

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2024

☐ 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

(Zip Code)

Registrant's telephone number, including area code: (661) 257-6060

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, \$.001 par value	TAIT	NASDAQ Capital Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 "larger 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of common stock held by non-affiliates of the registrant, based upon the closing price of the common stock as reported by The Nasdaq Capital Market, was approximately \$8.3 million as of the last business day of the registrant’s most recently completed second fiscal quarter ended June 30, 2024.

Number of shares outstanding of each of the registrant’s classes of common stock, as of the latest practicable date:

Class	Outstanding on March 15, 2025
Class A common stock, \$.001 par value	5,258,568
Class B common stock, \$.001 par value	762,612

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive proxy statement pursuant to Regulation 14A in connection with the 2025 annual meeting of shareholders are incorporated by reference into Part III of this Form 10-K. The proxy statement will be filed with the SEC not later than 120 days after the registrant’s fiscal year ended December 31, 2024.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains statements which constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements represent our expectations or beliefs concerning future events, including the following: any statements regarding future sales, costs and expenses and gross profit percentages; any statements regarding the continuation of historical trends; any statements regarding expected capital expenditures; and any statements regarding the sufficiency of our cash balances and cash generated from operating and financing activities for future liquidity and capital resource needs, and are usually denoted by words or phrases such as “believes,” “plans,” “should,” “expects,” “thinks,” “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, some of which are discussed in this report in the Part I, Item 1A. Risk Factors and elsewhere in this report. Except as required by law, we undertake no obligation to update forward-looking statements.

References to “Taitron”, “the Company”, “the company”, “we,” “our” and “us” refer to Taitron Components Incorporated and its divisions, unless the context otherwise requires.

PART I

ITEM 1. BUSINESS.

General

We are primarily a supplier of original designed and manufactured (ODM) products that include value-added engineering and turn-key solutions. We focus on providing original equipment manufacturers (OEMs) and contract electronic manufacturers (CEMs) with ODM products for their multi-year turn-key projects (“ODM Projects”) and ODM electronic components (“ODM Components”). Our product offerings range from discrete semiconductors through small electronic devices. 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 two (2) divisions, in Taiwan and China.

Our Taiwan and China locations provide support for inventory sourcing, purchases and coordinating the manufacture of our ODM Projects and ODM Components (collectively we refer to these as “ODM Products”). In 2024 and 2023, we offered approximately 47 different ODM Products that are manufactured to specifications developed as a result of our engineering support services. Our China location also serves as the engineering center responsible for making component datasheets and test specifications, arranging pre-production and mass production at our manufacturer partners, preparing samples, monitoring the quality of shipments, performing failure analysis reports, and designing circuits with partners for ODM Projects.

We have also developed a reputation for stocking a large selection of electronic component inventories to meet the rapid delivery requirements of our customers. At December 31, 2024, our inventory consisted of approximately 12,000 different products manufactured by more than 100 different suppliers. However, our core strategy has shifted to primarily focus on our ODM Products 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.

ODM Projects

Our ODM Projects are custom made and are marketed in specific industries such as: wild animal feeders, timers for DC motors, public street light controllers, LED modules for swimming pools and water fountain lights, LED headlamps for vacuum cleaners, battery testers, universal remote-control devices and battery chargers.

Our distribution of ODM Projects originates from our 50,000 square-foot facility located in Valencia, California. We utilize a computerized inventory control/tracking system which enables us to quickly access inventory levels and trace product shipments. See Item 2 - “Properties.”

ODM Product Industry

ODM product providers have experienced rapid change and growth as an increasing number of OEMs outsource their manufacturing requirements. OEMs have continued to turn to outsourcing in order to reduce product cost; achieve accelerated time-to-market and time-to-volume production; access advanced design and manufacturing technologies; improve inventory management and purchasing power; and reduce their capital investment in manufacturing resources. This enables OEMs to concentrate on what they believe to be their core strengths, such as new product definition, design, marketing and sales. We believe further growth opportunities exist for ODM product providers to penetrate the worldwide market. By designing private brand products for our domestic OEM customers, we are able to expand export sales to overseas CEM customers.

ODM Products Strategy

We offer value-added ODM products to our existing OEM and CEM customers utilizing our engineering design center in Shanghai, China. The sales of our ODM Products were \$4,124,000 and \$6,049,000 in 2024 and 2023, respectively. Strategic allies such as Teamforce Co. Ltd., Grand Shine Management and Zowie Technology Corporation (see Part II, Item 8: Note 5 – Other Assets) provide us with engineering support services in our ODM projects in order to lower costs and to shorten the design cycle.

By offering application engineering service to current customers, we are often involved in reviewing their bill of materials (BOMs) and circuit diagrams. Based upon their credit history, type of products, production volume, profitability of the industry and circuit schematics, we offer different solutions for quality improvement, additional functions and cost savings throughout the re-design processes such as component replacement, digital circuit instead of analog circuit, microprocessor instead of logic circuit, integrated circuit instead of discrete components. Our preference is to target low but increasing volume, high margin, stable demand, profitable and specialty products, and financially stable customers who know how to market their products. Our strengths are in microprocessor programming, power supply, power management, LED message sign, RF transmission and receiving, encoders and decoders, remote controllers, DC motor control and power amplifiers. In many cases, we have been able to take advantage of our component distribution capability by using current stock to reduce lead time and choosing the low-cost components we currently sell. We depend on our outsourcing partners in mold design, plastic injection, metal stamping, wire hardness and final assembly. We ask between 15% to 30% down payment before accepting a purchase order and offer customers 30 to 60 days payment terms. All purchasing orders must have a firm delivery schedule under a non-cancelable and non-returnable (NCNR) agreement. To reduce the manufacturing and handling cost, we arrange production of the same model once a year and keep product in our warehouse to be released according to the predetermined schedule.

“Superstore” Marketing Strategy Change

Since 1997, we have marketed ourselves as the “discrete components superstore,” with an in-depth focus on discrete semiconductors, passive and optoelectronic components and extensive inventory of a wide variety of these products. Our “superstore” strategy consists of carrying a large quantity and variety of components in inventory to meet the rapid delivery requirements of our customers. Our core strategy has shifted to primarily focus on our ODM Products that require custom services 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. We will continue offering our existing wide variety of components for resale, but these products will be more passively marketed and distributed online for clearance through our website shopping portal, instead of actively through traditional sales agents and distributors.

Customers

We market our ODM products to OEMs and our electronic components inventory to distributors, OEMs and CEMs. During each of 2024 and 2023, we distributed our products to approximately 200 customers, however our 2 largest customers combined accounted for approximately 73% (individually by approximately 68% and 5%) of net sales during 2024 and approximately 66% (individually by approximately 52% and 14%) during 2023.

We believe that exceptional customer service and customer relations are key elements of our success, and train our sales force to provide prompt, efficient and courteous service to all customers. See “Business - Sales and Marketing Channels.” We have the ability to ship most orders the same day they are placed and, historically, most of our customers’ orders have been shipped within the requested delivery schedule.

Sales and Marketing Channels

As of March 15, 2025, our sales and marketing department consisted of 6 employees. We have centralized our sales order processing and customer service department into our headquarters at Valencia, California.

As a result of our marketing strategy change to focus primarily on ODM Products and away from our superstore inventory, we expect our remaining 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.

Suppliers

In connection with our ODM products, we have built strong collaborative relationships with a few selected system integration companies in China. These strategic relationships ensure the quality of the products and services and also provide a warranty on our finished products. Most of the projects involve multiple years of cooperation among components suppliers, overseas partners and the end customers in the US, and therefore, increase business stability and reduce the financial risk of excess inventory.

We believe that it’s important to develop and maintain good relationships with our discrete electronic component suppliers, since we do not have long-term supply, distribution or franchise agreements with any of our suppliers. Instead, we cultivate strong working relationships with each of our suppliers.

Competition

The ODM products we provide are available from many independent sources as well as from the in-house manufacturing capabilities of current and potential customers. Our competitors may be more established in the industry and have substantially greater financial, manufacturing, or marketing resources than we do. In addition, in recent years, original design manufacturers that provide design and manufacturing services to OEMs have significantly increased their share of outsourced manufacturing services provided to OEMs in the consumer electronic product market. Competition from ODMs may increase if our business in these markets grows or if ODMs expand further into these markets. We believe that our principal competitive advantages in our targeted markets are our engineering capabilities, product quality, flexibility, cost and timeliness in responding to design and schedule changes, reliability in meeting product delivery schedules, pricing, technological sophistication and geographic location.

We operate our discrete electronic components business online in a highly competitive environment and face competition from numerous local, regional and national distributors (both in purchasing and selling inventory) and electronic component manufacturers, including some of our own suppliers. Many of our competitors are more established and have greater name recognition and financial and marketing resources than us.

Management Information Systems

We have made a significant investment in computer hardware, software and personnel. The Management Information Systems (MIS) department is responsible for software and hardware upgrades, maintenance of current software and related databases, and designing custom systems. We believe that our MIS department is crucial to our success and believe in continually upgrading our hardware and software. We also developed a vendor management inventory software program which allows participating customers to access and manage their own inventory through the internet. The web site also provides users with other current information about us.

Warehouse Management System

We utilize a wireless, fully bar-coded warehouse perpetual inventory tracking system that greatly enhances the processing speed, accuracy of product quantity and location control within the warehouse. It also reduces potential errors and accelerates the delivery of components to our customers. We continuously improve our warehouse management system with custom programming features.

Foreign Trade Regulation

A large portion of the products we distribute are manufactured in Asia, including Taiwan, Hong Kong, Japan, China, South Korea, Thailand and the Philippines. The purchase of goods manufactured in foreign countries is subject to a number of risks, including economic disruptions, transportation delays and interruptions, foreign exchange rate fluctuations, imposition of tariffs and import and export controls, and changes in governmental policies, any of which could have a material adverse effect on our business and results of operations.

