & Associates and Needham & Company, LLC (collectively, the "Sales Agents" and each, a "Sales Agent") pursuant to which the Company could issue and sell shares of the Company's common stock, par value $0.001 per share having an aggregate offering price of up to $250 million (the "First ATM Offering"), from time to time through the Sales Agents. On March 12, 2026, the Company entered into Amendment No. 1 to the First EDA with the Sales Agents, to increase the aggregate offering price from $250 million to $500 million. On April 2, 2026, the Company completed the First ATM Offering and sold approximately 4.8 million shares at a weighted average price of $103.51 per share, providing proceeds of approximately $490 million, net of expenses and underwriting discounts and commissions.

On May 14, 2026, the Company entered into an Equity Distribution Agreement (the "Second EDA") with the Sales Agents pursuant to which the Company could issue and sell shares of the Company's common stock, par value $0.001 per share (the "Shares") having an aggregate offering price of up to $600 million (the "Second ATM Offering"), from time to time through the Sales Agents.

Upon delivery of a placement notice and subject to the terms and conditions of the Second EDA, sales of the Shares were made through the Sales Agents in transactions that are deemed to be "at the market" offerings as defined in Rule 415 of the Securities Act of 1933, as amended (the "Securities Act"), including sales made through the facilities of the Nasdaq Global Market, the principal trading market for the Company's common stock, on any other existing trading market for the Company's common stock, to or through a market maker or as otherwise agreed by the Company and the Sales Agents. In the placement notice, the Company would designate the maximum number of Shares to be sold through the Sales Agents, the time period during which sales were requested to be made, the minimum price for the Shares to be sold, and any limitation on the number of Shares that could be sold in any one day. Subject to the terms and conditions of the Second EDA, the Sales Agents would use their commercially reasonable efforts to sell Shares on the Company's behalf up to the designated amount specified in the placement notice.

The Second EDA provided that each of the Sales Agents would be entitled to compensation of up to 2% of the gross sales price of the Shares sold through such Sales Agent from time to time. The Company also agreed to reimburse the Sales Agents for certain specified expenses in connection with the registration of Shares under state blue sky laws and any filing with, and clearance of the offering by, the Financial Industry Regulatory Authority Inc., not to exceed $10,000 in the aggregate, and any associated application fees incurred. The Company agreed to indemnify the Sales Agents against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Sales Agents could be required to make because of any of those liabilities.

The details of the shares of common stock sold through the First ATM Offering and the Second ATM Offering as of the end of June 30, 2026 are as follows (in thousands, except shares and weighted average per share price):

Distribution Agent	Month	Number of Shares Sold	Weighted Average Per Share Price	Gross Proceeds	Compensation to Distribution Agent	Net Proceeds
Raymond James & Associates, Inc. and Needham & Company, LLC	March 2026	3,753,300	$ 104.03	$ 390,437	$ 7,809	$ 382,628
Raymond James & Associates, Inc. and Needham & Company, LLC	April 2026	1,077,126	101.72	109,563	2,191	107,372
Raymond James & Associates, Inc. and Needham & Company, LLC	May 2026	1,943,789	181.24	352,295	7,046	345,249
Raymond James & Associates, Inc. and Needham & Company, LLC	June 2026	1,001,308	197.26	197,519	3,950	193,568
Total		7,775,523		$ 1,049,814	$ 20,996	$ 1,028,817

Note Offerings

On December 23, 2024, the Company issued approximately $125.0 million aggregate principal amount of 2.75% convertible senior notes due 2030 (the "2030 Notes"), and on the same day consummated various separate, privately negotiated exchange agreements with certain holders of its 2026 Notes to exchange approximately $76.6 million principal amount of the 2026 Notes for aggregate consideration consisting of (i) $125.0 million aggregate principal amount of the 2030 Notes, (ii) 1,487,874 shares of the Company's common stock, par value $0.001 per share and (iii) approximately $0.9 million of cash in aggregate. Also, refer to Note 12 "Convertible Senior Notes" to the consolidated financial statements for further discussion of the 2030 Notes.

Operating Activities

The table below sets forth selected cash flow data for the periods presented (in thousands):

	Six months ended June 30,	
	2026	**2025**
Net cash used in operating activities	$ (73,781)	$ (116,389)
Net cash used in investing activities	(633,713)	(75,194)
Net cash provided by financing activities	980,279	195,993
Effect of exchange rates on cash and cash equivalents	19,938	3,653
Net increase in cash and cash equivalents	$ 292,723	$ 8,063

Net cash used in operating activities was $73.8 million during the six months ended June 30, 2026 as compared to $116.4 million during the six months ended June 30, 2025, a decrease of 36.6%. Net cash used in operating activities consisted of our net loss of $37.1 million, adjusted for non-cash items of $33.9 million, and a net use of cash from changes in working capital of $70.6 million.

The changes in working capital were primarily attributable to:

- Accounts receivable, which increased by approximately $69.6 million during the six months ended June 30, 2026, as compared to an increase of approximately $94.7 million during the six months ended June 30, 2025, a decrease of 26.4%, primarily due to faster customer payments.
- Inventory, which increased by approximately $94.1 million during the six months ended June 30, 2026, as compared to an increase of approximately $51.0 million during the six months ended June 30, 2025, an increase of 84.3%, primarily due to production ramp and build to support anticipated demand, as well as longer lead times for certain components.
- Accounts payable increased by $142.2 million during the six months ended June 30, 2026, compared to an increase of approximately $28.0 million during the six months ended June 30, 2025, an increase of 407.8%. The increase in the current period was primarily due to higher inventory and equipment purchases.

Management believes these changes are consistent with ongoing production ramp and customer demand dynamics, which may result in variability in operating cash flows from period to period.

Customer Concentration

As of June 30, 2026, Digicomm represented approximately 67.2% of total accounts receivable. This concentration is primarily attributable to customer purchasing patterns, shipment timing, and billing concentration. Management has extended longer than typical payment terms to Digicomm in order to ensure Digicomm has adequate inventory on hand to quickly provide products to customers when needed for their network builds. The Company has a multi-year history with Digicomm and over this period the Company’s collection experience has been good. Digicomm’s payment history has generally been relatively consistent over time. In addition, to the extent customers in the Company’s data center business continue to grow relative to Digicomm, Management expects Accounts Receivable concentration with Digicomm to decline.

The Company continues to monitor credit exposure and collection trends related to significant customers and does not believe this concentration will create a material credit-risk.

For the six months ended June 30, 2026, revenues from Digicomm were approximately $147.0 million, representing approximately 42.8% of consolidated revenues. These revenues were primarily attributable to the CATV product category.

Investing Activities

Net cash used in investing activities was $633.7 million during the six months ended June 30, 2026 compared with $75.2 million in the six months ended June 30, 2025, an increase of 742.8%, primarily driven by capital expenditures of $335.1 million, which included $169.0 million capital expenditures in the US, $62.8 million in Taiwan, and $103.3 million in China. The increase in capital expenditures was primarily attributable to facility expansion and equipment purchases to support increased production capacity for the Company’s internet data center and broadband product lines, including investments related to Quantum Bandwidth products and the continued expansion of manufacturing operations for 400G, 800G, and 1.6T transceiver products. Management expects that 2026 CapEx will continue to be elevated above past year levels, driven by the need to expand production capacity to meet customer demand.

