

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2025

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: 0-25844

TAITRON COMPONENTS INCORPORATED

(Exact name of registrant as specified in its charter)

California

(State or other jurisdiction of incorporation or organization)

95-4249240

(I.R.S. Employer Identification No.)

28040 West Harrison Parkway, Valencia, California

(Address of principal executive offices)

91355-4162

(Zip Code)

(661) 257-6060

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock	TAIT	NASDAQ Capital 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

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

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

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

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

Classes of common stock

Class A

Class B

Outstanding on October 31, 2025

5,258,568

762,612

TAITRON COMPONENTS INCORPORATED

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PART I - FINANCIAL INFORMATION
Item 1. Condensed Financial Statements (Unaudited)

TAITRON COMPONENTS INCORPORATED

Condensed Consolidated Balance Sheets

Assets	September 30, 2025 (Unaudited)	December 31, 2024
Current assets:		
Cash and cash equivalents	\$ 3,960,000	\$ 4,208,000
Accounts receivable, less allowances of \$7,000	445,000	421,000
Short-term investments (Note 2)	5,929,000	5,179,000
Inventories, less reserves for obsolescence of \$5,161,000, and \$5,152,000, respectively (Note 3)	2,098,000	2,949,000
Prepaid expenses and other current assets (Note 4)	227,000	308,000
Total current assets	12,659,000	13,065,000
Property and equipment, net	2,883,000	3,029,000
Deferred taxes	1,543,000	1,542,000
Total assets	\$ 17,085,000	\$ 17,636,000
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 492,000	\$ 251,000
Accrued liabilities	275,000	822,000
Accrued restructuring reserve	1,256,000	-
Total current liabilities	2,023,000	1,073,000
Commitments and contingencies (Note 6)		
Equity:		
Shareholders' equity:		
Preferred stock, \$0.001 par value. Authorized 5,000,000 shares;		
None issued or outstanding	-	-
Class A common stock, \$0.001 par value. Authorized 20,000,000 shares;		
5,258,568 shares issued and outstanding	5,000	5,000
Class B common stock, \$0.001 par value. Authorized, issued and		
outstanding 762,612 shares	1,000	1,000
Additional paid-in capital	11,486,000	11,484,000
Accumulated other comprehensive loss	(68,000)	(49,000)
Retained earnings	3,638,000	5,122,000
Total equity	15,062,000	16,563,000
Total liabilities and equity	\$ 17,085,000	\$ 17,636,000

See accompanying notes to condensed consolidated financial statements (unaudited).

TAITRON COMPONENTS INCORPORATED

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Net product revenue	\$ 529,000	\$ 1,187,000	\$ 2,778,000	\$ 3,374,000
Cost of products sold	<u>202,000</u>	<u>635,000</u>	<u>1,109,000</u>	<u>1,664,000</u>
Gross profit	327,000	552,000	1,669,000	1,710,000
Selling, general and administrative expenses	516,000	530,000	1,651,000	1,683,000
Restructuring and severance expenses	<u>-</u>	<u>-</u>	<u>1,680,000</u>	<u>-</u>
Operating income (loss)	(189,000)	22,000	(1,662,000)	27,000
Interest income, net	54,000	68,000	158,000	223,000
Other income (expense), net	77,000	163,000	841,000	976,000
Income (loss) before income taxes	<u>(58,000)</u>	<u>253,000</u>	<u>(663,000)</u>	<u>1,226,000</u>
Income tax provision	<u>-</u>	<u>(8,000)</u>	<u>(8,000)</u>	<u>(23,000)</u>
Net income (loss)	<u>\$ (58,000)</u>	<u>\$ 245,000</u>	<u>\$ (671,000)</u>	<u>\$ 1,203,000</u>
Net income (loss) per share: Basic	<u>\$ (0.01)</u>	<u>\$ 0.04</u>	<u>\$ (0.11)</u>	<u>\$ 0.20</u>
Diluted	<u>\$ (0.01)</u>	<u>\$ 0.04</u>	<u>\$ (0.11)</u>	<u>\$ 0.20</u>
Weighted average shares outstanding: Basic	<u>6,021,180</u>	<u>6,021,180</u>	<u>6,021,180</u>	<u>6,021,180</u>
	<u>6,021,180</u>	<u>5,999,180</u>	<u>6,021,180</u>	<u>6,011,180</u>
Cash dividends declared per common share	<u>\$ 0.035</u>	<u>\$ 0.050</u>	<u>\$ 0.135</u>	<u>\$ 0.150</u>
Net income (loss)	\$ (58,000)	\$ 245,000	\$ (671,000)	\$ 1,203,000
Other comprehensive income (loss):				
Foreign currency translation adjustment	<u>5,000</u>	<u>36,000</u>	<u>(19,000)</u>	<u>8,000</u>
Comprehensive income (loss)	<u>(53,000)</u>	<u>281,000</u>	<u>(690,000)</u>	<u>1,211,000</u>

See accompanying notes to condensed consolidated financial statements (unaudited).