Sales to Asian customers were 6.2% and 5.2% of our total sales in 2024 and 2023, respectively.

From time to time, protectionist pressures have influenced U.S. trade policy concerning the imposition of significant duties or other trade restrictions upon foreign products. We cannot predict whether additional U.S. customs quotas, duties, taxes or other charges or restrictions will be imposed upon the importation of foreign components in the future or what effect any of these actions would have on our business, financial condition or results of operations. During 2024, we remained impacted by tariff costs on certain products imported from China, which went into effect as of July 6, 2018. However, we also have been able to pass along a portion of these costs to our customers to mitigate these costs.

Our ability to remain competitive with respect to the pricing of imported components could be adversely affected by increases in tariffs or duties, changes in trade treaties, strikes in air or sea transportation, and possible future U.S. legislation with respect to pricing and import quotas on products from foreign countries. For example, it is possible that political or economic developments in China, or with respect to the United States' relationship with China, could have an adverse effect on our business. Our ability to remain competitive also could be affected by other governmental actions related to, among other things, anti-dumping legislation and international currency fluctuations. While we do not believe that any of these factors adversely impact our business at present, we cannot assure that these factors will not materially adversely affect us in the future. Any significant disruption in the delivery of merchandise from our suppliers, substantially all of whom are foreign, could have a material adverse impact on our business and results of operations.

Employees

As of March 15, 2024, we had 15 employees, all of whom are employed on a full-time basis. None of our employees are covered by a collective bargaining agreement and we consider our relations with employees to be good.

Website Availability of Our Reports Filed with the Securities and Exchange Commission

We maintain a website (<http://www.taitroncomponents.com>), but we are not including the information contained on this website as a part of, or incorporating it by reference into, this annual report on Form 10-K. We make available free of charge through this website our annual reports, quarterly reports and current reports on Form 8-K, and amendments to these reports, as soon as reasonably practicable after we electronically file that material with, or furnish the material to, the Securities and Exchange Commission.

ITEM 1A. RISK FACTORS.

Certain factors may have a material adverse effect on our business, prospects, financial condition and results of operations. You should carefully consider the risks and uncertainties described below together with all of the other information contained in this Annual Report on Form 10-K, including our consolidated financial statements and the related notes, before deciding to invest in our common shares. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business. If any of the following risks actually occurs, our business, financial condition, results of operations and future prospects could be materially and adversely affected.

If our suppliers fail to meet our component and manufacturing needs, it could delay our production and our product shipments to customers and negatively affect our operations.

Our ODM Products comprise many components and subassemblies produced by outside suppliers. We depend greatly on these suppliers for items that are essential to the manufacture of our products, including printed circuit boards and integrated circuits. For certain items, we qualify only a single source, which magnifies the risk of shortages and decreases our ability to negotiate with that supplier on the basis of price. From time to time, we have been unable to obtain sufficient components that we have needed due to shortages or quality issues from some of our suppliers. If our suppliers fail to meet our manufacturing needs, it would delay our production and our product shipments to customers and negatively affect our operations.

Our primary suppliers are located in Asia. If a manufacturer should be unable to deliver products to us on a timely basis or at all, our business could be adversely affected. Though we have had many years of favorable experience with these suppliers, there can be no assurance that circumstances might not change and compel one or more of these suppliers to curtail or terminate deliveries to us. Moreover, the use of contract manufacturers to provide components typically requires that we place production orders several months in advance of our expected need for the products. This in turn leads to risks that we may lack sufficient inventory to sell to our customers where our expectations were conservative, or that we may order excess product inventory where our expectations were optimistic. We have in the past, experienced shortages of some parts needed to manufacture our ODM Products.

In addition, since a significant number of the products we distribute are manufactured in Taiwan, Hong Kong, China, South Korea and the Philippines, we are subject to a number of risks associated with foreign operations, including economic disruptions, transportation delays and interruptions, foreign exchange rate fluctuations, imposition of tariffs and import and export controls and changes in governmental policies, any of which could have a material adverse effect on our business and results of operations.

The company's lack of long-term sales contracts may have a material adverse effect on its business.

Most of the company's sales are made on an order-by-order basis, rather than through long-term sales contracts. The company generally works with its customers to develop non-binding forecasts for future orders. Based on such non-binding forecasts, the company makes commitments regarding the level of business that it will seek and accept, the inventory that it purchases, and the levels of utilization of personnel and other resources. A variety of conditions, both specific to each customer and generally affecting each customer's industry may cause customers to cancel, reduce, or delay orders that were either previously made or anticipated, file for bankruptcy protection, or default on their payments. Generally, customers may cancel, reduce, or delay purchase orders and commitments without penalty. The company seeks to mitigate these risks, in some cases, by entering into noncancelable/nonreturnable sales agreements, but there is no guarantee that such agreements will adequately protect the company. Significant or numerous cancellations, reductions, delays in orders by customers, loss of customers, and/or customer defaults on payments could materially adversely affect the company's business.

Changes in demand or downturns in the markets we serve could affect our business and operating results.

The industries into which we market and sell our products are cyclical and may experience downturns. These industries also experience volatility, and future volatility as well as downturns, or any failure of these industries to recover from downturns, could materially harm our business and operating results. In addition, our business and financial position may be adversely affected by current and future economic conditions that cause a decline in business and consumer spending in the markets served by our or our customers' products.

The competitive pressures the company faces, such as pricing and margin reductions, could have a material adverse effect on the company's business.

The company operates in a highly competitive international environment. The company competes with other large multinational and national electronic components and enterprise computing solutions distributors, as well as numerous other smaller, specialized competitors who generally focus on narrower market sectors, products, or industries. The company also competes for customers with its suppliers. The size of the company's competitors varies across market sectors, as do the resources the company has allocated to the sectors in which it does business. Therefore, some of the company's competitors may have a more extensive customer and/or supplier base than the company in one or more of its market sectors. There is significant competition within each market sector and geography that creates pricing and margin pressure and the need for constant attention to improve service and product offerings and increase market share. Other competitive factors include rapid technological changes, product availability, credit availability, speed of delivery, ability to tailor solutions to changing customer needs, and quality and depth of product lines and training, as well as service and support provided to the customer. The company also faces competition from companies in the logistics and product fulfillment, catalog distribution, and e-commerce supply chain services markets. The company expects to encounter increased competition from its current and/or new competitors, making it more difficult for the company to retain its market share. There is no guarantee that the company's response to competition will be successful. The company's failure to maintain and enhance its competitive position could have a material adverse effect on its business.

A small number of suppliers and customers account for a significant portion of the company's business.

Grand Shine Electronics and Zowie Technology (see also Item 8 - Note 5 – Other Assets) together accounted for approximately 43.3% and 61.2% of our net purchases for each of the fiscal years 2024 and 2023, respectively. We do not regard any one supplier as essential to our operations, since equivalent replacements for most of our products are available from one or more of our other suppliers or are available from various other sources at competitive prices. However, a change in supplier may delay the delivery of our inventory and adversely impact our results of operations.

In 2024, we had one (1) customer accounting for more than 10% of our net sales, for approximately 68%. In 2023, we had three (3) customers accounting for more than 10% of our net sales, for approximately 52%, 14% and 12%. As of December 31, 2024, we had one (1) customer accounting for more than 10% of our trade accounts receivable, net of allowances, of approximately 86% and as of December 31, 2023 we had one (1) customer of approximately 40%. In the event our largest customers were to decrease their demand for our products or in the event such customers ceased to purchase products from us, our operations would be materially and adversely impacted.

The company may not be able to adequately anticipate, prevent, or mitigate damage resulting from criminal and other illegal or fraudulent activities committed against it.

Global businesses are facing increasing risks of criminal, illegal, and other fraudulent acts. The evolving nature of such threats, considering new and sophisticated methods used by criminals, including phishing, misrepresentation, social engineering and forgery, is making it increasingly difficult for the company to anticipate and adequately mitigate these risks. In addition, designing and implementing measures to defend against, prevent, and detect these types of activities are increasingly costly and invasive into the operations of the business. As a result, the company could experience a material loss in the future to the extent that controls and other measures implemented to address these threats fail to prevent or detect such acts.

Products sold by the company may be found to be defective and, as a result, warranty and/or product liability claims may be asserted against the company, which may have a material adverse effect on the company.

The company's business could be materially adversely affected as a result of a significant quality or performance issue in the products or components sold by the company. Despite our efforts to revise and update our manufacturing and test processes, we may not be able to control and eliminate manufacturing flaws adequately. These flaws may include undetected software or hardware defects associated with new products, existing products or products that have been integrated into a system or apparatus with the products of other vendors. If we fail to adequately monitor, develop and implement appropriate test and manufacturing processes we could experience a rate of product failure that results in substantial shipment delays, warranty costs or damage to our reputation. Product flaws may also consume our limited engineering resources and interrupt our development efforts. Significant product failures would increase our costs and result in the loss of future sales and be harmful to our business.

Declines in value of the company's inventory could materially adversely affect its business.

The market for the company's products and services is subject to rapid technological change, evolving industry standards, changes in end-market demand, evolving customer expectations, oversupply of product, and regulatory requirements, which can contribute to the decline in value or potential obsolescence of inventory. Many of the company's suppliers will not allow products to be returned after they have been held in inventory beyond a certain amount of time, and, in most instances, the return rights are limited to a certain percentage of the amount of product the company purchased in a particular time frame. As we continue to shift our primary focus to our ODM Products 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, we expect the value of our existing inventory to decline. We had inventory balances in the amount of \$2,949,000 and \$2,597,000 at December 31, 2024 and 2023, respectively, which is presented net of valuation allowances of \$5,152,000 and \$5,141,000 at December 31, 2024 and 2023, respectively. Further declines in the value of the company's inventory could have a material adverse effect on the company's business.

Tariffs may result in increased prices and could adversely affect the company's business and results of operations.