The increase in prepayments for equipment and others, primarily reflects advance payments for equipment and facility related capital expenditures associated with the Company's manufacturing expansion projects in the United States, Taiwan and China. These advance payments are expected to be reclassified to property, plant and equipment as the related assets are received and placed into service.

Management expects to continue to make investments in capacity expansion through at least the end of 2027 and believes that this expansion will provide adequate production capacity to meet expected demand for data center transceiver, semiconductor lasers, and Quantum Bandwidth broadband products, subject to demand variability, customer ramp timing, supply chain, and other factors. The Company expects to expand manufacturing operations in the U.S. and Taiwan during 2026 and 2027 primarily to support laser diode production and production of 800G and 1.6T transceivers.

Financing Activities

Net cash provided by financing activities was $980.3 million during the six months ended June 30, 2026 compared with $196.0 million in the six months ended June 30, 2025, an increase of 400.2%, primarily attributable to the net proceeds of $1.03 billion from the ATM Offering, the net proceeds from line of credit borrowings of $22.2 million, the net proceeds of $1.7 million from issuance of notes payable and long-term debt, partially offset by net proceeds from bank acceptance payable of $0.6 million, and tax payments related to share-based compensation of $71.2 million.

Loans and Commitments

As of June 30, 2026, we have lending arrangements with one U.S. bank, three financial institutions in Taiwan, and six financial institutions in China. As of June 30, 2026, we were in compliance with the covenants in the lending arrangements. As of June 30, 2026, we had $106.5 million of unused borrowing capacity.

On December 23, 2024, the Company issued $125.0 million of 2.75% convertible senior notes due 2030. The 2030 Notes will mature on January 15, 2030, unless earlier repurchased, redeemed or converted in accordance with their terms.

See Note 11 "Notes Payable and Long-term Debt" and Note 12 "Convertible Senior Notes" of our Condensed Consolidated Financial Statements for a description of our notes payable and long-term debt and convertible senior notes.

Warrants

On March 13, 2025, we issued a warrant (the "Customer Warrant") to an Amazon affiliate to purchase up to an aggregate of 7,945,399 shares of the Company's common stock ("Warrant Shares") at an exercise price of $23.6956 per share. The Customer Warrant has a contractual term of 10 years. At the time of issuance, the Customer Warrant is exercisable to purchase 1,324,233 Warrant Shares. The remaining 6,621,166 Warrant Shares may vest over the next 10 years, dependent on aggregate purchases by Amazon of $4 billion of our products over this time period. See Note 3 "Revenue Recognition" of our Condensed Consolidated Financial Statements for additional description of the Warrant Shares.

Future Liquidity Needs

We had cash, cash equivalents and restricted cash of $508.8 million as of June 30, 2026, an increase of approximately $292.7 million compared to December 31, 2025. Our future capital requirements will depend on many factors including our growth rate, the timing and extent of spending to support our research and development efforts, the expansion of our sales and marketing activities, the introduction of new and enhanced products, the building improvement of a new factory in Taiwan or U.S., changes in our manufacturing capacity and the continuing market acceptance of our products.

As of June 30, 2026, we had a total loan balance (excluding convertible notes) of $58.9 million from various lenders and had $106.5 million available borrowing capacity on existing credit lines. Should additional liquidity be needed, our Board may authorize issuance of additional common stock under an at-the-market offering in the future (see the discussion of "Liquidity and Capital Resources" in Item 2).

In the event we need additional liquidity, we will explore additional sources of liquidity. These additional sources of liquidity could include one, or a combination, of the following: (i) issuing equity or debt securities, (ii) incurring indebtedness secured by our assets and (iii) selling product lines, other assets and/or portions of our business. There can be no guarantee that we will be able to raise additional funds on terms acceptable to us, or at all.

Contractual Obligations and Commitments

Please refer to Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2025 for a complete discussion of its contractual obligations and commitments.

Inflation

Inflation in the United States has moderated in recent periods. However, certain cost components, including labor, materials, logistics and tariffs, remain elevated relative to historical levels. These cost pressures were partially offset by improved supply chain conditions and continued cost optimization initiatives.

During the six months ended June 30, 2026, we experienced continued inflationary pressures in certain areas of our operations. However, these pressures did not have a material impact on our business, financial condition, or results of operations. While we have implemented pricing actions, supply chain diversification initiatives and operational efficiencies to mitigate the effects of inflation, there can be no assurance that these measures will fully offset future cost increases. Continued inflationary pressures, particularly related to labor, tariffs and raw materials, could adversely affect our cost structure, gross margins and operating results in future periods.

In our Annual Report for the year ended December 31, 2025 and in the Notes to the Financial Statements herein, we identify our most critical accounting policies. In preparing the financial statements, we make assumptions, estimates and judgments that affect the amounts reported. We periodically evaluate our estimates and judgments that are most critical in nature which are related to revenue recognition, allowance for credit losses, inventory reserves, impairment of long-lived assets, service and product warranties, share based compensation expense, estimated useful lives of property and equipment, and income taxes. Our estimates are based on historical experience and on our future expectations that we believe are reasonable. The combination of these factors forms the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results are likely to differ from our current estimates and those differences may be material.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

For quantitative and qualitative disclosures about market risk affecting the Company, see Item 7A – Quantitative and Qualitative Disclosures about Market Risk in our Annual Report for the fiscal year ended December 31, 2025. We do not believe the Company’s exposure to market risk has changed materially since December 31, 2025.

We are affected by changes in currency exchange and interest rates. Our risk management programs are designed to reduce, but may not entirely eliminate, the impacts of these risks. We performed an evaluation of these risks to our financial positions as of December 31, 2025, and updated that analysis as of June 30, 2026, to determine whether material changes in market risks pertaining to currency and interest rates have occurred as a result of the changes in international trade policies, including tariffs and export controls. No material revisions were noted since disclosing "Quantitative and Qualitative Disclosures About Market Risk" within MD&A, in our 2025 Form 10-K.

Item 4. Controls and Procedures

The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their control objectives.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2026. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

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

Part II. Other Information

Item 1.   Legal Proceedings

Information with respect to legal proceedings can be found in Note 18 to the Condensed Consolidated Financial Statements contained in Part 1, Item 1 of this report.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. See Part I, Item 1A, "Risk Factors", of our Annual Report on Form 10-K for the year ended December 31, 2025 for a detailed discussion of the risk factors affecting our Company. As of June 30, 2026, there have been no material changes to those risk factors.

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

On June 26, 2026, a holder of the Company's 2.75% Convertible Senior Notes due 2030 (the "2030 Notes") converted $75 thousand in aggregate principal amount of 2030 Notes into 1,731 shares of the Company's Common Stock, based on the applicable conversion rate of 23.0884 shares per $1,000 principal amount of the 2030 Notes. The shares of Common Stock were issued in reliance on the exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, as amended. No proceeds were received by the Company in connection with the conversion.