TAITRON COMPONENTS INCORPORATED

Condensed Consolidated Statements of Shareholders' Equity (Unaudited)

	Common Stock				Additional Paid-in capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
	Class A		Class B					
	Shares	Amount	Shares	Amount				
<i>Three months ending March 31, 2025, June 30, 2025 and September 30, 2025 (unaudited)</i>								
Balance at December 31, 2024	5,258,568	\$ 5,000	762,612	\$ 1,000	\$ 11,484,000	\$ (49,000)	\$ 5,122,000	\$ 16,563,000
Consolidated net loss	-	-	-	-	-	-	(286,000)	\$ (286,000)
Other comprehensive loss	-	-	-	-	-	(14,000)	-	\$ (14,000)
Stock based compensation expense	-	-	-	-	1,000	-	-	\$ 1,000
Cash dividends	-	-	-	-	-	-	(301,000)	\$ (301,000)
Balance at March 31, 2025	<u>5,258,568</u>	<u>\$ 5,000</u>	<u>762,612</u>	<u>\$ 1,000</u>	<u>\$ 11,485,000</u>	<u>\$ (63,000)</u>	<u>\$ 4,535,000</u>	<u>\$ 15,963,000</u>
Consolidated net loss	-	-	-	-	-	-	(327,000)	\$ (327,000)
Other comprehensive loss	-	-	-	-	-	(10,000)	-	\$ (10,000)
Stock based compensation expense	-	-	-	-	1,000	-	-	\$ 1,000
Cash dividends	-	-	-	-	-	-	(301,000)	\$ (301,000)
Balance at June 30, 2025	<u>5,258,568</u>	<u>\$ 5,000</u>	<u>762,612</u>	<u>\$ 1,000</u>	<u>\$ 11,486,000</u>	<u>\$ (73,000)</u>	<u>\$ 3,907,000</u>	<u>\$ 15,326,000</u>
Consolidated net loss	-	-	-	-	-	-	(58,000)	\$ (58,000)
Other comprehensive income	-	-	-	-	-	5,000	-	\$ 5,000
Cash dividends	-	-	-	-	-	-	(211,000)	\$ (211,000)
Balance at September 30, 2025	<u>5,258,568</u>	<u>\$ 5,000</u>	<u>762,612</u>	<u>\$ 1,000</u>	<u>\$ 11,486,000</u>	<u>\$ (68,000)</u>	<u>\$ 3,638,000</u>	<u>\$ 15,062,000</u>
<i>Three months ending March 31, 2024, June 30, 2024 and September 30, 2024 (unaudited)</i>								
Balance at December 31, 2023	5,233,568	\$ 5,000	762,612	\$ 1,000	\$ 11,474,000	\$ (61,000)	\$ 5,424,000	\$ 16,843,000
Consolidated net income	-	-	-	-	-	-	552,000	\$ 552,000
Other comprehensive income	-	-	-	-	-	8,000	-	\$ 8,000
Stock based compensation expense	-	-	-	-	4,000	-	-	\$ 4,000
Cash dividends	-	-	-	-	-	-	(301,000)	\$ (301,000)
Balance at March 31, 2024	<u>5,233,568</u>	<u>\$ 5,000</u>	<u>762,612</u>	<u>\$ 1,000</u>	<u>\$ 11,478,000</u>	<u>\$ (53,000)</u>	<u>\$ 5,675,000</u>	<u>\$ 17,106,000</u>
Consolidated net income	-	-	-	-	-	-	406,000	\$ 406,000
Other comprehensive loss	-	-	-	-	-	(36,000)	-	\$ (36,000)
Stock based compensation expense	-	-	-	-	3,000	-	-	\$ 3,000
Cash dividends	-	-	-	-	-	-	(301,000)	\$ (301,000)
Balance at June 30, 2024	<u>5,233,568</u>	<u>\$ 5,000</u>	<u>762,612</u>	<u>\$ 1,000</u>	<u>\$ 11,481,000</u>	<u>\$ (89,000)</u>	<u>\$ 5,780,000</u>	<u>\$ 17,178,000</u>
Consolidated net income	-	-	-	-	-	-	245,000	\$ 245,000
Other comprehensive income	-	-	-	-	-	36,000	-	\$ 36,000
Stock based compensation expense	-	-	-	-	2,000	-	-	\$ 2,000
Cash dividends	-	-	-	-	-	-	(301,000)	\$ (301,000)
Balance at September 30, 2024	<u>5,233,568</u>	<u>\$ 5,000</u>	<u>762,612</u>	<u>\$ 1,000</u>	<u>\$ 11,483,000</u>	<u>\$ (53,000)</u>	<u>\$ 5,724,000</u>	<u>\$ 17,160,000</u>

See accompanying notes to condensed consolidated financial statements (unaudited).

