

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2026

or

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

For the transition period from _____ to _____

Commission File Number 001-40391

iPower Inc.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

82-5144171

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

8798 9th Street

Rancho Cucamonga, CA 91730

(Address of principal executive offices) (Zip Code)

(626) 863-7344

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock	IPW	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

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

The number of shares outstanding of the registrant's common stock on May 20, 2026 was 5,289,919.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL INFORMATION

iPower Inc. and Subsidiaries
Consolidated Balance Sheets
As of March 31, 2026 and June 30, 2025

	March 31, 2026	June 30, 2025
	(Unaudited)	(Audited)
ASSETS		
Current assets		
Cash and cash equivalent	\$ 713,685	\$ 1,677,879
Accounts receivable, net	7,064,189	6,124,008
Inventories, net	2,536,961	8,131,203
Restricted Cash - BitGo	2,209,000	–
Prepayments and other current assets, net	1,973,215	2,567,706
Current assets held for sale	–	873,515
Total current assets	<u>14,497,050</u>	<u>19,374,311</u>
Non-current assets		
Right of use	2,966,202	3,915,539
Property and equipment, net	166,441	390,349
Deferred tax assets, net	4,990,836	3,724,462
Goodwill	–	3,034,110
Investment in joint venture	13,264	385,180
Note Receivable	2,300,000	–
Intangible assets, net	2,494,300	2,981,328
Digital assets	1,664,827	–
Other non-current assets	2,213,668	1,837,488
Total non-current assets	<u>16,809,538</u>	<u>16,268,456</u>
Total assets	<u>\$ 31,306,588</u>	<u>\$ 35,642,767</u>
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable, net	\$ 3,016,663	\$ 7,180,009
Other payables and accrued liabilities	2,136,690	1,769,421
Lease liability - current	1,450,340	1,361,111
Revolving loan payable, net	–	3,737,602
Income taxes payable	–	183,195
Current liabilities held for sale	–	221,460
Total current liabilities	<u>6,603,693</u>	<u>14,452,798</u>
Non-current liabilities		
Convertible notes payable	4,470,518	–
Derivative liability - Conversion option	1,264,600	–
Lease liability - non-current	1,817,153	2,913,967
Total non-current liabilities	<u>7,552,271</u>	<u>2,913,967</u>
Total liabilities	<u>14,155,964</u>	<u>17,366,765</u>
Commitments and contingency		
	–	–
Stockholders' Equity		
Preferred stock, \$0.001 par value; 20,000,000 shares authorized; 0 shares issued and outstanding at March 31, 2026 and June 30, 2025	–	–
**Common stock, \$0.001 par value; 180,000,000 shares authorized; 1,773,999 and 1,045,330 shares issued and outstanding at March 31, 2026 and June 30, 2025	1,774	1,045
Additional paid in capital	37,528,080	33,481,201
Accumulated deficits	(20,380,696)	(15,198,889)
Non-controlling interest	(47,462)	(47,462)
Accumulated other comprehensive loss	48,928	40,107
Total stockholders' equity	<u>17,150,624</u>	<u>18,276,002</u>
Total liabilities and stockholders' equity	<u>\$ 31,306,588</u>	<u>\$ 35,642,767</u>

** Unless otherwise indicated, all shares of common stock and per share numbers in the unaudited condensed consolidated financial statements and notes below have been adjusted retroactively to reflect the 1-for-30 reverse stock split effected on October 27, 2025, for all periods presented (see Note 16 for details).

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

iPower Inc. and Subsidiaries
Consolidated Statements of Operations and Comprehensive Loss
For the Three and Nine Months Ended March 31, 2026 and 2025

	For the Three Months Ended		For the Nine Months Ended	
	March 31,		March 31,	
	2026	2025	2026	2025
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUES				
Product sales	\$ 3,498,681	\$ 15,018,227	\$ 16,990,959	\$ 49,422,823
Service income	–	1,023,445	1,532,722	3,222,236
Total revenues	<u>3,498,681</u>	<u>16,041,672</u>	<u>18,523,681</u>	<u>52,645,059</u>
COST OF REVENUES				
Product costs	2,743,132	8,306,217	10,353,516	27,043,417
Service costs	–	879,995	1,332,681	2,704,737
Total cost of revenues	<u>2,743,132</u>	<u>9,186,212</u>	<u>11,686,197</u>	<u>29,748,154</u>
GROSS PROFIT	<u>755,549</u>	<u>6,855,460</u>	<u>6,837,484</u>	<u>22,896,905</u>
OPERATING EXPENSES:				
Selling and fulfillment	991,037	5,373,932	7,348,039	15,687,013
General and administrative	908,773	1,816,032	4,630,041	10,033,958
Total operating expenses	<u>1,899,810</u>	<u>7,189,964</u>	<u>11,978,080</u>	<u>25,720,971</u>
LOSS FROM OPERATIONS	<u>(1,144,261)</u>	<u>(334,504)</u>	<u>(5,140,596)</u>	<u>(2,824,066)</u>
OTHER INCOME (EXPENSE)				
Interest expenses	(432,167)	(81,968)	(611,108)	(362,602)
Loss on equity method investment	–	(986)	–	(2,707)
Loss on deconsolidation of VIE	(1,269)	–	(40,893)	–
Unrealized gain (loss) on digital assets	(549,932)	–	(544,173)	–
Impairment loss - goodwill	(3,034,110)	–	(3,034,110)	–
Change in fair value of derivative liability	89,600	–	266,200	–
Gain (Loss) on extinguishment of debt	(539,634)	–	(563,734)	–
Other non-operating income (expenses)	3,897	35,241	1,236,219	47,521
Total other income (expenses), net	<u>(4,463,615)</u>	<u>(47,713)</u>	<u>(3,291,599)</u>	<u>(317,788)</u>
LOSS BEFORE INCOME TAXES	(5,607,876)	(382,217)	(8,432,195)	(3,141,854)
PROVISION FOR INCOME TAX EXPENSE (BENEFIT)	(326,502)	6,364	(1,839,874)	(637,108)
NET LOSS FROM CONTINUING OPERATIONS	(5,281,374)	(388,581)	(6,592,321)	(2,504,746)
DISCONTINUED OPERATIONS, NET OF TAX	1,826,496	46,208	1,410,514	345,920
NET LOSS	<u>(3,454,878)</u>	<u>(342,373)</u>	<u>(5,181,807)</u>	<u>(2,158,826)</u>
Non-controlling interest	–	(2,774)	–	(8,765)
NET LOSS ATTRIBUTABLE TO IPOWVER INC.	<u>\$ (3,454,878)</u>	<u>\$ (339,599)</u>	<u>\$ (5,181,807)</u>	<u>\$ (2,150,061)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation adjustments	(15,743)	(97,556)	8,821	3,520
COMPREHENSIVE LOSS ATTRIBUTABLE TO IPOWVER INC.	<u>\$ (3,470,621)</u>	<u>\$ (437,155)</u>	<u>\$ (5,172,986)</u>	<u>\$ (2,146,541)</u>
WEIGHTED AVERAGE NUMBER OF COMMON STOCK				
**Basic	<u>1,453,875</u>	<u>1,048,508</u>	<u>1,200,110</u>	<u>1,047,816</u>
**Diluted	<u>1,453,875</u>	<u>1,048,508</u>	<u>1,200,110</u>	<u>1,047,816</u>
EARNINGS (LOSSES) PER SHARE				
Basic - continuing operations	\$ (3.63)	\$ (0.37)	\$ (5.49)	\$ (2.39)
Basic - discontinued operations	1.25	0.04	1.17	0.33
Total basic earnings (loss) per share	<u>\$ (2.38)</u>	<u>\$ (0.33)</u>	<u>\$ (4.32)</u>	<u>\$ (2.06)</u>
Diluted - continuing operations	\$ (3.63)	\$ (0.37)	\$ (5.49)	\$ (2.39)
Diluted - discontinued operations	1.25	0.04	1.17	0.33
Total diluted earnings (loss) per share	<u>\$ (2.38)</u>	<u>\$ (0.33)</u>	<u>\$ (4.32)</u>	<u>\$ (2.06)</u>

** Unless otherwise indicated, all shares of common stock and per share numbers in the unaudited condensed consolidated financial statements and notes below have been adjusted retroactively to reflect the 1-for-30 reverse stock split effected on October 27, 2025, for all periods presented (see Note 16 for details).
The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

iPower Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
For the Nine Months Ended March 31, 2026 and 2025

	**Common Stock		Additional Paid in Capital	Retained Earnings (Accumulated Deficit)	Non-controlling interest	Accumulated other Comprehensive income (loss)	Total
	Shares	Amount					
Balance, June 30, 2025	1,045,330	\$ 1,045	\$ 33,481,201	\$ (15,198,889)	\$ (47,462)	\$ 40,107	\$ 18,276,002
Net loss	-	-	-	(533,648)	-	-	(533,648)
Stock-based compensation	-	-	150,203	-	-	-	150,203
Restricted shares issued for vested RSUs	4,460	5	(5)	-	-	-	-
Foreign currency translation adjustments	-	-	-	-	-	24,943	24,943
Balance, September 30, 2025, unaudited	1,049,790	\$ 1,050	\$ 33,631,399	\$ (15,732,537)	\$ (47,462)	\$ 65,050	\$ 17,917,500
Net loss	-	-	-	(1,193,281)	-	-	(1,193,281)
Stock-based compensation	-	-	950,202	-	-	-	950,202
Shares issued for consulting services	20,680	21	199,979	-	-	-	200,000
Common stock issued for conversions of note payable	10,948	11	110,289	-	-	-	110,300
Reverse-Split round up shares	42	-	-	-	-	-	-
Foreign currency translation adjustments	-	-	-	-	-	(379)	(379)
Balance, December 31, 2025, unaudited	1,081,460	\$ 1,082	\$ 34,891,869	\$ (16,925,818)	\$ (47,462)	\$ 64,671	\$ 17,984,342
Net loss	-	-	-	(3,454,878)	-	-	(3,454,878)
Stock-based compensation	-	-	150,203	-	-	-	150,203
Common stock issued for conversions of note payable	692,539	692	2,486,008	-	-	-	2,486,700
Foreign currency translation adjustments	-	-	-	-	-	(15,743)	(15,743)
Balance, March 31, 2026, unaudited	1,773,999	\$ 1,774	\$ 37,528,080	\$ (20,380,696)	\$ (47,462)	\$ 48,928	\$ 17,150,624
-							
Balance, June 30, 2024	1,045,330	\$ 1,045	\$ 33,494,199	\$ (10,230,601)	\$ (38,204)	\$ (210,406)	\$ 23,016,033
Net loss	-	-	-	(2,029,281)	(2,836)	-	(2,032,117)
Stock-based compensation	-	-	205,960	-	-	-	205,960
Foreign currency translation adjustments	-	-	-	-	-	(55,054)	(55,054)
Balance, September 30, 2024, unaudited	1,045,330	\$ 1,045	\$ 33,700,159	\$ (12,259,882)	\$ (41,040)	\$ (265,460)	\$ 21,134,822
Net income (loss)	-	-	-	218,819	(3,155)	-	215,664
Stock-based compensation	-	-	197,313	-	-	-	197,313
Foreign currency translation adjustments	-	-	-	-	-	156,130	156,130
Balance, December 31, 2024, unaudited	1,045,330	\$ 1,045	\$ 33,897,472	\$ (12,041,063)	\$ (44,195)	\$ (109,330)	\$ 21,703,929
Net loss	-	-	-	(339,599)	(2,774)	-	(342,373)
Reversal of unvested stock-based compensation	-	-	(546,053)	-	-	-	(546,053)
Foreign currency translation adjustments	-	-	-	-	-	(97,556)	(97,556)
Balance, March 31, 2025, unaudited	1,045,330	\$ 1,045	\$ 33,351,419	\$ (12,380,662)	\$ (46,969)	\$ (206,886)	\$ 20,717,947

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

iPower Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the Nine Months Ended March 31, 2026 and 2025

	For the Nine Months Ended March 31,	
	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (5,181,807)	\$ (2,158,826)
Adjustments to reconcile net (loss) income to cash provided by (used in) operating activities:		
Depreciation and amortization expense	579,025	586,481
Inventory reserve	58,453	288,474
Credit loss reserve	49,713	1,569,029
Loss on equity method investment	–	2,707
Stock-based compensation expense (reversal)	1,250,608	(142,780)
Shares issued for consulting services	83,472	–
Loss on deconsolidation of VIE	40,893	–
Gain on disposition of subsidiaries	(1,613,936)	–
Amortization of operating lease right of use assets	949,337	1,408,508
Change in FV of Derivative Liability	(266,200)	–
Unrealized gain/loss on digital assets	544,173	–
Loss on extinguishment of debt	563,734	–
Impairment loss - goodwill	3,034,110	–
Gain on sale of vehicle	(63,605)	–
Amortization of debt premium / discount and non-cash financing costs	269,782	125,906
Change in operating assets and liabilities		
Accounts receivable	(989,894)	2,991,825
Inventories	5,535,789	485,100
Deferred tax assets	(1,266,374)	(516,281)
Prepayments and other current assets, net	1,317,156	(314,434)
Other non-current assets	526,580	188,315
Accounts payable	(4,059,969)	(3,229,667)
Other payables and accrued liabilities	357,099	(331,742)
Operating lease liabilities	(1,007,585)	(1,455,440)
Income taxes payable	(280,155)	2,611
Net cash provided by (used in) operating activities	430,399	(500,214)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disposal of subsidiaries	(83,545)	–
Deconsolidation of VIE	(165,243)	–
Proceeds from sale of vehicle	192,000	–
Investment in joint venture	(293,526)	–
Restricted cash and digital assets held in Bitgo account	(4,418,000)	–
Prepayments for software development	(902,760)	(1,519,928)
Net cash used in investing activities	(5,671,074)	(1,519,928)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of offering cost settlement	–	(325,000)
Proceeds from short-term loans - related party	1,050,000	–
Proceeds from short-term loans	1,500,000	–
Payments on short-term loans - related party	(1,050,000)	(350,000)
Payments on short-term loans	(1,500,000)	(483,599)
Net proceeds from convertible note	7,701,033	–
Proceeds from revolving loan	3,619,974	7,789,674
Payments on revolving loan	(7,383,223)	(9,800,000)
Net cash provided by (used in) financing activities	3,937,784	(3,168,925)
EFFECT OF EXCHANGE RATE ON CASH	8,686	3,484
CHANGES IN CASH AND CASH EQUIVALENT	(1,294,205)	(5,185,583)
CASH AND CASH EQUIVALENT, beginning of period	2,007,890	7,377,837
CASH AND CASH EQUIVALENT, end of period ⁽¹⁾	\$ 713,685	\$ 2,192,254
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for income tax	\$ –	\$ –
Cash paid for interest	\$ 72,304	\$ 207,064
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Derivative liability - conversion option	\$ 1,264,600	\$ –
Common stock issued for conversions of note payable	2,597,000	–
Right of use assets derecognized due to termination of operating leases	–	434,033
Note receivable from sale of subsidiaries	2,300,000	–

(1) Includes \$330,011 cash presented in current assets held for sale on the consolidated balance sheet as of June 30, 2025.

