



Qualstar Corporation and Subsidiaries

**Quarterly Report
For the Quarter Ended September 30, 2025**

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QUALSTAR CORPORATION AND SUBSIDIARIES

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QUALSTAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)
(Unaudited)

	September 30, 2025	December 31, 2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,282	\$ 2,403
Marketable securities	788	42
Accounts receivable, net	892	681
Inventories	2,296	2,795
Prepaid expenses and other current assets	451	321
Total current assets	6,709	6,242
Property and equipment, net	21	26
Right-of-use assets	276	380
Deferred tax assets	30	30
Other assets	40	47
Total assets	<u>\$ 7,076</u>	<u>\$ 6,725</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 567	\$ 505
Accrued payroll and related liabilities	97	98
Deferred service revenue	468	490
Lease liabilities, current	147	137
Other liabilities	63	65
Total current liabilities	1,342	1,295
Long-term liabilities:		
Lease liabilities, long-term	134	245
Deferred service revenue, long-term	466	583
Other liabilities	27	27
Total long-term liabilities	627	855
Total liabilities	1,969	2,150
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Preferred stock, no par value; 5,000,000 shares authorized; no shares issued	-	-
Common stock, no par value; 50,000,000 shares authorized; 1,380,853 shares issued and outstanding at September 30, 2025; and 1,411,336 shares issued and outstanding at December 31, 2024	17,659	17,733
Accumulated deficit	(12,552)	(13,158)
Total shareholders' equity	5,107	4,575
Total liabilities and shareholders' equity	<u>\$ 7,076</u>	<u>\$ 6,725</u>

QUALSTAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Revenues	\$ 2,018	\$ 1,358	\$ 5,107	\$ 6,011
Cost of goods sold	1,326	806	3,324	4,236
Gross profit	692	552	1,783	1,775
Operating expenses:				
Engineering	50	99	123	347
Sales and marketing	209	146	421	766
General and administrative	394	351	1,060	1,194
Total operating expenses	653	596	1,604	2,307
Income (loss) from operations	39	(44)	179	(532)
Other income (expense), net	180	10	427	71
Income (loss) before income taxes	219	(34)	606	(461)
Provision for income taxes	-	-	-	-
Net income (loss)	\$ 219	\$ (34)	\$ 606	\$ (461)
Earnings (loss) per share:				
Basic	\$ 0.16	\$ (0.02)	\$ 0.43	\$ (0.32)
Diluted	\$ 0.15	\$ (0.02)	\$ 0.43	\$ (0.32)
Weighted average common shares outstanding:				
Basic	1,381	1,435	1,401	1,443
Diluted	1,447	1,435	1,418	1,443

QUALSTAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands)

(Unaudited)

Three Months Ended September 30, 2025	Common Stock		Accumulated	
	Shares	Amount	Deficit	Total
Balances at July 1, 2025	1,380	\$ 17,608	\$ (12,771)	\$ 4,837
Stock-based compensation expense	1	51	-	51
Net income	-	-	219	219
Balances at September 30, 2025	1,381	\$ 17,659	\$ (12,552)	\$ 5,107

Nine Months Ended September 30, 2025	Common Stock		Accumulated	
	Shares	Amount	Deficit	Total
Balances at January 1, 2025	1,411	\$ 17,733	\$ (13,158)	\$ 4,575
Stock-based compensation expense	1	144	-	144
Share repurchases	(31)	(218)	-	(218)
Net income	-	-	606	606
Balances at September 30, 2025	1,381	\$ 17,659	\$ (12,552)	\$ 5,107

Three Months Ended September 30, 2024	Common Stock		Accumulated	
	Shares	Amount	Deficit	Total
Balances at July 1, 2024	1,447	\$ 17,778	\$ (13,114)	\$ 4,664
Stock-based compensation expense	1	52	-	52
Share repurchases	(28)	(111)	-	(111)
Net (loss)	-	-	(34)	(34)
Balances at September 30, 2024	1,420	\$ 17,719	\$ (13,148)	\$ 4,571

Nine Months Ended September 30, 2024	Common Stock		Accumulated	
	Shares	Amount	Deficit	Total
Balances at January 1, 2024	1,447	\$ 17,701	\$ (12,687)	\$ 5,014
Stock-based compensation expense	1	129	-	129
Share repurchases	(28)	(111)	-	(111)
Net (loss)	-	-	(461)	(461)
Balances at September 30, 2024	1,420	\$ 17,719	\$ (13,148)	\$ 4,571

QUALSTAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2025	2024
Cash flows from operating activities:		
Net income (loss)	\$ 606	\$ (461)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	5	24
Stock-based compensation expense	144	129
Realized and unrealized (gain) loss on marketable securities	(303)	(7)
Adjustment to reconcile operating lease expense to cash paid	3	(7)
Changes in operating assets and liabilities:		
Accounts receivable	(211)	1,568
Inventories	499	175
Prepaid expenses and other assets	(123)	(1)
Accounts payable	62	(1,276)
Accrued payroll and related liabilities	(1)	(49)
Deferred service revenue	(139)	(39)
Other liabilities	(2)	(90)
Net cash provided by (used in) operating activities	540	(34)
Cash flows from investing activities:		
Proceeds from sale of (purchases of) marketable securities, net	(443)	49
Net cash provided by (used in) investing activities	(443)	49
Cash flows from financing activities:		
Share repurchases	(218)	(111)
Net cash (used in) financing activities	(218)	(111)
Net (decrease) in cash and cash equivalents	(121)	(96)
Cash and cash equivalents at beginning of period	2,403	2,275
Cash and cash equivalents at end of period	\$ 2,282	\$ 2,179
Supplemental disclosure of cash flow information:		
Income taxes paid	\$ 6	\$ 12
Interest paid	\$ -	\$ -
Supplemental non-cash investing and financing activities:		
Lease liabilities arising from obtaining right-of-use assets	\$ -	\$ 438

QUALSTAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 – Significant Accounting Policies

Business

Qualstar Corporation and its Subsidiaries (“Qualstar”, the “Company”, “we”, “us” or “our”) manufacture and market data storage system products and compact, high-efficiency power supply solutions. Our data storage systems are marketed under the Qualstar brand and include highly scalable automated magnetic tape libraries used to store, retrieve and manage electronic data primarily in the network computing environment. Our data storage devices include models ranging from entry level to enterprise and are a cost-effective solution for organizations requiring backup, recovery and archival storage of critical electronic information. The distribution channels for our data storage devices include resellers, system integrators, and original equipment manufacturers (“OEMs”). In addition, the Company is a leading provider of standard, semi-custom and custom power supply solutions marketed under the N2Power brand. Our power supply solution products provide OEMs and product designers increased functionality while reducing thermal loads and cooling requirements and lowering operating costs. Our power supply solution products are currently sold to OEMs in a wide range of markets, including telecom/networking equipment, audio/visual, industrial, gaming and medical.