Recently, the U.S. government imposed tariffs on certain products imported into the U.S. and the Chinese government imposed tariffs on certain products imported into China, which have increased the prices of many of the products that the company purchases from its suppliers. The tariffs, along with any additional tariffs or trade restrictions that may be implemented by the U.S., China or other countries, could result in further increased prices. While the company intends to pass price increases on to its customers, the effect of tariffs on prices may impact sales and results of operations. Retaliatory tariffs imposed by other countries on U.S. goods have not yet had a significant impact, but the company cannot predict further developments. The tariffs and the additional operational costs incurred in minimizing the number of products subject to the tariffs could adversely affect the operating profits of the company and customer demand for certain products which could have an adverse effect on the company's business and results of operations.

The company is subject to U.S. and certain foreign export and import controls, sanctions, embargoes, anti-corruption laws, and anti-money laundering laws and regulations. In the event of non-compliance, the company can face serious consequences, which can harm its business.

The company is subject to export control and import laws and regulations, including the U.S. Export Administration Regulations ("EAR"), U.S. Customs regulations, various economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Controls ("OFAC"). Products the company sells which are either manufactured in the United States or based on U.S. technology ("U.S. Products") are subject to the EAR when exported and re-exported to and from all international jurisdictions, in addition to the local jurisdiction's export regulations applicable to individual shipments. Licenses or proper license exemptions may be required by local jurisdictions' export regulations, including EAR, for the shipment of certain U.S. Products to certain countries, including China, and other countries in which the company operates. Non-compliance with the EAR, OFAC regulations, or other applicable export regulations can result in a wide range of penalties including the denial of export privileges, fines, criminal penalties, and the seizure of inventories. In the event that any export regulatory body determines that any shipments made by the company violate the applicable export regulations, the company could be fined significant sums and/or its export capabilities could be restricted, which could have a material adverse effect on the company's business.

Further, the company is also subject to the U.S. Foreign Corrupt Practices Act of 1977, as amended, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, and other state and national anti-bribery and anti-money laundering laws in the countries in which it conducts business. Anti-corruption laws are interpreted broadly and prohibit companies and their employees, agents, contractors, and other collaborators from authorizing, promising, offering, or providing, directly or indirectly, improper payments or anything else of value to recipients in the public or private sector. The company engages third parties to provide services. The company can be held liable for the corrupt or other illegal activities of its employees, agents, and contractors, even if it does not explicitly authorize or have actual knowledge of such activities. Any violations of the laws and regulations described above may result in substantial civil and criminal fines and penalties, imprisonment, litigation, reputational harm, and other consequences to the company.

The company is subject to environmental laws and regulations that could materially adversely affect its business.

A number of jurisdictions in which the company's products are sold have enacted laws addressing environmental and other impacts from product disposal, use of hazardous materials in products, use of chemicals in manufacturing, recycling of products at the end of their useful life, and other related matters. These laws prohibit the use of certain substances in the manufacture of the company's products and impose a variety of requirements for modification of manufacturing processes, registration, chemical testing, labeling, and other matters. Failure to comply with these laws or any other applicable environmental regulations could result in fines or suspension of sales. Additionally, these directives and regulations may result in the company having non-compliant inventory that may be less readily salable or have to be written off. Some environmental laws impose liability, sometimes without fault, for investigating or cleaning up contamination on or emanating from the company's currently or formerly owned, leased, or operated property, as well as for damages to property or natural resources and for personal injury arising out of such contamination. The presence of environmental contamination could also interfere with ongoing operations or adversely affect the company's ability to sell or lease its properties. The discovery of contamination for which the company is responsible, the enactment of new laws and regulations, or changes in how existing regulations are enforced, could require the company to incur costs for compliance or subject it to unexpected liabilities, which could be material.

The company may not have adequate or cost-effective liquidity or capital resources.

The company requires cash for general corporate purposes, such as funding its ongoing working capital, acquisitions, and capital expenditure needs. At December 31, 2024, the company had cash and cash equivalents of approximately \$4.2 million. The company believes that funds generated from operations, existing cash balances and, if necessary, related party short-term loans, are likely to be sufficient to finance its working capital and capital expenditure requirements for the foreseeable future. If these funds are not sufficient, the company may need to secure new sources of asset-based lending on accounts receivables or issue debt or equity securities. In the event the company requires additional capital to meet its business needs, there can be no assurance that additional funding will be available when needed or, if available, that it can be obtained on commercially reasonable terms.

The company's revenues and operating results may fluctuate unexpectedly from quarter to quarter, which may in turn affect its stock price.

The company's quarterly revenues and operating results have fluctuated in the past, and are likely to vary in the future due to the various factors, including:

- General economic conditions affecting spending and the rates of growth or decline in the markets the company services; including changes caused by rising inflation, and the ongoing war in Europe.
- Variations in product order backlogs, and reductions in the size, delays in the timing, or cancellation of significant customer orders;
- The timing of introductions and marketplace acceptance of new or enhanced products by the company or its competitors;
- Expansions or reductions in the company's relationships with its OEM customers;
- Unforeseen warranty costs that exceed established reserves;
- Timing and levels of the company's operating expenses; or
- Emerging new technologies that change the nature of or need for the company's products and components held in inventory.

We believe that period-to-period comparisons of our operating results may not necessarily be reliable indicators of our future performance. It is likely that in some future period our operating results will not meet your expectations or those of public market analysts. Any unanticipated change in revenues or operating results is likely to cause the company's stock price to fluctuate since such changes reflect new information available to investors and analysts. New information may cause investors and analysts to revalue the company's stock and this, in the aggregate, may cause fluctuations in the company's stock price.

If the company fails to maintain an effective system of internal controls or discovers material weaknesses in its internal controls over financial reporting, it may not be able to report its financial results accurately or timely or detect fraud, which could have a material adverse effect on its business.

An effective internal control environment is necessary for the company to produce reliable financial reports, safeguard assets, and is an important part of its effort to prevent financial fraud. The company is required to annually evaluate the effectiveness of the design and operation of its internal controls over financial reporting. Based on these evaluations, the company may conclude that enhancements, modifications, or changes to internal controls are necessary or desirable. While management evaluates the effectiveness of the company's internal controls on a regular basis, these controls may not always be effective. There are inherent limitations on the effectiveness of internal controls, including collusion, management override, and failure in human judgment. In addition, control procedures are designed to reduce rather than eliminate financial statement risk. If the company fails to maintain an effective system of internal controls, or if management or the company's independent registered public accounting firm discovers material weaknesses in the company's internal controls, it may be unable to produce reliable financial reports or prevent fraud, which could have a material adverse effect on the company's business. In addition, the company may be subject to sanctions or investigation by regulatory authorities, such as the SEC or NASDAQ. Any such actions could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of the company's financial statements, which could cause the market price of its common stock to decline or limit the company's access to capital.

The company's success depends upon its key executives.

Any failure to attract and retain necessary talent may materially and adversely affect the company's business, prospects, financial condition, and results of operations. The company's success depends, to a significant extent, on the capability, expertise, and continued services of its senior management team. The company relies on the expertise and experience of certain key executives in developing business strategies, business operations, and maintaining relationships with customers and suppliers. If the company were to lose any of its key executives, it may not be able to find a suitable replacement with comparable knowledge and experience. The company may also need to offer better remuneration and other benefits to attract and retain key executives and therefore cannot be assured that costs and expenses will not increase significantly as a result of increased talent acquisition and retention cost.

Cyber security and privacy breaches may hurt the company's business, damage its reputation, increase its costs, and cause losses.

The company's information technology systems could be subject to invasion, cyber-attack, or data privacy breaches by employees, others with authorized access, and unauthorized persons. Such attacks could result in disruption to the company's operations and/or loss or disclosure of, or damage to, the company's or any of its customer's or supplier's data, confidential information, or reputation. The company's information technology systems security measures may also be breached due to employee error, malfeasance, or otherwise. Additionally, outside parties may attempt to fraudulently induce employees, customers, or suppliers to disclose sensitive information in order to gain access to the company's data and information technology systems. Any such breach could result in significant legal and financial exposure, damage to the company's reputation, loss of competitive advantage, and a loss of confidence in the security of the company's information technology systems that could potentially have an impact on the company's business. Because the techniques used to obtain unauthorized access, disable or degrade, or sabotage the company's information technology systems change frequently and often are not recognized until launched, the company may be unable to anticipate these techniques or to implement adequate preventive measures. Further, third parties, such as hosted solution providers, that provide services for the company's operations, could also be a source of security risk in the event of a failure of their own security systems and infrastructure.

The company makes investments seeking to address risks and vulnerabilities, including ongoing monitoring, updating networks and systems, and personnel awareness training of potential cybersecurity threats to help ensure employees remain diligent in identifying potential risks. In addition, the company has deployed monitoring capabilities to support early detection, internal and external escalation, and effective responses to potential anomalies. As part of the company's review of potential risks, the company analyzes emerging cyber security threats as well as the company's plan and strategies to address them. Although the company has developed systems and processes that are designed to protect information and prevent data loss and other security breaches, including systems and processes designed to reduce the impact of a security breach, such measures cannot provide absolute security. Such breaches, whether successful or unsuccessful, could result in the company incurring costs related to, for example, rebuilding internal systems, defending against litigation, including litigation brought by governmental authorities, responding to regulatory inquiries or actions, paying damages, or taking other remedial steps. Also, global privacy legislation, enforcement, and policy activity are rapidly expanding and creating a complex compliance environment. The company's failure to comply with federal, state, or international privacy related or data protection laws and regulations could result in proceedings against the company by governmental entities or others and other fines or penalties that could have a material adverse effect on the company's business.

The company relies heavily on its internal information systems, which, if not properly functioning, could materially adversely affect the company's business.

The company's current global operations reside on multiple technology platforms. The size and complexity of the company's computer systems make them potentially vulnerable to breakdown, malicious intrusion, and random attack. To date, the company has not experienced any identifiable significant issues. Failure to properly or adequately address any unaccounted for or unforeseen issues could impact the company's ability to perform necessary business operations, which could materially adversely affect the company's business.