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

iPower Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
As of March 31, 2026 and June 30, 2025 and for the Nine Months Ended March 31, 2026 and 2025

Note 1 - Nature of business and organization

iPower Inc., formerly known as BZRTN Inc., a Nevada corporation (the “Company”), was incorporated on April 11, 2018. The Company is principally engaged in the marketing and sale of consumer home, garden and other products and accessories mainly in North America.

On May 18, 2021, the Company acquired 100% of the equity ownership of its variable interest entity, E Marketing Solution Inc. (“E Marketing”), an entity incorporated in California and owned by one of the minority shareholders of the Company. As a result, E Marketing became the Company’s wholly owned subsidiary.

On May 18, 2021, the Company acquired 100% of the equity ownership of its variable interest entity, Global Product Marketing Inc. (“GPM”), an entity which was incorporated in the State of Nevada on September 4, 2020, and was owned by Chenlong Tan, the Company’s Chairman, CEO, President and Interim CFO, and one of the majority shareholders of the Company. As a result, GPM became the Company’s wholly owned subsidiary.

On January 13, 2022, the Company entered into a joint venture agreement and formed a Nevada limited liability company, Box Harmony, LLC (“Box Harmony”), for the principal purpose of providing logistics services primarily for foreign-based manufacturers or distributors who desire to sell their products online in the United States, with such logistics services to include, without limitation, receiving, storing and transporting such products. The Company owns 40% of the equity interest in Box Harmony, retaining significant influence, but does not own a majority equity interest in or otherwise control Box Harmony. See details at Note 3 below.

On February 10, 2022, the Company entered into another joint venture agreement and formed a Nevada limited liability company, Global Social Media, LLC (“GSM”), for the principal purpose of creating a social media platform in order to provide content and services to assist businesses, including the Company and other businesses, in marketing their products. The Company owns 60% of the equity interest in GSM and controls its operations. See details at Note 3 below.

On February 15, 2022, the Company acquired 100% of the ordinary shares of Anivia Limited (“Anivia”), a corporation organized under the laws of the British Virgin Islands (“BVI”), in accordance with the terms of a share transfer framework agreement (the “Transfer Agreement”), dated February 15, 2022, by and between the Company, White Cherry Limited, a BVI company (“White Cherry”), White Cherry’s equity holders, Li Zanyu and Xie Jing (together with White Cherry, the “Sellers”), Anivia, Fly Elephant Limited, a Hong Kong company, Dayourenzai (Shenzhen) Technology Co., Ltd. (“DYRZ”), and Daheshou (Shenzhen) Information Technology Co., Ltd. (“DHS”). Anivia owns 100% of the equity of Fly Elephant Limited, which in turn owns 100% of the equity of DYRZ, a corporation located in the People’s Republic of China (“PRC”), which is a wholly foreign-owned enterprise (“WFOE”) of Fly Elephant Limited. The WFOE controls, through contractual arrangements summarized in Note 4 below, the business, revenues and profits of DHS, a company organized under the Laws of the PRC and located in Shenzhen, China. See details on Note 4 below.

On June 3, 2025, the Company entered into a joint venture agreement and formed a Nevada limited liability company, United Package NV, LLC (“United Package”), for the principal purpose of producing packaging materials to serve the rapidly growing demands of U.S. businesses seeking reliable, sustainable and cost-effective supply chain solutions without reliance on offshore manufacturing. The Company owns approximately 44% of the equity interest in United Package, retaining significant influence, but does not own a majority equity interest in or otherwise control United Package. See details on Note 3 below.

On October 15, 2025, the Company executed an agreement (the “Restructuring Agreement”) with its subsidiaries to modify its corporate structure so that the Company’s consumer goods and logistics business be operated out of GPM. Pursuant to the Restructuring Agreement, the Company transferred its ownership in E Marketing and United Package to GPM. Execution of the Restructuring Agreement does not have any impact on the consolidated financial statements of the Company.

On October 23, 2025, the Company formed iPower Smart LLC, a Delaware limited liability company (“Smart LLC”). Smart LLC is principally engaged in digital treasury activities.

On January 29, 2026, the Company formed iPower Nexus Inc., a Nevada corporation (“Nexus”). Nexus is principally engaged in supply chain management business.

On February 1, 2026, the Company entered into a stock purchase agreement (the “SPA”) with ETTS AI Investment LLC, a Nevada limited liability company (“ETTS AI”), pursuant to which the Company sold its equity interest in GPM and its underlying entities to ETTS AI in exchange for a \$2.3 million promissory note (the “Promissory Note”). See details on Note 5 below.

Note 2 – Basis of Presentation and Summary of significant accounting policies

Basis of presentation

The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries and VIE and have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and the requirements of the U.S. Securities and Exchange Commission (“SEC”) for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by U.S. GAAP can be condensed or omitted. These unaudited condensed consolidated financial statements have been prepared on the same basis as its annual consolidated financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for the fair statement of the Company’s financial information. These interim results are not necessarily indicative of the results to be expected for the fiscal year ending June 30, 2026, or for any other interim period or for any other future year. All intercompany balances and transactions have been eliminated in consolidation.

On February 1, 2026, the Company sold its equity interest in GPM and its underlying entities. The transaction represents a strategic shift; therefore, the Company’s unaudited consolidated financial statements reflect the GPM financial results as discontinued operations for all periods presented. See details on Note 5 below.

These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and the notes thereto included in the Annual Report for the year ended June 30, 2025, which are included in Form 10-K filed with the SEC on October 9, 2025.

Principles of Consolidation

The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries, GSM, Smart LLC, Nexus, and Anivia Limited. All inter-company balances and transactions have been eliminated.

Emerging Growth Company Status

The company is an “emerging growth company,” as defined in Section 2(a) of the Securities Act of 1933, as amended, (the “Securities Act”), as modified by the Jumpstart Our Business Startups Act of 2012, (the “JOBS Act”), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the company's financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of utilizing the emerging growth company reduced reporting requirements difficult.

Use of estimates and assumptions

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from those estimates.

Foreign currency translation and transactions

The reporting and functional currency of iPower and its subsidiaries is the U.S. dollar (USD). iPower's WFOE and VIE in China uses the local currency, Renminbi ("RMB"), as its functional currency. Assets and liabilities of the VIE are translated at the current exchange rate as quoted by the People's Bank of China (the "PBOC") at the end of the period. Income and expense accounts are translated at the average translation rates and the equity accounts are translated at historical rates. Translation adjustments resulting from this process are included in accumulated other comprehensive income (loss) in the statement of changes in stockholders' equity. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred.

The balance sheet amounts of the WFOE, with the exception of equity, on March 31, 2026, were translated at 6.8980 RMB to \$1.00. The equity accounts were stated at their historical rates. The average translation rates applied to statements of operations and comprehensive income (loss) accounts for the nine months ended March 31, 2026 was 7.0577 RMB to \$1.00. Cash flows were also translated at average translation rates for the period and, therefore, amounts reported on the statement of cash flows would not necessarily agree with changes in the corresponding balances on the unaudited condensed consolidated balance sheet.

Cash and cash equivalents

Cash and cash equivalents consist of amounts held as cash on hand and financial institution and financial service company deposits.

From time to time, the Company may maintain bank balances in interest bearing accounts in excess of \$250,000, which is currently the maximum amount insured by the FDIC for interest bearing accounts (there is currently no insurance limit for deposits in noninterest bearing accounts). The Company has not experienced any losses with respect to cash. Management believes our Company is not exposed to any significant credit risk with respect to its cash.

Accounts receivable

During the ordinary course of business, the Company extends unsecured credit to its customers. Accounts receivable are stated at the amount the Company expects to collect from customers, which includes the amount withheld by sales channel partners and refundable to the Company. Based on historical and expected loss rate and status of negotiations with the sales channel partner, management reviews its accounts receivable balances each reporting period to determine if an allowance for credit loss is required.

The Company evaluates the creditworthiness of all of its customers individually before accepting them and continuously monitors the recoverability of accounts receivable. If there are any indicators that a customer may not make payment, the Company may consider making provision for non-collectability for that particular customer. At the same time, the Company may cease further sales or services to such customer. The following are some of the factors that the Company develops allowance for credit losses:

- the customer fails to comply with its payment schedule;
- the customer is in serious financial difficulty;
- a significant dispute with the customer has occurred regarding job progress or other matters;
- the customer breaches any of its contractual obligations;
- the customer appears to be financially distressed due to economic or legal factors;
- the business between the customer and the Company is not active; or
- other objective evidence indicates non-collectability of the accounts receivable.

Accounts receivable are recognized and carried at carrying amount less an allowance for credit losses, if any. The Company maintains an allowance for credit losses resulting from the inability of its customers to make required payments based on contractual terms. The Company reviews the collectability of its receivables on a regular and ongoing basis. The Company has also included in its calculation of allowance for credit losses the potential impact of the COVID-19 pandemic on our customers' businesses and their ability to pay their accounts receivable. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. The Company also considers external factors to the specific customer, including current conditions and forecasts of economic conditions, including the potential impact of the COVID-19 pandemic. In the event we recover amounts previously written off, we will reduce the specific allowance for credit losses.

Equity method investment

The Company accounts for its ownership interest in Box Harmony, a 40% owned joint venture, and United Package NV LLC, a 44% owned joint venture, following the equity method of accounting, in accordance with ASC 323, Investments — Equity Method and Joint Ventures. Under this method, the carrying cost is initially recorded at cost and then increased or decreased by recording its percentage of gain or loss in the joint ventures' statement of operations and a corresponding charge or credit to the carrying value of the asset.

Digital Assets

The Company accounts for its digital assets, which, as of the date of this report, are comprised of Bitcoin (“BTC”) and Ethereum (“ETH”), as indefinite-lived intangible assets in accordance with Accounting Standards Codification (“ASC”) Topic 350-60, “Intangibles—Goodwill and Other—Crypto Assets.” The Company has ownership of and control over its digital assets and may use third-party custodial services to secure it. The Company’s digital assets are initially recorded at cost and are subsequently remeasured on the balance sheet at fair value.

The Company determines the fair value of its digital assets on a recurring basis in accordance with ASC Topic 820, “Fair Value Measurement,” based on quoted prices on the active exchange that the Company has determined is its principal market for such digital assets (Level 1 inputs). The Company determines the cost basis of digital assets using the specific identification of each unit received. Realized and unrealized gains and losses from changes in the fair value of digital assets are recognized in the statement of operations.

Variable interest entities

On February 15, 2022, the Company acquired 100% of the ordinary shares of Anivia and its subsidiaries, including DHS. Pursuant to the terms of the Agreements, the Company does not have direct ownership in DHS but is actively involved in DHS’s operations as the sole manager to direct the activities and significantly impact DHS’s economic performance. DHS’s operational funding has been provided by the Company following the February 15, 2022 acquisition. During the term of the Agreements, the Company bears all the risk of loss and has the right to receive all of the benefits from DHS. As such, based on the determination that the Company is the primary beneficiary of DHS, in accordance with ASC 810-10-25-38A through 25-38J, DHS is considered a VIE of the Company and the financial statements of DHS have been consolidated from the date such control existed, February 15, 2022.

On August 4, 2025, the Company entered into a Variable Interest Entity (“VIE”) Contract Termination Agreement with the VIE, pursuant to which all VIE agreements were terminated. As a result, the Company no longer has a controlling financial interest in the VIE. In accordance with ASC 810-10-40, *Consolidation — Deconsolidation of a Subsidiary or Derecognition of a Group of Assets*, the Company deconsolidated the VIE as of the termination date.

Upon deconsolidation, the Company derecognized all assets and liabilities of the VIE from its consolidated balance sheet. Because the Company retains no ownership interest or continuing involvement in the VIE following the termination of the agreements, no retained interest was recognized.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed. The Company accounts for goodwill under *ASC Topic 350, Intangibles-Goodwill and Other*.

Goodwill is not amortized but is reviewed for potential impairment on an annual basis, or if events or circumstances indicate a potential impairment, at the reporting unit level. The Company’s review for impairment includes an assessment of qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value, including goodwill. If it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, including goodwill, a quantitative goodwill impairment test is performed, which compares the fair value of the reporting unit with its carrying amounts, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired. However, if the carrying amount of the reporting unit exceeds its fair value, an impairment loss will be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

During the nine months ended March 31, 2026, the Company performed a goodwill impairment analysis following the steps laid out in ASC 350 and concluded that the carrying value of goodwill was impaired, primarily due to a sustained decline in the Company’s share price and market capitalization. Accordingly, the Company recognized a full goodwill impairment charge during the period. As of March 31, 2026 and June 30, 2025, the goodwill balance amounted to \$0 and \$3,034,110, respectively.

Intangible assets

Finite life intangible assets at March 31, 2026 included a covenant not to compete, a supplier relationship, and software recognized as part of the acquisition of Anivia. Intangible assets are recorded at the estimated fair value of these items at the date of acquisition, February 15, 2022. Intangible assets are amortized on a straight-line basis over their estimated useful life as follows:

	<u>Useful Life</u>
Covenant Not to Compete	10 years
Supplier relationship	6 years
Software	5 years

The Company reviews the recoverability of long-lived assets, including intangible assets, when events or changes in circumstances occur that indicate the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future pretax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations. The Company did not record any impairment charge for the nine months ended March 31, 2026 and 2025.

Embedded derivative liability

The Company evaluates the embedded features of its financial instruments, including its convertible notes payable in accordance with ASC Topic 480, “*Distinguishing Liabilities from Equity*,” and ASC Topic 815 “*Derivatives and Hedging*.” Certain conversion options and redemption features are required to be bifurcated from their host instrument and accounted for as free-standing derivative financial instruments should certain criteria be met. The Company applies significant judgment to identify and evaluate complex terms and conditions for its financial instruments to determine whether such instruments are derivatives or contain features that qualify as embedded derivatives. Embedded derivatives must be separately measured from the host contract if all the requirements for bifurcation are met. The assessment of the conditions surrounding the bifurcation of embedded derivatives depends on the nature of the host contract and the features of the derivatives. Bifurcated embedded derivatives are recognized at fair value.

The following table provides a roll-forward of changes for financial instruments measured at fair value on a recurring basis for the nine months ended March 31, 2026:

Derivative Liability	Amount
Balance as of June 30, 2025	\$ —
Initial fair value upon issuance of convertible notes	1,999,600
Extinguishment of derivative liability upon conversion of convertible notes	(468,800)
Gain on change in fair value of derivative liability	(266,200)
Balance as of March 31, 2026	<u>\$ 1,264,600</u>

Fair values of financial instruments

ASC 825, “Disclosures about Fair Value of Financial Instruments,” requires disclosure of fair value information about financial instruments. ASC 820, “Fair Value Measurements” defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and all other current assets and liabilities approximate fair values due to their short-term nature.

For other financial instruments to be reported at fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines the fair value of its financial instruments based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2 – Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities; and

Level 3 – Unobservable inputs that are significant to the measurement of the fair value of the assets or liabilities that are supported by little or no market data.

The Company measures certain non-financial assets on a non-recurring basis, including goodwill. As a result of those measurements, as of March 31, 2026 and June 30, 2025, the Company had goodwill with a carry book value of \$0 and \$3,034,110, respectively, which approximated its fair value:

The fair value of goodwill was determined based on the discounted cash flow method, which is an income approach, which required the use of inputs that were unobservable in the marketplace (Level 3), including a discount rate that would be used by a market participant, projections of revenues and cash flows with the revised projections reflecting the increase in freight and storage costs in the current interim quarter, among others.

