

Taitron Components Incorporated

28040 W. Harrison Pkwy
Valencia CA, 91355

(661)257-6060
www.taitroncomponents.com
Accounting@taitroncomponents.com

Annual Report

For the period ending December 31, 2025 (the “Reporting Period”)

Outstanding Shares

The number of shares outstanding of our Class A Common Stock, \$.001 per share was:

5,258,568 as of **December 31, 2025** (Current Reporting Period Date or More Recent Date)

5,258,568 as of **December 31, 2024** (Most Recent Completed Fiscal Year End)

Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: No:

Indicate by check mark whether the company’s shell status has changed since the previous reporting period:

Yes: No:

Change in Control

Indicate by check mark whether a Change in Control⁵ of the company has occurred during this reporting period:

Yes: No:

⁵ “Change in Control” shall mean any events resulting in:

- (i) Any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the “beneficial owner” (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company’s then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company’s assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

1) Name and address(es) of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer and names used by predecessor entities, along with the dates of the name changes.

Current Name: Taitron Components Incorporated - December 1, 1989 to Present

Current State and Date of Incorporation or Registration: **California December 1, 1989**

Standing in this jurisdiction: (e.g. active, default, inactive): **Active**

Prior Incorporation Information for the issuer and any predecessors during the past five years:

N/A

Describe any trading suspension or halt orders issued by the SEC or FINRA concerning the issuer or its predecessors since inception:

N/A

List any company name change, stock split, dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

\$.035 per share, Ex-Dividend Date February 13, 2026

\$.035 per share, Ex-Dividend Date November 14, 2025

\$.05 per share, Ex-Dividend Date August 15, 2025

\$.05 per share, Ex-Dividend Date May 16, 2025

Address of the issuer's principal executive office:

28040 W Harrison Pkwy

Valencia CA, 91355

Address of the issuer's principal place of business:

Check if principal executive office and principal place of business are the same address:

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: Yes: If Yes, provide additional details below:

2) Security Information

Transfer Agent

Name: **Equiniti Trust Company, LLC**

Phone: **(800)468-9716**

Email: **admin1@equiniti.com**

Address: **28 Liberty Street, Floor 53, New York, NY 10005**

Publicly Quoted or Traded Securities:

Trading symbol:	<u>TAIT</u>	
Exact title and class of securities outstanding:	<u>Class A Common Stock</u>	
CUSIP:	<u>874028103</u>	
Par or stated value:	<u>\$.001</u>	
Total shares authorized:	<u>20,000,000</u>	as of date: <u>December 31, 2025</u>
Total shares outstanding:	<u>5,258,568</u>	as of date: <u>December 31, 2025</u>
Total number of shareholders of record:	<u>2,630</u>	as of date: <u>October 24, 2025</u>

Please provide the above-referenced information for all other publicly quoted or traded securities of the issuer.

N/A

Other classes of authorized or outstanding equity securities that do not have a trading symbol:

Exact title and class of the security:	<u>Class B Common Stock</u>	
Par or stated value:	<u>\$.001</u>	
Total shares authorized:	<u>762,612</u>	as of date: <u>December 31, 2025</u>
Total shares outstanding:	<u>762,612</u>	as of date: <u>December 31, 2025</u>
Total number of shareholders of record:	<u>1</u>	as of date: <u>December 31, 2025</u>

Please provide the above-referenced information for all other classes of authorized or outstanding equity securities.

N/A

Security Description:

1. For common equity, describe any dividend, voting and preemption rights.

Class A Common Stock one vote per share
Class B Common Stock ten votes per share

2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.

N/A

3. Describe any other material rights of common or preferred stockholders.

N/A

4. Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.

N/A

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer’s securities **in the past two completed fiscal years and any subsequent interim period.**

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares for the two most recently completed fiscal years and any subsequent period.