Item 5. Other Information

(a) None

(b) None

(c) The adoption or termination of contracts, instructions or written plans for the purchase or sale of our securities by our Section 16 officers and directors for the three months ended June 30, 2026, each of which is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act ("Rule 10b5-1"), were as follows:

Name	Title	Action	Date Adopted	Expiration Date	Aggregate # of Securities to be Purchased/Sold
Chih-Hsiang (Thompson) Lin (1)	President/CEO	Adoption	May 27, 2026	December 31, 2027	80,000
Chih-Hsiang (Thompson) Lin (2)	President/CEO	Adoption	May 28, 2026	August 28, 2028	144,000

(1) Chih-Hsiang (Thompson) Lin, our President and Chief Executive Officer, entered into a Rule 10b5-1 Plan on May 27, 2026. Dr. Lin's plan provides for the potential sale of up to 80,000 shares of the Company's common stock. The plan is set to expire on December 31, 2027, or upon the earlier completion of all authorized transactions under the plan.

(2) Chih-Hsiang (Thompson) Lin, our President and Chief Executive Officer, on behalf of Lin Family Investment Holdings, LLC (the sole member interest of which is held by Thompson Lin Family Trust), entered into a Rule 10b5-1 Plan on May 28, 2026. Lin Family Investment Holdings, LLC's plan provides for the potential sale of up to 144,000 shares of the Company's common stock. The plan is set to expire on August 28, 2028, or upon the earlier completion of all authorized transactions under the plan.

Item 6. Exhibits

See Exhibit Index.

EXHIBIT INDEX

Number	Description
3.1*	Restated Certificate of Incorporation (filed as Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 12, 2025).
3.2*	Amended and Restated Bylaws, as currently in effect (filed as Exhibit 3.2 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 14, 2013).
3.3*	Amendment No. 1 to the Amended and Restated Bylaws, as currently in effect (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 2, 2025).
4.1*	Common Stock Specimen (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 15, 2015).
4.2*	Indenture, dated as of December 23, 2024 between Applied Optoelectronics, Inc. and Computershare Trust Company, as trustee (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 23, 2024).
4.3*	Form of Note representing the Company's 2.75% Convertible Senior Notes due 2030 (included as Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 23, 2024).
4.4*	First Supplemental Indenture, dated as of December 23, 2024, between Applied Optoelectronics, Inc. and Computershare Trust Company, N.A., as trustee (included as Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 23, 2024).
4.5*	Warrant to Purchase Common Stock of Applied Optoelectronics, Inc. by and between Applied Optoelectronics, Inc. and Amazon.com NV Investment Holdings LLC, dated as of March 13, 2025 (included as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 13, 2025).

10.1*	Purchase and Sale Agreement, dated April 7, 2026, by and between Applied Optoelectronics, Inc. and SRPF D/Kirby Industrial L.P. (included as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 13, 2026).
10.2*	Lease Agreement (Building 1), dated May 8, 2026, by and between Applied Optoelectronics, Inc., and Hightower Phase I Owner, LLC. (included as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 13, 2026).
10.2.1*	Lease Agreement (Building 2), dated May 8, 2026, by and between Applied Optoelectronics, Inc., and Hightower Phase I Owner, LLC. (included as Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 13, 2026).
10.2.2*	Lease Agreement (Building 3), dated May 8, 2026, by and between Applied Optoelectronics, Inc., and Hightower Phase I Owner, LLC. (included as Exhibit 10.3 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 13, 2026).
10.3*†	Applied Optoelectronics, Inc. 2026 Equity Incentive Plan (included as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 5, 2026).
10.3.1**†	Form of Restricted Stock Unit Award Agreement under 2026 Equity Incentive Plan.
10.3.2**†	Form of Performance Restricted Stock Unit Award Agreement under 2026 Equity Incentive Plan.
10.4*	Translation of the Financing Credit Line Agreement, dated June 11, 2026, between Global Technology, Inc. and Shanghai Pudong Development Bank Co., Ltd. (included as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on June 16, 2026).
10.5*	Standard Form of Agreement Between Owner and Design-Builder (AIA Document A141–2024), executed as of June 25, 2026, by and between Applied Optoelectronics, Inc. and LCC3 Solution Inc. (included as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 1, 2026).
10.5.1*	Exhibits to Design-Build Contract Between Owner and Design-Builder, executed as of June 25, 2026 (included as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 1, 2026).
31.1**	Certification of Chief Executive Officer pursuant to Exchange Act Rule, 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2**	Certification of Chief Financial Officer pursuant to Exchange Act Rule, 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification pursuant to 18 U.S.C. 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Chief Executive Officer and Chief Financial Officer.
101.INS**	Inline XBRL Instance – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH**	Inline XBRL Taxonomy Extension Schema Document.
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB**	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104**	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Incorporated herein by reference to the indicated filing.
** Filed herewith.
† Management contract, 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.

APPLIED OPTOELECTRONICS, INC.

Date: August 6, 2026

By: /s/ STEFAN J. MURRY
Stefan J. Murry
Chief Financial Officer
(principal financial officer and principal accounting officer)

Exhibit 10.3.1

APPLIED OPTOELECTRONICS, INC.

2026 EQUITY INCENTIVE PLAN

NOTICE OF RESTRICTED STOCK UNIT AWARD

Subject to the terms and conditions of this Notice of Restricted Stock Unit Award (this "Notice"), the Restricted Stock Unit Award Agreement attached hereto (the "Award Agreement"), and the Applied Optoelectronics, Inc. 2026 Equity Incentive Plan (the "Plan"), the below individual (the "Participant") is hereby granted the below number of Restricted Stock Units (the "RSUs") in the Common Stock of Applied Optoelectronics, Inc. (the "Company"). Unless otherwise specifically indicated, all terms used in this Notice shall have the meaning as set forth in the Award Agreement or the Plan.

Identifying Information:

Participant Name:
and Address:
Employee ID / Participant Code:
Grant Number:
Number of RSUs:
Date of Grant:
Vesting Commencement Date:

Vesting Schedule:
Subject to the Participant's continuous status as a Service Provider, and the terms of the Plan and this Award Agreement, the RSUs shall vest over a [ ]-year period in accordance with the following vesting schedule (the "Vesting Schedule"):

Vesting Date	Nonforfeitable Proportion

Notwithstanding the above, the RSUs shall automatically become fully vested upon the earlier of: (i) the Participant's Disability (as determined in the sole discretion of the Company) and (ii) the Participant's death.

Withholding Tax Election:
By your written signature below (or your electronic acceptance), you understand and agree that, as a condition of the grant of the RSUs hereunder, you are required to, and hereby affirmatively elect to, (1) sell that number of Shares of Common Stock determined in accordance with the “Taxes” section of the Award Agreement as may be necessary to satisfy all applicable withholding obligations with respect to any taxable event arising in connection with the RSUs, and (2) allow the broker or other third-party intermediary acceptable to the Company to remit the cash proceeds of such sale(s) to the Company. Furthermore, you direct the Company to make a cash payment equal to the required tax withholding from the cash proceeds of such sale(s) directly to the appropriate taxing authorities.