The fair value of financial instruments measured on a recurring basis as of March 31, 2026 consisted of the following:

	Fair Value Measurements as of March 31, 2026			
	Total Fair Value	Level 1	Level 2	Level 3
Derivative liability	\$ 1,264,600	\$ –	\$ –	\$ 1,264,600
Total recurring fair value measurements	\$ 1,264,600	\$ –	\$ –	\$ 1,264,600

Revenue recognition

The Company recognizes revenues from service and product sales, net of promotional discounts and return allowances, when the following revenue recognition criteria are met: a contract has been identified, separate performance obligations are identified, the transaction price is determined, the transaction price is allocated to separate performance obligations and revenue is recognized upon satisfying each performance obligation. The Company transfers the risk of loss or damage upon shipment or completion of service, therefore, revenue from product sales is recognized when it is shipped to the customer and the revenue from services is recognized upon completion of services. Return allowances, which reduce product revenue by the Company's best estimate of expected product returns, are estimated using historical experience.

The Company evaluates the criteria of ASC 606 - Revenue Recognition Principal Agent Considerations in determining whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions. Generally, when the Company is primarily responsible for fulfilling the promise to provide a specified good or service and the Company has discretion in establishing the price, revenue is recorded at gross.

Payments received prior to the delivery of goods to customers are recorded as customer deposits.

The Company periodically provides incentive offers to its customers to encourage purchases. Such offers include current discount offers, such as percentage discounts off current purchases and other similar offers. Current discount offers, when accepted by the Company's customers, are treated as a reduction to the purchase price of the related transaction.

Sales discounts are recorded in the period in which the related sales are recorded. Sales return allowances are estimated based on historical amounts and are recorded upon recognizing the related sales. Shipping and handling costs are recorded as selling expenses.

Cost of revenue

Cost of revenue mainly consists of costs for purchases of products, net of purchase discounts and rebates, and related inbound freight and delivery fees.

Operating expenses

Operating expenses, which consist of selling and fulfillment and general and administrative expenses, including inventory reserves, are expensed as incurred. Vendor warranty credits resulting from refund of returns on quality issues are recorded to offset merchant selling fees. During the nine months ended March 31, 2026 and 2025, the Company did not have any vendor credits. Outbound freight costs related to shipping costs to customers are considered periodic costs and are reflected in selling and fulfillment expenses.

Advertising costs are expensed as incurred. Total advertising and promotional costs included in selling and fulfillment expenses for the three and nine months ended March 31, 2026 and 2025 were as following.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2026	2025	2026	2025
Advertising and promotion	\$ 37,212	\$ 696,148	\$ 516,829	\$ 1,978,228

Inventories

Inventory consists of finished goods ready for sale and is stated at the lower of cost or market. The Company values its inventory using the weighted average costing method. The Company's policy is to include as a part of inventory and cost of goods sold any freight incurred to ship the product from its vendors to warehouses. The Company regularly reviews inventory and considers forecasts of future demand, market conditions and product obsolescence.

If the estimated realizable value of the inventory is less than cost, the Company makes provisions in order to reduce its carrying value to its estimated market value. The Company also reviews inventory for slow moving inventory and obsolescence and records allowance for obsolescence.

Debt issuance costs

Costs incurred in connection with the issuance of debt are deferred and amortized as interest expense over the term of the related debt using the effective interest method. To the extent that the debt is outstanding, these amounts are reflected in the unaudited condensed consolidated balance sheets as direct deductions from the carrying amount of the outstanding borrowings.

Equity offering costs

The Company capitalizes certain legal, accounting and other third-party fees that are directly related to an equity financing that is probable of successful completion until such financing is consummated. After consummation of an equity financing, these costs are recorded as a reduction of the proceeds received as a result of the offering. Should a planned equity financing be abandoned, terminated or significantly delayed, the deferred offering costs are immediately written off to operating expenses in the consolidated statements of operations and comprehensive income (loss) in the period of determination. As of March 31, 2026 and June 30, 2025, there were no deferred offering costs included in the consolidated balance sheets.

Segment reporting

The Company follows ASC 280, Segment Reporting. The Company's chief operating decision maker, the Chief Executive Officer, reviews the consolidated results of operations when making decisions about allocating resources and assessing the performance of the Company as a whole and, hence, the Company has only one reportable segment. The Company does not distinguish between markets or segments for the purpose of internal reporting. For the nine months ended March 31, 2026 and 2025, sales through Amazon to Canada and other foreign countries were approximately 2.5% and 6.3% of the Company's total sales, respectively. During the nine months ended March 31, 2026, sales of hydroponic products, including ventilation and grow light systems, were approximately 9.2% of the Company's total sales and the remaining 90.8% consisted of general gardening, home goods, and other products and accessories. During the nine months ended March 31, 2025, sales of hydroponic products, including ventilation and grow light systems, were approximately 15.9% of the Company's total sales and the remaining 84.1% consisted of general gardening, home goods, and other products and accessories. As of March 31, 2026 and June 30, 2025, the Company had approximately \$0.01 million and \$1.0 million of inventory stored in China, respectively. The Company's majority of long-lived assets are located in California, United States, majority of the deferred tax assets are US related, and a majority of the Company's revenues are derived from within the United States.

Leases

The Company records right-of-use ("ROU") assets and related lease obligations on our balance sheet.

ROU assets represent our right to use an underlying asset for the lease terms and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company generally uses its incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Stock-based compensation

The Company applies ASC No. 718, "Compensation-Stock Compensation," which requires that share-based payment transactions with employees and nonemployees, upon adoption of ASU 2018-07, be measured based on the grant date fair value of the equity instrument and recognized as compensation expense over the requisite service period, with a corresponding addition to equity. Under this method, compensation costs related to employee share options or similar equity instruments is measured at the grant date based on the fair value of the award and is recognized over the period during which an employee is required to provide service in exchange for the award, which generally is the vesting period. In addition to the requisite service period, the Company also evaluates the performance condition and market condition under ASC 718-10-20. For an award which contains both a performance and a market condition, and where both conditions must be satisfied for the award to vest, the market condition is incorporated into the fair value of the award, and that fair value is recognized over the employee's requisite service period or nonemployee's vesting period if it is probable the performance condition will be met. If the performance condition is ultimately not met, compensation costs related to the award should not be recognized (or should be reversed) because the vesting condition in the award has not been satisfied.

The Company will recognize forfeitures of such equity-based compensation as they occur.

Income taxes

The Company accounts 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 perspective 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. A valuation allowance must be established for deferred tax assets when it is more-likely-than-not (a probability level of more than 50%) that they will not be realized. Valuation allowances are recorded, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The Company has analyzed filing positions in each of the federal and state jurisdictions where the Company is required to file income tax returns, as well as open tax years in such jurisdictions. The Company has identified the U.S. federal jurisdiction, and the states of Nevada and California, as its "major" tax jurisdictions. However, the Company has 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.

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

Commitments and contingencies

In the ordinary course of business, the Company is subject to certain contingencies, including legal proceedings and claims arising out of the business that relate to a wide range of matters, such as government investigations and tax matters. The Company recognizes a liability for such contingency if it determines it is probable that a loss has occurred and a reasonable estimate of the loss can be made. The Company may consider many factors in making these assessments including historical and specific facts and circumstances of each matter.

Earnings per share

Basic earnings per share is computed by dividing net income attributable to holders of common stock by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if securities to issue common stock were exercised.

Recently issued accounting pronouncements

In July 2025, the FASB issued ASU 2025-05, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets. The ASU provides a practical expedient and accounting policy election for measuring expected credit losses on certain trade receivables and contract assets arising under ASC 606. The amendments are effective for fiscal years beginning after December 15, 2025, and interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact of this ASU on its measurement of expected credit losses.

In December 2023, the FASB issued ASU 2023-08, “Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets,” which requires certain crypto assets to be measured at fair value in the statement of operations, with gains and losses from changes in the fair value of such crypto assets recognized in net income each reporting period. ASU 2023-08 also requires certain interim and annual disclosures for crypto assets within the scope of the standard. ASU 2023-08 is effective for annual periods beginning after December 15, 2024, including interim periods within those fiscal years. The Company adopted ASU 2023-08 on July 1, 2025. The adoption of ASU 2023-08 did not have a material impact on the Company’s interim unaudited condensed financial statements.

In December 2023, the FASB issued ASU 2023-09, Improvements to Income Tax Disclosures. Under this ASU, public business entities must annually “(1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pretax income [or loss] by the applicable statutory income tax rate).” This ASU’s amendments are effective for public business entities for annual periods beginning after December 15, 2024. For entities other than public business entities, the amendments are effective for annual periods beginning after December 15, 2025. Entities are permitted to early adopt the standard “for annual financial statements that have not yet been issued or made available for issuance.” The amendments should be applied on a prospective basis. Retrospective application is permitted. The adoption of this standard did not have a material impact on its consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. The amendments apply to all public entities that are required to report segment information in accordance with Topic 280, Segment Reporting. The amendments in this ASU are intended to improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The key amendments are: 1. Require that a public entity disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker (CODM) and included within each reported measure of segment profit or loss. 2. Require that a public entity disclose, on an annual and interim basis, an amount for other segment items by reportable segment and a description of its composition. The other segment items category is the difference between segment revenue less the significant expenses disclosed and each reported measure of segment profit or loss. 3. Require that a public entity provide all annual disclosures about a reportable segment’s profit or loss and assets currently required by FASB Accounting Standards Codification® Topic 280, Segment Reporting, in interim periods. 4. Clarify that if the CODM uses more than one measure of a segment’s profit or loss in assessing segment performance and deciding how to allocate resources, a public entity may report one or more of those additional measures of segment profit. However, at least one of the reported segment profit or loss measures (or the single reported measure, if only one is disclosed) should be the measure that is most consistent with the measurement principles used in measuring the corresponding amounts in the public entity’s consolidated financial statements. 5. Require that a public entity disclose the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources. 6. Require that a public entity that has a single reportable segment provide all the disclosures required by the amendments in the ASU and all existing segment disclosures in Topic 280. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. A public entity should apply the amendments retrospectively to all prior periods presented in the financial statements. Upon transition, the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. The adoption of this standard did not have a material impact on its consolidated financial statements.

In October 2023, the FASB issued ASU 2023-06, Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative. This ASU incorporates certain U.S. Securities and Exchange Commission (SEC) disclosure requirements into the FASB Accounting Standards Codification™ (“Codification”). The amendments in the ASU are expected to clarify or improve disclosure and presentation requirements of a variety of Codification Topics, allow users to more easily compare entities subject to the SEC’s existing disclosures with those entities that were not previously subject to the requirements, and align the requirements in the Codification with the SEC’s regulations. In SEC Release No. 33-10532, Disclosure Update and Simplification, issued August 17, 2018, the SEC referred certain of its disclosure requirements that overlap with, but require incremental information to, generally accepted accounting principles to the FASB for potential incorporation into the Codification. The ASU incorporates into the Codification 14 of the 27 disclosures referred by the SEC. They modify the disclosure or presentation requirements of a variety of Topics in the Codification. The requirements are relatively narrow in nature. Some of the amendments represent clarifications to, or technical corrections of, the current requirements. Because of the variety of Topics amended, a broad range of entities may be affected by one or more of those amendments. For entities subject to the SEC’s existing disclosure requirements and for entities required to file or furnish financial statements with or to the SEC in preparation for the sale of or for purposes of issuing securities that are not subject to contractual restrictions on transfer, the effective date for each amendment will be the date on which the SEC removes that related disclosure from its rules. For all other entities, the amendments will be effective two years later. However, if by June 30, 2027, the SEC has not removed the related disclosure from its regulations, the amendments will be removed from the Codification and not become effective for any entity. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

In June 2022, FASB issued ASU 2022-03, Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions. The amendments in this ASU clarify the guidance in ASC 820 on the fair value measurement of an equity security that is subject to a contractual sale restriction and require specific disclosures related to such an equity security. This standard is effective for fiscal years beginning after December 15, 2024. The adoption of this standard did not have a material impact on its consolidated financial statements.

In March 2020 and January 2021, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting and ASU No. 2021-01, Reference Rate Reform (Topic 848): Scope, respectively (collectively, “Topic 848”). Topic 848 provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions that reference the London Interbank Offered Rate (“LIBOR”) or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by Topic 848 are effective for all entities as of March 12, 2020 through December 31, 2022. In December 2022, the FASB issued ASU 2022-06, Reference Rate reform (Topic 848): Deferral of the Sunset Date of Topic 848, which deferred the sunset date of Topic 848, Reference Rate Reform to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, “Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Subtopic 815-40).” This ASU reduces the number of accounting models for convertible debt instruments and convertible preferred stock, as well as amend the guidance for the derivatives scope exception for contracts in an entity’s own equity to reduce form-over-substance-based accounting conclusions. In addition, this ASU improves and amends the related EPS guidance. This standard is effective for the Company on July 1, 2024, including interim periods within those fiscal years. Adoption is either a modified retrospective method or a fully retrospective method of transition. The adoption of this standard did not have a material impact on the Company’s consolidated financial statements.

The Company does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the consolidated financial position, statements of operations and cash flows.

Note 3 - Joint Ventures

Box Harmony, LLC

On January 13, 2022, the Company entered into a joint venture agreement (the “Joint Venture Agreement”) with Titanium Plus Autoparts, Inc., a California corporation (“TPA”), Tony Chiu (“Chiu”) and Bin Xiao (“Xiao”). Pursuant to the terms of the Joint Venture Agreement, the parties formed a Nevada limited liability company, Box Harmony, LLC (“Box Harmony”), for the principal purpose of providing logistic services primarily for foreign-based manufacturers or distributors who desire to sell their products online in the United States, with such logistic services to include, without limitation, receiving, storing and transporting such products.

Following entry into the Joint Venture Agreement, Box Harmony issued a total of 6,000 certificated units of membership interest, designated as Class A voting units (“Equity Units”), as follows: (i) the Company agreed to contribute \$50,000 in cash in exchange for 2,400 Equity Units in Box Harmony and agreed to provide Box Harmony with the use and access to certain warehouse facilities leased by the Company (see below), and (ii) TPA received 1,200 Equity Units in exchange for (a) \$1,200 and contributing the TPA IP License referred to below, (b) its existing and future customer contracts, and (c) granting Box Harmony the use of shipping accounts (FedEx and UPS) and all other TPA carrier contracts, and (iii) Xiao received 2,400 Equity Units in exchange for \$2,400 and his agreement to manage the day to day operations of Box Harmony.

Under the terms of the Box Harmony limited liability operating agreement (the “LLC Agreement”), TPA and Xiao each granted to the Company an unconditional and irrevocable right and option to purchase from Xiao and TPA at any time within the first 18 months following January 13, 2022, up to 1,200 Class A voting units, at an exercise price of \$550 per Class A voting unit, for a total exercise price of up to \$660,000. If such option is fully exercised, the Company would own 3,600 Equity Units or 60% of the total outstanding Equity Units. As of the date of this report, the Company had not exercised the option to purchase additional voting units from Xiao and TPA. The LLC Agreement prohibits the issuance of additional Equity Units and certain other actions unless approved in advance by the Company. In January 2023, TPA and Xiao transferred their 60% equity units to a third party without consideration as the LLC was still in the development stage and did not have significant operations. The transfer of equity did not have any impact on the LLC’s financial statements.