TAITRON COMPONENTS INCORPORATED

Condensed Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended September 30,	
	2025	2024
Operating activities:		
Net income (loss)	\$ (671,000)	\$ 1,203,000
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	160,000	133,000
Stock based compensation	2,000	9,000
Deferred income taxes	(1,000)	(2,000)
Changes in values of marketable securities	(750,000)	(1,282,000)
Changes in assets and liabilities:		
Accounts receivable	(24,000)	(531,000)
Inventories	851,000	(401,000)
Prepaid expenses and other current assets	81,000	146,000
Accounts payable	241,000	531,000
Accrued liabilities	(547,000)	(177,000)
Accrued restructuring reserve	1,256,000	-
Other assets and liabilities	-	(3,000)
Total adjustments	1,269,000	(1,577,000)
Net cash provided by (used for) operating activities	598,000	(374,000)
Investing activities:		
Acquisition of property and equipment	(14,000)	(228,000)
Net cash used for investing activities	(14,000)	(228,000)
Financing activities:		
Dividend payments	(813,000)	(903,000)
Net cash used for financing activities	(813,000)	(903,000)
Impact of exchange rates on cash	(19,000)	8,000
Net decrease in cash and cash equivalents	(248,000)	(1,497,000)
Cash and cash equivalents, beginning of period	4,208,000	6,205,000
Cash and cash equivalents, end of period	\$ 3,960,000	\$ 4,708,000
Supplemental disclosures of cash flow information:		
Cash paid for income taxes, net	\$ 2,000	\$ 203,000

See accompanying notes to condensed consolidated financial statements (unaudited).

TAITRON COMPONENTS INCORPORATED

Notes to Condensed Consolidated Financial Statements (Unaudited)

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Overview of Business

We are primarily a supplier of original designed and manufactured (“ODM”) electronic components (“ODM Components”) with our product offerings ranging from discrete semiconductors through small electronic devices. Our products include value-added engineering and turn-key solutions, focusing on providing contract electronic manufacturers (“CEMs”) and original equipment manufacturers (“OEMs”) with ODM products for their multi-year turn-key projects (“ODM Projects”). We also distribute brand name electronic components with a vast inventory available on hand. We are incorporated in California and were originally formed in 1989. We maintain divisions in Taiwan and China which were established in 1996 and 2005, respectively.

Basis of Presentation

The unaudited condensed consolidated interim financial statements include the accounts of the Company and all wholly owned divisions. All significant intercompany accounts and transactions have been eliminated in consolidation.

These unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments of a normal recurring nature and considered necessary for a fair statement of its financial condition and results of operations for the interim periods presented in this Quarterly Report on Form 10-Q have been included. Operating results for the interim periods are not necessarily indicative of financial results for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2024. The Company operates as a single reportable segment and there have been no changes in the basis of segmentation since the December 31, 2024, Form 10-K.

Use of Estimates

In preparing these financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the condensed consolidated financial statements and the reported amount of revenues and expenses during the reporting periods. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the amount reported as revenue and expenses that are not readily apparent from other sources. Actual results could differ from those estimates. Significant estimates and assumptions included in the Company’s condensed consolidated financial statements relate to the allowance for sales returns, doubtful accounts, inventory reserves, accrued liabilities and deferred income taxes.

Recently Adopted Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09 *"Income Taxes (Topic 740): Improvements to Income Tax Disclosures,"* which requires the Company to disclose disaggregated jurisdictional and categorical information for the tax rate reconciliation, income taxes paid and other income tax related amounts. This guidance is effective for annual periods beginning after December 15, 2024, which will be the Company's fiscal year 2025, with early adoption permitted. The adoption is expected to enhance the Company's Notes to the Consolidated Financial Statements. The Company is currently evaluating the impact of the ASU on its Annual Report.

In November 2024, the FASB issued ASU 2024-03 *"Disaggregation of Income Statement Expenses,"* which requires the Company to disaggregate key expense categories such as employee compensation, depreciation and intangible asset amortization within its financial statements. ASU 2024-03 is effective for annual periods beginning with the Company's fiscal year 2027, and interim periods within the Company's fiscal year 2028, with early adoption permitted. The Company is currently evaluating the impact of this ASU on its Notes to the Consolidated Financial Statements.