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: **Yes:** (If yes, you must complete the table below)

Shares Outstanding <u>Opening Balance:</u>			*Right-click the rows below and select “Insert” to add rows as needed.						
Date ____	Common:								
	Preferred:								
Date of Transaction	Transaction type (e.g., new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to. ***You must disclose the control person(s) for any entities listed.	Reason for share issuance (e.g. for cash or debt conversion) - OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
Shares Outstanding on Date of This Report:									
<u>Ending Balance:</u>									
Date ____	Common:								
	Preferred:								

Any additional material details, including footnotes to the table are below:

N/A

B. Convertible Debt

The following is a complete list of the Company's Convertible Debt which includes all promissory notes, convertible notes, convertible debentures, or any other debt instruments convertible into a class of the issuer's equity securities. The table includes all issued or outstanding convertible debt at any time during the last complete fiscal year and any interim period between the last fiscal year end and the date of this Certification.

Check this box to confirm the Company had no Convertible Debt issued or outstanding at any point during this period.

Date of Note Issuance	Principal Amount at Issuance (\$)	Outstanding Balance (\$) (include accrued interest)	Maturity Date	Conversion Terms (e.g., pricing mechanism for determining conversion of instrument to shares)	# Shares Converted to Date	# of Potential Shares to be Issued Upon Conversion	Name of Noteholder (entities must have individual with voting / investment control disclosed).	Reason for Issuance (e.g., Loan, Services, etc.)

Total Outstanding Balance:

Total Shares:

Any additional material details, including footnotes to the table are below:

N/A

4) Issuer's Business, Products and Services

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

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.

List any subsidiaries, parent company, or affiliated companies.

Taitron Components Inc. Taiwan Branch
Taitron Components (Shanghai) Corporation

B. Describe the issuers' principal products or services.

Electronic Components including Discrete semiconductors, Optoelectronics and Passive components. Original Designed and Manufactured (ODM) Services for Print Circuit Board (PCB) Assembly and Electronic Devices

5) Issuer's Facilities

We own our headquarters and main distribution facility located in Valencia, California. This facility is approximately 50,000 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.

6) All Officers, Directors, and 5% Beneficial Owners of the Company

Using the table below, please provide information, as of the period end date of this report, regarding all officers and directors of the company, or any person that performs a similar function, regardless of the number of shares they own.

In addition, list all individuals or entities controlling 5% or more of any class of the issuer’s securities.

If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity. Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

Individual Name (First, Last) or Entity Name (Include names of control person(s) if a corporate entity)	Position/Company Affiliation (ex: CEO, ≥ 5% beneficial owner)	City and State (Include Country if outside U.S.)	Number of Shares Owned (List common, preferred, warrants and options separately)	Class of Shares Owned	Percentage of Class of Shares Owned (undiluted)
Johnson Ku	Chairman, Director	Pasadena, CA	1,212,271	Class A	23.1%
Stewart Wang	CEO/CFO/Director	Northridge, CA	571,826	Class A	10.8%
Stewart Wang	CEO/CFO/Director	Northridge, CA	762,612	Class B	100%
Richard Chiang	Director	Taipei, Taiwan	174,694	Class A	<1%
Chi-Lin Chung	Director	Taipei, Taiwan	0		<1%
Dubravka Pineda	Director	Newport Beach, CA	0		<1%

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, log in to www.OTCIQ.com to update your company profile.

7) Legal/Disciplinary History

A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:

1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);

NONE

2. Been the subject of the entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person’s involvement in any type of business, securities, commodities, financial- or investment-related, insurance or banking activities;

NONE

3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;

NONE

4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a “yes” answer to part 3 above; or

NONE

5. Been the subject of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person’s involvement in any type of business or securities activities.

NONE

6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.

NONE

- B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party to or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

NONE

8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, update your company profile.

Securities Counsel

Name: **Stubbs Alderton & Markoles, LLP**
Address 1: **15260 Ventura Blvd., 21st Floor**
Address 2: **Sherman Oaks, CA 91403**
Phone: **(818)444-4502**
Email: **jmcilvery@stubbsalderton.com**

Accountant or Auditor

Name: N/A
Firm:
Address 1:
Address 2:
Phone:
Email:

Investor Relations

Name: : N/A
Firm:
Address 1:
Address 2:
Phone:
Email:

All other means of Investor Communication:

X (Twitter): N/A
Discord: N/A
LinkedIn N/A
Facebook: N/A
[Other] N/A

Other Service Providers

Provide the name of any other service provider(s) that that assisted, advised, prepared, or provided information with respect to this disclosure statement. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

Name: N/A
Firm:
Nature of Services:
Address 1:
Address 2:
Phone:
Email:

9) Disclosure & Financial Information

A. This Disclosure Statement was prepared by (name of individual):

Name: **Stewart Wang**
Title: **Secretary**
Relationship to Issuer: **Director/CEO/CFO**

B. The following financial statements were prepared in accordance with:

- IFRS
 U.S. GAAP

C. The following financial statements were prepared by (name of individual):

Name: **Stewart Wang**
Title: **CFO**
Relationship to Issuer: **Director/CEO/CFO**

Describe the qualifications of the person or persons who prepared the financial statements:¹

A co-founder of the Company, has served as Chief Executive Officer, President and a Director of the Company since its organization in 1989. In addition, from November 2002 to May 2008, Mr. Wang has also served as Chief Financial Officer of the Company. Prior to founding the Company, Mr. Wang attended Pepperdine University, where he received his Masters of Business Administration degree in 1989. From 1985 to 1986, Mr. Wang was employed by Diodes Incorporated, a manufacturer and reseller of discrete rectifiers, as Purchasing and MIS Manager and later as Chief Operating Officer and President from 1986 to 1987. Prior thereto, from 1983 to 1985, Mr. Wang was Sales Manager for Rectron Limited, a rectifier manufacturer in Taiwan.

Provide the following qualifying financial statements:

- o Audit letter, if audited;
- o Balance Sheet;
- o Statement of Income;
- o Statement of Cash Flows;
- o Statement of Retained Earnings (Statement of Changes in Stockholders' Equity);
- o Financial Notes

Financial Statement Requirements:

- Financial statements must be published together with this disclosure statement as one document.
- Financial statements must be "machine readable." Do not publish images/scans of financial statements.
- Financial statements must be presented with comparative financials against the prior FYE or period, as applicable.
- Financial statements must be prepared in accordance with U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited.

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, **Stewart Wang** certify that:

1. I have reviewed this Disclosure Statement for **December 31, 2025 of Taitron Components Inc.**
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

March 31, 2026

/s/ Stewart Wang – Director/CEO/CFO

Principal Financial Officer:

I, **Stewart Wang** certify that:

1. I have reviewed this Disclosure Statement for **December 31, 2025 of Taitron Components Inc.**
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

March 31, 2026

/s/ Stewart Wang – Director/CEO/CFO

OTC MARKETS GROUP

TAITRON COMPONENTS INCORPORATED

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Class A common stock, \$.001 par value	TAIT	OTC-ID MARKETS

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

<u>Class</u>	<u>Outstanding on March 15, 2026</u>
Class A common stock, \$.001 par value	5,258,568
Class B common stock, \$.001 par value	762,612

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page(s)
Unaudited Condensed Consolidated Balance Sheets :	
As of December 31, 2025 and 2024	F-2
Unaudited Condensed Consolidated Statements of Operations:	
For the Twelve Months Ended December 31, 2025 and 2024	F-3
Unaudited Condensed Consolidated Statements of Shareholders' Equity:	
For the Twelve Months Ended December 31, 2025 and 2024	F-4
Unaudited Condensed Consolidated Statements of Cash Flows:	
For the Years Ended December 31, 2025 and 2024	F-5
Unaudited Notes to Condensed Consolidated Financial Statements	F-6 - F-14

TAITRON COMPONENTS INCORPORATED AND DIVISIONS

Unaudited Condensed Consolidated Balance Sheets

	December 31, 2025	December 31, 2024
Assets	(Unaudited)	(Unaudited)
Current assets:		
Cash and cash equivalents	\$ 3,821,000	\$ 4,208,000
Accounts receivable, less allowances of \$7,000	594,000	421,000
Short-term investments (Note 2)	5,830,000	5,179,000
Inventories, less reserves for obsolescence of \$4,567,000, and \$5,152,000, respectively (Note 3)	1,827,000	2,949,000
Prepaid expenses and other current assets	174,000	122,000
Total current assets	12,246,000	12,879,000
Property and equipment, net (Note 4)	2,843,000	3,029,000
Deferred taxes	1,543,000	1,542,000
Other assets (Note 5)	-	186,000
Total assets	\$ 16,632,000	\$ 17,636,000
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 96,000	\$ 251,000
Accrued liabilities	1,432,000	822,000
Total current and total liabilities	1,528,000	1,073,000
Commitments and contingencies (Note 11)		
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	11,487,000	11,484,000
Accumulated other comprehensive loss	(79,000)	(49,000)
Retained earnings	3,690,000	5,122,000
Total shareholders' equity	15,104,000	16,563,000
Total liabilities and equity	\$ 16,632,000	\$ 17,636,000

See accompanying notes to unaudited condensed consolidated financial statements.