As a result, the Company owns 40% of the equity interest in Box Harmony with significant influence but does not own a majority equity interest or otherwise control of Box Harmony. The Company accounts for its ownership interest in Box Harmony following the equity method of accounting, in accordance with ASC 323, Investments —Equity Method and Joint Ventures. Under this method, the carrying cost is initially recorded at cost and then increased or decreased by recording its percentage of gain or loss in its statement of operations and a corresponding charge or credit to the carrying value of the asset. As of March 31, 2026 and June 30, 2025, the carrying value of the investment in Box Harmony was \$13,264 and \$13,264, respectively.

Global Social Media, LLC

On February 10, 2022, the Company entered into a joint venture agreement with Bro Angel, LLC, Ji Shin and Bing Luo (the “GSM Joint Venture Agreement”). Pursuant to the terms of the GSM Joint Venture Agreement, the parties formed a Nevada limited liability company, Global Social Media, LLC (“GSM”), for the principal purpose of providing a social media platform, contents and services to assist businesses, including the Company and other businesses, in marketing their products.

Following entry into the GSM Joint Venture Agreement, GSM issued 10,000 certificated units of membership interest (the “GSM Equity Units”), of which the Company was issued 6,000 GSM Equity Units and Bro Angel was issued 4,000 GSM Equity Units. Messrs. Shin and Luo are the owners of 100% of the equity of Bro Angel. The LLC Agreement prohibits the issuance of additional Equity Units and certain other actions unless approved in advance by Bro Angel, creating a noncontrolling right that would not be substantive to overcome the majority voting interests held by the Company.

As of the date of this report, the members had not completed the capital contributions and no receivables were recorded.

Pursuant to the terms of the Agreements, the Company owns 60% of the equity interest in GSM and control of GSM's operations. Based on ASU 2015-02, the Company consolidates GSM into its financial statements due to its majority equity ownership and control over operations. For the nine months ended March 31, 2026 and 2025, the impact of GSM's activities were immaterial to the Company's unaudited condensed consolidated financial statements.

United Package NV, LLC

On June 3, 2025, the Company, Custom Cup Factory, Inc., a California corporation ("CCF"), and Yi Yang ("Yang") entered into the limited liability company operating agreement (the "Operating Agreement") of United Package NV, LLC, a Nevada limited liability corporation ("United Package").

United Package focuses on the domestic production of packaging materials to serve the rapidly growing demands of U.S. businesses seeking reliable, sustainable, and cost-effective supply chain solutions without reliance on offshore manufacturing. Pursuant to the terms of the Operating Agreement, the Company owns 2,280 Class A Voting Units (as defined in the Operating Agreement) of United Package in consideration for the Company's contribution of equipment and facility, Yang owns 1,140 Class A Voting Units of United Package in consideration for Yang's commitment to manage the business of United Package and CCF owns 1,710 Class A Voting Units of United Package in consideration for CCF's contribution of its marketing expertise, existing sales channel and customer list.

As a result of the above, the Company owns approximately 44% of the equity interest in United Package with significant influence but does not own a majority equity interest or otherwise control of United Package. The Company accounts for its ownership interest in United Package following the equity method of accounting, in accordance with ASC 323, Investments —Equity Method and Joint Ventures. Under this method, the carrying cost is initially recorded at cost and then increased or decreased by recording its percentage of gain or loss in its statement of operations and a corresponding charge or credit to the carrying value of the asset. On October 15, 2025, pursuant to the Restructuring Agreement, the Company transferred its ownership in United Package to GPM. As of March 31, 2026 and June 30, 2025, the Company had investment total of \$0 and \$371,917 to United Package, respectively.

Note 4 – Variable Interest Entity

Effective February 15, 2022, upon acquisition of Anivia, the Company assumed the contractual arrangements between the WFOE and DHS through a variable interest operating entity structure. On September 26, 2024, Mr. Zanyu Li, the equity owner of DHS, transferred his shares to Ms. Xiaoyun Liu. Ms. Liu has become the Manager and Legal Representative of DHS and assumed all responsibilities and obligations of Mr. Zanyu Li. The transfer of equity ownership did not change the control the Company had on the VIE, therefore there was no impact on the Company's financial statements.

The Company did not provide financial or other support to the VIE for the periods presented where the Company was not otherwise contractually required to provide such support.

On August 4, 2025, the Company entered into a VIE Contract Termination Agreement with the VIE, pursuant to which all VIE agreements were terminated. As a result, the Company no longer has a controlling financial interest in the VIE. In accordance with ASC 810-10-40, *Consolidation — Deconsolidation of a Subsidiary or Derecognition of a Group of Assets*, the Company deconsolidated the VIE as of the termination date.

Upon deconsolidation, the Company derecognized all assets and liabilities of the VIE from its consolidated balance sheet. Because the Company retains no ownership interest or continuing involvement in the VIE following the termination of the agreements, no retained interest was recognized.

Comparative information for the prior period has not been adjusted, as the deconsolidation does not represent a discontinued operation under ASC 205-20.

As of June 30, 2025, there was no pledge or collateralization of the VIE assets that would be used to settle obligations of the VIE.

The following table summarizes the carrying amounts of the VIE's assets and liabilities derecognized as of August 4, 2025 and the carrying amount of the VIE's assets and liabilities as of June 30, 2025:

	Deconsolidation	June 30, 2025
Cash in bank	\$ 165,243	\$ 311,852
Prepayments and other receivables	\$ 290	\$ 279
Rent deposit	\$ –	\$ 9,772
Office equipment, net	\$ 3,652	\$ 3,562
Accounts payable	\$ 103,377	\$ 99,544
Income tax payable	\$ –	\$ 280,155
Other payables and accrued liabilities	\$ 24,915	\$ 465,990

The Company recorded a \$40,893 loss on deconsolidation of VIE for the nine months ended March 31, 2026.

The operating results of the VIE were as follows for the nine months ended March 31, 2026 and 2025:

	For the nine months ended	
	March 31, 2026	March 31, 2025
Revenue	\$ –	\$ –
Net income (loss) after elimination of intercompany transactions	\$ 650,250	\$ (669,296)

Note 5 – Discontinued Operation

On February 1, 2026, the Company entered into a software asset transfer agreement (the “Software Asset Transfer Agreement”) with its then-wholly owned subsidiary, Global Product Marketing, Inc., a Nevada corporation (“GPM”), pursuant to which GPM assigned, transferred and conveyed to the Company all of GPM's right, title and interest in its Software Assets (as defined in the agreement), and the Company assumed all outstanding vendor payables related to the Software Assets. In addition, the Software Asset Transfer Agreement granted GPM a non-exclusive worldwide, perpetual, irrevocable and royalty free license to use, reproduce and modify the licensed software, thus allowing the Company and GPM to collaborate in the software development on a going forward basis. Further, in the event GPM resells the Original Software code (as defined in the agreement), GPM shall pay the Company 50% of the proceeds received in relation to such sale.

Thereafter, on February 1, 2026, the Company entered into a stock purchase agreement (the “SPA”) with ETTS AI Investment LLC, a Nevada limited liability company (“ETTS AI”), pursuant to which the Company sold its equity interest in GPM and its underlying entities to ETTS AI in exchange for a \$2.3 million promissory note (the “Promissory Note”). The Promissory Note is repayable in full in seven years, may be prepaid at any time, and repayment may be credited from time to time by purchase orders (as described below) made under a supply and distribution agreement, dated February 1, 2026 (the “Supply and Distribution Agreement”), between the Company, GPM and ETTS AI.

Under the Supply and Distribution Agreement, the Company and GPM agreed that the Company will act as exclusive supplier in the United States, Canada and Mexico for all existing SKUs that have historically been distributed from the Company to GPM, thus allowing the Company to continue in its role of supplier to GPM while divesting of the cost center associated with GPM's sales function. As distributor, The Company will charge GPM, as supplier, a price mutually agreed on for each product and has the right to add up to 15% margin on top of the net cost. In addition, GPM will charge the Company a cooperative marketing fee, which will be defined in a subsequent agreement between the parties. Under the Supply and Distribution Agreement, payment on all purchase orders are due within seven days of GPM's receipt of payment from its customers and amounts identified as "Margin" (i.e., the Company's cost x margin on the SKUs purchased by GPM) may be applied on a dollar-for-dollar as a credit/offset against the outstanding amounts owed under the Promissory Note. The Supply and Distribution Agreement has a term of five years and automatically renews thereafter for subsequent two-year terms, unless 90 days' notice is provided prior to the expiration of such term. In addition, the Supply and Distribution Agreement contains standard limitation on liability, indemnification and other provisions standard for an agreement of this nature.

The sale of GPM represents a strategic shift that will have a major effect on the Company's operations and financial results. Due to this shift, for all periods presented, the consolidated financial statements reflect GPM's financial results as discontinued operations in the consolidated statements of operations.

The following table summarizes the carrying amounts of GPM's assets and liabilities and loss on disposal as of February 1, 2026:

	Amount
Total assets	\$ 4,209,577
Total liabilities	(92,159)
Net assets disposed	4,117,418
Total consideration	2,300,000
Loss on disposal	<u>\$ (1,817,418)</u>

The following table presents components of discontinued operations, net of tax for the three and nine months ended March 31, 2026 and 2025:

Component	Three Months Ended		Nine Months Ended	
	<u>3/31/26</u>	<u>3/31/2025</u>	<u>3/31/2026</u>	<u>3/31/2025</u>
Income from discontinued operations	\$ 295,426	\$ 65,861	\$ 108,724	\$ 493,044
Gain on disposition of subsidiaries	1,613,936	-	1,613,936	-
Income tax expenses	82,866	19,653	312,146	147,124
Total discontinued operations, net of tax	<u>\$ 1,826,496</u>	<u>\$ 46,208</u>	<u>\$ 1,410,514</u>	<u>\$ 345,920</u>

The following table presents items from discontinued operations for the nine months ended March 31, 2026 and 2025 included within the consolidated statements of cash flows, including adjustments to reconcile net earnings to cash provided by (used in) operating activities:

	Nine Months Ended	
	<u>3/31/2026</u>	<u>3/31/2025</u>
Income from discontinued operations	\$ 108,724	\$ 493,044
Gain on disposition of subsidiaries	1,613,936	-

There were no investing activities, financing activities, or non-cash items related to discontinued operations included in the consolidated statements of cash flows for the nine months ended March 31, 2026 and 2025.

Note 6 – Accounts Receivable

Accounts receivable for the Company consisted of the following as of the dates indicated below:

	March 31, 2026	June 30, 2025
Accounts receivable	\$ 9,038,319	\$ 8,048,425
Less: allowance for credit losses	(1,974,130)	(1,924,417)
Total accounts receivable	<u>\$ 7,064,189</u>	<u>\$ 6,124,008</u>

The changes in allowance for credit losses on accounts receivable are summarized below:

	Allowance for Credit Losses
Balance at June 30, 2025	1,924,417
Allowance recorded during the three months ended September 30, 2025	49,713
Balance at September 30, 2025	1,974,130
Allowance recorded during the three months ended December 31, 2025	–
Balance at December 31, 2025	1,974,130
Allowance recorded during the three months ended March 31, 2026	–
Balance at March 31, 2026	<u>1,974,130</u>

Note 7 – Inventories

As of March 31, 2026 and June 30, 2025, inventories consisting of finished goods ready for sale, net of allowance for obsolescence, amounted to \$2,536,961 and \$8,131,203, respectively.

For the three and nine months ended March 31, 2026, the Company recorded inventory reserve expense of \$0 and \$58,453, respectively. For the three and nine months ended March 31, 2025, the Company recorded inventory reserve expense of \$0 and \$288,474, respectively. As of March 31, 2026 and June 30, 2025, allowance for obsolescence was \$370,921 and \$312,468, respectively.

Note 8 – Prepayments and Other Current Assets

As of March 31, 2026 and June 30, 2025, prepayments and other current assets consisted of the following:

	March 31, 2026	June 30, 2025
Advance to suppliers	\$ –	\$ 1,787,296
Prepaid income taxes	95,328	19,072
Prepaid expenses and other receivables	1,877,887	761,338
Less: Allowance for credit losses	–	–
Total	<u>\$ 1,973,215</u>	<u>\$ 2,567,706</u>

Note 9 - Digital Assets

On December 27, 2025, the Company purchased (1) 15.12 Bitcoin (BTC) at an average price of \$87,686.33 per BTC, for a total amount of approximately \$1,325,400 and (2) 301.10 Ethereum (ETH) at an average price of \$2,934.67 per ETH, for a total amount of approximately \$883,600. Pursuant to a Security and Pledge Agreement (the "Security Agreement") by and among the Company, each of the direct and indirect Subsidiaries (as defined in the Security Agreement) of the Company (the "Guarantors"), and an entity that is an affiliate of the Convertible Note Investor, the Company granted to the Investor, for the ratable benefit of the Investor, a valid, perfected and enforceable first priority security interest in the cryptocurrency assets of the Company and the Guarantors, including without limitation all Crypto Collateral (as defined in the Security Agreement) and related assets.

The following table provides a roll-forward of digital assets measured at fair value on a recurring basis for the nine months ended March 31, 2026:

	Fair Value
Balance as of June 30, 2025	\$ —
Purchase of BTC	1,325,400
Purchase of ETH	883,600
Sales of BTC	—
Sales of ETH	—
Change in fair value of BTC	(294,013)
Change in fair value of ETH	(250,160)
Balance as of March 31, 2026	<u>\$ 1,664,827</u>

During the three and nine months ended March 31, 2026, the Company recognized a net unrealized loss of \$549,932 and \$544,173, respectively, on its digital asset holdings.

Digital assets consisted of the following at March 31, 2026:

Digital assets held:	March 31, 2026		
	Units	Cost Basis	Fair Value
BTC	15.12	\$ 1,325,400	\$ 1,031,387
ETH	301.10	883,600	633,440
		<u>\$ 2,209,000</u>	<u>\$ 1,664,827</u>

Note 10 – Intangible Assets

As of March 31, 2026 and June 30, 2025, intangible assets, net, consisted of the following:

	March 31, 2026	June 30, 2025
Covenant not to compete	\$ 3,459,120	\$ 3,459,120
Supplier relationships	1,179,246	1,179,246
Software	534,591	534,590
Accumulated amortization	(2,678,657)	(2,191,628)
Total	<u>\$ 2,494,300</u>	<u>\$ 2,981,328</u>

The intangible assets were acquired on February 15, 2022 through the Company’s acquisition of Anivia. The weighted average remaining life for finite-lived intangible assets at March 31, 2026 was approximately 4.45 years. The amortization expense for the three and nine months ended March 31, 2026 was \$162,343 and \$487,029, respectively. The amortization expense for the three and nine months ended March 31, 2025 was \$162,343 and \$487,028, respectively. At March 31, 2026, finite-lived intangible assets are expected to be amortized over their estimated useful lives, which ranges from a period of five to 10 years, and the estimated remaining amortization expense for each of the five succeeding years thereafter is as follows:

Year Ending June 30,	Amount
2026	\$ 162,343
2027	609,277
2028	468,750
2029	345,912
2030	345,912
Thereafter	562,106
Intangible assets, net	<u>\$ 2,494,300</u>

Note 11 – Other Payables and Accrued Liabilities

As of March 31, 2026 and June 30, 2025, other payables and accrued liabilities consisted of the following:

	March 31, 2026	June 30, 2025
Accrued payables for inventory in transit	\$ –	\$ 262,570
Credit cards payable	218,171	143,518
Customer deposits	1,161,635	291,995
Accrued Amazon fees	77,191	76,534
Sales taxes payable	615,406	433,604
Accrued payroll and related expenses	10,417	560,387
Other accrued liabilities and payables	53,870	813
Total	<u>\$ 2,136,690</u>	<u>\$ 1,769,421</u>

Note 12 – Loans Payable

Long-term Convertible Notes

On December 22, 2025, the Company entered into a securities purchase agreement (the “SPA”) with an accredited investor (the “Investor”) providing for a convertible note facility in the aggregate original principal amount of up to \$30,000,000 (the “Convertible Note Facility”). At the initial closing on December 23, 2025, the Investor purchased (i) a Series A Senior Secured Convertible Promissory Note in the original principal amount of \$5,184,024 (the “Series A Note”), issued in a private placement under Rule 506(b) of Regulation D, and (ii) a Series B Senior Secured Convertible Promissory Note in the original principal amount of \$1,815,976 (the “Series B Note,” together with the Series A Note, the “Convertible Notes”), issued in a registered direct offering pursuant to the Company’s effective shelf registration statement on Form S-3.