[SIGNATURES ON NEXT PAGE]

By your signature and the signature of the Company's representative below, the Participant and the Company agree that the RSUs granted are governed by the terms and conditions of this Notice, the Award Agreement and the Plan.

APPLIED OPTOELECTRONICS, INC.

By:

Its:

Date:

PARTICIPANT ACKNOWLEDGMENT

The Participant acknowledges receipt of a copy of this Notice, the Award Agreement and the Plan, and represents that he or she is familiar with the provisions thereof, and hereby accepts the RSUs subject to all of the terms and provisions hereof and thereof. The Participant has reviewed this Notice, the Award Agreement and the Plan in their entirety, has had an opportunity to obtain the advice of legal counsel prior to executing this Notice, the Award Agreement, and fully understands all provisions of this Notice, the Award Agreement and the Plan. The Participant hereby agrees that all questions of interpretation and administration relating to this Notice, the Award Agreement and the Plan shall be resolved by the Committee.

The Participant hereby acknowledges that he or she has had the opportunity to review with his or her own tax advisors the tax consequences of receiving this Notice, the Award Agreement and the Plan, and the transactions contemplated thereby, including any U.S. federal, state and local tax laws, and any other applicable taxing jurisdiction, prior to executing this Notice. The Participant attests that he or she is relying solely on such advisors and not on any statements or representations of the Company or any of its agents or affiliates. Further, the Participant hereby acknowledges and understands that he or she (and not the Company) shall be solely responsible for his or her tax liability that may arise as a result of receiving this Notice and the Award Agreement.

PARTICIPANT:

Signed:
Print Name:
Date:

APPLIED OPTOELECTRONICS, INC.

2026 EQUITY INCENTIVE PLAN

RESTRICTED STOCK UNIT AWARD AGREEMENT

Subject to the terms and conditions of the Notice of Restricted Stock Unit Award (the "Notice"), this Restricted Stock Unit Award Agreement (this "Award Agreement"), and the Applied Optoelectronics, Inc. 2026 Equity Incentive Plan (the "Plan"), the individual set forth in the Notice (the "Participant") is hereby granted Restricted Stock Units (the "RSUs") in the Common Stock of Applied Optoelectronics, Inc. (the "Company"). Unless otherwise specifically indicated, all terms used in this Award Agreement shall have the meaning as set forth in the Notice or the Plan.

1. Vesting Schedule and Risk of Forfeiture.

(a) Vesting Schedule. Subject to the Participant's continuous service with the Company as a Service Provider and any other limitations set forth in the Notice, the Plan or this Award Agreement, the RSUs shall vest in accordance with the Vesting Schedule provided in the Notice.

(b) Risk of Forfeiture. The RSUs shall be subject to a risk of forfeiture until such time that the risk of forfeiture lapses in accordance with the Vesting Schedule. All or any portion of the RSUs subject to a risk of forfeiture shall automatically be forfeited and immediately returned to the Company if the Participant's continuous status as a Service Provider is interrupted or terminated for any reason, unless otherwise provided by the Administrator. The Company shall implement any forfeiture under this Section 1 in a unilateral manner, without the Participant's consent, and with no payment to the Participant, cash or otherwise, for any unvested RSUs that are forfeited. Additionally, all of the RSUs subject to this Award Agreement shall immediately become forfeited if the Participant fails to fully satisfy Section 3(b) of this Award Agreement, as determined by the Committee.

2. Settlement of RSUs into Shares. Subject to the terms of this Award Agreement, and only to the extent all or any portion of the RSUs become nonforfeitable pursuant to the Vesting Schedule, each RSU that becomes nonforfeitable shall be converted into one Share of the Company's Common Stock on the Vesting Date (as defined in the Vesting Schedule); and at such time the Shares shall be distributed to the Participant as soon as administratively possible after such event, but in no event later than two-and-one-half (2.5) months after the end of the year in which such event occurred.

3. Taxes. The Participant hereby acknowledges and understands that he or she may suffer adverse tax consequences as a result of the Participant's receipt of, vesting in, or disposition of, the RSUs.

(a) Representations. The Participant has reviewed with his or her own tax advisors the tax consequences of this Award Agreement and the RSUs granted hereunder, including any U.S. federal, state and local tax laws, and any other applicable taxing jurisdiction. The Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Participant hereby acknowledges and understands that he or she (and not the Company) shall be responsible for his or her own tax liability that may arise as a result of his or her receiving this Award Agreement and the RSUs granted hereunder.

(b) Payment of Withholding Taxes. The Participant shall make appropriate arrangements with the Company for the satisfaction of all U.S. federal, state, local and non-U.S. income and employment tax withholding requirements applicable to any RSUs that settle in Shares of Common Stock in accordance with Section 2. In satisfaction of such tax withholding obligations, the Participant has elected to sell the portion of the Shares of Common Stock to be delivered under the RSUs necessary so as to satisfy the tax withholding obligations ("Sell to Cover"), and such Sell to Cover shall be facilitated by a broker or other third-party intermediary acceptable to the Company (the "Broker") pursuant to Section 3(c) below. The Participant will be deemed to have been issued the number of Shares of Common Stock subject to the vested award, notwithstanding that a number of Shares of Common Stock are sold pursuant to the Sell to Cover solely for the purpose of paying the applicable tax withholding items arising from the RSUs. Notwithstanding anything in this Award Agreement to the contrary, the Participant hereby acknowledges and agrees that the Sell to Cover provision may not cover the Participant's full tax liability as it relates to the vesting and settlement of the RSUs and that the Participant shall remain fully responsible for his or her tax liability in respect of the vesting and/or settlement of the RSUs in all cases. The Participant hereby agrees that a breach of this Section 3(b) shall be deemed to be a material breach of this Award Agreement. The Participant hereby acknowledges his or her understanding that the Company's obligations under this Award Agreement are fully contingent on the Participant first satisfying this Section 3(b). Therefore, a failure of the Participant to reasonably satisfy this Section 3 in accordance with the Committee's sole and absolute discretion shall result in the automatic termination and expiration of this Award Agreement and the Company's obligations hereunder.