Qualstar Corporation was incorporated in California in 1984 and currently has three wholly owned subsidiaries. The N2Power, Inc. subsidiary (“N2Power”) operates the Company’s power supplies business. The Q-Smart Data Limited (China) subsidiary pursues new data storage business opportunities in Asia. The Qualstar Limited (U.K.) subsidiary supports expansion of the Company’s data storage business in the United Kingdom, Europe and Africa.

We sell our products globally through authorized resellers and distributors and directly to OEMs. Our data storage products are manufactured by our OEM suppliers in other parts of the world and configured to order by us at our facility in Camarillo, California, or at our facility in Shenzhen, China, or by our fulfilment and logistics partner in Warsaw, Poland. N2Power utilizes contract manufacturers in Asia to produce our power supply solutions products.

Principles of Consolidation

The consolidated financial statements include our accounts and the accounts of each of our wholly owned subsidiaries that were in existence during the periods presented: N2Power, Inc., Q-Smart Data Limited (China), and Qualstar Limited (U.K.). All significant intercompany accounts and transactions have been eliminated in consolidation.

Estimates and Assumptions

Preparing financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Examples include estimates of loss contingencies, product life cycles and inventory obsolescence, credit loss bad debts, sales returns, warranty costs, share-based compensation forfeiture rates, the tax consequences of events that have been recognized in our consolidated financial statements or tax returns, and determinations as to when investment impairments are other-than-temporary. Actual results and outcomes may differ from management’s estimates and assumptions.

Revenue Recognition

The Company recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which we expect to receive in exchange for those goods or services. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, we perform the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) we satisfy a performance obligation. The five-step model is applied to contracts when it is probable that we will collect the consideration we are entitled to in exchange for the goods or services transferred to the customer. At contract inception, once the contract is determined to be within the scope of ASC 606, we assess the goods or services promised within each contract and determine those that are performance obligations and

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assess whether each promised good or service is distinct. We then recognize revenue in the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

We derive revenues from two primary sources: products and services. Product revenue includes the shipment of product according to the agreement with our customers for data storage products and power supplies. Services include customer support (technical support), installations, consulting, and design services. A contract may include both product and services. Rarely, contracts with customers contain multiple performance obligations. For these contracts, the Company accounts for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. Standalone selling prices are typically estimated based on observable transactions when these services are sold on a standalone basis. Title and risk of loss generally pass to our customers upon shipment and therefore revenue is recognized at the time goods are shipped to the customers. In limited circumstances where either title or risk of loss pass upon destination, we defer revenue recognition until such events occur.

A variety of technical services can be contracted by our customers for a designated period of time. The service contracts allow customers to call Qualstar for technical support, to have defective parts replaced and to have onsite service provided by Qualstar's third-party contract service provider. We record revenue for contract services at the amount of the service contract, but such amount is deferred at the beginning of the service term and amortized ratably over the life of the contract.

Deferred service revenue is shown separately in the consolidated balance sheets as current and long term. At September 30, 2025, we had deferred service revenue of approximately \$934,000. At December 31, 2024, we had deferred service revenue of approximately \$1,073,000.

Cash and Cash Equivalents

Qualstar classifies as cash equivalents only cash and those investments that are highly liquid, interest-earning investments with original maturities of three months or less from the date of purchase.

Allowance for Credit Losses

The allowance for credit losses reflects our best estimate of probable losses inherent in the accounts receivable balance. We determine the allowance based on known troubled accounts, historical experience, and other currently available evidence.

Inventories

Inventories are stated at the lower of cost (first in, first out basis) or net realizable value. Cost includes materials, labor, and manufacturing overhead related to the purchase and production of inventories. We regularly review inventory quantities on hand, future purchase commitments with our suppliers, and the estimated utility of our inventory. If our review indicates a reduction in utility below carrying value, we reduce our inventory to a new cost basis.

Property and Equipment, net

Property and equipment are recorded at cost less accumulated depreciation and amortization. Depreciation expense is computed using the straight-line method. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the term of the lease. Estimated useful lives are as follows:

Machinery and equipment	5-7 years
Furniture and fixtures	5-7 years
Computer equipment	3-5 years
Leasehold improvements	Shorter of estimated useful life of the asset or the lease term

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Expenditures for normal maintenance and repairs are charged to expense as incurred, and improvements are capitalized. Upon the sale or retirement of property or equipment, the asset cost and related accumulated depreciation are removed from the respective accounts and any gain or loss is included in the results of operations.

Long-Lived Assets

Qualstar evaluates long-lived assets for potential impairment whenever events or changes in circumstances indicate the carrying amount of any asset may not be recoverable. An impairment loss would be recognized when the estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition is less than the carrying amount. If impairment is indicated, the amount of the loss to be recorded is based upon an estimate of the difference between the carrying amount and the fair value of the asset. Fair value is based upon discounted cash flows expected to result from the use of the asset and its eventual disposition and other valuation methods. No impairment losses of long-lived assets were recognized during the periods presented.

Warranty Obligations

A provision for costs related to warranty expense is recorded when revenue is recognized, which is estimated based on historical warranty costs incurred.