The company may be subject to intellectual property rights claims, which are costly to defend, could require payment of damages or licensing fees and could limit the company's ability to use certain technologies in the future.

Certain of the company's products and services include intellectual property owned primarily by the company's third party suppliers and, to a lesser extent, the company itself. Substantial litigation and threats of litigation regarding intellectual property rights exist in the business in which the company operates. From time to time, third parties (including certain companies in the business of acquiring patents not for the purpose of developing technology but with the intention of aggressively seeking licensing revenue from purported infringers) may assert patent, copyright and/or other intellectual property rights to technologies that are important to the company's business. In some cases, depending on the nature of the claim, the company may be able to seek indemnification from its suppliers for itself and its customers against such claims, but there is no assurance that it will be successful in obtaining such indemnification or that the company is fully protected against such claims. In addition, the company is exposed to potential liability for technology that it develops itself or when it combines multiple technologies of its suppliers for which it may have limited or no indemnification protections. In any dispute involving products or services that incorporate intellectual property from multiple sources or is developed, licensed by the company, or obtained through acquisition, the company's customers could also become the targets of litigation. The company may be obligated in certain instances to indemnify and defend its customers if the products or services the company sells are alleged to infringe any third party's intellectual property rights. Any infringement claim brought against the company, regardless of the duration, outcome, or size of damage award, could result in substantial cost to the company; divert management's attention and resources, be time consuming to defend, result in substantial damages or awards or cause product shipment delays.

Additionally, if an infringement claim is successful, the company may be required to pay damages or seek royalty or license arrangements, which may not be available on commercially reasonable terms. The payment of any such damages or royalties may significantly increase the company's operating expenses and harm the company's operating results and financial condition. Also, royalty or license arrangements may not be available at all. The company may have to stop selling certain products or using technologies, which could affect the company's ability to compete effectively.

Trading in the company's stock has historically been limited and the company's stock price has been volatile, which may affect your ability to sell your shares.

The average trading volume in the company's stock has been historically low, with little or no trading at all on some days. This, as well as other factors, has caused the price of the company's stock to be volatile. Consequently, it may be difficult to sell your shares of the company's stock at the price you paid for them or at a price equal to that quoted on the NASDAQ Stock Market. In addition, stock markets have experienced extreme price and volume volatility recently. This volatility has had a substantial effect on the market prices of securities of many smaller public companies for reasons frequently unrelated or disproportionate to the operating performance of the specific companies. These market fluctuations may adversely affect the market price of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS. Not applicable.

ITEM 1C. CYBERSECURITY.

We have developed and implemented a cybersecurity risk management program intended to protect the confidentiality, integrity, and availability of our critical systems and information. Our cybersecurity risk management program is integrated into our overall enterprise risk management program, and shares common methodologies, reporting channels and governance processes that apply across the enterprise risk management program to other legal, compliance, strategic, operational, and financial risk areas.

Key elements of our cybersecurity risk management program include but are not limited to,

- risk assessments designed to help identify material risks from cybersecurity threats to our critical systems, information, services, and our broader enterprise IT environment;
- individuals, including employees and external third-party service providers, who are responsible for managing our cybersecurity risk assessment processes, our security controls, and our response to cybersecurity incidents; and
- a cybersecurity incident response plan that includes procedures for responding to cybersecurity incidents

Our management team is responsible for assessing and managing our material risks from cybersecurity threats. The team has primary responsibility for our overall cybersecurity risk management program and supervises both our internal cybersecurity personnel and our retained external cybersecurity consultants. Members of our management team have prior work experience in supervising and implementing cybersecurity risk mitigation efforts. Our internal cybersecurity personnel and retained external cybersecurity consultants also have a breadth of expertise across core cybersecurity disciplines including governance, risk, compliance, and security architecture.

Our management team takes steps to stay informed and monitors efforts to prevent, detect, mitigate, and remediate cybersecurity risks and incidents through various means, which may include briefings from internal security personnel; threat intelligence and other information obtained from governmental, public or private sources, including external consultants engaged by us; and alerts and reports produced by security tools deployed in the IT environment.

Our Board considers cybersecurity risk as part of its risk oversight function and receives regular updates from the management team on our cybersecurity risks and in addition, management updates the Board where it deems appropriate, regarding any cybersecurity incidents it considers to be significant or potentially significant.

ITEM 2. PROPERTIES.

We own our headquarters and main distribution facility located in Valencia, California. This facility is approximately 50,000 total square feet, of which 40,000 square feet is warehouse space and 10,000 square feet is general office space. We also occasionally sublease approximately 3,500 square feet of our unused office space as rental property to others. We believe this facility is adequately covered by insurance (except earthquake coverage).

We also have the following properties: (1) we own 4,500 square feet of office space in Shanghai, China - this property is being used as our project design and engineering center and partially as rental property for lease to others and (2) we own 2,500 square feet of office space in Taipei, Taiwan. We believe these existing facilities are adequate for the foreseeable future and have no plans to renovate or expand them.

ITEM 3. 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 4. MINE SAFETY DISCLOSURES. Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information. Our Class A common stock is listed on the Nasdaq Capital Market (trading symbol: “TAIT”).

Number of Shareholders of Record. As of March 15, 2024, there were 13 registered holders of record of our Class A common stock and 1 holder of record of our Class B common stock, which is not traded. We are unable to estimate the total number of shareholders represented by these Class A holders of record, because many of these shares are held by brokers beneficially on behalf of shareholders.

Dividends and Dividend Policy. The declaration and payment of future dividends will be at the discretion of the Board of Directors and will be dependent upon our financial condition, results of operations, capital requirements, and other factors they deem relevant. We are not aware of any contractual or similar restrictions that limit our ability to pay dividends, currently or in the future. See “Management’s Discussion and Analysis - Results of Operations; Liquidity and Capital Resources.”

For the years ended December 31, 2023 and 2024 we paid quarterly dividends of \$0.05 per share.

Securities authorized for issuance under equity compensation plans.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted -average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	201,567	\$ 3.22	522,767
Equity compensation plans not approved by security holders	-	-	-
Total	201,567	\$ 3.22	522,767

Recent Sales of Unregistered Sales of Equity Securities. None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers. None.

ITEM 6. [Reserved].

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This discussion contains forward-looking statements that involve risks and uncertainties that could cause actual results or events to differ materially from those expressed or implied by such forward-looking statements as a result of many important factors, including those set forth in Part I of this Annual Report on Form 10-K under the caption "Risk Factors." Please see "Cautionary Note Regarding Forward-Looking Statements" in Part I above. We do not undertake any obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this Annual Report. The following discussion should be read in conjunction with the consolidated financial statements, including the related notes, appearing in Item 8 of this Annual Report on Form 10-K.

Critical Accounting Policies and Estimates

Use of Estimates – We have 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 consolidated financial statements included in Item 8 of this Annual Report on Form 10-K in accordance with generally accepted accounting principles in the United States. These estimates have a significant impact on our valuation and reserve accounts relating to the allowance for sales returns and allowances, credit losses, inventory reserves and deferred income taxes. Actual results could differ from these estimates.

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. Reserves for sales allowances and customer returns are established based upon historical experience and our estimates of future returns. Sales returns for the years ended December 31, 2024 and 2023 were \$0. The allowance for sales returns and allowances and credit losses at December 31, 2024 and 2023 aggregated \$7,000. We review the actual sales returns and bad debts for our customers and establish an estimate of future returns and an allowance for credit losses.

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 \$2,949,000 and \$2,597,000 at December 31, 2024 and 2023, respectively, which is presented net of valuation allowances of \$5,152,000 and \$5,141,000 at December 31, 2024 and 2023, respectively. We increased our reserves by \$11,000 and \$74,000 during the years ended December 31, 2024 and 2023, respectively, while also applying \$0 and \$2,000 of our existing reserves to the underlying inventory values during the years ended December 31, 2024 and 2023, 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 December 31, 2024, consolidated financial statements representing approximately 22.9% of current assets and 16.7% 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, the relative strength of the U.S. dollar, provisions for inventory reserves, our ability to purchase inventory at favorable prices and our sales product mix.

Results of Operations

The Year Ended December 31, 2024 Compared to the Year Ended December 31, 2023

Net sales were \$4,141,000 and \$6,108,000 in 2024 and 2023, respectively, representing a decrease of \$1,967,000 or 32.2%. The decrease was primarily in ODM Projects and owing to lower demand. Key customers of our ODM Projects have variable life cycles and production demands. As some projects are accelerating and others approach end of life, the timing of new production creates a fluctuation in sales.

Gross profit was \$2,118,000 and \$3,448,000 in 2024 and 2023, respectively, which represented 51.1% and 56.5% of net sales for those periods. During 2024, we remained impacted by tariff costs on certain products imported from China, which went into effect as of July 6, 2018. However, we continue to pass along a portion of these costs to our customers to mitigate these costs.

Selling, general and administrative expenses were \$2,222,000 and \$2,248,000 in 2024 and 2023, respectively, which represented 53.7% and 36.8% of net sales for those periods. The year-over-year decrease of \$26,000 was primarily due to personnel costs.

Operating (loss)income was (\$104,000) and \$1,200,000 in 2024 and 2023, respectively, which represented -2.5% and 19.6% of net sales for those periods.

Other income was \$1,234,000 and \$836,000 in 2024 and 2023, respectively, which represented 29.7% and 13.7% of net sales for those periods. Other income primarily relates to recording net gains of \$1,200,000 and \$800,000 during the years ended December 31, 2024 and 2023, respectively, for short-term investments.

Net interest income, primarily earned from certificates of deposits in banks was \$289,000 and \$221,000 in 2024 and 2023, respectively.

Income tax provision was \$513,000 and \$412,000 in 2024 and 2023, respectively.