TAITRON COMPONENTS INCORPORATED AND DIVISIONS

Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income

	Twelve Months Ended December 31,	
	2025	2024
	(Unaudited)	(Unaudited)
Net product revenue	\$ 3,634,000	\$ 4,141,000
Cost of products sold	<u>1,434,000</u>	<u>2,023,000</u>
Gross profit	2,200,000	2,118,000
Selling, general and administrative expenses	<u>3,724,000</u>	<u>2,222,000</u>
Operating (loss) income	(1,524,000)	(104,000)
Interest income, net	211,000	289,000
Other income, net	<u>913,000</u>	<u>1,230,000</u>
(Loss) income before income taxes	(400,000)	1,415,000
Income tax provision	<u>(8,000)</u>	<u>(513,000)</u>
Net (loss) income	<u>\$ (408,000)</u>	<u>\$ 902,000</u>
Net (loss) income per share: Basic - Class A	<u>\$ (0.07)</u>	<u>\$ 0.15</u>
Basic - Class B	<u>\$ (0.07)</u>	<u>\$ 0.15</u>
Diluted - Class A	<u>\$ (0.07)</u>	<u>\$ 0.15</u>
Diluted - Class B	<u>\$ (0.07)</u>	<u>\$ 0.15</u>
Weighted average shares outstanding: Basic - Class A	<u>5,258,568</u>	<u>5,258,568</u>
Basic - Class B	<u>762,612</u>	<u>762,612</u>
Diluted - Class A	<u>5,258,568</u>	<u>5,258,568</u>
Diluted - Class B	<u>762,612</u>	<u>762,612</u>
Cash dividends declared per common share	<u>\$ 0.170</u>	<u>\$ 0.200</u>
Net (loss) income	\$ (408,000)	\$ 902,000
Other comprehensive (loss) income:		
Foreign currency translation adjustment	<u>(30,000)</u>	<u>12,000</u>
Comprehensive (loss) income	<u>(438,000)</u>	<u>914,000</u>

See accompanying notes to unaudited condensed consolidated financial statements.

TAITRON COMPONENTS INCORPORATED AND DIVISIONS

Unaudited Condensed Consolidated Statements of Shareholders' Equity

For the years ended December 31, 2025 and December 31, 2024

	Common Stock				Additional Paid-in capital (Unaudited)	Accumulated	Retained Earnings (Unaudited)	Total Equity (Unaudited)
	Class A		Class B			Other Comprehensive Income (Loss) (Unaudited)		
	Shares	Amount	Shares	Amount				
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	<u>5,258,568</u>	<u>\$ 5,000</u>	<u>762,612</u>	<u>\$ 1,000</u>	<u>\$ 11,484,000</u>	<u>\$ (49,000)</u>	<u>\$ 5,122,000</u>	<u>\$ 16,563,000</u>
Consolidated net loss	-	-	-	-	-	-	(408,000)	(408,000)
Other comprehensive loss	-	-	-	-	-	(30,000)	-	(30,000)
Amortization of stock based compensation	-	-	-	-	3,000	-	-	3,000
Cash dividends	-	-	-	-	-	-	(1,024,000)	(1,024,000)
Balances at December 31, 2025	<u>5,258,568</u>	<u>\$ 5,000</u>	<u>762,612</u>	<u>\$ 1,000</u>	<u>\$ 11,487,000</u>	<u>\$ (79,000)</u>	<u>\$ 3,690,000</u>	<u>\$ 15,104,000</u>

See accompanying notes to unaudited condensed consolidated financial statements.