We provide a three-year warranty on all Q-Series, XLS and RLS libraries. This includes replacement of components, or if necessary, complete libraries. XLS libraries sold in North America also include one year of on-site service. Customers may purchase on-site service if they are located in the United States and selected countries in Europe, Asia Pacific and Latin America. All customers may purchase extended warranty service coverage upon expiration of the standard warranty.

We provide a three-year warranty on all power supplies that includes repair or, if necessary, replacement of the power supply.

Shipping and Handling Costs

Qualstar includes all customer charges for outbound shipping and handling in revenue. All inbound and outbound shipping and fulfillment costs are included in cost of goods sold.

Engineering

All engineering costs are charged to expense as incurred. These costs consist primarily of engineering salaries, benefits, outside consultant fees, purchased parts and supplies directly involved in the design and development of new products, compliance testing, facilities costs and other internal costs.

Advertising

Advertising and promotion expenses include costs associated with direct and indirect marketing, trade shows and public relations. Qualstar expenses all costs of advertising and promotion as incurred.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, which include cash equivalents, marketable securities, accounts receivable, and accounts payable, approximate their fair values.

We determine fair value measurements based on assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, we follow the following fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) our own assumptions about market

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participant assumptions developed based on the best information available in the circumstances (unobservable inputs):

Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets;

Level 2: Other inputs observable directly or indirectly, such as quoted prices for similar assets or liabilities or market-corroborate inputs; and

Level 3: Unobservable inputs for which there is little or no market data and which requires the owner of the assets or liabilities to develop its own assumptions about how market participants would price these assets or liabilities.

Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy.

Our marketable securities consist of equity securities classified as available-for-sale and recorded at fair value, as determined using Level 1 inputs on the fair value hierarchy. Realized and unrealized gains and losses are reported in earnings within “other income (expense), net”. The specific identification method is used to determine realized gains and losses on available-for-sale securities.

Foreign Currency Translation

The functional currency for our subsidiaries in China and the United Kingdom is the United States dollar. However, our Chinese and United Kingdom subsidiaries also transact business in their local currency. Foreign currency transaction and remeasurement gains and losses are included in results of operations within “other income (expense), net”.

Share-Based Compensation

Share-based compensation cost is measured at the grant date based on fair value of the award and is recognized as expense over the applicable vesting period of the stock award using the straight-line method.

Income Taxes

Income taxes are accounted for using the liability method. Under this method, deferred tax liabilities and assets are recognized for the expected future tax consequences of temporary differences between the financial statement and tax bases of assets and liabilities, and for the expected future tax benefit to be derived from tax credits and loss carryforwards. Current income tax expense or benefit represents the amount of income taxes expected to be payable or refundable for the current year. A valuation allowance is established when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Leases

The Company accounts for its leases under ASC 842. Under this guidance, arrangements meeting the definition of a lease are classified as operating or financing leases and are recorded on the consolidated balance sheet as both a right-of-use asset and lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease or the Company’s incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, and the right-of-use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right-of-use asset result in straight-line rent expense over the lease term. For finance leases, interest on the lease liability and the amortization of the right-of-use asset results in front-loaded expense over the lease term. Variable lease expenses are recorded when incurred.

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In calculating the right-of-use asset and lease liability, the Company has elected to combine lease and non-lease components. The Company excludes short-term leases having initial terms of 12 months or less as an accounting policy election and recognizes rent expense on a straight-line basis over the lease term.

Operating Segments

The Company operates in two segments, Data Storage and Power Supplies. Operating segments are identified as functional groups within an enterprise for which discrete financial information is utilized by the chief operating decision maker in allocating resources and assessing performance. In the case of Qualstar, the chief operating decision maker is its President and Chief Executive Officer. This position maintains decision-making control over, and assesses the performance of, the two divisional levels of the Company.

Recent Accounting Guidance Not Yet Adopted

We reviewed all recently issued, but not yet effective, accounting pronouncements and concluded none are expected to be applicable or material to our consolidated financial statements.

Subsequent Events

The Company has evaluated subsequent events through November 12, 2025, being the date these consolidated financial statements were issued.

Note 2 – Balance Sheet Details

The following tables provide details of selected balance sheet accounts:

	September 30, 2025	December 31, 2024
Inventories	(In thousands)	
Raw materials	\$ 94	\$ 95
Finished goods	2,202	2,700
Inventories	<u>\$ 2,296</u>	<u>\$ 2,795</u>

	September 30, 2025	December 31, 2024
Property and equipment, net	(In thousands)	
Machinery and equipment	\$ 389	\$ 389
Furniture and fixtures, and computer equipment	258	258
Leasehold improvements	119	119
	766	766
Less accumulated depreciation and amortization	(745)	(740)
Property and equipment, net	<u>\$ 21</u>	<u>\$ 26</u>

Depreciation and amortization expense for the three months ended September 30, 2025 and 2024 was \$1,000 and \$5,000, respectively. Depreciation and amortization expense for the nine months ended September 30, 2025 and 2024 was \$5,000 and \$24,000, respectively.

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(Unaudited)

	September 30, 2025	December 31, 2024
Accrued payroll and related liabilities	(In thousands)	
Accrued salaries, wages, and payroll taxes	\$ 14	\$ 18
Accrued vacation	83	80
Accrued payroll and related liabilities	\$ 97	\$ 98

	September 30, 2025	December 31, 2024
Other liabilities	(In thousands)	
Accrued warranty	\$ 47	\$ 38
Accrued outside commissions	13	15
Other accrued liabilities	3	12
Other liabilities	\$ 63	\$ 65

Note 3 – Shareholders’ Equity

Preferred Stock

The Company’s Articles of Incorporation allow for the issuance of up to 5,000,000 shares of preferred stock. The Board of Directors has authority to fix the rights, preferences, privileges and restrictions, including voting rights, of these shares of preferred stock without any vote or action by the shareholders. At September 30, 2025, and December 31, 2024, there were no outstanding shares of preferred stock.