(c) Rule 10b5-1 Plan. The instruction to the Broker to sell Shares of Common Stock pursuant to the Sell to Cover provision in Section 3(b) above (this "10b5-1 Plan") is intended to comply with the requirements of Rule 10b5-1(c)(1)(i)(B) under the Exchange Act, and is to be interpreted to comply with the requirements of Rule 10b5-1(c)(1) under the Exchange Act, including the applicable cooling-off period(s) described therein. The Participant is not aware of any material, nonpublic information with respect to the Company or any securities of the Company as of the date of this Award Agreement and the Participant will not effectuate such sales on the basis of material nonpublic information about the Company or the securities of the Company of which the Participant has knowledge of at the time of this Award Agreement. The Participant entered into this Award Agreement in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1 under the Exchange Act. This 10b5-1 Plan is adopted to be effective as of the Date of Grant set forth in the Notice. This 10b5-1 Plan is being adopted to require the Participant to sell a number of Shares of Common Stock awarded upon the vesting and/or settlement sufficient to pay withholding taxes that become due as a result of the vesting and/or settlement of the RSUs and which the Company is required by applicable laws to withhold or deduct. The Participant hereby authorizes the Broker to sell the number of Shares of Common Stock determined as set forth above and acknowledges that the Broker is under no obligation to arrange for such sale at any particular price. The Participant hereby appoints the Company as the Participant's agent and attorney-in-fact to instruct the Broker with respect to the number of Shares of Common Stock to be sold under this 10b5-1 Plan. The Participant hereby authorizes the Broker to remit directly to the Company the proceeds necessary to cover the Participant's tax liability as it relates to the vesting and/or settlement of the RSUs as provided in Section 3(b) above, and to retain the amount required to cover all applicable fees and commissions due to, or required to be collected by, the Broker relating to the Sell to Cover and this 10b5-1 Plan. Notwithstanding the foregoing, the Participant shall be responsible for all brokerage fees and other costs of the Sell to Cover, and the Participant hereby agrees to indemnify and hold the Company and its directors, officers, employees and agents harmless from any losses, costs, damages, or expenses relating to any such Sell to Cover under this 10b5-1 Plan. The Participant acknowledges that it may not be possible to sell Shares of Common Stock during the term of this 10b5-1 Plan due to, among other reasons, (i) a legal or contractual restriction applicable to the Participant or to the Broker, (ii) a market disruption, (iii) rules governing order execution priority on the applicable securities exchange or (iv) if the Company determines that sales may not be effectuated under this 10b5-1 Plan. This 10b5-1 Plan is subject to the terms of any policy adopted now or hereafter by the Company governing the adoption of 10b5-1 plans.

(d) No Application of Section 409A. The RSUs and this Award Agreement are intended to avoid the application of Section 409A of the Code ("Section 409A") because either (i) there is no deferral arrangement or (ii) the Award Agreement satisfies an exemption available under Section 409A such as the short-term deferral rule. Notwithstanding any other provision in the Plan or this Award Agreement to the contrary, the Committee shall have the right, in its sole discretion, to adopt such amendments to the Plan or this Award Agreement or take such other actions (including amendments and actions with retroactive effect) as the Committee determines are necessary or appropriate for the RSUs to comply with Section 409A.

4. Transferability of RSUs. The RSUs may not be transferred in any manner other than by will or by the laws of descent and distribution. Any purported transfer of RSUs in breach of this Award Agreement shall be void and ineffective and shall not operate to transfer any interest or title in the purported transferee. The terms of this Award Agreement shall be binding upon the executors, administrators, heirs, successors and transferees of the Participant.

5. Rights as a Shareholder of the Company. The Participant's receipt of the grant of RSUs pursuant to this Award Agreement shall provide and confer no rights or status as a shareholder of the Company until such time the RSUs are converted in accordance with Section 2 of this Award Agreement.

6. Legality of Initial Issuance. No Shares shall be issued in accordance with Section 2 of this Award Agreement unless and until the Committee has determined that: (i) the Company and the Participant have taken all actions required to register the Shares of Common Stock under the Securities Act or to perfect an exemption from the registration requirements thereof, if applicable; (ii) all applicable listing requirements of any stock exchange or other securities market on which the Shares of Common Stock are listed has been satisfied; and (iii) any other applicable provision of state or U.S. federal law or other Applicable Law has been satisfied.

7. Notice. Any notice required by the terms of this Award Agreement shall be given in writing and shall be deemed effective upon personal delivery or upon deposit with the U.S. Postal Service, by registered or certified mail, with postage and fees prepaid. Notice shall be addressed to the Company at its principal executive office and to the Participant at the address that he or she most recently provided to the Company.

8. Successors and Assigns. Except as provided herein to the contrary, this Award Agreement shall be binding upon and inure to the benefit of the parties to this Award Agreement, their respective successors and permitted assigns.

9. No Assignment. Except as otherwise provided in this Award Agreement, the Participant shall not assign any of his or her rights under the Notice or this Award Agreement without the prior written consent of the Company, which consent may be withheld in its sole discretion. The Company shall be permitted to assign its rights or obligations under the Notice or this Award Agreement, but no such assignment shall release the Company of its obligations pursuant to the Notice or this Award Agreement.

10. Severability. It is the desire of the parties hereto that this Award Agreement be enforced to the maximum extent permitted by law, and should any provision contained herein be held unenforceable by a court of competent jurisdiction, the parties hereby agree and consent that such provision shall be reformed to create a valid and enforceable provision to the maximum extent permitted by law; provided, however, if such provision cannot be reformed, the validity, legality or enforceability of the remainder of this Award Agreement shall not be affected even if one or more of the provisions of this Award Agreement shall be held to be invalid, illegal or unenforceable in any respect.

11. Amendment. Any provision of this Award Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a written instrument signed by the parties hereto. Notwithstanding the foregoing or any other provision in the Plan or this Award Agreement to the contrary, the Committee shall have the right, in its sole discretion, to unilaterally adopt amendments to this Award Agreement or the Plan to the minimum extent necessary or appropriate (as determined by the Committee in its sole discretion) for RSUs to comply with Section 409A.

12. Administration and Interpretation. Any determination by the Committee in connection with any question or issue arising under the Notice, the Plan or this Award Agreement shall be final, conclusive and binding on the Participant, the Company and all other persons. Any question or dispute regarding the interpretation of this Award Agreement or the receipt of the RSUs hereunder shall be submitted by the Participant to the Committee. The resolution of such question or dispute by the Committee shall be final and binding on all parties.

13. Headings. The section headings in this Award Agreement are inserted only as a matter of convenience, and in no way define, limit or interpret the scope of this Award Agreement or of any particular section.

14. Counterparts. This Award Agreement may be executed in any number of counterparts, any of which may be executed and transmitted by facsimile, electronic or digital means, and each of which shall be deemed to be an original, but all of which together shall be deemed to be one and the same instrument. Any counterpart or other signature delivered by facsimile shall be deemed for all purposes as being a good and valid execution and delivery of this Award Agreement by that party.

15. Entire Agreement. The provisions of the Plan and the Notice are incorporated herein by reference. Except as otherwise provided herein, the Plan, the Notice and this Award Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant's interest except by means of a writing signed by the Company and the Participant.

16. Choice of Law and Forum. This Award Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of Texas as applicable to contracts executed in and performed in Texas, except to the extent preempted by controlling federal law, but without regard to the principles of conflict of laws under Texas law that might direct the application of the law of another forum. Any action to enforce the provisions of this Award Agreement, or any Dispute relating to this Agreement, must be brought in any federal or state court of competent jurisdiction in Harris or Fort Bend County, Texas, and the Parties hereby waive any objection to such exclusive venue including, without limitation, that it is inconvenient. For all purposes of this Agreement, the term "Dispute" means any dispute, disagreement, controversy, claim, or cause of action arising in connection with, or relating to, this Award Agreement.