As result of the foregoing, we recognized net income of \$902,000 and \$1,845,000 in 2024 and 2023, respectively, which represented 21.8% and 30.2% of net sales for those periods.

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. A summary of our cash flows resulting from our operating, investing and financing activities for the years ended December 31, 2024 and 2023 were as follows:

	Twelve Months Ended December 31,	
	2024	2023
Operating activities	\$ (258,000)	\$ 3,150,000
Investing activities	\$ (547,000)	\$ (1,011,000)
Financing activities	\$ (1,204,000)	\$ (1,148,000)

Cash used in operating activities decreased to (\$258,000) during 2024, as compared to provided by \$3,150,000 in the prior year. The \$3,408,000 decrease was primarily due to changes in inventory, accounts receivable, values of marketable securities, deferred income taxes, accounts payable and net income.

Cash used for investing activities was \$547,000 during 2024, as compared to \$1,011,000 in the prior year. The decrease was from purchase of short-term investments (see also Item 8 - Note 1 – Short-term Investments).

Cash used in financing activities was \$1,204,000 during 2024, as compared to \$1,148,000 in the prior year. In 2024, we made dividend payments of \$1,204,000. In 2023, we made dividend payments of \$1,202,000 and received proceeds from the exercise of stock options of \$54,000.

We believe that funds generated from operations, existing cash balances and 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 December 31, 2024, inventory represented approximately 22.9% of current assets and 16.7% 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 a one (1) year time frame. Hence, inventory would not be as readily marketable or liquid as other items included in current assets, such as cash.

Recent Accounting Pronouncements

Refer to Note 1 of our consolidated financial statements for recent accounting pronouncements.

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 8 - Note 12 – Commitments and Contingencies).

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK. Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Shareholders of Taitron Components Incorporated

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Taitron Components Incorporated (the “Company”) as of December 31, 2024 and 2023 and the related consolidated statements of operations and comprehensive income, shareholders’ equity and cash flows for the years then ended and the related notes to consolidated financial statements (collectively, the “consolidated financial statements”).

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2024 and 2023 and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Security and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provides a reasonable basis for our opinion.

Critical audit matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the Audit Committee of the Board of Directors and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which they relate.

Assessment of reserves for slow-moving or potential obsolescence

As discussed in Notes 1 and 3 to the consolidated financial statements, the Company assesses the valuation of its inventories, which principally consists of products held for resale, each reporting period. Slow-moving inventory or inventory with potential obsolescence is written down to its estimated net realizable value if less than cost. Estimates of slow-moving or potential obsolescence include the Company's analysis of anticipated demand, possible alternative uses of its inventory, as well as other qualitative factors. As of December 31, 2024, the Company's inventories totaled \$2,949,000, net of reserves for slow-moving or potential obsolescence of \$5,152,000.

We identified the assessment of the value of the reserves for slow-moving or potential obsolescence as a critical audit matter. Subjective auditor judgment was required to evaluate the Company's estimates of anticipated demand and possible alternative uses of its inventory, which are affected by market and economic conditions outside the Company's control.

The primary procedures we performed to address the critical audit matter included, among other things, the following: 1) review and test the process used by management to develop the estimate; 2) develop an independent expectation of the estimate to corroborate the reasonableness of management's estimate; 3) review subsequent events or transactions occurring prior to the date of the auditors' report; 4) review gross profit margin analysis; and 5) perform other analytical procedures.

We have served as the Company's auditor since 2020.

/s/ Ramirez Jimenez International CPAs

Irvine, California

March 31, 2025

TAITRON COMPONENTS INCORPORATED AND DIVISIONS

Consolidated Balance Sheets

	December 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,208,000	\$ 6,205,000
Accounts receivable, less allowances of \$7,000	421,000	92,000
Short-term investments (Note 2)	5,179,000	3,630,000
Inventories, less reserves for obsolescence of \$5,152,000, and \$5,141,000, respectively (Note 3)	2,949,000	2,597,000
Prepaid expenses and other current assets	122,000	283,000
Total current assets	12,879,000	12,807,000
Property and equipment, net	3,029,000	2,970,000
Deferred taxes	1,542,000	2,043,000
Other assets (Note 5)	186,000	186,000
Total assets	<u>\$ 17,636,000</u>	<u>\$ 18,006,000</u>
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 251,000	\$ 194,000
Accrued liabilities	822,000	969,000
Total current and total liabilities	1,073,000	1,163,000
Commitments and contingencies (Note 12)		
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	11,484,000	11,474,000
Accumulated other comprehensive loss	(49,000)	(61,000)
Retained earnings	5,122,000	5,424,000
Total shareholders' equity	16,563,000	16,843,000
Total liabilities and equity	<u>\$ 17,636,000</u>	<u>\$ 18,006,000</u>

See accompanying notes to consolidated financial statements.

TAITRON COMPONENTS INCORPORATED AND DIVISIONS

Consolidated Statements of Operations and Comprehensive Income

	Twelve Months Ended December 31,	
	2024	2023
Net product revenue	\$ 4,141,000	\$ 6,108,000
Cost of products sold	2,023,000	2,660,000
Gross profit	2,118,000	3,448,000
Selling, general and administrative expenses	2,222,000	2,248,000
Operating (loss) income	(104,000)	1,200,000
Interest income, net	289,000	221,000
Other income, net	1,230,000	836,000
Income before income taxes	1,415,000	2,257,000
Income tax provision	(513,000)	(412,000)
Net income	\$ 902,000	\$ 1,845,000
Net income per share: Basic - Class A	\$ 0.15	\$ 0.31
Basic - Class B	\$ 0.15	\$ 0.31
Diluted - Class A	\$ 0.15	\$ 0.31
Diluted - Class B	\$ 0.15	\$ 0.31
Weighted average shares outstanding: Basic - Class A	5,258,568	5,242,665
Basic - Class B	762,612	762,612
Diluted - Class A	5,258,568	5,267,665
Diluted - Class B	762,612	762,612
Cash dividends declared per common share	\$ 0.200	\$ 0.200
Net income	\$ 902,000	\$ 1,845,000
Other comprehensive income:		
Foreign currency translation adjustment	12,000	(3,000)
Comprehensive income	914,000	1,842,000

See accompanying notes to consolidated financial statements.

TAITRON COMPONENTS INCORPORATED AND DIVISIONS

Consolidated Statements of Shareholders' Equity

For the years ended December 31, 2024 and December 31, 2023

	Common Stock				Additional Paid-in capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Equity
	Class A		Class B					
	Shares	Amount	Shares	Amount				
Balances at December 31, 2022	5,233,568	\$ 5,000	762,612	\$ 1,000	\$ 11,407,000	\$ (58,000)	\$ 4,781,000	\$16,136,000
Consolidated net income	-	-	-	-	-	-	1,845,000	1,845,000
Other comprehensive loss	-	-	-	-	-	(3,000)	-	(3,000)
Exercise stock options	25,000	-	-	-	54,000	-	-	54,000
Amortization of stock based compensation	-	-	-	-	13,000	-	-	13,000
Cash dividends	-	-	-	-	-	-	(1,202,000)	(1,202,000)
Balances at December 31, 2023	5,258,568	\$ 5,000	762,612	\$ 1,000	\$ 11,474,000	\$ (61,000)	\$ 5,424,000	\$16,843,000
Consolidated net income	-	-	-	-	-	-	902,000	902,000
Other comprehensive income	-	-	-	-	-	12,000	-	12,000
Amortization of stock based compensation	-	-	-	-	10,000	-	-	10,000
Cash dividends	-	-	-	-	-	-	(1,204,000)	(1,204,000)
Balances at December 31, 2024	5,258,568	\$ 5,000	762,612	\$ 1,000	\$ 11,484,000	\$ (49,000)	\$ 5,122,000	\$16,563,000

See accompanying notes to consolidated financial statements.

TAITRON COMPONENTS INCORPORATED AND DIVISIONS

Consolidated Statements of Cash Flows

	Twelve Months Ended December 31,	
	2024	2023
Operating activities:		
Net income	\$ 902,000	\$ 1,845,000
Adjustments to reconcile net income to net cash (used for) provided by operating activities:		
Depreciation and amortization	173,000	167,000
Provision for inventory reserves	11,000	74,000
Reversal of inventory reserves	-	(2,000)
Stock based compensation	10,000	13,000
Deferred income taxes	501,000	4,000
Changes in values of marketable securities	(1,234,000)	(800,000)
Changes in assets and liabilities:		
Accounts receivable	(329,000)	591,000
Inventories	(363,000)	1,231,000
Prepaid expenses and other current assets	161,000	(135,000)
Accounts payable	57,000	(17,000)
Accrued liabilities	(147,000)	179,000
Total adjustments	(1,160,000)	1,305,000
Net cash (used for) provided by operating activities	(258,000)	3,150,000
Investing activities:		
Acquisition of property and equipment	(232,000)	(215,000)
Purchase of marketable securities	(3,296,000)	(7,835,000)
Sales of marketable securities	2,981,000	7,039,000
Net cash used for investing activities	(547,000)	(1,011,000)
Financing activities:		
Dividend payments	(1,204,000)	(1,202,000)
Proceeds from stock options exercised	-	54,000
Net cash used for financing activities	(1,204,000)	(1,148,000)
Impact of exchange rates on cash	12,000	(3,000)
Net (decrease)increase in cash and cash equivalents	(1,997,000)	988,000
Cash and cash equivalents, beginning of period	6,205,000	5,217,000
Cash and cash equivalents, end of period	\$ 4,208,000	\$ 6,205,000
Supplemental disclosures of cash flow information:		
Cash paid for income taxes, net	\$ 203,000	\$ 559,000

See accompanying notes to consolidated financial statements.

TAITRON COMPONENTS INCORPORATED AND DIVISIONS

Notes to Consolidated Financial Statements

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 accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States.