The total original principal amount of the Convertible Notes issued at the initial closing was \$7,000,000. Pursuant to the SPA, the parties will close on an additional Series A Convertible Note of approximately \$2,000,000 (the “Additional Series A Notes”), to be issued upon the effectiveness of a resale registration statement, bringing the total funded amount to \$9,000,000.

The Notes were issued at a 6% original issue discount (“OID”), resulting in gross cash proceeds to the Company of \$6,580,000. After deducting placement agent fees of \$394,800 and legal and other transaction expenses of \$150,000, the Company received net proceeds of \$6,035,200.

The Convertible Notes bear interest at a rate of 10% per annum (increasing to 17% per annum upon the occurrence and during the continuance of an Event of Default), with interest payable monthly on the first Trading Day of each calendar month commencing January 1, 2026, in shares valued at the Alternate Conversion Price or, at the Company’s election, in cash. The Convertible Notes mature on December 23, 2027.

The Convertible Notes are convertible into shares of Common Stock at a fixed Conversion Price of \$17.70 per share, subject to adjustment. The holder may elect to convert at an Alternate Conversion Price equal to the lower of (i) the Conversion Price or (ii) the greater of the Floor Price or 95% of the lowest daily VWAP during the seven consecutive Trading Days preceding conversion. During an Event of Default, the Alternate Conversion Price becomes the lower of (i) the Conversion Price or (ii) the greater of the Floor Price or 90% of the lowest daily VWAP during the ten consecutive Trading Days preceding conversion. The Floor Price is \$2.27 per share, subject to downward adjustment every six months to the lower of the then-current Floor Price or 20% of the trading price. On March 23, 2026, the Conversion Price automatically resets to \$14.16 if then above such level. The holder is subject to a 4.99% Beneficial Ownership Cap on outstanding Common Stock, which may be increased to 9.99% upon 61 days’ notice.

The Convertible Notes contain the following redemption features: (i) upon an Event of Default, the holder may require redemption at 115% of the outstanding Conversion Amount; (ii) upon a Change of Control, the holder may require redemption at 110% of the Conversion Amount; (iii) upon a subsequent equity financing, the holder may require redemption of up to 20% of net proceeds at 110%; (iv) upon certain asset sales (only if Crypto Collateral Value falls below 150% of outstanding principal), the holder may require redemption of up to 20% of net proceeds at 110%; and (v) the Company may optionally redeem at 110% of the Conversion Amount (or 115% during an Event of Default period). The Convertible Notes also contain a modified full-ratchet anti-dilution provision whereby if the Company issues shares below the then-effective Conversion Price (other than Excluded Securities), the Conversion Price is automatically reduced to 115% of the new issuance price.

The Convertible Notes are senior secured obligations of the Company, collateralized by all cryptocurrency digital assets of the Company and certain of its subsidiaries pursuant to a Security and Pledge Agreement. The Convertible Notes are guaranteed by all subsidiaries of the Company.

In connection with the issuance of the Convertible Notes, the Company entered into (i) a Security and Pledge Agreement, dated December 22, 2025, granting the Investor a first priority security interest in the cryptocurrency digital assets of the Company and its subsidiaries; (ii) a Guaranty, dated December 23, 2025, pursuant to which all subsidiaries of the Company jointly and severally guarantee the Company’s obligations under the Convertible Notes; and (iii) a Registration Rights Agreement, dated December 23, 2025, requiring the Company to file a registration statement within 30 days of issuance to register the resale of Series A Conversion Shares and cause such registration statement to be declared effective within 60 days, with liquidated damages of 1.5% of the holder’s original principal amount payable upon failure to meet these deadlines.

Pursuant to the SPA, on February 9, 2026, the Company delivered an Additional Mandatory Closing Notice (as defined in the Purchase Agreement) to the Investor and, on February 10, 2026, consummated the Additional Mandatory Closing in accordance with the Purchase Agreement, receiving \$1,880,000 in exchange for issuing a \$2,000,000 aggregate principal amount of the Additional Mandatory Series A Note to the Investor after satisfaction of all applicable closing conditions, including the effectiveness of the resale registration statement and the absence of any event of default.

Accounting and Fair Value Measurement for Embedded Derivative Liability

The Company evaluated the embedded features within the convertible note in accordance with ASC Topic 480 and ASC Topic 815. The Company determined that the following embedded features constitute a compound derivative liability requiring bifurcation from the debt host: (i) the Conversion Option, which includes multiple pricing mechanisms (fixed conversion at \$17.70, Alternate Conversion Price based on 95% of lowest 7-day VWAP, Event of Default Conversion Price based on 90% of lowest 10-day VWAP, the Floor Price, the March 2026 reset, and anti-dilution adjustments); (ii) Interest Payment in Shares at the Alternate Conversion Price; and (iii) cash-settled put options arising from various redemption features (Event of Default at 115% premium, Change of Control at 110% premium, Subsequent Placement at 110% premium, and Asset Sale at 110% premium).

These features are not clearly and closely related to the debt host, meet the definition of a derivative, and do not qualify for the derivative accounting exemptions. Accordingly, the embedded features were bifurcated as a single compound derivative liability measured at fair value, with subsequent changes in fair value recognized in the condensed consolidated statements of operations.

The initial fair value of the compound embedded derivative liability was determined using a Monte Carlo Simulation valuation model, considering various potential outcomes and scenarios. The model used the following assumptions: (i) dividend yield of 0%; (ii) expected volatility of 141%; (iii) risk-free interest rate of approximately 3.5%; (iv) term of 2.0 years; (v) fair value of the common shares of \$4.4 to \$10.46 per share; and (vi) various probability assumptions.

At March 31, 2026, the Company remeasured the derivative liability using updated assumptions: (i) dividend yield of 0%; (ii) expected volatility of 130%; (iii) risk-free interest rate of 3.8%; (iv) remaining term of 1.8 years; (v) fair value of the common shares of \$1.39 per share; and (vi) various probability assumptions.

Subsequent changes in fair value are recognized in the statement of operations for each reporting period. The issuance costs for the Convertible Notes, along with the fair value of the bifurcated embedded derivative liability, were collectively treated as a debt discount. Upon initial recognition, the total debt discount was \$2,577,500, consisting of the fair value of the bifurcated derivative liability of \$1,612,700, the original issue discount of \$420,000, and debt issuance costs of \$544,800. The debt discount is being amortized to interest expense over the two-year term using the effective interest method at an effective rate of approximately 23.2%.

During the period ended March 31, 2026, the holder converted Convertible Notes with an aggregate fair value of \$2,597,000, including \$2,377,166 of principal and interest into 703,487 shares of Common Stock. The conversions were effected at the Alternate Conversion Price on the respective conversion dates. The Company accounted for each conversion as a partial extinguishment of the debt host and related embedded derivative liability, resulting in a loss on extinguishment of \$563,734, representing the excess of the fair value of shares issued over the carrying amounts derecognized.

As of March 31, 2026, the remaining outstanding principal balance of the Convertible Notes was \$6,686,603 and an unamortized debt discount of \$2,216,085, resulting in a net carrying amount of \$4,470,518. Interest expense, including amortization of debt discount, recognized on the Convertible Notes during the three and nine months ended March 31, 2026, was \$415,965 and \$453,752, respectively.

Long-term loan

Asset-based revolving loan

On November 12, 2021, the Company entered into a Credit Agreement with JPMorgan Chase Bank, N.A. ("JPMorgan"), as administrative agent, issuing bank and swingline lender, for an asset-based revolving loan ("ABL") of up to \$25 million with key terms listed as follows:

- Borrowing base equal to the sum of
 - Up to 90% of eligible credit card receivables
 - Up to 85% of eligible trade accounts receivable
 - Up to the lesser of (i) 65% of cost of eligible inventory or (ii) 85% of net orderly liquidation value of eligible inventory
- Interest rates of between LIBOR plus 2% and LIBOR plus 2.25% depending on utilization
- Undrawn fee of between 0.25% and 0.375% depending on utilization
- Maturity Date of November 12, 2024

In addition, the ABL included an accordion feature that allows the Company to borrow up to an additional \$25.0 million. To secure complete payment and performance of the secured obligations, the Company granted a security interest in all of its right, title and interest in, to and under all of the Company's assets as collateral to the ABL. Upon closing of the ABL, the Company paid \$796,035 in financing fees including 2% of \$25.0 million or \$500,000 paid to its financial advisor. The financing fees are recorded as debt discount and are to be amortized over the three-year term of the ABL as interest expense.

Below is a summary of the interest expense recorded for the three and nine months ended March 31, 2026 and 2025:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2026	2025	2026	2025
Accrued interest	\$ –	\$ 71,879	\$ 113,507	\$ 181,049
Credit utilization fees	–	10,025	18,636	46,375
Amortization of debt discount	–	–	–	125,906
Total	\$ –	\$ 81,904	\$ 132,143	\$ 353,330

On February 16, 2022, in connection with the acquisition of Anivia Limited, the Company and JPM entered into an amendment to the Pledge and Security Agreement, pursuant to which the Company pledged 65% of its ownership interest in Anivia Limited and its subsidiaries.

On October 7, 2022, the Company entered into a second amendment to the credit agreement and consent (the "Second Amendment to the Credit Agreement"), originally dated November 12, 2021, as amended, with JPMorgan. The Company entered into the Second Amendment to the Credit Agreement primarily for the purpose of changing the interest rate repayment calculations from LIBOR to the Secured Overnight Financing Rate, or SOFR, which adjustment had originally been anticipated under the terms of the original Credit Agreement. In addition, two of the negative covenants set forth in the original Credit Agreement were amended in order to (i) adjust the definition of "Covenant Testing Trigger Period" to increase the required cash availability from \$3,000,000 to \$4,000,000, or 10% of the aggregate revolving commitment for the preceding 30 days, and (ii) require that the Company will not and will not permit any of its subsidiaries, after reasonable due diligence and due inquiry, to knowingly sell their products, inventory or services directly to any commercial businesses that grows or cultivates cannabis; it being acknowledged, however, that the Company does not generally conduct due diligence on its individual retail customers.

On November 8, 2024, the Company entered into a third amendment (the "Third Amendment") to that certain credit agreement, initially entered into by and among the Company and its subsidiaries and JPMorgan Chase Bank, N.A., as administrative agent for the Lender and a lender (the "Administrative Agent" or "Lender"), on November 12, 2021 (the "Credit Agreement"). The Third Amendment to the Credit Agreement amended, among other things, (i) the defined term "Aggregate Revolving Commitment" to mean \$15,000,000, and (ii) extended the maturity date to "November 8, 2027 or any earlier date on which the Revolving Commitments are reduced to zero or otherwise terminated pursuant to the terms hereof." The borrowing rate is SOFR plus 2.25% to 2.50% depending on utilization of the borrowing availability.

On December 7, 2025, the Company repaid in full the outstanding amount resulting in the termination of the ABL.

As of March 31, 2026 and June 30, 2025, the outstanding amount of the ABL, which was classified as current revolving loan payable, including interest payable, was \$0 and \$3,737,602, respectively.

Short-term loan payable

On April 8, 2024, the Company entered into an agreement with an unrelated accredited investor (the "Investor") for an on-demand, unsecured and subordinated loan ("On-demand Loan 2"). Pursuant to the agreement, the Investor agreed to loan the Company the amount requested. The On-demand Loan 2 bears interest at the rate of the Secured Overnight Financing Rate, or SOFR, plus 1.5% per annum. The On-demand Loan 2 is due in 30 days upon receipt of the Investor's notice of repayment. For the three and nine months ended March 31, 2026, the Company did not record interest expense as the On-demand Loan 2 had been fully paid off. For the three and nine months ended March 31, 2025, the Company recorded interest expense of \$0 and \$3,733, respectively.

On July 9, 2025, the Company borrowed \$500,000 as a short-term loan (“RP Loan 2”) from an entity owned by Mr. Allan Huang, one of the majority shareholders of the Company. The RP Loan 2 bears no interest and is due upon receipt of request of repayment. As of March 31, 2026, The RP Loan 2 had been fully paid off.

On November 24, 2025, the Company issued three promissory notes totaling \$2 million (the “Promissory Notes”) in exchange for gross proceeds of \$2 million. The Promissory Notes were entered into with certain investors and related parties, including an entity controlled by the Company’s CEO, Chenlong Tan. The Promissory Notes bear 6.5% interest per annum and are repayable upon the earlier of 90 days or the Company’s entry into new financing arrangements. The funds received in connection with the Company’s issuance of the Promissory Notes was used to pay off the Company’s existing ABL with JPMorgan Chase Bank, N.A. (“JPMorgan”). For the three and nine months ended March 31, 2026, the Company recorded interest expense of \$16,072 and \$29,250, respectively. As of March 31, 2026, the On-demand Loan 2 had been fully paid off.

Note 13 - Related Party Transactions

On July 9, 2025, the Company borrowed \$500,000 as a short-term loan from an entity owned by Mr. Allan Huang, one of the majority shareholders of the Company. See Note 12 above for details.

On November 24, 2025, the Company issued a Promissory Note in exchange for gross proceeds of \$550,000 to an entity controlled by the Company’s CEO, Chenlong Tan. See Note 12 above for details.

On June 3, 2025, the Company, Custom Cup Factory, Inc. (“CCF”) and Ms. Yi Yang, our new director appointed on June 6, 2025, entered into the Limited Liability Company Operating Agreement (the “Operating Agreement”) of United Package NV, LLC, a Nevada limited liability corporation (the “Joint Venture”). The Joint Venture will focus on the domestic production of packaging materials to serve the rapidly growing demands of U.S. businesses seeking reliable, sustainable, and cost-effective supply chain solutions without reliance on offshore manufacturing. See Note 3 above for details.

In addition, Ms. Yang’s entity, Pacelcor Inc. (“Pacelcor”), manages a warehouse and provides fulfillment services for the Company and receives a monthly service fee, which fluctuates from month to month. Ms. Yang is the Founder and Chief Executive Officer of Pacelcor. As a result, Pacelcor has become a related party of the Company since June 6, 2025. For the three and nine months ended March 31, 2026, the Company received \$925,209 and \$2,193,126 in services from Pacelcor. As of March 31, 2026 and June 30, 2025, the accounts payable to Pacelcor was \$724,842 and \$78,831, respectively. Ms. Yang’s other entity, Pacelcor NV Inc. (“Pacelcor NV”) also provides marketing services for the Company. As of March 31, 2026 and June 30, 2025, the outstanding accounts payable to Pacelcor NV was \$315,019 and \$315,019, respectively.