TAITRON COMPONENTS INCORPORATED AND DIVISIONS

Unaudited Condensed Consolidated Statements of Cash Flows

	Twelve Months Ended December 31,	
	2025	2024
	(Unaudited)	(Unaudited)
Operating activities:		
Net (loss) income	\$ (408,000)	\$ 902,000
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	201,000	173,000
Provision for inventory reserves	15,000	11,000
Writedown inventory	600,000	-
Stock based compensation	3,000	10,000
Deferred income taxes	(1,000)	501,000
Changes in values of marketable securities	(493,000)	(1,234,000)
Changes in assets and liabilities:		
Accounts receivable	(173,000)	(329,000)
Inventories	507,000	(363,000)
Prepaid expenses and other current assets	133,000	161,000
Accounts payable	(155,000)	57,000
Accrued liabilities	610,000	(147,000)
Total adjustments	<u>1,247,000</u>	<u>(1,160,000)</u>
Net cash provided by (used for) operating activities	<u>839,000</u>	<u>(258,000)</u>
Investing activities:		
Acquisition of property and equipment	(14,000)	(232,000)
Purchase of marketable securities	(5,547,000)	(3,296,000)
Sales of marketable securities	<u>5,389,000</u>	<u>2,981,000</u>
Net cash used for investing activities	<u>(172,000)</u>	<u>(547,000)</u>
Financing activities:		
Dividend payments	<u>(1,024,000)</u>	<u>(1,204,000)</u>
Net cash used for financing activities	<u>(1,024,000)</u>	<u>(1,204,000)</u>
Impact of exchange rates on cash	<u>(30,000)</u>	<u>12,000</u>
Net (decrease) increase in cash and cash equivalents	(387,000)	(1,997,000)
Cash and cash equivalents, beginning of period	<u>4,208,000</u>	<u>6,205,000</u>
Cash and cash equivalents, end of period	<u>\$ 3,821,000</u>	<u>\$ 4,208,000</u>
Supplemental disclosures of cash flow information:		
Cash (refunded) paid for income taxes, net	<u>\$ (2,000)</u>	<u>\$ 203,000</u>

See accompanying notes to unaudited condensed consolidated financial statements.

TAITRON COMPONENTS INCORPORATED AND DIVISIONS

Notes to unaudited condensed 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 74.4% and 43.3% of our net purchases for each of the fiscal years 2025 and 2024, 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 2025, we had one (1) customer for approximately 59%, and in 2024, we had one (1) customer for approximately 68%.

We had customers accounting for more than 10% of our trade accounts receivable, net of allowances. As of December 31, 2025, we had one (1) customer of approximately 94% and as of December 31, 2024 we had one (1) customer of approximately 86%.

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.

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, 2025 and 2024 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.

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.

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, 2025 and 2024 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 4,567,000 and \$5,152,000 at December 31, 2025 and 2024, 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 \$15,000 and \$11,000 during the years ended December 31, 2025 and 2024, respectively, while also applying \$600,000 and \$0 of our existing reserves to the underlying inventory values during the years ended December 31, 2025 and 2024, 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.

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 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, 2025 and 2024, respectively, we recorded net gains of \$841,000 and \$1,204,000 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 \$4,567,000 and \$5,152,000 at December 31, 2025 and 2024, 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 \$15,000 and \$11,000 for the years ended December 31, 2025 and 2024, respectively, while also applying \$600,000 and \$0 of our existing reserves to the underlying inventory values during the years ended December 31, 2025 and 2024, respectively.

4 - PROPERTY AND EQUIPMENT

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

	December 31,	
	2025	2024
Land	\$ 1,284,000	\$ 1,284,000
Buildings and improvements	5,267,000	5,267,000
Furniture and equipment	801,000	799,000
Computer software and hardware	655,000	642,000
Total Property and Equipment	8,007,000	7,992,000
Less: Accumulated depreciation and amortization	(5,164,000)	(4,963,000)
Property and Equipment, net	<u>\$ 2,843,000</u>	<u>\$ 3,029,000</u>

Depreciation expense for the years ended December 31, 2025 and 2024 was \$201,000 and \$173,000, respectively.

5 - OTHER ASSETS

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

	December 31,	
	2025	2024
Investment in securities - Zowie Technology	\$ -	\$ 186,000
Other Assets Total	\$ -	\$ 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 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 and reclassified to Other Current Assets.