Reclassifications

Certain amounts in the prior period consolidated financial statements have been reclassified to conform to the presentation of the current period consolidated financial statements. These reclassifications had no effect on the previously reported net income. Prior period results reflect reclassifications, for comparative purposes, related to the change in the purchase of marketable securities, sales of marketable securities, and changes in values of marketable securities.

Principles of Consolidation

Our consolidated financial statements include the accounts of Taitron Components and its two divisions. All intercompany accounts have been eliminated in consolidation.

Concentration of Risk

A significant number of the products we distribute are manufactured in Taiwan, Hong Kong, China, South Korea and the Philippines. The purchase of goods manufactured in foreign countries is subject to a number of risks, including economic disruptions, transportation delays and interruptions, foreign exchange rate fluctuations, imposition of tariffs and import and export controls and changes in governmental policies, any of which could have a material adverse effect on our business and results of operations.

The ability to remain competitive with respect to the pricing of imported components could be adversely affected by increases in tariffs or duties, changes in trade treaties, strikes in air or sea transportation, and possible future U.S. legislation with respect to pricing and import quotas on products from foreign countries. For example, it is possible that political or economic developments in China, or with respect to the relationship of the United States with China, could have an adverse effect on our business. Our ability to remain competitive could also be affected by other government actions related to, among other things, anti-dumping legislation and international currency fluctuations. While we do not believe that any of these factors adversely impact our business at present, we cannot provide assurance that these factors will not materially adversely affect us in the future. Any significant disruption in the delivery of merchandise from our suppliers, substantially all of whom are foreign, could also have a material adverse impact on our business and results of operations. Management estimates that over 90% of our products purchased were produced in Asia.

Grand Shine Electronics and Zowie Technology (see also Note 5 – Other Assets) together accounted for approximately 43.3% and 61.2% of our net purchases for each of the fiscal years 2024 and 2023, respectively. However, we do not regard any one supplier as essential to our operations, since equivalent replacements for most of our products are either available from one or more of our other suppliers or are available from various other sources at competitive prices. We believe that, even if we lose our direct relationship with a supplier, there exist alternative sources for a supplier’s products.

We had customers accounting for more than 10% of our net sales. In 2024, we had one (1) customer for approximately 68%, and in 2023, we had three (3) customers each for approximately 52%, 14% and 12%.

We had customers accounting for more than 10% of our trade accounts receivable, net of allowances. As of December 31, 2024, we had one (1) customer of approximately 86% and as of December 31, 2023 we had one (1) customer of approximately 40%.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and on deposit at banking institutions as well as all highly liquid short-term investments with original maturities of 90 days or less. Our cash equivalents are comprised primarily of money market investments. Our deposit accounts are not insured, however, we do not believe there is a significant credit risk with respect to the non-performance of these institutions based on their respective creditworthiness and liquidity.

Certificates of Deposit

Certificates of deposit are included in cash equivalents and consist of restricted cash invested in bank time deposits. They are valued at amortized cost, which approximates fair value and included as a Level 2 measurement in the following Fair Value Measurements table below.

Short-term Investments

Short-term investments consist of equity securities in publicly-traded companies and 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 both realized and unrealized gains and losses recorded in other income (expense), net on the consolidated statements of operations and comprehensive income.

Revenue Recognition

We recognize revenue from contracts with customers in accordance with Financial Accounting Standards Board ("FASB") ASC Topic 606, "Revenue from Contracts with Customers" ("ASC 606"). 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 with 30 days net payment terms. Reserves for sales allowances and customer returns are established based upon historical experience and management's estimates of future returns. Sales returns for each of the years ended December 31, 2024 and 2023 amounted to \$0.

Business Segments

Operating segments are defined as components of an enterprise for which separate financial segment is regularly evaluated by the chief operating decision maker ("CODM"), which is our Chief Executive Officer, in deciding how to allocate resources and performance. Our CODM evaluates our financial information including budget-versus-actual results and cash projections on an aggregate basis when assessing performance for allocating financial and personnel resources. Our CODM allocates resources based upon our net income, which is utilized to monitor budget-to-actual variances monthly. The measure of segment assets is reported on the balance sheets as total assets.

We are not organized by market and managed and operated as one business, the business of supplying ODM products and electronic components. See Note 13 to the consolidated financial statements Geographic Information, for additional information.

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.

	Twelve Months Ended December 31,	
	2024	2023
<u>Primary geographical markets:</u>		
United States	\$ 3,867,000	\$ 5,753,000
Asia	261,000	327,000
Other	13,000	28,000
	<u>4,141,000</u>	<u>6,108,000</u>
<u>Major product lines:</u>		
ODM projects	\$ 3,090,000	\$ 3,900,000
ODM components	1,034,000	2,149,000
Distribution components	17,000	59,000
	<u>4,141,000</u>	<u>6,108,000</u>
<u>Timing of revenue recognition:</u>		
Products transferred at a point in time	<u>\$ 4,141,000</u>	<u>\$ 6,108,000</u>

Allowances for Sales Returns and Credit Losses

Sales Returns - We may, on a case-by-case basis, accept returns of products from our customers, without restocking charges, when they can demonstrate an acceptable cause for the return. Requests by a distributor to return products purchased for its own inventory generally are not included under this policy. We may, on a case-by-case basis, accept returns of products upon payment of a restocking fee, which is generally 10% to 30% of the net sales price. We will not accept returns of any products that were special-ordered by a customer or that otherwise are not generally included in our inventory.

Credit Losses – Trade accounts receivable are recorded net of reserves for expected credit losses. Estimates for allowances for credit losses are determined based on existing contractual obligations, historical payment patterns and individual customer circumstances. All of our accounts receivables are trade-related receivables. Our evaluation of past events, current conditions, and reasonable and supportable forecasts about the future resulted in an expectation of immaterial credit losses.

The allowances for sales returns and credit losses at December 31, 2024 and 2023 amounted to \$7,000.

Inventory

Inventory, consisting principally of products held for resale, is stated at the lower of cost, using the first-in, first-out method, and net realizable value. The amount presented in the accompanying consolidated balance sheets is net of valuation allowances of 5,152,000 and \$5,141,000 at December 31, 2024 and 2023, respectively.

Based upon regular evaluations of inventory to identify costs in excess of the lower of cost and net realizable value, slow-moving inventory and potential obsolescence, we increased our reserves by \$11,000 and \$74,000 during the years ended December 31, 2024 and 2023, respectively, while also applying \$0 and \$2,000 of our existing reserves to the underlying inventory values during the years ended December 31, 2024 and 2023, respectively (see Note 3 – Inventory).

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization. Depreciation and amortization of property and equipment are computed principally using accelerated and straight-line methods using lives from 5 to 7 years for furniture, equipment, computer software and hardware and 31.5 years for building and building improvements. Property and equipment amortized using an accelerated method does not result in a material difference over the straight-line method. Renewals and betterments, which extend the life of an existing asset, are capitalized while normal repairs and maintenance costs are expensed as incurred.

Investments

Investments are accounted for using the equity method if the investment provides us the ability to exercise significant influence, but not control, over an investee. Significant influence is generally deemed to exist if we have an ownership interest in the voting stock of the investee between 20% and 50%, although other factors, such as representation on the investee's Board of Directors, are considered in determining whether the equity method is appropriate.

All other equity investments, which consist of investments for which we do not possess the ability to exercise significant influence, are accounted for under the cost method. Under the cost method of accounting, investments are carried at cost and are adjusted only for other-than-temporary declines in realizable value and additional investments.

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

In accordance with ASC 360, we evaluate long-lived assets for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. When such factors and circumstances exist, we compare the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amount. Impairment, if any, is based on the excess of the carrying amount over the fair value, based on market value when available, or discounted expected cash flows, of those assets and is recorded in the period in which the determination is made. We currently believe there is no impairment of our long-lived assets. There can be no assurance, however, that market conditions will not change or demand for our products under development will continue. Either of these could result in future impairment of long-lived assets.

Shipping Activities

Outbound shipping charges to customers are included in "Net sales". Outbound shipping-related costs are included in "Cost of products sold".

Stock-Based Compensation

We account for all share-based compensation in accordance ASC 718-20. Stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the requisite vesting period.

Income Taxes

We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recorded, when necessary, to reduce deferred tax assets to the amount expected to be realized.

ASC 740, Income Taxes ("ASC 740"), which clarifies the accounting and disclosure for uncertainty in tax positions, as defined, seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. We have identified the U.S. federal and California as our "major" tax jurisdictions. With limited exceptions, we remain subject to Internal Revenue Service ("IRS") examination of our income tax returns filed within the last three (3) years, and to California Franchise Tax Board examination of our income tax returns filed within the last four (4) years. However, we have certain tax attribute carryforwards which will remain subject to review and adjustment by the relevant tax authorities until the statute of limitations closes with respect to the year in which such attributes are utilized.

We believe that our income tax filing positions and deductions will be sustained on audit and do not anticipate any adjustments that will result in a material change to our financial position. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to ASC 740. Our policy for recording interest and penalties associated with income-based tax audits is to record such items as a component of income taxes.

Fair Value Measurements

When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, we consider the principal or most advantageous market in which we would transact and consider assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. We use the following three levels of inputs in determining the fair value of our assets and liabilities, focusing on the most observable inputs when available:

- *Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.*
- *Level 2 - Quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.*
- *Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.*

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement is disclosed is determined based on the lowest level input that is significant to the fair value measurement. The carrying amounts reported as of December 31, 2024 and 2023 for cash and cash equivalents, trade receivables, and accounts payable approximate their fair values due to the short-term nature of these instruments

The following tables presents assets (liabilities) measured at fair value on a recurring basis:

	As of December 31, 2024			
	Level 1	Level 2	Level 3	Total
Marketable securities	5,179,000	-	-	5,179,000
	<u>\$ 5,179,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,179,000</u>

	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Certificates of deposit		199,000		199,000
U.S. Treasury securities		197,000		197,000
Mortgage-backed securities		50,000		50,000
Corporate debt securities		198,000		198,000
Marketable securities	2,986,000	-	-	2,986,000
	<u>\$ 2,986,000</u>	<u>\$ 644,000</u>	<u>\$ -</u>	<u>\$ 3,630,000</u>

Net Income Per Share

Basic income per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted income per share includes potentially dilutive securities such as outstanding options and warrants, using the treasury stock method in the determination of dilutive shares outstanding during each reporting period.