17. Waiver of Jury Trial. THE PARTIES HERETO WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. THE PARTIES AGREE THAT ANY OF THEM MAY FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED-FOR AGREEMENT AMONG THE PARTIES TO IRREVOCABLY WAIVE TRIAL BY JURY, AND THAT ANY PROCEEDING WHATSOEVER BETWEEN THEM RELATING TO THIS AGREEMENT SHALL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

18. No Guarantee of Service Provider Status. THE PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF RSUs PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUOUS SERVICE AS A SERVICE PROVIDER AND AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED RSUs OR ACQUIRING COMMON STOCK HEREUNDER). THE PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AWARD AGREEMENT, THE RIGHT GRANTED HEREUNDER, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH IN THIS AWARD AGREEMENT DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH THE PARTICIPANT'S RIGHT OR THE COMPANY'S/AFFILIATE'S RIGHT TO TERMINATE THE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

19. Waiver. Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof will not be deemed a waiver of such term, covenant, or condition, nor will any waiver or relinquishment of, or failure to insist upon strict compliance with, any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times. Any waiver of the terms or conditions hereof shall be made only by a written instrument executed and delivered by the party waiving compliance. Any waiver granted by the Company shall be effective only if executed and delivered by a duly authorized executive officer of the Company other than Participant.

Exhibit 10.3.2

APPLIED OPTOELECTRONICS, INC.

2026 EQUITY INCENTIVE PLAN

NOTICE OF PERFORMANCE RESTRICTED STOCK UNIT AWARD

Subject to the terms and conditions of this Notice of Performance Restricted Stock Unit Award (this "Notice"), the Performance Restricted Stock Unit Award Agreement attached hereto (the "Award Agreement"), and the Applied Optoelectronics, Inc. 2026 Equity Incentive Plan (the "Plan"), the below individual (the "Participant") is hereby granted the below number of Performance Restricted Stock Units (the "PSUs") in the Common Stock of Applied Optoelectronics, Inc. (the "Company"). Unless otherwise specifically indicated, all terms used in this Notice shall have the meaning as set forth in the Award Agreement or the Plan.

Identifying Information:

Participant Name:
and Address:
Employee ID / Participant Code:
Grant Number:
Target Number of PSUs:
Date of Grant:

Vesting Schedule:

The Award will vest and become payable based on the determination by the Administrator regarding achievement performance goals for the Performance Period as described on **Appendix A**, subject to the Participant's continuous status as a Service Provider through the applicable payment date, and the terms of the Plan and this Award Agreement. Achievement of the performance goals for the Performance Period and vesting of the Award will be determined by the Administrator following the end of the Performance Period and will be effective as of the date on which the Committee makes such determination.

Notwithstanding the above, in the event of the Participant's Termination of Service due to Participant’s Retirement, Disability or death, or without Cause in connection with a Change of Control, the Award will vest and become payable as described on **Appendix A**.

Withholding Tax Election:

By your written signature below (or your electronic acceptance), you understand and agree that, as a condition of the grant of the PSUs hereunder, you are required to, and hereby affirmatively elect to, (1) sell that number of Shares of Common Stock determined in accordance with the “Taxes” section of the Award Agreement as may be necessary to satisfy all applicable withholding obligations with respect to any taxable event arising in connection with the PSUs, and (2) allow the broker or other third-party intermediary acceptable to the Company to remit the cash proceeds of such sale(s) to the Company. Furthermore, you direct the Company to make a cash payment equal to the required tax withholding from the cash proceeds of such sale(s) directly to the appropriate taxing authorities.

By your signature and the signature of the Company's representative below, the Participant and the Company agree that the PSUs granted are governed by the terms and conditions of this Notice, the Award Agreement and the Plan.

APPLIED OPTOELECTRONICS, INC.

By:

Its:

Date:

PARTICIPANT ACKNOWLEDGMENT

The Participant acknowledges receipt of a copy of this Notice, the Award Agreement and the Plan, and represents that he or she is familiar with the provisions thereof, and hereby accepts the PSUs subject to all of the terms and provisions hereof and thereof. The Participant has reviewed this Notice, the Award Agreement and the Plan in their entirety, has had an opportunity to obtain the advice of legal counsel prior to executing this Notice, the Award Agreement, and fully understands all provisions of this Notice, the Award Agreement and the Plan. The Participant hereby agrees that all questions of interpretation and administration relating to this Notice, the Award Agreement and the Plan shall be resolved by the Committee.

The Participant hereby acknowledges that he or she has had the opportunity to review with his or her own tax advisors the tax consequences of receiving this Notice, the Award Agreement and the Plan, and the transactions contemplated thereby, including any U.S. federal, state and local tax laws, and any other applicable taxing jurisdiction, prior to executing this Notice. The Participant attests that he or she is relying solely on such advisors and not on any statements or representations of the Company or any of its agents or affiliates. Further, the Participant hereby acknowledges and understands that he or she (and not the Company) shall be solely responsible for his or her tax liability that may arise as a result of receiving this Notice and the Award Agreement.

PARTICIPANT:

Signed:
Print Name:
Date:

APPLIED OPTOELECTRONICS, INC.

2026 EQUITY INCENTIVE PLAN

PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT

Subject to the terms and conditions of the Notice of Performance Restricted Stock Unit Award (the "Notice"), this Performance Restricted Stock Unit Award Agreement (this "Award Agreement"), and the Applied Optoelectronics, Inc. 2026 Equity Incentive Plan (the "Plan"), the individual set forth in the Notice (the "Participant") is hereby granted Performance Restricted Stock Units (the "PSUs") in the Common Stock of Applied Optoelectronics, Inc. (the "Company"). Unless otherwise specifically indicated, all terms used in this Award Agreement shall have the meaning as set forth in the Notice or the Plan.

1. Vesting Schedule and Risk of Forfeiture.

(a) Vesting Schedule. Subject to the Participant's continuous service with the Company as a Service Provider and any other limitations set forth in the Notice, the Plan or this Award Agreement, the PSUs shall vest in accordance with the Vesting Schedule provided in the Notice.

(b) Risk of Forfeiture. The PSUs shall be subject to a risk of forfeiture until such time that the risk of forfeiture lapses in accordance with the Vesting Schedule. All or any portion of the PSUs subject to a risk of forfeiture shall automatically be forfeited and immediately returned to the Company if the Participant's continuous status as a Service Provider is interrupted or terminated for any reason, except as described on **Appendix A**, unless otherwise provided by the Administrator. The Company shall implement any forfeiture under this Section 1 in a unilateral manner, without the Participant's consent, and with no payment to the Participant, cash or otherwise, for any unvested PSUs that are forfeited. Additionally, all of the PSUs subject to this Award Agreement shall immediately become forfeited if the Participant fails to fully satisfy Section 3(b) of this Award Agreement, as determined by the Committee.

2. Settlement of PSUs into Shares. Subject to the terms of this Award Agreement, and only to the extent all or any portion of the PSUs become nonforfeitable pursuant to the Vesting Schedule, each PSU that becomes nonforfeitable shall be converted into one Share of the Company's Common Stock on the Vesting Date (as defined in the Vesting Schedule); and at such time the Shares shall be distributed to the Participant as soon as administratively possible after such event, but in no event later than two-and-one-half (2.5) months after the end of the year in which such event occurred.