Common Stock

The Company’s Articles of Incorporation allow for the issuance of up to 50,000,000 shares of common stock. At September 30, 2025, there were 1,380,163 shares of common stock outstanding; and at December 31, 2024, there were 1,411,336 shares of common stock outstanding.

Stock Repurchase Program

The Company’s board of directors has approved a stock repurchase program (the “Stock Repurchase Program”) to repurchase shares of the Company’s common stock. The Stock Repurchase Program (as updated and extended from time to time, most recently in March 2025) permits the Company to repurchase up to an additional 100,000 shares of common stock through December 31, 2026. During the overall period of the Stock Repurchase Program from September 1, 2021 through September 30, 2025, the Company has repurchased 502,334 shares for an aggregate purchase price of \$1,487,000. During the three-month periods ended September 30, 2025 and 2024, the Company repurchased 0 shares and 27,939 shares, respectively, for aggregate purchase prices of \$0 and \$111,000, respectively. During the nine-month periods ended September 30, 2025 and 2024, the Company repurchased 31,173 shares and 27,939 shares, respectively, for aggregate purchase prices of \$217,000 and \$111,000, respectively.

Note 4 – Earnings Per Share

Basic earnings per share has been computed by dividing net income/loss by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income/loss by the weighted average number of diluted common shares, which is inclusive of common stock equivalents from unexercised stock options. Unexercised stock options are considered to be common stock equivalents if, using the treasury stock method, they are determined to be dilutive.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

The following table sets forth the computation of basic and diluted earnings per share for the periods indicated (in thousands, except per share amounts).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Net income (loss)	\$ 219	\$ (34)	\$ 606	\$ (461)
Weighted average outstanding shares of common stock - basic	1,381	1,435	1,401	1,443
Dilutive potential common shares from employee stock options	66	-	17	-
Weighted average outstanding shares of common stock - diluted	1,447	1,435	1,418	1,443
Earnings (loss) per share:				
Basic earnings (loss) per share	\$ 0.16	\$ (0.02)	\$ 0.43	\$ (0.32)
Diluted earnings (loss) per share	\$ 0.15	\$ (0.02)	\$ 0.43	\$ (0.32)

For the three and nine months ended September 30, 2024, 211,300 outstanding stock options were excluded from the calculation of diluted earnings per share as their inclusion would have been anti-dilutive.

Note 5 – Stock Based Compensation

Stock Incentive Plan

The Company's 2017 Stock Incentive Plan (the "2017 Plan") permits the award of stock options (both incentive and non-qualified options), stock appreciation rights, restricted stock, restricted stock units, unrestricted stock, performance shares, dividend equivalent rights and cash-based awards to employees (including executive officers), directors and consultants of the Company and its subsidiaries. The 2017 Plan authorizes the issuance of an aggregate of 300,000 shares of common stock, of which 88,700 shares remain available for issuance as of September 30, 2025. The 2017 Plan is administered by the Compensation Committee of the Company's Board of Directors.

With respect to options, the fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model that uses various assumptions, such as volatility, expected term and risk-free interest rate. Expected volatilities are based on the historical volatility of the Company's stock. The Company uses historical data to estimate option exercise and employee termination in determining forfeiture rates. The expected term of options granted is estimated based on the vesting term of the award, historical employee exercise behavior, expected volatility of the Company's stock and an employee's average length of service. The risk-free interest rate used in this model correlates to a U.S. constant rate Treasury security with a contractual life that approximates the expected term of the option award.

In February 2024, the Company granted an option to its Chief Executive Officer to purchase 100,000 shares of common stock at \$4.45 per share through February 13, 2034; the option vested 50% on January 31, 2025 and the remaining 50% vests on January 31, 2026. The grant date fair value of the option was \$371,000, which was determined based on the following Black-Scholes option valuation model assumptions: expected annual volatility 79%; expected term 10 years; risk-free rate 4.5%; expected dividend rate 0%; exercise price \$4.45; and stock price on grant date \$4.45. The grant date fair value of the option is recorded as stock-based compensation expense ratably over the 24-month vesting period, for which expenses of approximately \$46,000 and \$47,000 were recorded in the three months ended September 30, 2025 and 2024, respectively, and expenses of approximately \$139,000 and

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\$124,000 were recorded in the nine months ended September 30, 2025 and 2024, respectively. In addition, \$5,000 of stock based-compensation expense was recorded in the periods ended September 30, 2025 and 2024 for 690 and 870 shares, respectively, issued to a director for services as part of the Company's outside director compensation policy.

The following table summarizes stock option activity:

	Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (thousands)
Outstanding at December 31, 2024	211,300	\$ 5.84	5.68	\$ -
Granted	-	-		
Exercised	-	-		
Forfeited, canceled or expired	-	-		
Outstanding at September 30, 2025	211,300	\$ 5.84	4.93	\$ 1,932
Exercisable at September 30, 2025	161,300	\$ 6.26	3.87	\$ 1,406

Note 6 – Concentration of Credit Risk, Significant Customers, and Geographic Information

Our cash balances in our bank accounts may be in excess of FDIC insurance limits.

One customer accounted for more than 10% of the Company's revenue for the three-month period ended September 30, 2025, while a different customer accounted for more than 10% of the Company's revenue for the three-month period ended September 30, 2024. One customer accounted for more than 10% of the Company's revenue for the nine-month period ended September 30, 2025, while a different customer accounted for more than 10% of the Company's revenue for the nine-month period ended September 30, 2024.

Our financial results are affected by fluctuations in foreign currency exchange rates, changing economic conditions both domestically and internationally, changes in tariffs, and various other global economic factors. As all of our sales are currently transacted in U.S. dollars, a strengthening of the dollar could make our products less competitive in foreign markets.