Revenue recognition

Revenue is recognized at the point at which control of the underlying products are transferred to the customer. Satisfaction of our performance obligations occur upon the transfer of control of products, either from our facilities or directly from suppliers to customers. We consider customer purchase orders to be the contracts with a customer. All revenue is generated from contracts with customers.

In determining the transaction price, we evaluate whether the price is subject to refund or adjustment to determine the net consideration to which we expect to receive.

Taxes assessed by a governmental authority on revenue-producing transactions are excluded from revenue.

Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as fulfillment costs and are included in cost of products sold.

Based upon the nature of our contracts with customers and our performance obligations within those contracts, we have no contract assets or liabilities as of September 30, 2025 and December 31, 2024.

Nature of products

We are primarily a supplier of original designed and manufactured (“ODM”) products that include value-added engineering and turn-key solutions. The following is a description of major products lines from which we generate our revenue:

ODM Projects - Our custom made small devices for original equipment manufacturers (“OEMs”) and contract electronic manufacturers (CEMs) in their multi-year turn-key projects and marketed in specific industries such as: wild animal feeders, timers for DC motors, public street light controllers, and battery chargers.

ODM Components - Our private labeled electronic components.

Distribution Components - Our name brand electronic components.

Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market, major product line, and timing of revenue recognition.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
<u>Primary geographical markets:</u>				
United States	\$ 514,000	\$ 1,105,000	\$ 2,717,000	\$ 3,119,000
Asia	11,000	77,000	50,000	244,000
Other	4,000	5,000	11,000	11,000
	<u>529,000</u>	<u>1,187,000</u>	<u>2,778,000</u>	<u>3,374,000</u>
<u>Major product lines:</u>				
ODM projects	\$ 419,000	\$ 946,000	\$ 2,326,000	\$ 2,475,000
ODM components	109,000	232,000	445,000	885,000
Distribution components	1,000	9,000	7,000	14,000
	<u>529,000</u>	<u>1,187,000</u>	<u>2,778,000</u>	<u>3,374,000</u>
<u>Timing of revenue recognition:</u>				
Products transferred at a point in time	\$ 529,000	\$ 1,187,000	\$ 2,778,000	\$ 3,374,000

2 – SHORT-TERM INVESTMENTS

Short-term investments, consisting principally of marketable U.S. equity securities, are classified as short-term based on the nature of the securities and their availability for use in current operations. Measurement is based on fair value with gains and losses recognized in other income/(expense), net.

3 – INVENTORY

Inventory – Inventory, consisting principally of products held for resale, is recorded at the lower of cost (determined using the first in-first out method) and net realizable value. We had inventory balances in the amount of \$2,098,000 and \$2,949,000 at September 30, 2025 and December 31, 2024, respectively, which is presented net of valuation allowances of \$5,161,000 and \$5,152,000, respectively. We evaluate inventories to identify excess, high-cost, slow-moving or other factors rendering inventories as unmarketable at normal profit margins. Due to the complexity of managing and maintaining a large inventory of product offerings, estimates are made regarding adjustments to the carrying values of inventories. Based on our assumptions about future demand and market conditions, inventories are carried at the lower of cost and net realizable value. If our assumptions about future demand change, or market conditions are less favorable than those projected, additional write-downs of inventories or valuation allowances may be required. In any case, actual amounts could be different from those estimated.

4 – PREPAID EXPENSES AND OTHER CURRENT ASSETS

	Receivable - Zowie Technology	Other	Prepaid Expenses and Other Current Assets Total
Balance at December 31, 2024	\$ 186,000	\$ 122,000	\$ 308,000
Other changes	(58,000)	(23,000)	(81,000)
Balance at September 30, 2025	<u>\$ 128,000</u>	<u>\$ 99,000</u>	<u>\$ 227,000</u>

In prior filings the Company accounted for its receivable from preferred share repurchase with Zowie Technology (the “Zowie Repurchase”) under ASC 321 as an equity security without a readily determinable fair value. During the quarter ended September 30, 2025, management determined that the Zowie repurchase represents a contractual receivable rather than an equity security because (i) it is repayable in cash at the Company’s election and (ii) Zowie’s conversion option is not substantive. The receivable has an annual interest rate of .7%. Accordingly, the Company accounts for the receivable under ASC 310 and now evaluates it for credit losses under ASC 326. Management concluded that the reclassification is immaterial to the financial statements; therefore, prior-period amounts have not been restated. The reclassification had no impact on total assets, liabilities, shareholders’ equity, net income.