Note 14 – Income Taxes

In addition to corporate income taxes in the United States, upon completion of the acquisition of Anivia in February 2022, the Company is subject to corporate income taxes in People’s Republic of China (“PRC”). Anivia and its subsidiaries are subject to BVI or Hong Kong income taxes but did not have any operations in those jurisdictions for the year ended June 30, 2022. The Company’s subsidiary in China, Dayourenzai (Shenzhen) Technology Co., Ltd. (“WFOE”), is subject to the Global Intangible Low-Taxed Income (or GILTI) Tax. WFOE is subject to 5% tax rate in PRC until December 31, 2027. Since WFOE had losses during the nine months ended March 31, 2026 and 2025 and the year ended June 30, 2025, no GILTI tax was recorded as of March 31, 2026 and June 30, 2025. The Company is not eligible for the GILTI high-tax exclusion. In addition, as a result of the acquisition, the Company recognized goodwill in the amount of \$3,034,110. Since the acquisition was a stock acquisition, the goodwill is not deductible for tax purposes.

For the three and nine months ended March 31, 2026 and 2025, as a result of the Company’s inability to establish a reliable estimate for annual effective tax rate, the Company calculated income tax expense using the actual effective tax rate year to date, as opposed to the estimated annual effective tax rate, as provided in Accounting Standards Codification (ASC) 740-270-30-18.

For the three and nine months ended March 31, 2026, the Company had income tax benefit of \$326,502 and \$1,839,874, respectively. For the three and nine months ended March 31, 2025, the Company had income tax expense of \$6,364 and income tax benefit of \$637,108, respectively.

The Company’s effective income tax rate was 21.82% and 18.50% for the nine months ended March 31, 2026 and 2025, respectively. The Company’s effective tax rate differs from the U.S. statutory rate of 21% primarily due the combination of U.S. state income tax deduction, other permanent differences and the impact of foreign jurisdictions.

As of March 31, 2026, prepaid income taxes to US tax authorities was \$95,328. As of June 30, 2025, prepaid income taxes to US tax authorities and income tax payable to Chinese tax authorities was \$19,073 and \$280,155, respectively.

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

	<u>March 31, 2026</u>	<u>June 30, 2025</u>
Deferred tax assets		
263A calculation	\$ 73,139	\$ 256,568
Inventory reserve	97,902	83,180
State taxes	3,797	4,844
Accrued expenses	21,753	21,750
ROU assets / liabilities	79,524	95,711
Net operating loss	3,076,619	3,081,145
Disallowed interest expense	369,542	311,662
Stock-based compensation	644,971	336,394
Valuation allowance	(129,171)	(118,191)
Allowance for credit loss	521,060	512,289
Goodwill impairment loss	800,836	–
Total deferred tax assets	<u>5,559,972</u>	<u>4,585,352</u>
Deferred tax liabilities		
Depreciation	(35,630)	(56,648)
Unrealized gain/loss	142,188	–
Intangible assets acquired	(675,694)	(804,242)
Total deferred tax liabilities	<u>(569,136)</u>	<u>(860,890)</u>
Net deferred tax assets	<u>\$ 4,990,836</u>	<u>\$ 3,724,462</u>

Note 15 – Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share for the periods presented:

	<u>Three Months Ended</u> <u>March 31,</u>		<u>Nine Months Ended</u> <u>March 31,</u>	
	<u>2026</u>	<u>2025</u>	<u>2026</u>	<u>2025</u>
Numerator:				
Net loss attributable to iPower Inc.	<u>\$ (3,454,878)</u>	<u>\$ (339,599)</u>	<u>\$ (5,181,807)</u>	<u>\$ (2,150,061)</u>
Denominator:				
Weighted-average shares used in computing basic and diluted earnings per share*	<u>\$ 1,453,875</u>	<u>\$ 1,048,508</u>	<u>\$ 1,200,110</u>	<u>\$ 1,047,816</u>
Earnings (losses) per share of ordinary shares - basic and diluted	<u>\$ (2.38)</u>	<u>\$ (0.33)</u>	<u>\$ (4.32)</u>	<u>\$ (2.06)</u>

* Due to the anti-dilutive effect, the computation of basic and diluted EPS did not include the shares underlying the exercise of warrants, options, and unvested RSUs as the Company had a net loss for the three and nine months ended March 31, 2026 and 2025.

* For the three and nine months ended March 31, 2026, 541 and 82,759 vested but unissued shares of restricted stock units under the 2020 Equity Incentive Plan (as discussed in Note 16) are considered issued shares and therefore are included in the computation of basic losses per share when the shares are fully vested.

* For the three and nine months ended March 31, 2025, 17,857 and 62,771 vested but unissued shares of restricted stock units under the 2020 Equity Incentive Plan (as discussed in Note 16) are considered issued shares and therefore are included in the computation of basic losses per share when the shares are fully vested.

Note 16 – Equity

Common Stock

As of March 31, 2026, the total authorized shares of capital stock were 200,000,000 shares consisting of 180,000,000 shares of Common Stock (“Common Stock”) and 20,000,000 shares of preferred stock (the “Preferred Stock”), each with a par value of \$0.001 per share.

The holders of Common Stock shall be entitled to one vote per share in voting to the election of directors and all other corporate purposes. Subject to the express terms of any outstanding series of Preferred Stock, dividends may be paid in cash or otherwise with respect to the holders of Common Stock out of the assets of the Company legally available therefor, upon the terms, and subject to the limitations, as the Board of Directors of the Company (the “Board of Directors”) may determine. In the event of liquidation or dissolution of the Company, subject to the express terms of any outstanding series of Preferred Stock, the holders of Common Stock shall be entitled to share in the distribution of any remaining assets available for distribution to the holders of Common Stock ratably in proportion to the total number of shares of Common Stock then issued and outstanding.

On October 27, 2025, the Company effectuated the 1-for-30 Reverse Stock Split. When the Reverse Stock Split became effective, every thirty (30) shares of the Company’s issued and outstanding Common Stock immediately prior to the Effective Time automatically reclassified into one (1) share of Common Stock, without any change in the par value per share. The Reverse Stock Split did not change the total number of authorized shares of Common Stock or preferred stock. As a result, unless otherwise indicated, all references to common stock, restricted stock units, warrants and options to purchase common stock, share data, per-share data, and related information have been retroactively adjusted, where applicable in the unaudited condensed consolidated financial statements and notes, to reflect the 1-for-30 reverse stock split of the Company’s common stock as if the split had occurred at the beginning of the earliest period presented.

During the nine months ended March 31, 2026, the Company issued 4,460 shares of restricted Common Stock for RSUs vested.

On June 18, 2024, the Company closed on a registered direct offering (the “Registered Direct”) of 69,445 shares of common stock (the “Shares”) and a concurrent private placement (“Private Placement,” and together with the Registered Direct, the “Offering”) of warrants (the “Warrants”) to purchase 69,445 shares of common stock (the “Warrant Shares”), which were sold for gross aggregate proceeds of \$5,000,002. The Shares were sold pursuant to a prospectus supplement, filed on June 18, 2024, to the Registration Statement on Form S-3, originally filed on September 25, 2023, with the SEC (File No. 333-274665) and declared effective by the SEC on September 29, 2023. The Warrants, which were issued pursuant to an exemption from registration pursuant to Section 4(a)(2) or Regulation D on the Securities Act, have a term of five years and are immediately exercisable at \$72.0 per share. The Shares and Warrants were sold to a purchaser pursuant to a securities purchase agreement, dated June 16, 2024, between the Company and the purchaser (the “Purchase Agreement”). Roth Capital Partners, LLC (the “Placement Agent”) acted as placement agent, pursuant to a placement agency agreement between the Company and the Placement Agent dated June 16, 2024 (the “Placement Agency Agreement”). The Company paid the Placement Agent as compensation a cash fee equal to 6.5% of the gross proceeds of the Offering plus reimbursement of certain expenses and legal fees. The net proceeds of the Offering, after deducting \$456,913, the Placement Agent’s fees and expenses and other direct offering costs paid by the Company, was \$4,543,089.

The Company calculated the fair value of the Warrants at \$3.1 million, with a relative fair value of \$1.7 million after allocation of the fair value of the Shares, using the Black-Scholes Model with the following variables:

- Stock Price - \$2.00 (pre-reverse-split price)
- Exercise Price - \$2.40 (pre-reverse-split price)
- Volatility – 104%
- Term – 5 years
- Risk Free Rate of Return – 4.24%

Pursuant to the Warrant agreement, except for some fundamental transactions within the Company's control, in no event shall the Company be required to net cash settle the Warrants. The Company considered and followed the rules and guidelines under ASC 480-10 and ASC 815 and concluded that the Warrants should be classified and recorded as equity. Further, as the warrants were issued as part of the Offering, the relative fair value of the Warrants was included in the gross proceeds and recorded as additional paid-in capital. As of March 31, 2026 and June 30, 2025, none of the warrants had been exercised.

On June 18, 2024, in order to recoup the settlement payment made to Boustead Securities, LLC, the Company's Chief Executive Officer and co-founder, Lawrence Tan, along with co-founder Allan Huang, returned a total of 18,056 shares to the Company for cancellation (the "Share Cancellation"). The Share Cancellation was completed in June 2024 and the par value of \$542 was reduced against additional paid-in capital.

On December 21, 2025, holders of a majority of the Company's outstanding voting power (53.1%) approved (1) the Convertible Note Facility, (2) the issuance of in excess of 20% of the Company's outstanding common stock at a price less than the "Minimum Price" under Nasdaq Listing Rule 5635(d), (3) an increase in authorized shares from 200,000,000 to 1,000,000,000, (4) authorization for the Board to approve one or more reverse stock splits in the range of 1-for-250 shares, and (5) authorization for the Board to adopt a mirror preferred stock.

During the nine months ended March 31, 2026, the Company issued the following common stock of the Company:

- 703,487 shares in connection with the conversion of a \$2,597,000 in aggregate fair value of convertible notes at a weighted-average conversion price of \$3.69 per share;
- 20,680 shares for services to consultants; and
- 42 shares were issued as round-up shares in connection with the reverse stock split that became effective on October 27, 2025.

As of March 31, 2026 and June 30, 2025, there were 1,773,999 and 1,045,330 shares of Common Stock issued and outstanding.

Preferred Stock

The Preferred Stock was authorized as "blank check" series of Preferred Stock, providing that the Board of Directors is expressly authorized, subject to limitations prescribed by law, by resolution or resolutions and by filing a certificate pursuant to the applicable law of the State of Nevada, to provide, out of the authorized but unissued shares of Preferred Stock, for series of Preferred Stock, and to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof. As of March 31, 2026 and June 30, 2025, respectively, there were no shares of Preferred Stock issued and outstanding.

Equity Incentive Plan

On May 5, 2021, the Company's Board of Directors adopted, and its stockholders approved and ratified, the iPower Inc. Amended and Restated 2020 Equity Incentive Plan (the "Plan"). The Plan allows for the issuance of up to 50,000,000 shares of Common Stock, whether in the form of stock options, restricted stock, restricted stock units, stock appreciation rights, performance units, performance shares and other stock or cash awards. The general purpose of the Plan is to provide an incentive to the Company's directors, officers, employees, consultants and advisors by enabling them to share in the future growth of the Company's business. On November 16, 2021 and December 6, 2022, the Company filed a registration statement on Form S-8 registering all shares issuable under the Plan, which was subsequently amended on December 6, 2022 and September 15, 2023, November 22, 2023, and April 17, 2026.

Restricted Stock Unit

On November 12, 2025, the Company granted \$800,000 in RSUs as bonus to Chenlong Tan, the CEO of the Company. As a result, 81,136 RSUs, calculated based on the closing price, \$9.86, on the grant date, were issued to Mr. Tan. The RSUs vested immediately but contained a deferred settlement provision. As a result, settlement of the vested RSUs shall occur on the earliest of the following Code Section 409A-permitted payment events: (1) change of control of the Company that qualifies as a “change in control event” as defined under Code Section 409A; (2) Reporting Person’s separation from service (subject to any required delay under the Amended and Restated 2020 Equity Incentive Plan; (3) upon the Reporting Person’s death or disability, or (4) in the event of an “unforeseeable financial emergency,” as defined under Code Section 409A.

During the nine months ended March 31, 2026 and 2025, the Company granted an additional 82,742 and 2,381 shares of RSUs to the Company’s directors, respectively.

For the three and nine months ended March 31, 2026, the Company recorded stock-based compensation expense of \$10,000 and \$830,000, respectively, related to the vesting of RSUs. For the three and nine months ended March 31, 2025, the Company recorded \$22,500 and \$76,788 of stock-based compensation expense. There was no forfeiture of RSUs occurred during the nine months ended March 31, 2026 and 2025. As of March 31, 2026 and June 30, 2025, the unvested number of RSUs was 448 and 463 and the unamortized expense was \$8,333 and \$8,333, respectively.

Information relating to RSU grants is summarized as follows:

For the nine months ended March 31, 2026:

	<u>Total RSUs Issued</u>	<u>Total Fair Market Value of RSUs Issued as Compensation (1)</u>
RSUs granted, but not vested, at June 30, 2025	463	
RSUs granted	82,742	\$ 830,000
RSUs forfeited	–	
RSUs vested	(82,757)	
RSUs granted, but not vested, at March 31, 2026	<u>448</u>	

(1) The total fair value was based on the current stock price on the grant date.

As of March 31, 2026, of the 96,345 vested RSUs, 13,989 shares of Common Stock were issued, and 82,356 shares were to be issued in the future. As of June 30, 2025, of the 13,587 vested RSUs, 9,529 shares of Common Stock were issued, and 4,058 shares were to be issued in the near future.

For the nine months ended March 31, 2025:

	<u>Total RSUs Issued</u>	<u>Total Fair Market Value of RSUs Issued as Compensation (1)</u>
RSUs granted, but not vested, at June 30, 2024	108	
RSUs granted	2,381	\$ 90,000
RSUs forfeited	–	
RSUs vested	(2,092)	
RSUs granted, but not vested, at March 31, 2025	<u>397</u>	

(1) The total fair value was based on the current stock price on the grant date.

As of March 31, 2025, of the 13,097 vested RSUs, 9,529 shares of Common Stock were issued, and \$3,569 shares were to be issued in the near future.

Stock Option

On May 12, 2022, the Compensation Committee of the Board of Directors approved an incentive plan for the Company's executive officers consisting of a cash performance bonus of \$60,000 to be awarded to Kevin Vassily, CFO of the Company, and grants of stock option (the "Option Grants") exercisable to purchase (i) 100,000 shares of Common Stock to Chenlong Tan, CEO and (ii) 11,000 shares of Common Stock to Mr. Vassily. The Option Grants, which were issued on May 13, 2022, have an exercise price of \$33.6, a contractual term of 10 years, and consist of six vesting tranches with a vesting schedule based entirely on the attainment of both operational milestones (performance conditions) and market conditions, assuming continued employment of the recipients through each vesting date. Each of the six vesting tranches of the Option Grants will vest when both (i) the market capitalization milestone for such tranche, which begins at \$150 million for the first tranche and increases by increments of \$50 million through the fourth tranche and \$100 million thereafter (based on achieving such market capitalization for five consecutive trading days), has been achieved, and (ii) any one of the following six operational milestones focused on revenue or any one of the six operational milestones focused on operating income have been achieved during a given fiscal year.