3. Taxes. The Participant hereby acknowledges and understands that he or she may suffer adverse tax consequences as a result of the Participant's receipt of, vesting in, or disposition of, the PSUs.

(a) Representations. The Participant has reviewed with his or her own tax advisors the tax consequences of this Award Agreement and the PSUs granted hereunder, including any U.S. federal, state and local tax laws, and any other applicable taxing jurisdiction. The Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Participant hereby acknowledges and understands that he or she (and not the Company) shall be responsible for his or her own tax liability that may arise as a result of his or her receiving this Award Agreement and the PSUs granted hereunder.

(b) Payment of Withholding Taxes. The Participant shall make appropriate arrangements with the Company for the satisfaction of all U.S. federal, state, local and non-U.S. income and employment tax withholding requirements applicable to any PSUs that settle in Shares of Common Stock in accordance with Section 2. In satisfaction of such tax withholding obligations, the Participant has elected to sell the portion of the Shares of Common Stock to be delivered under the PSUs necessary so as to satisfy the tax withholding obligations ("Sell to Cover"), and such Sell to Cover shall be facilitated by a broker or other third-party intermediary acceptable to the Company (the "Broker") pursuant to Section 3(c) below. The Participant will be deemed to have been issued the number of Shares of Common Stock subject to the vested award, notwithstanding that a number of Shares of Common Stock are sold pursuant to the Sell to Cover solely for the purpose of paying the applicable tax withholding items arising from the PSUs. Notwithstanding anything in this Award Agreement to the contrary, the Participant hereby acknowledges and agrees that the Sell to Cover provision may not cover the Participant's full tax liability as it relates to the vesting and settlement of the PSUs and that the Participant shall remain fully responsible for his or her tax liability in respect of the vesting and/or settlement of the PSUs in all cases. The Participant hereby agrees that a breach of this Section 3(b) shall be deemed to be a material breach of this Award Agreement. The Participant hereby acknowledges his or her understanding that the Company's obligations under this Award Agreement are fully contingent on the Participant first satisfying this Section 3(b). Therefore, a failure of the Participant to reasonably satisfy this Section 3 in accordance with the Committee's sole and absolute discretion shall result in the automatic termination and expiration of this Award Agreement and the Company's obligations hereunder.

(c) Rule 10b5-1 Plan. The instruction to the Broker to sell Shares of Common Stock pursuant to the Sell to Cover provision in Section 3(b) above (this "10b5-1 Plan") is intended to comply with the requirements of Rule 10b5-1(c)(1)(i)(B) under the Exchange Act, and is to be interpreted to comply with the requirements of Rule 10b5-1(c)(1) under the Exchange Act, including the applicable cooling-off period(s) described therein. The Participant is not aware of any material, nonpublic information with respect to the Company or any securities of the Company as of the date of this Award Agreement and the Participant will not effectuate such sales on the basis of material nonpublic information about the Company or the securities of the Company of which the Participant has knowledge of at the time of this Award Agreement. The Participant entered into this Award Agreement in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1 under the Exchange Act. This 10b5-1 Plan is adopted to be effective as of the Date of Grant set forth in the Notice. This 10b5-1 Plan is being adopted to require the Participant to sell a number of Shares of Common Stock awarded upon the vesting and/or settlement sufficient to pay withholding taxes that become due as a result of the vesting and/or settlement of the PSUs and which the Company is required by applicable laws to withhold or deduct. The Participant hereby authorizes the Broker to sell the number of Shares of Common Stock determined as set forth above and acknowledges that the Broker is under no obligation to arrange for such sale at any particular price. The Participant hereby appoints the Company as the Participant's agent and attorney-in-fact to instruct the Broker with respect to the number of Shares of Common Stock to be sold under this 10b5-1 Plan. The Participant hereby authorizes the Broker to remit directly to the Company the proceeds necessary to cover the Participant's tax liability as it relates to the vesting and/or settlement of the PSUs as provided in Section 3(b) above, and to retain the amount required to cover all applicable fees and commissions due to, or required to be collected by, the Broker relating to the Sell to Cover and this 10b5-1 Plan. Notwithstanding the foregoing, the Participant shall be responsible for all brokerage fees and other costs of the Sell to Cover, and the Participant hereby agrees to indemnify and hold the Company and its directors, officers, employees and agents harmless from any losses, costs, damages, or expenses relating to any such Sell to Cover under this 10b5-1 Plan. The Participant acknowledges that it may not be possible to sell Shares of Common Stock during the term of this 10b5-1 Plan due to, among other reasons, (i) a legal or contractual restriction applicable to the Participant or to the Broker, (ii) a market disruption, (iii) rules governing order execution priority on the applicable securities exchange or (iv) if the Company determines that sales may not be effectuated under this 10b5-1 Plan. This 10b5-1 Plan is subject to the terms of any policy adopted now or hereafter by the Company governing the adoption of 10b5-1 plans.

(d) No Application of Section 409A. The PSUs and this Award Agreement are intended to avoid the application of Section 409A of the Code ("Section 409A") because either (i) there is no deferral arrangement or (ii) the Award Agreement satisfies an exemption available under Section 409A such as the short-term deferral rule. Notwithstanding any other provision in the Plan or this Award Agreement to the contrary, the Committee shall have the right, in its sole discretion, to adopt such amendments to the Plan or this Award Agreement or take such other actions (including amendments and actions with retroactive effect) as the Committee determines are necessary or appropriate for the PSUs to comply with Section 409A.

4. Transferability of PSUs. The PSUs may not be transferred in any manner other than by will or by the laws of descent and distribution. Any purported transfer of PSUs in breach of this Award Agreement shall be void and ineffective and shall not operate to transfer any interest or title in the purported transferee. The terms of this Award Agreement shall be binding upon the executors, administrators, heirs, successors and transferees of the Participant.

5. Rights as a Shareholder of the Company. The Participant's receipt of the grant of PSUs pursuant to this Award Agreement shall provide and confer no rights or status as a shareholder of the Company until such time the PSUs are converted in accordance with Section 2 of this Award Agreement.

6. Legality of Initial Issuance. No Shares shall be issued in accordance with Section 2 of this Award Agreement unless and until the Committee has determined that: (i) the Company and the Participant have taken all actions required to register the Shares of Common Stock under the Securities Act or to perfect an exemption from the registration requirements thereof, if applicable; (ii) all applicable listing requirements of any stock exchange or other securities market on which the Shares of Common Stock are listed has been satisfied; and (iii) any other applicable provision of state or U.S. federal law or other Applicable Law has been satisfied.

7. Notice. Any notice required by the terms of this Award Agreement shall be given in writing and shall be deemed effective upon personal delivery or upon deposit with the U.S. Postal Service, by registered or certified mail, with postage and fees prepaid. Notice shall be addressed to the Company at its principal executive office and to the Participant at the address that he or she most recently provided to the Company.

8. Successors and Assigns. Except as provided herein to the contrary, this Award Agreement shall be binding upon and inure to the benefit of the parties to this Award Agreement, their respective successors and permitted assigns.