5 – SHARE BASED COMPENSATION

Accounting for stock options issued to employees measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost is recognized over the period during which an employee is required to provide service in exchange for the award. Outstanding options to purchase Class A common stock (“the Options”) vest in three equal annual installments beginning one (1) year from the date of grant and are subject to termination provisions as defined in our 2005 Stock Incentive Plan and 2018 Omnibus Incentive Plan (collectively referred to as “the Plans”). The Options activity during the three months ended September 30, 2025 is as follows:

At September 30, 2025, the range of individual outstanding weighted average exercise prices was \$2.63 to \$3.95 and the unrecognized compensation expense was approximately \$2,000. Stock based compensation recorded in the three months ended September 30, 2025 and September 30, 2024 was \$0 and \$2,000, respectively, and is included in selling, general and administrative expenses on the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income.

6 – RESTRUCTURING AND SEVERANCE COMPENSATION EXPENSE

Background

On June 30, 2025, the Company’s Board of Directors approved a restructuring initiative that included a revision to the Company’s severance policy and compensation structure. Effective July 1, 2025, the Company implemented a reduction in base salaries for all employees by approximately 30% and amended the severance policy to provide one (1) week of severance pay per year of service (versus one (1) month previously). In connection with this amendment, the Company approved a one-time severance compensation payment due to employees based on service accrued through June 30, 2025, calculated in accordance with the prior severance policy.

The severance payment was based on service accrued under the prior severance policy in effect through June 30, 2025, which was replaced by a revised policy effective July 1, 2025 offering reduced benefits on a prospective-only basis.

Summary of Costs Incurred

As a result of this action, the Company recognized a one-time charge of approximately \$1.6 million in the three months ended June 30, 2025. The amount accrued is the total cost that was approved related to the restructuring initiative. This amount reflects severance obligations earned through June 30, 2025, and includes payments due to all eligible employees and executive officers.

The restructuring charge was fully accrued in accrued restructuring reserve in the accompanying consolidated balance sheets in the second quarter of 2025 and primarily consists of termination benefits, as defined under ASC 420-10, Exit or Disposal Cost Obligations. The Company expects that the majority of these severance payments will be disbursed in the first quarter of 2026. The restructuring charge is recorded in restructuring and severance expense on the accompanying consolidated statements of operations.

Liability Rollforward Table

The following table summarizes the activity related to the severance accrual for the three months ended September 30, 2025:

	Severance Liability
Balance at March 31, 2025	\$ -
Accrual recognized	1,579,000
Balance at June 30, 2025	\$ 1,579,000
Payments	(323,000)
Balance at September 30, 2025	\$ 1,256,000

7 – COMMITMENTS AND CONTINGENCIES

Inventory Purchasing

Outstanding commitments to purchase inventory from suppliers aggregated \$224,000 and \$400,000 as of September 30, 2025 and December 31, 2024, respectively. Of our outstanding purchase commitment as of September 30, 2025, approximately \$68,000 is due in the next three months. The remainder is due in the year ended December 31, 2026 or later, which the timing is dependent on additional customer orders.

8 – TARIFF REFUNDS AND FEES

During prior years, the Company received approximately \$0.4 million of various refunds from U.S. Customs and Border Protection (“CBP”) related to import-duty overpayments on certain prior-period transactions. These refunds were associated with duties originally borne by the Company as part of its product procurement costs. The amounts were initially recorded as a liability, in prior periods, while management evaluated the appropriate disposition. After further review, in June 2025, management determined that the refunds represented recoveries of costs previously absorbed by the Company. Accordingly, the liability was released and the refunds were recognized in other income for the period ending June 2025. The Company does not expect similar refunds to recur.

In September 2025, U.S. Customs and Border Protection (“CBP”) assessed approximately \$0.4 million of additional import duties related to certain products that the Company had previously classified as tariff-exempt in the past one year. The Company paid the

assessed amounts during the recent quarter and intends to file formal protests contesting all the assessments. The Company's prior classifications were determined internally based on its interpretation of applicable tariff schedules and exemption criteria. Management continues to believe those classifications were appropriate and intends to vigorously defend its position.

The Company has not recorded any additional accrual related to this matter. CBP retains statutory authority to review import entries for up to five years; however, the Company has not received any indication that CBP intends to expand its review, and management currently considers the likelihood of additional assessments to be remote. The Company is consulting external customs counsel to evaluate the matter and will update its assessment once further information becomes available.

9 – SUBSEQUENT EVENTS

On November 10, 2025, David Vanderhorst resigned as Chief Financial Officer and Secretary of the Company, effective immediately. Mr. Vanderhorst will remain an employee of the Company, serving as the Company's Controller. The Company's President and Chief Executive Officer, Stewart Wang, has assumed the duties of principal financial officer and principal accounting officer of the Company.