The following table summarizes revenue by geographic area (in thousands, except percentages):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2025		2024		2025		2024	
North America	\$ 1,240	61.4 %	\$ 689	50.7 %	\$ 3,216	63.0 %	\$ 3,991	66.4 %
Europe	550	27.3	424	31.2	1,337	26.2	1,091	18.2
Asia Pacific	223	11.1	220	16.2	526	10.3	702	11.7
Other	5	0.2	25	1.8	28	0.5	227	3.8
	<u>\$ 2,018</u>	<u>100.0 %</u>	<u>\$ 1,358</u>	<u>100.0 %</u>	<u>\$ 5,107</u>	<u>100.0 %</u>	<u>\$ 6,011</u>	<u>100.0 %</u>

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(Unaudited)

Note 7 – Commitments and Contingencies

Lease Agreements

The Company leases a 9,910 square-foot facility in Camarillo, California. The original term of this lease was for five years and three months expiring July 31, 2024. In February 2024, the Company extended the term of this lease through July 31, 2027. The rent on this facility is currently \$12,983 per month, with a 3% step-up annually. Qualstar permits Interlink Electronics, Inc. (“Interlink”) to use a portion of the facility and is reimbursed for the space and other related expenses on a monthly basis. As described in Note 9, Interlink is a related party.

The Company leases a 1,400 square-foot office facility in Camarillo, California on a month-to-month basis. The rent on this facility is currently \$1,850 per month.

The Company uses a portion of Interlink’s Irvine, California office, for which the Company pays a facility usage fee of approximately \$1,600 per month.

For the period from July 2024 to March 2025, the Company used a portion of Interlink’s Bellevue, Washington office, for which the Company paid a facility usage fee of approximately \$4,300 per month.

The Company leases a 560 square-foot office in Singapore on a month-to-month basis for approximately \$1,600 per month.

The Company previously leased a 7,287 square foot facility in Shenzhen, China for approximately \$3,500 per month under a lease that expired in May 2024.

The Company’s leases do not require any contingent rental payments, impose any financial restrictions, or contain any residual value guarantees. Variable expenses generally represent the Company’s share of the landlord’s operating expenses. The Company does not have any leases classified as financing leases.

The rate implicit in each lease is not readily determinable; we therefore use our incremental borrowing rate to determine the present value of the lease payments. No new ROU assets were capitalized during the nine months ended September 30, 2025. The weighted average incremental borrowing rate used to determine the initial value of ROU assets and lease liabilities during the nine months ended September 30, 2024 was 6.50%. Certain of our contracts for real estate may contain both lease and non-lease components which we have elected to treat as a single lease component.

Right-of-use assets for operating leases are periodically reduced by impairment losses. As of September 30, 2025, we have not recognized any impairment losses for our ROU assets.

We monitor for events or changes in circumstances that require a reassessment of our leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance is recorded in profit or loss.

At September 30, 2025, the Company had right-of-use assets of \$276,000 and current and long-term operating lease liabilities of \$147,000 and \$134,000, respectively. At December 31, 2024, the Company had right-of-use assets of \$380,000 and current and long-term operating lease liabilities of \$137,000 and \$245,000, respectively. Future imputed interest as of September 30, 2025 totaled approximately \$18,000. The weighted average remaining lease term of the Company’s leases as of September 30, 2025 is approximately 1.8 years.

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Future minimum lease payments under these leases are as follows, in thousands:

	Minimum Lease Payment
2025 (remainder of the year)	\$ 40
2026	163
2027	96
Total undiscounted future non-cancelable minimum lease payments	299
Less: Imputed interest	(18)
Present value of lease liabilities	<u>\$ 281</u>

During the three months ended September 30, 2025 and 2024, the Company incurred approximately \$41,000 and \$42,000, respectively, of operating lease costs, which are included in operating expenses in our consolidated statements of operations. During the nine months ended September 30, 2025 and 2024, the Company incurred approximately \$140,000 and \$129,000, respectively, of operating lease costs, which are included in operating expenses in our consolidated statements of operations.

Legal and Other Contingencies

The Company is subject to a variety of claims and legal proceedings that arise from time to time in the ordinary course of our business. Although management currently believes that resolving claims against us, individually or in the aggregate, will not have a material adverse impact on our consolidated financial statements, these matters are subject to inherent uncertainties and management's view of these matters may change in the future. An estimated loss from a loss contingency such as a legal proceeding or claim is accrued by a charge to income if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. When legal costs that the entity expects to incur in defending itself in connection with a loss contingency accrual are expected to be material, the loss should factor in all costs and, if the legal costs are reasonably estimable, they should be accrued in accordance with ASC 450, regardless of whether a liability can be estimated for the contingency itself. Disclosure of a contingency is required if there is at least a reasonable possibility that a loss has been incurred. Changes in these factors could materially impact our consolidated financial statements. No loss contingency was recorded as of September 30, 2025.

Benefit Plan

The Company has a voluntary deferred compensation plan (the "Plan") qualifying for treatment under Internal Revenue Code Section 401(k). All employees are eligible to participate in the Plan following three months of service of employment and may contribute up to 100% of their compensation on a pre-tax basis, not to exceed the annual IRS maximum. The Company makes matching contributions in an amount equal to 50% of compensation contributed by participants, up to \$5,000 per participant per year. The Company made matching contributions of \$3,000 and \$3,000 during the three months ended September 30, 2025 and 2024, respectively, and \$10,000 and \$29,000 during the nine months ended September 30, 2025 and 2024, respectively.

Note 8 – Segment Information

In its operation of the business, management reviews certain financial information, including segmented internal profit and loss statements prepared on a basis consistent with GAAP. Our two segments are Data Storage and Power Supplies. The two segments discussed in this analysis are presented in the way we internally manage and monitor performance for 2025 and 2024. The types of products and services provided by each segment are summarized below:

Data Storage — We manufacture and market data storage systems, including highly scalable automated magnetic tape libraries used to store, retrieve and manage electronic data. Our tape-based storage solutions enable businesses to

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manage the massive growth of digital data assets in a cost-effective manner, and address long-term archive, backup and recovery of electronic data. These products consist of networked libraries that store and move high-density tape cartridges and high-speed tape drives that stream data to and from the tape cartridges. These optimized solutions allow data-rich and video-centric markets such as media and entertainment, oil and gas, surveillance, digital security and medical imaging to achieve targeted data workflows. We also offer technical customer support service contracts, which provide customers with access to technical assistance, parts replacement of defective items, and the option to schedule on-site services, including support, installation, consulting, and design services, either through our team or our third-party service providers.