The estimated achievement status of the operational milestones as of March 31, 2026 was as follows:

Revenue in Fiscal Year		Operating Income in Fiscal Year	
Milestone (in Millions)	Achievement Status	Milestone (in Millions)	Achievement Status
\$ 90	Probable	\$ 6	Probable
\$ 100	Probable	\$ 8	Probable
\$ 125	Probable	\$ 10	Probable
\$ 150	Probable	\$ 12	—
\$ 200	—	\$ 16	—
\$ 250	—	\$ 20	—

The Company evaluated the performance condition and market condition under ASC 718-10-20. The Option Grants are considered an award containing a performance and a market condition and both conditions (in this case at least one of the performance conditions) must be satisfied for the award to vest. The market condition is incorporated into the fair value of the award, and compensation cost is recognized over the requisite service period, which is based on the implied service period derived from valuation model and one of the performance conditions probable achievement. In relation to the five awards deemed probable to vest, the recognition period ranges from three to ten years. If the performance condition is ultimately not met, compensation cost related to the award should not be recognized (or should be reversed to the extent any expense has been recognized related to such tranche) because the vesting condition in the award would not have been satisfied.

On the grant date, a Monte Carlo simulation was used to determine for each tranche (i) a fixed amount of expense for such tranche and (ii) the future time when the market capitalization milestone for such tranche was expected to be achieved. Separately, based on a subjective assessment of our future financial performance, each quarter we determine whether it is probable that the Company will achieve each operational milestone that has not previously been achieved or deemed probable of achievement and, if so, the future time when the Company expects to achieve that operational milestone. The Monte Carlo simulation utilized the following inputs:

- Stock Price - \$1.12 (pre-reverse-split price)
- Volatility - 95.65%
- Term - 10 years
- Risk Free Rate of Return - 2.93%
- Dividend Yield - 0%

The total fair value of the Option Grants was \$3.2 million of which, at March 31, 2026, \$1.0 million is deemed probable of vesting.

During the year ended June 30, 2025, the Company reassessed the expected timing of meeting the performance conditions. According to ASC 718-10-55-78, since the number of awards expected to vest and the fair value had changed with the new estimate, the adjustment affected the recognition value and years to vest. Therefore, the Company had reversed \$701,807 of the expenses recorded for non-vesting tranches and applied the prospective approach to record adjustment on tranches expected to be vested in future periods. As of March 31, 2026, none of the options had vested. For the three and nine months ended March 31, 2026, the Company recorded \$40,691 and \$122,073, respectively, of stock-based compensation expense related to the Option Grants. For the three and nine months ended March 31, 2025, the Company recorded \$(668,065) and \$(482,381), respectively, of stock-based compensation expense related to the Option Grants. As of March 31, 2026, unrecognized compensation cost related to tranches probable of vesting is approximately \$910,663 and will be recognized over five to six years, depending on the tranche.

On August 29, 2024, the board of directors (the “Board”) of the Company, based on the recommendation of the compensation committee of the Board, approved a grant of 40,000 stock options (the “2024 Stock Options”) issuable to Chenlong Tan, the Company’s Chief Executive Officer, pursuant to the terms of the iPower Inc. Amended and Restated 2020 Equity Incentive Plan (the “2020 Equity Incentive Plan”). Following the Board’s approval, Mr. Tan and the Company entered into a stock option award agreement (the “Stock Option Award Agreement”).

According to the Stock Option Award Agreement, and subject to the terms and conditions of the Stock Option Award Agreement and the Plan, upon vesting of the 2024 Stock Options, Mr. Tan will have the option to purchase the Company’s Common Stock at an exercise price of \$42.9 per share (which is 110% of the Fair Market Value of the stock on the grant date). The 2024 Stock Options have a term of 10 years and will vest as follows: 1,000 2024 Stock Options vested on the grant date (August 29, 2024), and 1,084 2024 Stock Options will vest on the first day of each month from September 1, 2024, to August 1, 2027.

On the grant date, a Black-Scholes Model was used to determine the fair value of the 2024 Stock Options with the following inputs:

- Stock Price - \$1.30 (pre-reverse-split price)
- Exercise Price - \$1.43 (pre-reverse-split price)
- Volatility – 101%
- Expected Term – 5.71 years
- Risk Free Rate of Return – 3.66%
- Dividend Yield – 0%

The total fair value of the 2024 Stock Options was \$1.22 million as of the grant date. For the three and nine months ended March 31, 2026, 3,250 and 9,750 stock options, respectively, were vested and the Company recorded \$99,512 and \$298,535 as stock compensation expense, respectively. For the three and nine months ended March 31, 2025, 97,500 and 257,500 stock options were vested and the Company recorded \$99,512 and \$262,813 as stock compensation expense, respectively. As of March 31, 2026, the unrecognized compensation cost of the 2024 Stock Options was approximately \$0.56 million and will be recognized monthly through August 1, 2027.

Note 17 - Concentration of Risk

Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable.

As of March 31, 2026 and June 30, 2025, \$713,685 and \$2,007,890, respectively, were deposited with various financial institutions and financial services companies in the United States and PRC. Accounts at each institution in the United States are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. The Company had approximately \$0.4 million and \$1.4 million, respectively, in excess of the FDIC insurance limit, as of March 31, 2026 and June 30, 2025.

Accounts receivable are typically unsecured and derived from revenue earned from customers, thereby exposing the Company to credit risk. The risk is mitigated by the Company's assessment of its customers' creditworthiness and its ongoing monitoring of outstanding balances. The Company maintains reserves for estimated credit losses, and such losses have generally been within expectations.

The business of WFOE in China may be impacted by Chinese economic conditions, changes in regulations and laws, and other uncertainties.

Customer and vendor concentration risk

For the nine months ended March 31, 2026 and 2025, Amazon Vendor and Amazon Seller customers accounted for 60% and 85% of the Company's total revenues, respectively. As of March 31, 2026 and June 30, 2025, respectively, accounts receivable from Amazon Vendor and Amazon Seller accounted for 62% and 72% of the Company's total accounts receivable.

For the nine months ended March 31, 2026 and 2025, one supplier accounted for 67% and 12% of the Company's total purchases, respectively. As of March 31, 2026 and June 30, 2025, accounts payable to one supplier accounted for 24% and 10% of the Company's total accounts payable.

Note 18 - Leases

On February 15, 2022, upon completion of the acquisition of Anivia Limited, the Company assumed an operating lease for offices located in the People's Republic of China. In July 2023, the Company renewed the lease contract for its existing office plus additional office space. The lease term is for three years expiring on July 14, 2026. The total base rental fee for these offices is approximately \$19,406 per month. In September 2024, the Company terminated the lease contract of the office space.

On July 28, 2021, the Company entered into a Lease agreement (the "Lease Agreement") with 9th & Vineyard, LLC, a Delaware limited liability company (the "Landlord"), to lease from the Landlord approximately 99,347 square feet of space located at 8798 9th Street, Rancho Cucamonga, California (the "Premises"). The term of the Lease Agreement is for 62 months, commencing on the date on which the Landlord completes certain prescribed improvements on the property (the "Rent Commencement Date"). The Lease Agreement does not provide for an option to renew. Under the Lease Agreement, the Company is responsible for its pro rata share of certain costs, including utility costs, insurance and common area costs, as further detailed in the Lease Agreement. In addition, following the Rent Commencement Date, the first two months of the Base Rent were abated.

The lease did not start under the original agreement as the construction was not completed. On February 23, 2022, the Company entered into an amended agreement to extend the lease term to 74 months. Under the amended agreement, the lease commenced on February 10, 2022, with rent payments commencing May 11, 2022 and the lease expiring on May 31, 2028. The base rental fee is \$114,249, increasing gradually over time to \$140,079 per month through the expiration date of May 31, 2028.

On May 1, 2022, the Company leased another fulfillment center in Duarte, California. The base rental fee is \$56,000 to \$59,410 per month through April 30, 2025. The lease had been expired without renewal since May 1, 2025.

In September 2024, DHS entered into a sublease agreement with a third-party entity for office space in Shenzhen. The lease term is for one year from October 1, 2024 to September 30, 2025. The lease is treated as short-term lease and the base rental fee is approximately \$10,000 per month.

	For the Three Months Ended March 31,	
	2026	2025
<u>Lease cost</u>		
Operating lease cost (included in G&A in the Company's statement of operations)	\$ 361,746	\$ 534,836
Short-term lease expenses	–	28,880
<u>Other information</u>		
Cash paid for amounts included in the measurement of lease liabilities	\$ 386,460	\$ 552,768
Remaining term in years	2.17	0.08 – 3.17
Average discount rate - operating leases	5%	5 - 6%

	For the Nine Months Ended March 31,	
	2026	2025
<u>Lease cost</u>		
Operating lease cost (included in G&A in the Company's statement of operations)	\$ 1,085,237	\$ 1,798,416
Short-term lease expenses	9,781	252,948
<u>Other information</u>		
Cash paid for amounts included in the measurement of lease liabilities	\$ 1,143,483	\$ 1,837,011
Remaining term in years	2.17	0.08 – 3.17
Average discount rate - operating leases	5%	5 - 6%

The supplemental balance sheet information related to leases for the period is as follows:

Operating leases	03/31/2026	6/30/2025
Right of use asset - non-current	\$ 2,966,202	\$ 3,915,539
Lease Liabilities – current	1,450,340	1,361,111
Lease Liabilities - non-current	1,817,153	2,913,967
Total operating lease liabilities	\$ 3,267,493	\$ 4,275,078

Maturities of the Company's lease liabilities are as follows:

	Operating Lease
For Year ending June 30:	
2026	\$ 390,434
2027	1,586,572
2028	1,459,411
Less: Imputed interest/present value discount	(168,924)
Present value of lease liabilities	<u>\$ 3,267,493</u>

Note 19 - Commitments and Contingencies

Except as disclosed below, the Company is not currently a party to any material legal proceedings, investigation or claims. As the Company may, from time to time, be involved in legal matters arising in the ordinary course of its business, there can be no assurance that such matters will not arise in the future or that any such matters in which the Company is involved, or which may arise in the ordinary course of the Company's business, will not at some point proceed to litigation or that such litigation will not have a material adverse effect on the business, financial condition or results of operations of the Company.

In February 2022, the Russian Federation began conducting military operations against Ukraine, and in October 2023, an armed conflict between Hamas-led Palestinian militant groups and Israeli military forces began, both of which have since escalated into prolonged wars. While we do not do business in those regions, the military conflicts in Ukraine and in Israel have resulted in global economic uncertainty and increased the cost of various commodities. In response to these types of events, should they directly impact our supply chain or other operations, we may experience or be exposed to supply chain disruptions which could cause us to seek alternate sources for product supply or suffer consequences that are unexpected and difficult to mitigate. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations. Although, it is difficult to predict the impact that these factors may have on our business in the future, we have experienced a delay in, as well as an increase in costs in shipping, and the resulting inventory level increase in our warehouse facilities, thus resulting in reduced profits. In addition, supply chain disruptions may put upward pressure on our costs and increase the risk that we may be unable to acquire the materials and services we need to continue to make certain products.

On April 13, 2020, the Company entered into an agreement with Royal Business Bank (the "Lender") for a total amount of \$175,500, pursuant to a promissory note issued by the Company to the Lender (the "PPP Note"). The loan was made pursuant to the Payroll Protection Program established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). On March 22, 2021, the \$175,500 PPP Note due to Royal Business Bank was fully forgiven by the Small Business Administration ("SBA").

The Company is required to retain PPP loan documentation through 2026 and permit authorized representatives of the SBA to access such files upon request. Should the SBA conduct such a review and reject all or some of the Company's judgments pertaining to satisfying PPP loan eligibility or forgiveness conditions, the Company may be required to adjust previously reported amounts and disclosures in the consolidated financial statements.

Note 20 - Subsequent Events

The Company evaluated subsequent events and transactions that occurred after the balance sheet date through the date that the unaudited condensed consolidated financial statements were available to be issued. Other than as set forth below, there were no material subsequent events that required recognition or additional disclosure in the unaudited condensed consolidated financial statements presented.

On April 13, 2026, the Company finalized a sublease agreement (the “Sublease Agreement”) with Dezheng Logistics Inc., a California corporation (“Dezheng”), pursuant to which the Company subleased its warehouse, located at 8798 9th Street, Rancho Cucamonga, California, 91730 (the “Premises”), to Dezheng for a fixed term of 25 months, commencing May 1, 2026 and ending May 31, 2028. Pursuant to the Sublease Agreement, Dezheng provided a security deposit to the Company of \$338,130 and thereafter will pay Base Rent (as such term is defined and calculated in the Sublease) to the Company monthly. In exchange, Dezheng will have the right to use and occupy the Premises to conduct its business as a third-party logistics company.

Pursuant to the Securities Purchase Agreement dated December 22, 2025 (the “Purchase Agreement”) with an institutional investor (the “Investor”) and the Investor’s notification to the Company of its intent to execute an Additional Optional Closing for \$3,000,000 in aggregate principal amount of Series A Notes, on May 19, 2026, the Company and Investor consummated an Additional Optional Closing. At the Additional Optional Closing, the Company received \$2,820,000, excluding fees and expenses, in exchange for issuing a \$3,000,000 aggregate principal amount of Series A Notes to the Investor after satisfaction of all applicable closing conditions, including the effectiveness of the resale registration statement and the absence of any Event of Default. The Series A Note issued at the Additional Optional Closing was issued pursuant to an exemption from registration in accordance with Regulation D of the Securities Act and has a fixed conversion price of \$1.03 (120% of the Nasdaq closing price of IPW common stock on May 18, 2026).

Pursuant to the Purchase Agreement, the consideration was paid at \$940 for each \$1,000 of principal amount, and the Company received gross proceeds of approximately \$2,820,000 at the closing, before fees and expenses, including a 6% cash fee payable to Digital Offering, who acted as placement agent in the transaction. Following board approval, the Company has committed up to \$3.0 million of the Company’s investment funds for the purchase of sUSDai, a yield-bearing digital asset instrument.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations (the “MD&A”) should be read in conjunction with our unaudited financial statements and the related notes thereto included elsewhere herein. This MD&A contains forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations, and intentions. Any statements that are not statements of historical fact are forward-looking statements. When used, the words “believe,” “plan,” “intend,” “anticipate,” “target,” “estimate,” “expect,” and the like, and/or future-tense or conditional constructions (“will,” “may,” “could,” “should,” etc.), or similar expressions, identify certain of these forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements in this report. Our actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of several factors.

Historical results may not indicate future performance. Our forward-looking statements reflect our current views about future events, are based on assumptions and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those contemplated by these statements. We undertake no obligation to publicly update or revise any forward-looking statements, including any changes that might result from any facts, events, or circumstances after the date hereof that may bear upon forward-looking statements. Furthermore, we cannot guarantee future results, events, levels of activity, performance, or achievements.

Overview

Driven by technology and data, iPower operates as an online retailer and supplier of consumer goods and provides value-added e-commerce services to third-party products and brands. Our capabilities include established online sales channels, robust fulfillment operations, a network of warehouses serving the United States, competitive last-mile delivery partners, and a differentiated business intelligence platform. Leveraging these capabilities, we utilize proprietary, data-driven methodologies to support product launches and sales optimization, with the objective of efficiently bringing products to market and delivering value to customers in the United States and other markets.