On November 14, 2025, the Company announced that it will voluntarily delist its common stock from The Nasdaq Stock Market and, based upon ownership of its shares by fewer than 300 holders of record, deregister its common stock under the Securities Exchange Act of 1934 and suspend its public reporting obligations. Our Board of Directors concluded that the costs of maintaining the Nasdaq listing and remaining a public reporting company, including costs of compliance, the demands on management time and the Company resources required to maintain its listed and registered status, outweigh the benefits to the Company and its stockholders of continued Nasdaq listing and SEC reporting.

The Company will file a Form 25 with the Securities and Exchange Commission on or about November 24, 2025, and the Nasdaq delisting is expected to become effective on or about December 4, 2025, at which time trading on Nasdaq will cease. The common stock may thereafter be eligible for quotation on the Pink tier of OTC Markets Group if market makers commit to making a market in the Company's shares. The Company can provide no assurance that trading in its common stock will continue on the OTC Markets Group or otherwise.

After the Nasdaq delisting becomes effective, the Company will file a Form 15 with the Securities and Exchange Commission on or about December 8, 2025, at which time the Company anticipates that its obligation to file periodic reports under the Exchange Act, including annual, quarterly and current reports on Form 10-K, Form 10-Q and Form 8-K, respectively, will be suspended, and that all requirements associated with being an Exchange Act-registered company, including the requirement to file current and periodic reports, will terminate permanently 90 days thereafter.

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

The following discussion should be read in conjunction with the condensed consolidated financial statements, including the related notes, appearing in Item 1 of Part 1 of this quarterly report on Form 10-Q, as well as our most recent annual report on Form 10-K for the year ended December 31, 2024.

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended ("Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") with respect to the financial condition, results of operations and business of the Company. Forward-looking statements usually are denoted by words or phrases such as "believes," "expects," "projects," "estimates," "anticipates," "will likely result" or similar expressions. We wish to caution readers that all forward-looking statements are necessarily speculative and not to place undue reliance on forward-looking statements, which speak only as of the date made, and to advise readers that actual results could vary due to a variety of risks and uncertainties, including the risks described in our Annual Report on Form 10-K for the year ended December 31, 2024 and other reports we file with the Securities and Exchange Commission. Except as required by law, we undertake no obligation to update forward-looking statements.

References to "Taitron," the "Company," "we," "our" and "us" refer to Taitron Components Incorporated and its wholly owned divisions, unless the context otherwise requires.

Critical Accounting Policies and Estimates

Use of Estimates - Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare our condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States. These estimates have a significant impact on our valuation and reserve accounts relating to the allowance for sales returns, doubtful accounts, inventory reserves and deferred income taxes. Actual results could differ from these estimates.

Revenue Recognition – Revenue is recognized upon shipment of the products, which is when legal transfer of title occurs and control of the product is transferred to the customer. Reserves for sales allowances and customer returns are established based upon historical experience and our estimates of future returns. Sales returns for each of the three months ended September 30, 2025 and 2024 were \$0. The allowance for sales returns and doubtful accounts at September 30, 2025 and December 31, 2024 aggregated \$7,000.

Inventory – Inventory, consisting principally of products held for resale, is recorded at the lower of cost (determined using the first in-first out method) and net realizable value. We had inventory balances in the amount of \$2,098,000 and \$2,949,000 at September 30, 2025 and December 31, 2024, respectively, which is presented net of valuation allowances of \$5,161,000 and \$5,152,000, respectively. We evaluate inventories to identify excess, high-cost, slow-moving or other factors rendering inventories as unmarketable at normal profit margins. Due to the large number of transactions and the complexity of managing and maintaining a large inventory of product offerings, estimates are made regarding adjustments to the cost of inventories. If our assumptions about future demand change, or market conditions are less favorable than those projected, additional write-downs of inventories may be required. In any case, actual amounts could be different from those estimated.

Deferred Taxes – If determined that it is more likely than not that we will not realize all or part of our net deferred tax assets in the future, we record a valuation allowance against the deferred tax assets, which allowance will be charged to income tax expense in the period of such determination. We also consider the scheduled reversal of deferred tax liabilities, tax planning strategies and future taxable income in assessing if deferred tax assets could be realized. We also consider the weight of both positive and negative evidence in determining whether a valuation allowance is needed.

Overview

We are primarily focused on supplying ODM products for our OEM customer’s multi-year turn-key projects. We also distribute discrete semiconductors, commodity Integrated Circuits (ICs), optoelectronic devices and passive components to other electronic distributors, CEMs and OEMs, who incorporate them in their products.