Power Supplies — We design and market high-efficiency switching power supplies. These power supplies are used to convert AC line voltage to DC voltages, or DC voltages to other DC voltages, for use in a wide variety of electronic equipment such as communications equipment, industrial machine tools, wireless systems, as well as medical and gaming devices. We utilize contract manufacturers in Asia to produce our power supplies products. We sell our products globally through authorized resellers and directly to OEMs.

Segment revenue, income (loss) before taxes, and total assets were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
(In thousands)				
Revenues				
Data Storage:				
Product	\$ 1,386	\$ 752	\$ 3,298	\$ 2,667
Service	275	307	808	865
Total Data Storage	1,661	1,059	4,106	3,532
Power Supplies	357	299	1,001	2,479
Revenues	\$ 2,018	\$ 1,358	\$ 5,107	\$ 6,011
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
(In thousands)				
Income (Loss) Before Taxes				
Data Storage	\$ 290	\$ 104	\$ 724	\$ 78
Power Supplies	(71)	(138)	(118)	(539)
Income (loss) before taxes	\$ 219	\$ (34)	\$ 606	\$ (461)

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	September 30, 2025	December 31, 2024
	(In thousands)	
Total Assets		
Data Storage		
Cash and cash equivalents	\$ 2,247	\$ 2,319
Marketable securities	788	42
Accounts receivable, net	751	538
Inventories	960	1,163
Prepaid expenses and other current assets	439	315
Property and equipment, net	16	21
Right-of-use assets	276	380
Other assets	47	54
Total Data Storage assets	5,524	4,832
Power Supplies		
Cash and cash equivalents	35	84
Accounts receivable, net	141	143
Inventories	1,336	1,632
Prepaid expenses and other current assets	12	6
Property and equipment, net	5	5
Other assets	23	23
Total Power Supplies assets	1,552	1,893
Total Assets	\$ 7,076	\$ 6,725

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Note 9 – Related Party Transactions

Interlink Electronics, Inc.

Interlink Electronics, Inc. (Nasdaq: LINK) is a related party. Steven N. Bronson, our President and Chief Executive Officer and Director, is also Chairman of the Board, President and Chief Executive Officer of Interlink. Ryan J. Hoffman, our Acting Chief Financial Officer, is also the Chief Financial Officer of Interlink. Mr. Bronson, together with BKF Capital Group, Inc. (OTCMKTS: BKFG) (“BKF Capital”) which he controls, has a controlling interest in both Qualstar and Interlink. We have a mutual facilities sharing agreement with Interlink under which (i) we allow Interlink to use of a portion of our Camarillo, California office and warehouse facility and Interlink allows us to use a portion its office facility in Irvine, California and (while Interlink occupied such facility) its former office facility in Bellevue, Washington; and (ii) we have agreed to split substantially all rent and facilities-related costs for each location on an apportioned basis according to the approximate relative usage levels by each entity. In addition, we have a mutual consulting agreement with Interlink under which certain of our respective employees and/or independent contractors provide certain operational, sales, marketing, general and administrative services to the other entity. Qualstar and Interlink have also agreed to reimburse, or be reimbursed by, one another for certain expenses paid by one company on behalf of the other. Transactions with Interlink are as follows:

	Three Months Ended September 30,			
	2025		2024	
	Due to Interlink	Due from Interlink	Due to Interlink	Due from Interlink
	(in thousands)			
Balance at July 1,	\$ 17	\$ 18	\$ 16	\$ 11
Billed (or accrued) to Interlink by Qualstar	-	50	-	45
Paid by Interlink to Qualstar	-	(33)	-	(27)
Billed (or accrued) to Qualstar by Interlink	110	-	142	-
Paid by Qualstar to Interlink	(110)	-	(132)	-
Balance at September 30,	<u>\$ 17</u>	<u>\$ 35</u>	<u>\$ 26</u>	<u>\$ 29</u>

	Nine Months Ended September 30,			
	2025		2024	
	Due to Interlink	Due from Interlink	Due to Interlink	Due from Interlink
	(in thousands)			
Balance at January 1,	\$ 8	\$ 12	\$ 2	\$ 32
Billed (or accrued) to Interlink by Qualstar	-	144	-	118
Paid by Interlink to Qualstar	-	(121)	-	(121)
Billed (or accrued) to Qualstar by Interlink	363	-	321	-
Paid by Qualstar to Interlink	(354)	-	(297)	-
Balance at September 30,	<u>\$ 17</u>	<u>\$ 35</u>	<u>\$ 26</u>	<u>\$ 29</u>

BKF Capital Group, Inc.

BKF Capital Group, Inc. (OTCMKTS: BKFG) is a related party. Steven N. Bronson, our President and Chief Executive Officer and Director, is also the Chief Executive Officer and Chairman of the Board of BKF Capital. Ryan J. Hoffman, our Acting Chief Financial Officer, is also the Chief Financial Officer of BKF Capital. BKF Capital, together with Mr. Bronson, has a controlling interest in Qualstar. In 2021, we entered into a M&A advisory consulting services agreement with Bronson Financial LLC (“BF”), a wholly owned subsidiary of BKF Capital, pursuant to which BF provided M&A advisory consulting services to us. This agreement was terminated in April 2024; Qualstar paid BF \$40,000 in 2024 under this agreement prior to its termination. Qualstar and BKF Capital have also agreed to reimburse, or be reimbursed by, one another for certain expenses paid by one company on behalf of the other. There were no transactions between Qualstar and BKF Capital in 2025.

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Ridgefield Acquisition Corp.