Foreign Currency Translation

The financial statements of our divisions in Taiwan and China are translated from the Taiwanese Dollar and the Chinese Yuan, respectively, into U.S. dollars for financial reporting purposes. Balance sheet accounts are translated at year-end or historical rates while income and expenses are translated at weighted-average exchange rates for the year. Translation gains or losses related to net assets are shown as a separate component of shareholders' equity as accumulated other comprehensive loss. Gains and losses resulting from realized foreign currency transactions (transactions denominated in a currency other than the entities' functional currency) are included in operations. The transactional gains and losses are not significant to the consolidated financial statements.

Use of Estimates

Our 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 these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. These estimates have a significant impact on our valuation and reserve accounts relating to income taxes, the allowance for sales returns and credit losses and inventory reserves. Actual results could differ from these estimates.

Recently Adopted Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. This ASU enhances the disclosures related to segment reporting for public entities. It requires entities to disclose significant segment expenses for each reportable segment, providing greater transparency in segment performance. The ASU is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company adopted the amendments to this update during the current year and the adoption did not have a material impact on its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This ASU enhances the transparency and decision usefulness of income tax disclosures. It is designed to provide more detailed information about an entity's income tax expenses, liabilities, and deferred tax items, potentially affecting how companies report and disclose their income tax-related information. The ASU is effective for public business entities for annual periods beginning after December 15, 2024, including interim periods within those fiscal years. The Company is currently evaluating how this ASU will impact its consolidated financial statements and disclosures.

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.

Management does not believe any other recently issued, but not yet effective accounting pronouncements would have a material effect on our present or future consolidated financial statements.

2 – SHORT-TERM INVESTMENTS

During the years ended December 31, 2024 and 2023, respectively, we recorded net gains of \$1,234,000 and \$800,000 within our other income, net on the consolidated statements of operations and comprehensive income for short-term investments.

3 - INVENTORY

Inventory, consisting principally of products held for resale, is stated at the lower of cost, using the first-in, first-out method, and net realizable value. The amount presented in the accompanying consolidated balance sheets is net of valuation allowances of \$5,152,000 and \$5,141,000 at December 31, 2024 and 2023, respectively.

Based upon regular evaluations of inventory to identify costs in excess of the lower of cost and net realizable value and slow-moving inventory, we increased our reserves by \$11,000 and \$74,000 for the years ended December 31, 2024 and 2023, respectively, while also applying \$0 and \$2,000 of our existing reserves to the underlying inventory values during the years ended December 31, 2024 and 2023, respectively.

4 - PROPERTY AND EQUIPMENT

Property and equipment, at cost, is summarized as follows:

	December 31,	
	2024	2023
Land	\$ 1,284,000	\$ 1,284,000
Buildings and improvements	5,267,000	5,075,000
Furniture and equipment	799,000	801,000
Computer software and hardware	642,000	600,000
Total Property and Equipment	7,992,000	7,760,000
Less: Accumulated depreciation and amortization	(4,963,000)	(4,790,000)
Property and Equipment, net	\$ 3,029,000	\$ 2,970,000

Depreciation expense for the years ended December 31, 2024 and 2023 was \$173,000 and \$167,000, respectively.

5 - OTHER ASSETS

The following table presents a summary roll-forward of other assets:

	December 31,	
	2024	2023
Investment in securities - Zowie Technology	\$ 186,000	\$ 186,000
Other Assets Total	\$ 186,000	\$ 186,000

Our \$186,000 investment in securities as of December 31, 2024 relates to 317,428 shares of preferred convertible debt of Zowie Technology Corporation (Taipei Hsien, Taiwan), a supplier of electronic component products (see Part I: Item 1 – Business – Suppliers) with our option after three (3) years to convert the investment into common stock or refundable bearing 7% annual interest rate. Our investment represents approximately 6% of their total outstanding shares although we do not have significant influence or control. This investment is accounted for under the cost (plus impairment) basis of accounting, however when facts and circumstances indicate that the carrying value of this asset may not be recoverable, we recognize an impairment loss. The impairment loss recognized is the amount by which the carrying amount exceeds the estimated fair value.

In 2024, we requested the full refund and return of our investment (see Note 13 – Subsequent Events).

6 - RELATED PARTY TRANSACTIONS

We purchase electronic component products from Princeton Technology Corporation (“PTC”), a company controlled by Mr. Richard Chiang, one of the directors on our board. During the years ended December 31, 2024 and 2023, we purchased products in the amount of \$4,000 and \$5,000, respectively, from PTC. All of these purchases were for products we carry in inventory and we consider these purchases to be in the normal course of business and negotiated on an arm’s length basis. We also have entered into a distributor agreement with PTC and accordingly, we expect to continue purchasing from PTC in the future.

7 - SHARE BASED COMPENSATION

Our 2018 Stock Incentive Plan (the “Plan”) authorizes the issuance of up to 1,000,000 shares pursuant to options or awards granted under the Plan. Under the Plan, incentive stock and nonstatutory options were granted at prices equal to at least the fair market value of our Class A common stock at the date of grant. Outstanding options vest in three (3) equal annual installments beginning one (1) year from the date of grant and are subject to termination provisions as defined in the Plan. There was no options granted in 2023. The fair values of options in 2024 were estimated using the Black-Scholes option-pricing model at their respective grant date using the following assumptions:

	Year Ended December 31, 2024
Weighted-average grant date fair value per share	\$0.14 - \$0.19
Risk-free interest rate	4.2%
Dividend yield	5.9%
Expected term (in years)	10
Volatility	15%

Stock option activity during the periods indicated is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Years Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2022	224,600	\$ 2.45	5.0	\$ 492,000
Exercised	(25,000)	2.14	-	-
Forfeited	(3,000)	0.96	-	-
Outstanding at December 31, 2023	196,600	\$ 3.25	5.5	\$ 112,000
Granted	20,000	2.69	7.0	-
Forfeited	(15,000)	2.95	-	-
Outstanding at December 31, 2024	201,600	\$ 3.22	5.2	\$ 30,000
Exercisable at December 31, 2024	161,400	\$ 3.24	4.7	\$ 30,000

At December 31, 2024, the range of individual weighted average exercise prices was \$2.63 to \$3.95 and the unamortized compensation expense was approximately \$4,000.

8 - SHAREHOLDER'S EQUITY

Preferred Stock - There are 5,000,000 shares of authorized preferred stock, par value \$0.001 per share, with no shares of preferred stock issued or outstanding. The terms of the shares are subject to the discretion of the Board of Directors.

Class A Common Stock - There are 20,000,000 shares of authorized Class A common stock, par value \$0.001 per share, with 5,258,568 issued and outstanding as of December 31, 2024 and 2023. Each holder of Class A common stock is entitled to one (1) vote for each share held. During 2024 and 2023, we issued 0 and 25,000 shares of our Class A common stock, respectively.

Class B Common Stock - There are 762,612 shares of authorized Class B common stock, par value \$0.001 per share, with 762,612 shares issued and outstanding since 1995. Each holder of Class B common stock is entitled to ten (10) votes for each share held. The shares of Class B common stock are convertible at any time at the election of the shareholder into one (1) share of Class A common stock, subject to certain adjustments. Our Chief Executive Officer is the sole beneficial owner of the outstanding shares of Class B common stock.

Dividends – During the years ended December 31, 2024 and 2023, we paid quarterly dividends of \$0.05 per share.

9 – INCOME TAXES

Income tax provision is summarized as follows:

	Year Ended December 31,	
	2024	2023
Current:		
Federal	\$ -	\$ 339,000
State	11,000	62,000
	11,000	401,000
Deferred:		
Federal	318,000	12,000
State	184,000	(1,000)
Decrease in valuation allowance	-	-
	502,000	11,000
Income tax provision	\$ 513,000	\$ 412,000

The actual income tax provision differs from the “expected” tax computed by applying the Federal corporate tax rate of 21% to the income before income taxes as follows:

	Year Ended December 31,	
	2024	2023
“Expected” income tax benefit	\$ 297,000	\$ 474,000
State tax expense, net of Federal benefit	8,000	49,000
Permanent differences	(21,000)	-
State deferred asset effect	(98,000)	-
Unrealized gain	236,000	-
Other	91,000	(111,000)
Income tax provision	\$ 513,000	\$ 412,000

The tax effects of temporary differences which give rise to significant portions of the deferred taxes are summarized as follows:

	December 31,	
	2024	2023
Deferred tax assets:		
Inventory reserves	\$ 1,537,000	\$ 1,534,000
Allowances for bad debts and returns	2,000	2,000
Accrued expenses	26,000	26,000
Asset valuation reserve	188,000	539,000
Other	289,000	79,000
Total deferred tax assets	2,042,000	2,180,000
Valuation allowance	-	-
	2,042,000	2,180,000
Deferred tax liabilities:		
Unrealized investment gains	(336,000)	-
Deferred state taxes	(98,000)	(137,000)
Other	(66,000)	-
Total deferred tax liabilities	(500,000)	(137,000)
Net deferred tax assets	\$ 1,542,000	\$ 2,043,000

As of December 31, 2024, we have \$0 in net operating loss carryforwards for federal and state income tax purposes. In assessing the realizability of the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. We consider the scheduled reversal of deferred tax assets, the level of historical taxable income and tax planning strategies in making the assessment of the realizability of deferred tax assets. We have identified the U.S. federal and California as our “major” tax jurisdiction. With limited exceptions, we remain subject to IRS examination of our income tax returns filed within the last three (3) years, and to California Franchise Tax Board examination of our income tax returns filed within the last four (4) years.