Our core strategy has shifted to primarily focus on higher margin ODM Projects that require custom products designed for specific applications to OEM customers, and away from actively marketing our superstore strategy of maintaining a vast quantity of electronic components to fill customer orders immediately from available stock held in inventory. As a result, we expect our components inventory will be more passively marketed and distributed online for clearance through our internet sales portal, however at potentially lower rates due to the pricing pressures normally attributed with online shopping.

In accordance with generally accepted accounting principles, we have classified inventory as a current asset in our September 30, 2025, condensed consolidated financial statements representing approximately 17% of current assets and 12% of total assets. However, if all or a substantial portion of the inventory was required to be immediately liquidated, the inventory would not be as readily marketable or liquid as other items included or classified as a current asset, such as cash. We cannot assure you that demand in the discrete semiconductor market will increase and that market conditions will improve. Therefore, it is possible that further declines in our carrying values of inventory may result.

Our gross profit margins are subject to a number of factors, including product demand, provisions for inventory reserves, our ability to purchase inventory at favorable prices, our sales product mix, the imposition of tariffs, import and export controls, changes in governmental policies and the relative strength of the U.S. dollar.

Results of Operations

Significant Risks and Uncertainties

See the Risk Factors included in our Annual report on Form 10-K for the year ended December 31, 2024 as filed with the Securities and Exchange Commission as well as the additional Risk Factor included in Part II—Item 1A of this quarterly report.

Third quarter of 2025 versus 2024.

Net sales in the third quarter of 2025 totaled \$529,000 versus \$1,187,000 in the comparable period for 2024, a decrease of \$658,000 or 55.4% over the same period last year. The decrease was primarily driven by the impact of significantly varied tariffs due to fluctuating trade negotiations on Chinese goods resulting in our significant drop in demand for our ODM products sales volume.

Gross profit for the third quarter of 2025 was \$327,000 versus \$552,000 in the comparable period for 2024, and gross margin percentage of net sales was 61.8% in the third quarter of 2025 versus 46.5% in the comparable period for 2024. The approximately 15.3% gross margin percentage increase was driven by the decrease of tariff costs for product shipped in the third quarter of 2025 (see Note 8 – Tariff Costs).

Selling, general and administrative expenses in the third quarter of 2025 totaled \$516,000 versus \$530,000 in the comparable period for 2024.

Other income, net, in the third quarter of 2025 was \$77,000 versus \$163,000 in the comparable period for 2024. Other income was primarily \$412,000 and \$154,000 of unrealized capital appreciation from short-term investments, in the third quarter of 2025 and 2024, respectively.

Income tax provision was \$0 for the third quarter of 2025 versus \$8,000 in the comparable period for 2024.

Net loss was \$58,000 for the third quarter of 2025 versus income of \$245,000 in the comparable period for 2024, a decrease of \$303,000 resulting from the reasons discussed above.

Nine Months Ended September 30, 2025 versus Nine Months Ended September 30, 2024.

Net sales in the nine months ended September 30, 2025 was \$2,778,000 versus \$3,374,000 in the comparable period for 2024, a decrease of \$596,000 or 17.7% over the same period last year. The decrease was primarily driven by the impact of significantly varied tariffs due to fluctuating trade negotiations on Chinese goods resulting in our significant drop in demand for our ODM products sales volume.

Gross profit for the nine months ended September 30, 2025 was \$1,669,000 versus \$1,710,000 in the comparable period for 2024, and gross margin percentage of net sales was approximately 60.1% for the nine months ended September 30, 2025 and 50.7% for 2024, respectively. The 2025 gross profit increase was driven by the decrease of tariff costs for product shipped in the nine months of 2025 (see Note 8 – Tariff Costs).

Selling, general and administrative expenses in the nine months ended September 30, 2025 totaled \$1,651,000 versus \$1,683,000 in the comparable period for 2024.

Restructuring expenses of \$1,680,000 was driven by one-time severance compensation payments (see Note 6 – Restructuring and Severance Compensation Expense).

Other income, net, in the nine months ended September 30, 2025 was \$841,000 versus \$976,000 in the comparable period for 2024. Other income in 2025 was primarily \$733,000 from unrealized capital appreciation from short-term investments and \$426,000 from the recovery of excess tariff refunds.

Income tax provision was \$8,000 for the nine months ended September 30, 2025 versus \$23,000 in the comparable period for 2024.

Net loss was \$671,000 for the nine months ended September 30, 2025 versus net income of \$1,203,000 in the comparable period for 2024, a decrease of \$1,874,000 resulting from the reasons discussed above (see Note 6 – Restructuring and Severance Compensation Expense).