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, 2025 and 2024, we purchased products in the amount of \$1,000 and \$4,000, 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 2025. 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, 2023	196,600	\$ 3.25	5.5	\$ 112,000
Exercised	20,000	2.69	7.0	-
Forfeited	<u>(15,000)</u>	2.95	-	-
Outstanding at December 31, 2024	201,600	\$ 3.22	5.2	\$ 30,000
Granted	-	-	-	-
Forfeited	<u>(30,600)</u>	-	-	-
Outstanding at December 31, 2025	171,000	\$ 4.27	4.3	\$ -
Exercisable at December 31, 2025	<u>157,700</u>	\$ 3.26	4.0	\$ -

At December 31, 2025, the range of individual weighted average exercise prices was \$2.63 to \$4.36 and the unamortized compensation expense was approximately \$2,000.

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, 2025 and 2024. Each holder of Class A common stock is entitled to one (1) vote for each share held. During both 2025 and 2024, we issued 0 shares of our Class A common stock.

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 six months ended December 31, 2025, we paid quarterly dividends of \$.035 per share. For the six months ended June 30, 2025 and 2024 we paid quarterly dividends of \$.05 per share.

9 - NET INCOME PER SHARE

	Year ended December 31,	
	2025	2024
Net (loss) income available to common shareholders used in basic and diluted (loss) income per share	\$ (408,000)	\$ 902,000
Weighted average number of common shares used in basic income per share (Class A and B shares)	6,021,180	6,021,180
Basic (loss) income per share (Class A and B shares)	<u>\$ (0.07)</u>	<u>\$ 0.15</u>

Effect of dilutive securities:

Options	-	-
Weighted average number of common shares and dilutive potential common shares used in diluted income per share (Class A and B shares)	6,021,180	6,021,180
Diluted (loss) income per share	<u>\$ (0.07)</u>	<u>\$ 0.15</u>

	Year ended December 31,	
	2025	2024
Numerator for basic and diluted net (loss) income per Class A common stock and Class B common stock share:		
Net (loss) income attributable to shareholders	\$ (408,000)	\$ 902,000
Less cash dividends:		
Class A common stock	\$ 894,000	\$ 1,052,000
Class B common stock	\$ 130,000	\$ 152,000
Total undistributed (losses) earnings	<u>\$ (1,432,000)</u>	<u>\$ (302,000)</u>

Class A common stock undistributed (losses) earnings - basic and diluted	\$ (1,250,000)	\$ (264,000)
Class B common stock undistributed (losses) earnings - basic and diluted	\$ (181,000)	\$ (38,000)
Total undistributed (losses) earnings - basic and diluted	<u>\$ (1,431,000)</u>	<u>\$ (302,000)</u>

Numerator for basic and diluted net (loss) income per share:

Class A common stock	\$ (356,000)	\$ 788,000
Class B common stock	\$ (51,000)	\$ 114,000
	<u>\$ (407,000)</u>	<u>\$ 902,000</u>

	Year ended December 31,	
	2025	2024
Denominator for basic and diluted net (loss) income per Class A common stock and Class B common stock share:		
Weighted average number of common shares used in basic (loss) income per share (Class A common stock)	5,258,568	5,258,568
Weighted average number of common shares used in basic (loss) income per share (Class B common stock)	762,612	762,612
	<u>6,021,180</u>	<u>6,021,180</u>

Weighted average number of common shares used in diluted income per share (Class A common stock)	5,258,568	5,258,568
Weighted average number of common shares used in diluted income per share (Class B common stock)	762,612	762,612
	<u>6,021,180</u>	<u>6,021,180</u>

Basic net (loss) income per share:

Class A common stock	\$ (0.07)	\$ 0.15
Class B common stock	\$ (0.07)	\$ 0.15

Diluted net (loss) income per share:

Class A common stock	\$ (0.07)	\$ 0.15
Class B common stock	\$ (0.07)	\$ 0.15

10 - 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, 2025 and 2024, employer matching contributions were approximately \$53,000 and \$47,000, respectively.

Participants in the Plan, through self-directed brokerage accounts, held 16,772 shares in our Class A common stock as of December 31, 2025 and 2024. The Plan does not offer new issues of our common stock as an investment option.

11 - 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 \$267,000 and \$400,000 as of December 31, 2025 and December 31, 2024, respectively.