9. No Assignment. Except as otherwise provided in this Award Agreement, the Participant shall not assign any of his or her rights under the Notice or this Award Agreement without the prior written consent of the Company, which consent may be withheld in its sole discretion. The Company shall be permitted to assign its rights or obligations under the Notice or this Award Agreement, but no such assignment shall release the Company of its obligations pursuant to the Notice or this Award Agreement.

10. Severability. It is the desire of the parties hereto that this Award Agreement be enforced to the maximum extent permitted by law, and should any provision contained herein be held unenforceable by a court of competent jurisdiction, the parties hereby agree and consent that such provision shall be reformed to create a valid and enforceable provision to the maximum extent permitted by law; provided, however, if such provision cannot be reformed, the validity, legality or enforceability of the remainder of this Award Agreement shall not be affected even if one or more of the provisions of this Award Agreement shall be held to be invalid, illegal or unenforceable in any respect.

11. Amendment. Any provision of this Award Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a written instrument signed by the parties hereto. Notwithstanding the foregoing or any other provision in the Plan or this Award Agreement to the contrary, the Committee shall have the right, in its sole discretion, to unilaterally adopt amendments to this Award Agreement or the Plan to the minimum extent necessary or appropriate (as determined by the Committee in its sole discretion) for PSUs to comply with Section 409A.

12. Administration and Interpretation. Any determination by the Committee in connection with any question or issue arising under the Notice, the Plan or this Award Agreement shall be final, conclusive and binding on the Participant, the Company and all other persons. Any question or dispute regarding the interpretation of this Award Agreement or the receipt of the PSUs hereunder shall be submitted by the Participant to the Committee. The resolution of such question or dispute by the Committee shall be final and binding on all parties.

13. Headings. The section headings in this Award Agreement are inserted only as a matter of convenience, and in no way define, limit or interpret the scope of this Award Agreement or of any particular section.

14. Counterparts. This Award Agreement may be executed in any number of counterparts, any of which may be executed and transmitted by facsimile, electronic or digital means, and each of which shall be deemed to be an original, but all of which together shall be deemed to be one and the same instrument. Any counterpart or other signature delivered by facsimile shall be deemed for all purposes as being a good and valid execution and delivery of this Award Agreement by that party.

15. Entire Agreement. The provisions of the Plan and the Notice are incorporated herein by reference. Except as otherwise provided herein, the Plan, the Notice and this Award Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant's interest except by means of a writing signed by the Company and the Participant.

16. Choice of Law and Forum. This Award Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of Texas as applicable to contracts executed in and performed in Texas, except to the extent preempted by controlling federal law, but without regard to the principles of conflict of laws under Texas law that might direct the application of the law of another forum. Any action to enforce the provisions of this Award Agreement, or any Dispute relating to this Agreement, must be brought in any federal or state court of competent jurisdiction in Harris or Fort Bend County, Texas, and the Parties hereby waive any objection to such exclusive venue including, without limitation, that it is inconvenient. For all purposes of this Agreement, the term "Dispute" means any dispute, disagreement, controversy, claim, or cause of action arising in connection with, or relating to, this Award Agreement.

17. Waiver of Jury Trial. THE PARTIES HERETO WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. THE PARTIES AGREE THAT ANY OF THEM MAY FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED-FOR AGREEMENT AMONG THE PARTIES TO IRREVOCABLY WAIVE TRIAL BY JURY, AND THAT ANY PROCEEDING WHATSOEVER BETWEEN THEM RELATING TO THIS AGREEMENT SHALL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

18. No Guarantee of Service Provider Status. THE PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF PSUs PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUOUS SERVICE AS A SERVICE PROVIDER AND AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED PSUs OR ACQUIRING COMMON STOCK HEREUNDER). THE PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AWARD AGREEMENT, THE RIGHT GRANTED HEREUNDER, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH IN THIS AWARD AGREEMENT DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH THE PARTICIPANT'S RIGHT OR THE COMPANY'S/AFFILIATE'S RIGHT TO TERMINATE THE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

19. Waiver. Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof will not be deemed a waiver of such term, covenant, or condition, nor will any waiver or relinquishment of, or failure to insist upon strict compliance with, any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times. Any waiver of the terms or conditions hereof shall be made only by a written instrument executed and delivered by the party waiving compliance. Any waiver granted by the Company shall be effective only if executed and delivered by a duly authorized executive officer of the Company other than Participant.

APPENDIX A

APPLIED OPTOELECTRONICS, INC.

2026 EQUITY INCENTIVE PLAN

PERFORMANCE RESTRICTED STOCK UNIT AWARD

VESTING SCHEDULE

Performance Period:

Performance Goals:

Treatment on Termination of Service:

Termination Event	Relative TSR Goal	Stock Price Hurdle Goal (1)
Termination in Connection with a Change in Control	• Payable at the end of the Performance Period with respect to the greater of PSUs earned based on actual performance and Target PSUs • Actual performance determined based on unreduced performance goals	• Earned Awards: PSUs vest and become payable immediately • Unearned Awards: Vest and become payable at the end of the Performance Period with respect to PSUs earned based on actual performance
Death and Disability	• Target PSUs vest effective as of termination date	• Earned Awards: PSUs vest and become payable immediately • Unearned: Forfeited
Not for Cause Termination (No Change in Control)	• Unvested Awards forfeited	• Earned and Unearned Awards: Awards forfeited
Retirement	• Pro-rated PSUs vested at the end of the performance period based on actual performance	• Earned Awards: Awards vest and become payable at the end of the performance period • Unearned Awards: Forfeited

(1) Earned Awards represent PSUs where the Administrator determines that stock price hurdle goal has been achieved as of the termination date; Unearned Awards represent PSUs where the stock price hurdle goal has not yet been attained as of the termination date.

Exhibit 31.1

Certification

I, Chih-Hsiang (Thompson) Lin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Applied Optoelectronics, 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.

Date: August 6, 2026

/s/ CHIH-HSIANG (THOMPSON) LIN
CHIH-HSIANG (THOMPSON) LIN
President and Chief Executive Officer

Exhibit 31.2

Certification

I, Stefan J. Murry, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Applied Optoelectronics, 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.

Date: August 6, 2026

/s/ STEFAN J. MURRY
STEFAN J. MURRY
Chief Financial Officer

Exhibit 32.1

Certification

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Section 1350 of Chapter 63 of Title 18 of the U.S. Code (18 U.S.C. § 1350), Chih-Hsiang (Thompson) Lin, President and Chief Executive Officer of Applied Optoelectronics, Inc. (the “Company”), and Stefan J. Murry, Chief Financial Officer and Senior Vice President of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company’s Quarterly Report on Form 10-Q for the period ended June 30, 2026, to which this Certification is attached as Exhibit 32.1 (the “Quarterly Report”) fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

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

In Witness Whereof, the undersigned have set their hands hereto as of the 6th day of August, 2026.

/s/ CHIH-HSIANG (THOMPSON) LIN	/s/ STEFAN J. MURRY
CHIH-HSIANG (THOMPSON) LIN	STEFAN J. MURRY
President and Chief Executive Officer	Chief Financial Officer

This certification accompanies the Quarterly Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Applied Optoelectronics, 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 the Quarterly Report), irrespective of any general incorporation language contained in such filing.