Liquidity and Capital Resources

We historically have satisfied our liquidity requirements through cash generated from operations, short-term commercial loans, subordinated related party promissory notes and issuance of equity securities.

Cash flows provided by operating activities were \$598,000 as opposed to (\$374,000) used for in the nine months ended September 30, 2025 and 2024, respectively. The increase of \$972,000 in cash flows provided by operations compared with the prior period

resulted from changes in operating assets and liabilities, primarily from accounts payable, inventory and restructuring expenses of \$1,256,000 (see Note 6 – Restructuring and Severance Compensation Expense).

Cash flows used for investing activities were (\$14,000) and (\$228,000) which related to the acquisition of property and equipment in the nine months ended September 30, 2025 and 2024, respectively.

Cash flows used for financing activities were \$813,000 and \$903,000 for the nine months ended September 30, 2025 and 2024, respectively.

We believe that funds generated from operations, existing cash balances, short term investments and, if necessary, related party short-term loans, are likely to be sufficient to finance our working capital and capital expenditure requirements for the foreseeable future. If these funds are not sufficient, we may secure new sources of asset-based lending on accounts receivables or issue debt or equity securities. Otherwise, we may need to liquidate assets to generate the necessary working capital.

Inventory is included and classified as a current asset. As of September 30, 2025, inventory represented approximately 17% of current assets and 12% of total assets. However, it is likely to take over one (1) year for the inventory to turn and therefore is likely not saleable within this time frame. Hence, inventory would not be as readily marketable or liquid as other items included in current assets, such as cash.

On June 30, 2025, the Board of Directors approved a modification of our dividend policy effectively reducing quarterly installment amounts by 30%. Under our modified policy, we will target a cash dividend to our stockholders in the amount of \$0.14 per share per annum, payable in equal \$0.035 per share quarterly installments. Dividend declarations and the establishment of record and payment dates for such dividend payments, if any, remain subject to the Board of Directors' continuing determination that the dividend policy is in the best interests of our stockholders. The dividend policy may be suspended or cancelled at the discretion of the Board of Directors at any time.

Off-Balance Sheet Arrangements

We had no material off-balance sheet arrangements that have, or are likely to have, a current or future material effect on our operations other than our outstanding commitments to purchase inventory (see Item 1 - Note 6 – Commitments and Contingencies).

Item 3. Quantitative and Qualitative Disclosures About Market Risk. - Not applicable.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management has evaluated, under the supervision and with the participation of our principal executive and principal financial officers, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). Based on that evaluation, our principal executive and principal financial officers concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective in ensuring that information required to be disclosed in our Exchange Act reports is (1) recorded, processed, summarized and reported in a timely manner, and (2) accumulated and communicated to our management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

In the ordinary course of business, we may become involved in legal proceedings from time to time. As of the date of this report, we are not aware of any material pending legal proceedings.

Item 1A. Risk Factors.

The discussion of our business and operations should be read together with the risk factor set forth below and the risk factors contained in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2024, which describe various risks and uncertainties to which we are or may become subject. These risks and uncertainties have the potential to affect our business, financial condition, results of operations, cash flows, strategies or prospects in a material and adverse manner. As of November 14, 2025, there have been no material changes to the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2024.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds. None.

Item 3. Defaults Upon Senior Securities. None.

Item 4. Mine Safety Disclosures. Not Applicable.

Item 5. Other Information. None.

Item 6. Exhibits.

Exhibit

Number	Description of Document
31.1 *	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32 **	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 USC. Section 1350).
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase
<hr/>	
*	Filed herewith.
**	Furnished herewith.

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.

TAITRON COMPONENTS INCORPORATED

Date: November 14, 2025

/s/ Stewart Wang
Stewart Wang,
Chief Executive Officer, Chief Financial Officer and President
(Principal Executive Officer and Principal Financial Officer)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934

I, Stewart Wang, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Taitron Components Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant 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 issuer'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(s) 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: November 14, 2025

/s/ Stewart Wang
Stewart Wang,
Chief Executive Officer, Chief Financial Officer and President
(Principal Executive Officer and Principal Financial Officer)

EXHIBIT 32

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

In connection with the quarterly report on Form 10-Q of Taitron Components Incorporated (the “Company”) for the period ended September 30, 2025 (the “Report”), the undersigned hereby certifies in his capacity as Principal Executive Officer and Principal Financial Officer of the Company, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2025

/s/ Stewart Wang
Stewart Wang,
Chief Executive Officer, Chief Financial Officer and President
(Principal Executive Officer and Principal Financial Officer)