Ridgefield Acquisition Corp. (Nasdaq: RDGA) (“Ridgefield”) is a related party. Steven N. Bronson, our President and Chief Executive Officer and Director, is also the Chief Executive Officer and Chairman of the Board of Ridgefield as well as Ridgefield’s largest shareholder. In September 2022, the Company executed an unsecured Revolving Promissory Note with Ridgefield (the “Ridgefield Note”). Under the terms of the Ridgefield Note, the Company may (but is not required to) make loans to Ridgefield from time to time upon request by Ridgefield, up to a maximum principal amount of \$200,000 outstanding at any time. The Ridgefield Note may be prepaid by Ridgefield at any time without penalty and is repayable on demand by the Company. The Ridgefield Note provides for interest to accrue on the outstanding principal balance at a rate of ten percent per annum compounded quarterly. Ridgefield borrowed \$50,000 under the Ridgefield Note in 2022, \$50,000 in 2023, \$10,000 in 2024, and \$50,000 in the nine months ended September 30, 2025. The balance of principal and accrued interest on the Ridgefield Note was \$192,000 at September 30, 2025, and \$130,000 as of December 31, 2024 (classified in Prepaid Expenses and Other Current Assets on our consolidated balance sheets).

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Overview

Qualstar Corporation and its Subsidiaries (“Qualstar”, the “Company”, “we”, “us” or “our”) manufacture and market data storage system products and compact, high-efficiency power supply solutions. Our data storage systems are marketed under the Qualstar brand and include highly scalable automated magnetic tape libraries used to store, retrieve and manage electronic data primarily in the network computing environment. Our data storage devices include models ranging from entry level to enterprise and are a cost-effective solution for organizations requiring backup, recovery and archival storage of critical electronic information. The distribution channels for our data storage devices include resellers, system integrators, and original equipment manufacturers (“OEMs”). In addition, the Company is a leading provider of standard, semi-custom and custom power supply solutions marketed under the N2Power brand. Our power supply solution products provide OEMs and product designers increased functionality while reducing thermal loads and cooling requirements and lowering operating costs. Our power supply solution products are currently sold to OEMs in a wide range of markets, including telecom/networking equipment, audio/visual, industrial, gaming and medical.

Qualstar Corporation was incorporated in California in 1984 and currently has three wholly owned subsidiaries. The N2Power, Inc. subsidiary (“N2Power”) operates the Company’s power supplies business. The Q-Smart Data Limited (China) subsidiary pursues new data storage business opportunities in Asia. The Qualstar Limited (U.K.) subsidiary supports expansion of the Company’s data storage business in the United Kingdom, Europe and Africa.

We sell our products globally through authorized resellers and distributors and directly to OEMs. Our data storage products are manufactured by our OEM suppliers in other parts of the world and configured to order by us at our facility in Camarillo, California, or at our facility in Shenzhen, China, or by our fulfilment and logistics partner in Warsaw, Poland. N2Power utilizes contract manufacturers in Asia to produce our power supply solutions products.

Results of Operations

The dollar amounts in the following tables are in thousands.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2025		2024		2025		2024	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
Data storage revenues	\$ 1,661	82.3 %	\$ 1,059	78.0 %	\$ 4,106	80.4 %	\$ 3,532	58.8 %
Power supplies revenues	357	17.7	299	22.0	1,001	19.6	2,479	41.2
Revenues	2,018	100.0	1,358	100.0	5,107	100.0	6,011	100.0
Cost of goods sold	1,326	65.7	806	59.4	3,324	65.1	4,236	70.5
Gross profit	692	34.3	552	40.6	1,783	34.9	1,775	29.5
Operating expenses:								
Engineering	50	2.5	99	7.3	123	2.4	347	5.8
Sales and marketing	209	10.4	146	10.8	421	8.2	766	12.7
General and administrative	394	19.5	351	25.8	1,060	20.8	1,194	19.9
Total operating expenses	653	32.4	596	43.9	1,604	31.4	2,307	38.4
Income (loss) from operations	39	1.9	(44)	(3.2)	179	3.5	(532)	(8.9)
Other income (expense), net	180	8.9	10	0.7	427	8.4	71	1.2
Income (loss) before taxes	219	10.9	(34)	(2.5)	606	11.9	(461)	(7.7)
Provision for income taxes	-	-	-	-	-	-	-	-
Net income (loss)	\$ 219	10.9 %	\$ (34)	(2.5) %	\$ 606	11.9 %	\$ (461)	(7.7) %

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Revenues:

	Three Months Ended September 30,						Change		
	2025			2024					
	% of			% of			\$	%	
	Amount	Revenues	%	Amount	Revenues	%			
Data storage revenues	\$ 1,661	82.3	%	\$ 1,059	78.0	%	\$ 602	56.8	%
Power supplies revenues	357	17.7		299	22.0		58	19.4	
Revenues	<u>\$ 2,018</u>	<u>100.0</u>	<u>%</u>	<u>\$ 1,358</u>	<u>100.0</u>	<u>%</u>	<u>\$ 660</u>	<u>48.6</u>	<u>%</u>
	Nine Months Ended September 30,						Change		
	2025			2024					
	% of			% of			\$	%	
	Amount	Revenues	%	Amount	Revenues	%			
Data storage revenues	\$ 4,106	80.4	%	\$ 3,532	58.8	%	\$ 574	16.3	%
Power supplies revenues	1,001	19.6		2,479	41.2		(1,478)	(59.6)	
Revenues	<u>\$ 5,107</u>	<u>100.0</u>	<u>%</u>	<u>\$ 6,011</u>	<u>100.0</u>	<u>%</u>	<u>\$ (904)</u>	<u>(15.0)</u>	<u>%</u>

The fluctuations in revenues for the three- and nine-month periods ended September 30, 2025 compared to the prior year are attributable to the segment-specific factors described below.

Segment Revenue

Data Storage – For the three months ended September 30, 2025 compared to the same quarter last year, data storage revenues were up 57%, which was attributable to an 84% increase in product revenue from higher shipments of our tape-based data storage products and solutions, offset by a 10% decrease in revenues from technical service and support contracts. For the nine months ended September 30, 2025 compared to the first nine months of last year, data storage revenues were up 16%, which was attributable to a 24% increase in product revenues, offset in part by a 7% decrease in revenues from technical service and support contracts.