10 - NET INCOME PER SHARE

	Year ended December 31,	
	2024	2023
Numerator for basic and diluted net income per Class A common stock and Class B common stock share:		
Net income attributable to shareholders	\$ 902,000	\$ 1,845,000
Less cash dividends:		
Class A common stock	\$ 1,052,000	\$ 1,049,000
Class B common stock	\$ 152,000	\$ 152,000
Total undistributed (losses)earnings	\$ (302,000)	\$ 644,000
Class A common stock undistributed (losses)earnings - basic and diluted	\$ 151,000	\$ 562,000
Class B common stock undistributed earnings - basic and diluted	\$ 22,000	\$ 82,000
Total undistributed earnings - basic and diluted	\$ 173,000	\$ 644,000
Numerator for basic and diluted net income per share:		
Class A common stock	\$ 1,203,000	\$ 1,611,000
Class B common stock	\$ 174,000	\$ 234,000
	\$ 1,377,000	\$ 1,845,000
Denominator for basic and diluted net income per Class A common stock and Class B common stock share:		
Weighted average number of common shares used in basic income per share (Class A common stock)	5,258,568	5,242,665
Weighted average number of common shares used in basic income per share (Class B common stock)	762,612	762,612
	6,021,180	6,005,277
Weighted average number of common shares used in diluted income per share (Class A common stock)	5,258,568	5,267,665
Weighted average number of common shares used in diluted income per share (Class B common stock)	762,612	762,612
	6,021,180	6,030,277
Basic net income per share:		
Class A common stock	\$ 0.15	\$ 0.31
Class B common stock	\$ 0.15	\$ 0.31
Diluted net income per share:		
Class A common stock	\$ 0.15	\$ 0.31
Class B common stock	\$ 0.15	\$ 0.31

11 - EMPLOYEE BENEFIT PLANS

We have a defined contribution profit sharing plan pursuant to Section 401(k) of the Internal Revenue Code (“the Plan”) covering only our U.S. based employees. Participants once eligible, as defined by the Plan, may contribute up to the maximum allowed under the Internal Revenue Code. The Plan also provides for safe harbor matching contributions, vesting immediately, at our discretion. For each year ended December 31, 2024 and 2023, employer matching contributions were approximately \$47,000 and \$44,000, respectively.

Participants in the Plan, through self-directed brokerage accounts, held 16,772 shares in our Class A common stock as of December 31, 2024 and 2023. The Plan does not offer new issues of our common stock as an investment option.

12 - COMMITMENTS AND CONTINGENCIES

Legal and Regulatory Proceedings

We are engaged in various legal and regulatory proceedings incidental to our normal business activities, none of which, individually or in the aggregate, are deemed to be a material risk to our financial condition.

Inventory Purchasing

Outstanding commitments to purchase inventory from suppliers aggregated \$400,000 and \$415,000 as of December 31, 2024 and December 31, 2023, respectively. Of our outstanding purchase commitment as of December 31, 2024, approximately \$40,000 is due in the next twelve months. The remainder is due in the year ended December 31, 2026 or later, which the timing is dependent on additional customer orders. For each year ended December 31, 2024 and 2023, the commitments due and purchased within the following twelve months were \$39,000 and \$35,000, respectively.

13 - GEOGRAPHIC INFORMATION

The following table presents summary geographic information about revenues and long-lived assets (land and property, net of accumulated depreciation) attributed to countries based upon location of our customers or assets:

	Year ended December 31,		December 31,	
	2024	2023	2024	2023
	Revenues	Revenues	Long-lived Assets	Long-lived Assets
United States	\$ 3,867,000	\$ 5,753,000	\$ 2,318,000	\$ 2,224,000
South Korea	194,000	256,000	-	-
China	58,000	62,000	551,000	592,000
Taiwan	7,000	10,000	160,000	154,000
Other foreign countries	15,000	27,000	-	-
Total	<u>\$ 4,141,000</u>	<u>\$ 6,108,000</u>	<u>\$ 3,029,000</u>	<u>\$ 2,970,000</u>

14 – SUBSEQUENT EVENTS

On January 15, 2025, we received \$62,000 as an initial and partial refund of our investment in Zowie Technology Corporation (Note 5 – Other Assets).

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures.

Our management, with the participation of our principal executive and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) as of the end of the period covered by this report. Based on that evaluation, our principal executive and principal financial officers concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective such that the information required to be disclosed by us in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting.

a) Management’s Annual Report on Internal Control over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) for the Company. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting may not prevent nor detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives.

Our internal controls framework is based on the criteria set forth in the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and includes those policies and procedures that: (i) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; (ii) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Based on such criteria, our management, with the participation of our principal executive and principal financial officer, evaluated the effectiveness of our internal control over financial reporting and concluded that it was effective as of December 31, 2024.

As a smaller reporting company, management’s assessment of our internal control over financial reporting is not subject to attestation by our independent registered public accounting firm and as such, no attestation was performed by our independent registered public accounting firm.

b) Changes in Internal Control over Financial Reporting. There has been no change in our internal control over financial reporting that occurred in our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this item will appear in our definitive proxy statement to be filed within 120 days after the close of the fiscal year-end in connection with our 2025 Annual Meeting of Shareholders (“the Proxy Statement”), and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item will appear in our Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this item will appear in our Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this item will appear in our Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this item will appear in our Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

a) The following documents are filed as a part of this Annual Report:

(1) Financial Statements

The list of consolidated financial statements and notes required by this Item 15(a)(1) is set forth in the “Index to Financial Statements” within this Annual Report.

(2) Financial Statement Schedules

All schedules have been omitted because the required information is included in the financial statements or notes thereto.

(b) Exhibits

The exhibits listed on the Exhibit Index below are filed as part of this Annual Report.

Exhibits No.	Description
3.1	Amended and Restated Articles of Incorporation. Incorporated by reference from Exhibit 3.1 to the registrant’s Registration Statement on Form S-8 filed with the Securities and Exchange Commission on April 10, 2020.
3.2	Bylaws. Incorporated by reference from Exhibit 3.2 to the registrant’s Registration Statement on Form S-8 filed with the Securities and Exchange Commission on April 10, 2020.
10.1+	2018 Omnibus Incentive Plan. Incorporated by reference from Appendix A to the registrant’s Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on April 30, 2018.
21.1*	List of Subsidiaries. Incorporated by reference from Exhibit 21.1 to the registrant’s Annual Report on Form 10-K for the year ended December 31, 2009 filed with the Securities and Exchange Commission on March 31, 2010.
23.1*	Consent of Independent Registered Public Accounting Firm – Ramirez Jimenez International CPAs
24.1*	Power of Attorney (contained on the signature page hereof)
31.1*	Principal Executive Officer - Section 302 Certification
31.2*	Principal Financial Officer - Section 302 Certification
32**	Principal Executive and Principal Financial Officers - Section 906 Certification
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
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** The information in this exhibit is furnished and deemed not filed with the Securities and Exchange Commission for purposes of section 18 of the Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of Taitron Components Incorporated under the Securities Act of 1933, as amended, or the Exchange Act of 1934, as amended, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

+ Each a management contract or compensatory plan or arrangement.

ITEM 16. FORM 10-K SUMMARY.

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TAITRON COMPONENTS INCORPORATED

Dated: March 31, 2025

By: /s/ Stewart Wang
Stewart Wang
Chief Executive Officer

Dated: March 31, 2025

By: /s/ David Vanderhorst
David Vanderhorst
Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Stewart Wang and David Vanderhorst and each of them singly, as attorneys-in-fact and agents, with full power of substitution, for him in any and all capacities, to sign any amendments to this Annual Report, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorneys-in-fact, or his substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Johnson Ku</u> Johnson Ku	Chairman of the Board	March 31, 2025
<u>/s/ Stewart Wang</u> Stewart Wang	Director, Chief Executive Officer and President (Principal Executive Officer)	March 31, 2025
<u>/s/ Richard Chiang</u> Richard Chiang	Director	March 31, 2025
<u>/s/ Chi-Lin Chung</u> Chi-Lin Chung	Director	March 31, 2025
<u>/s/ Dubravka. Pineda</u> Dubravka. Pineda	Director	March 31, 2025
<u>/s/ David Vanderhorst</u> David Vanderhorst	Chief Financial Officer (Principal Financial and Accounting Officer)	March 31, 2025

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Registration No. 333-134889 and Registration 333-237650) of Taitron Components Incorporated of our report dated March 31, 2025, appearing in the Annual Report on Form 10-K of Taitron Components Incorporated for the years ended December 31, 2024 and 2023.

/s/ Ramirez Jimenez International CPAs

Irvine, California
March 31, 2025

Certification of
Principal Executive Officer
Of Taitron Components Incorporated
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Stewart Wang, certify that:

1. I have reviewed this Annual Report on Form 10-K 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, including its divisions, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(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.

Dated: March 31, 2025

By: /s/ Stewart Wang
Stewart Wang
Chief Executive Officer and President
(Principal Executive Officer)

Certification of
Principal Financial Officer
Of Taitron Components Incorporated
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David Vanderhorst, certify that:

1. I have reviewed this Annual Report on Form 10-K 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, including its divisions, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(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.

Dated: March 31, 2025

By: /s/ David Vanderhorst
David Vanderhorst
Chief Financial Officer
(Principal Financial Officer)

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

In connection with the Annual Report of Taitron Components Incorporated (the “Company”) on Form 10-K for the fiscal year ended December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer’s knowledge:

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

Dated: March 31, 2025

By: /s/ Stewart Wang
Stewart Wang
Chief Executive Officer and President
(Principal Executive Officer)

Dated: March 31, 2025

By: /s/ David Vanderhorst
David Vanderhorst
Chief Financial Officer
(Principal Financial and Accounting Officer)