Power Supplies – The 19% increase in power supplies revenues in the three-month period ended September 30, 2025 compared to the prior-year period was due to increased customer demand and order fulfilment of our power supplies products. The 60% decrease in power supplies revenues in the nine-month period ended September 30, 2025 compared to the first nine months of the prior year was due to decreased customer demand and order fulfilment of our power supplies products, caused primarily by the loss of a large customer.

Gross Profit:

	Three Months Ended September 30,						Change	
	2025			2024				
	% of			% of				
	Amount	Revenues		Amount	Revenues			
Gross profit	\$ 692	34.3 %		\$ 552	40.6 %		\$ 140	25.4 %
	Nine Months Ended September 30,						Change	
	2025			2024				
	% of			% of				
	Amount	Revenues		Amount	Revenues			
Gross profit	\$ 1,783	34.9 %		\$ 1,775	29.5 %		\$ 8	0.5 %

The increase in gross profit for the three-months ended September 30, 2025 compared to the same quarter last year was due to higher revenue in the current year, while the decrease in gross margin percentage was due to a change in the mix of products and services sold compared to last year. Gross profit for the nine-months ended September 30,

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2025 was approximately flat compared to the same period last year due to lower revenues, offset by favorable changes in the mix of sales of data storage products and power supplies products sold in the periods.

Operating Expenses:

	Three Months Ended September 30,					
	2025			2024		
				Change		
	Amount	% of Revenues		Amount	% of Revenues	
Engineering	\$ 50	2.5 %		\$ 99	7.3 %	\$ (49) (49.5) %
Sales and marketing	209	10.4		146	10.8	63 43.2
General and administrative	394	19.5		351	25.8	43 12.3
Total operating expenses	<u>\$ 653</u>	<u>32.4 %</u>		<u>\$ 596</u>	<u>43.9 %</u>	<u>\$ 57 9.6 %</u>

	Nine Months Ended September 30,					
	2025			2024		
				Change		
	Amount	% of Revenues		Amount	% of Revenues	
Engineering	\$ 123	2.4 %		\$ 347	5.8 %	\$ (224) (64.6) %
Sales and marketing	421	8.2		766	12.7	(345) (45.0)
General and administrative	1,060	20.8		1,194	19.9	(134) (11.2)
Total operating expenses	<u>\$ 1,604</u>	<u>31.4 %</u>		<u>\$ 2,307</u>	<u>38.4 %</u>	<u>\$ (703) (30.5) %</u>

Engineering

Engineering expenses decreased for the three- and nine-month periods ended September 30, 2025 compared to the prior year periods primarily due to a decrease in power supplies engineering employees and consultants engaged.

Sales and Marketing

Sales and marketing expenses increased for the three-month period ended September 30, 2025 compared to same quarter last year due to higher compensation cost on increased headcount of sales employees and consultants, and higher commission expense on higher sales. Sales and marketing expenses decreased for the nine-month period ended September 30, 2025 compared to the first nine months of last year due to lower compensation expense on reduced headcount of sales employees and consultants.

General and Administrative

General and administrative costs increased for the three months ended September 30, 2025 compared to the same quarter last year due to higher compensation expense on increased employee headcount, offset in part by lower professional services costs. General and administrative costs decreased for the nine months ended September 30, 2025 compared to the first nine months of last year due to lower compensation expense on reduced employee headcount, and lower professional services costs.

Other Income (Expense), net

Other income (expense), net for the three months ended September 30, 2025 included \$21,000 of interest income, \$1,000 of gains on foreign currency exchange, and \$158,000 of gains on marketable securities. Other income (expense) for the three months ended September 30, 2024 included \$24,000 of interest income, \$19,000 of gains on foreign currency exchange, and \$33,000 of losses on marketable securities.

Other income (expense), net for the nine months ended September 30, 2025 included \$97,000 of interest income, \$27,000 of gains on foreign currency exchange, and \$303,000 of gains on marketable securities. Other income (expense) for the nine months ended September 30, 2024 included \$60,000 of interest income, \$4,000 of gains on foreign currency exchange, and \$7,000 of gains on marketable securities.

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Liquidity and Capital Resources

Cash and cash equivalents decreased \$121,000 to \$2,282,000 at September 30, 2025, from \$2,403,000 at December 31, 2024.

Operating Activities

Net cash provided by operating activities was \$540,000 for the nine months ended September 30, 2025, compared with cash used in operations of \$34,000 for the nine months ended September 30, 2024. Cash provided by operations in 2025 was the result of net income of \$606,000, non-cash expenses of \$152,000, non-cash gains on marketable securities of \$303,000, and cash provided by changes in operating assets and liabilities of \$85,000. Cash used in operations in 2024 was the result of net loss of \$461,000, non-cash expenses of \$146,000, non-cash gains on marketable securities of \$7,000, and cash provided by changes in operating assets and liabilities of \$288,000.

Investing Activities

Cash used in investing activities for the nine months ended September 30, 2025 consisted of \$443,000 of net purchases of marketable securities. Cash provided by investing activities for the nine months ended September 30, 2024 consisted of \$49,000 of proceeds from net sales of marketable securities.

Financing Activities

Cash used in financing activities for the nine months ended September 30, 2025 and 2024 consisted of \$218,000 and \$111,000, respectively, used to repurchase shares of the Company's common stock under the Company's Stock Repurchase Program.

We believe that our existing cash and cash equivalents and cash flows from our operating activities will be sufficient to fund our working capital and capital expenditure needs for at least twelve months from the date of this report. We may utilize cash to invest in or acquire businesses, products or technologies that we believe are additive to the strategic expansion of the Company. We periodically evaluate other companies and technologies for possible investment or acquisition. In addition, we have made, and may in the future make, investments in companies with whom we have identified potential synergies. However, we have no present commitments or agreements with respect to any material investment in or acquisition of other businesses or technologies. In the event that we require additional capital to meet our business needs, there can be no assurance that additional funding will be available to us when needed or, if available, that it can be obtained on commercially reasonable terms.