Our sales channels currently include Amazon Vendor Central, Amazon Seller Central (3P), Walmart.com, TikTok, Temu, other online marketplaces, and our owned e-commerce websites.

We are also actively developing and marketing in-house branded products, as well as products offered through supply-chain partners. Our current brand portfolio includes iPower, Simple Deluxe, and other brands, offering products across categories such as home goods, fans, pet products, outdoor and gardening products, and consumer electronics. While we continue to focus on our core product categories, we seek to expand our product catalog through additional in-house development and partnerships with suppliers, guided by market data analytics.

iPower is positioning itself at the intersection of digital assets and real-world commerce by leveraging its established e-commerce, logistics, and data infrastructure to support the distribution and integration of compliant digital-asset products through licensed partners.

We initiated the Digital Treasury Strategy on June 17, 2025, with the plan of creating a Digital Treasury Strategy business. As this Digital Treasury Strategy is a newly planned addition to our business model, we cannot predict its success or how it will affect our business over the long term.

The Digital Treasury Strategy is intended to provide measured, long-term exposure to digital assets that management believes may become increasingly integrated into commerce, while aligning the Company’s treasury strategy with its operational focus on digital-asset-related initiatives.

Global Economic Disruption

While at present the majority of our products are sourced either in the United States or China, the military conflict between Russia and Ukraine may nonetheless increase the likelihood of supply chain interruptions and hinder our ability to find the materials we need to make our products. Thus far, as a result of the general global economic disruption, we have experienced a decrease in the speed with which we have been able to purchase new inventory, as well as an increase in costs due to delays in shipping, resulting increase in time with which products remain in our warehouse facilities, thus resulting in reduced profits. In addition, supply chain disruptions may make it harder for us to find favorable pricing and reliable sources for the materials we need, putting upward pressure on our costs and increasing the risk that we may be unable to acquire the materials and services we need to continue to make certain products.

Recent Developments

Reverse Stock Split

At the 2025 annual meeting of stockholders of the Company, the Company's stockholders approved a proposal authorizing the board of directors of the Company (the "Board"), in its sole discretion, to effect a reverse stock split of the outstanding shares of the Company's common stock, at a reverse split ratio in the range of one-for-two (1:2) to one-for-two hundred (1:200), as determined by the Board, whereby every two to two hundred shares of the authorized, issued and outstanding common stock will be combined into one share of authorized, issued and outstanding common stock. Pursuant to such authority granted by the Company's stockholders at the Annual Meeting, the Board approved a reverse split of between one-for-twenty (1:20) and one-for-thirty (1:30) (the "Reverse Stock Split") of the common stock on October 13, 2025, subject to final determination of the Company's management. Company management subsequently determined to effectuate a one-for-thirty (1:30) Reverse Stock Split and October 22, 2025, the Company filed a certificate of amendment to amend the certificate of incorporation of the Company with the Secretary of State of the State of Nevada, with an effective date of October 27, 2025.

The Reverse Stock Split became effective at the start of trading on October 27, 2025 (the "Effective Time"), at which time, every thirty (30) shares of the Company's issued and outstanding common stock immediately prior to the Effective Time was automatically reclassified into one (1) share of common stock, without any change in the par value per share. The Reverse Stock Split reduced the number of shares of common stock issuable upon the exercise or vesting of the Company's outstanding warrants and restricted stock units in proportion to the ratio of the Reverse Stock Split and caused a proportionate increase in the exercise prices of such stock options. The Reverse Stock Split did not change the total number of authorized shares of common stock or preferred stock.

On October 27, 2025, trading of the Company's common stock continued on The Nasdaq Capital Market on a Reverse Stock Split-adjusted basis.

Promissory Notes

On November 24, 2025, the Company issued three promissory notes totaling \$2 million (the "Promissory Notes") in exchange for gross proceeds of \$2 million. The Promissory Notes were entered into with certain investors and related parties, including an entity controlled by the Company's CEO, Chenlong Tan.

The Promissory Notes bear 6.5% interest per annum and were repayable upon the earlier of 90 days or the Company's entry into new financing arrangements. The funds received in connection with the Company's issuance of the Promissory Notes were used to pay off the Company's existing asset-backed lending facility with JPMorgan Chase Bank, N.A. ("JPMorgan") pursuant to the Company's credit agreement with JPMorgan, originally dated November 12, 2021, as amended (the "Credit Agreement"). As a result of the repayment, the Company has initiated the termination of the related Uniform Commercial Code filings.

The Promissory Notes were repaid on February 12, 2026.

Stockholder Action

On December 21, 2025, a majority of the Company's stockholders (representing 53.1% of the Company's outstanding voting power) took the following actions to approve: (1) the Convertible Note Facility (defined below); (2) the issuance of in excess of 20% of the Company's outstanding common stock at a price less than the "Minimum Price" as defined in Nasdaq List Rule 5635(d); (3) authorizing an amendment to the Company's articles of incorporation for the sole purpose of increasing the Company's authorized shares from 200,000,000 shares, consisting of 180,000,000 shares of common stock and 20,000,000 shares of preferred stock, to 1,000,000,000 shares, consisting of 950,000,000 shares of common stock and 50,000,000 shares of preferred stock; (4) authorizing the Board to approve one or more reverse stock splits, in the range of 1-for-250 shares, with the Board to determine when, if ever, to effectuate such reverse stock split; and (5) authorizing the Company's Board to adopt a mirror preferred stock in order to allow the Company to more easily achieve quorum in the event the Company needs to call a meeting to effectuate a reverse stock split for purposes of maintaining its Nasdaq listing or increase the Company's Authorized shares.

The Company filed a preliminary information statement on Schedule 14C (the "Schedule 14C") with the SEC on January 7, 2026 and a definitive information statement on Schedule 14C on January 21, 2026.

Convertible Note Facility

On December 22, 2025, the Company entered into a Securities Purchase Agreement with a certain institutional investor (the “Investor”) named therein (the “Purchase Agreement”) providing for the purchase by the Investor of a 6% original issue discount (OID) convertible note facility in the aggregate original principal amount of \$30,000,000 (the “Convertible Note Facility”), in which the Investor initially purchased (i) a series A senior secured convertible note in the aggregate original principal amount of \$5,184,024 (the “Series A Convertible Note”), and shares of the Company’s common stock, issuable pursuant to the terms of the Series A Convertible Notes (the “Series A Conversion Shares”) in reliance upon the exemption from securities registration afforded by Section 4(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”), and Rule 506(b) of Regulation D as promulgated by the Securities and Exchange Commission (the “SEC”) under the Securities Act, and (ii) \$1,815,976 aggregate principal amount of a series B senior secured convertible note (the “Series B Convertible Notes,” together with the Series A Convertible Notes, the “Convertible Notes”), and shares of the Company’s common stock issuable pursuant to the terms of the Series B Convertible Notes (the “Series B Conversion Shares”) in a registered direct offering pursuant to a currently effective shelf registration statement on Form S-3 (File No. 333-274665), which has been declared effective by the SEC on September 29, 2023. In addition, pursuant to the Purchase Agreement, the parties closed on an additional approximately \$2,000,000 of Series A Convertible Notes (the “Additional Series A Notes”), bringing the total amount of 6% OID Convertible Notes sold to \$9,000,000, with the Additional Series A Notes to be paid for and issuable upon the effectiveness of a resale registration statement registering the Series A Convertible Notes. At closing, as consideration for issuance of the Convertible Notes, the Company received gross proceeds of \$6,580,000, before deducting expenses.

Digital Offering LLC acted as placement agent and received \$394,800 in placement agent fees.

The Convertible Notes are convertible into shares of the Company’s common stock at a fixed Conversion Price of \$17.70 per share, subject to adjustment as provided in the Convertible Notes. The holder may elect to convert at an Alternate Conversion Price, which provides for conversion at a discounted price based on recent trading VWAP. The Alternate Optional Conversion Price is equal to the lower of (i) the Conversion Price or (ii) the greater of (x) the Floor Price (as defined below) or (y) 95% of the lowest VWAP during the seven (7) consecutive trading day period ending on the trading day immediately preceding delivery of the conversion notice. The Alternate Event of Default Conversion Price is equal to the lower of (i) the Conversion Price or (ii) the greater of (x) the Floor Price or (y) 90% of the lowest VWAP during the ten (10) consecutive trading day period ending on the trading day immediately preceding delivery of the conversion notice. The Floor Price is \$2.27 per share, subject to adjustment.

The Convertible Notes are senior secured obligations of the Company, secured by Collateral (as defined in the Security and Pledge Agreement), consisting of all of the cryptocurrency and cryptocurrency related assets of the Company and certain of its subsidiaries.

On December 23, 2025, the Company entered into a Registration Rights Agreement with the Investor (the “Registration Rights Agreement”), which provides the Investor with certain registration rights with respect to the resale of the Series A Conversion Shares issuable upon conversion of the Series A Convertible Notes. Pursuant to the Registration Rights Agreement, the Company filed a registration statement with the SEC on January 12, 2026 to register the resale of the Series A Conversion Shares.

On February 9, 2026, the Company delivered an Additional Mandatory Closing Notice to the Investor and, on February 10, 2026, consummated the Additional Mandatory Closing in accordance with the Purchase Agreement, receiving \$1,880,000 in exchange for issuing a \$2,000,000 aggregate principal amount of the Additional Mandatory Series A Note to the Investor after satisfaction of all applicable closing conditions, including the effectiveness of the resale registration statement and the absence of any Event of Default.

Initial Acquisitions under the Digital Treasury Strategy

On June 17, 2025, the Company adopted a digital asset reserve, allocation and development strategy with the plan of creating a Digital Treasury Strategy business. On December 29, 2025, the Company announced the following initial acquisitions under the Digital Treasury Strategy: (1) the purchase of 15.1 Bitcoin (BTC) at an average price of \$87,686.33 per BTC, for a total notional value of approximately \$1,325,400 and (2) the purchase of 301.1 Ethereum (ETH) at an average price of \$2,934.67 per ETH, for a total notional value of approximately \$883,600.

As this Digital Treasury Strategy is a new addition to our business model, we cannot predict its success or if we will continue with this strategy for the long term.

RESULTS OF OPERATIONS

For the three months ended March 31, 2026 and 2025

The following table presents certain unaudited condensed consolidated statement of operations information and presentation of that data as a percentage of change from period to period.

	Three Months Ended March 31, 2026	Three Months Ended March 31, 2025	Variance
Revenues - product sales	\$ 3,498,681	15,018,227	(76.7%)
Revenues - service income	–	1,023,445	(100.00%)
	<u>3,498,681</u>	<u>16,041,672</u>	<u>(78.2%)</u>
Cost of revenues - product costs	2,743,132	8,306,217	(67.0%)
Cost of revenues - service costs	–	879,995	(100.00%)
	<u>2,743,132</u>	<u>9,186,212</u>	<u>(70.1%)</u>
Gross profit	755,549	6,855,460	(89.0%)
Operating expenses	1,899,810	7,189,964	(73.6%)
Operating loss	(1,144,261)	(334,504)	(242.1%)
Other expenses	(4,463,615)	(47,713)	9,255.1%
Loss before income taxes	(5,607,876)	(382,217)	1,367.2%
Income tax (benefit) expense	(326,502)	6,364	5,230.5%
Net loss from continuing operations	(5,281,374)	(388,581)	1,259.1%
Discontinued operations, net of tax	1,826,496	46,208	3,852.8%
Net loss	(3,454,878)	(342,373)	909.1%
Non-controlling interest	–	(2,774)	(100%)
Net loss attributable to iPower Inc.	(3,454,878)	(339,599)	917.3%
Other comprehensive loss	(15,743)	(97,556)	(83.9%)
Comprehensive loss attributable to iPower Inc.	\$ (3,470,621)	(437,155)	693.9%
Gross profit % of revenues - product sales	21.6%	44.7%	
Gross profit % of revenues - service income	–	14.0%	
Operating loss % of revenues	(32.7%)	(2.1%)	
Net income (loss) % of revenues	(98.7%)	(2.1%)	

Revenues

Revenues for the three months ended March 31, 2026 decreased 78.2% to \$3,498,681 as compared to \$16,041,672 for the three months ended March 31, 2025. The decrease was mainly due to the sale of the Company's subsidiaries on February 1, 2026.

Costs of Revenues

Costs of revenues for the three months ended March 31, 2026 decreased 70.1% to \$2,743,132 as compared to \$9,186,212 for the three months ended March 31, 2025. The decrease was primarily due to decreased sales as discussed above.

Gross Profit

Gross profit was \$755,549 for the three months ended March 31, 2026 as compared to \$6,855,460 for the three months ended March 31, 2025. While the gross profit ratio of the product sales revenues decreased to 21.6% for the three months ended March 31, 2026 from 44.7% for the three months ended March 31, 2025, the overall gross profit ratio of the total sales revenues for the three months ended March 31, 2026 and 2025 was 21.6% and 42.7%. The decrease in the gross profit ratio of the product sales revenues was due to the changes in the Company's business strategy resulting from the sale of the Company's subsidiaries, as discussed above.

Operating Expenses

Operating expenses for the three months ended March 31, 2026 decreased 73.6% to \$1,899,810 as compared to \$7,189,964 for the three months ended March 31, 2025. The decrease was mainly due to the changes in the Company's business strategy resulting from the sale of the Company's subsidiaries, as discussed above.

Loss from Operations

Loss from operations was \$1,144,261 for the three months ended March 31, 2026 as compared to \$334,504 of loss from operations for the three months ended March 31, 2025. The increase in loss was primary due to the changes in business strategies resulted from the sale of the Company's subsidiaries as discussed above.

Other Expense

Other expense consists of interest expense and other non-operating income (expense). Other expense for the three months ended March 31, 2026 was \$4,463,615 as compared to \$47,713 for the three months ended March 31, 2025. The increase in other expenses was mainly due to the increase in interest expenses, unrealized loss on digital assets, loss on extinguishment of debt resulted from conversion of convertible note payable, and goodwill impairment loss during the quarter ended March 31, 2026.

Net Loss Attributable to iPower Inc.

Net loss attributable to iPower Inc. for the three months ended March 31, 2026 was \$3,454,878 as compared to \$339,599 for the three months ended March 31, 2025, representing an increase in net loss of \$3,115,279, which was primarily due to the combination of increase in other expenses and gain from discontinued operations resulted from the sale of the Company's subsidiaries, as discussed above.

Comprehensive Loss Attributable to iPower Inc.

Comprehensive loss attributable to iPower Inc. for the three months ended March 31, 2026 was \$3,470,621 as compared to \$437,155 for the three months ended March 31, 2025, representing an increase in comprehensive loss of \$3,033,466. The increase was due to the reasons discussed above, along with a decrease in other comprehensive loss of \$81,813 due to reduced foreign currency translation adjustments resulting from the translation of RMB, the functional currency of our subsidiary and VIE in the PRC, to USD, the reporting currency of the Company.

For the nine months ended March 31, 2026 and 2025

The following table presents certain unaudited condensed consolidated statement of operations information and presentation of that data as a percentage of change from period to period.

	Nine Months Ended March 31, 2026	Nine Months Ended March 31, 2025	Variance
Revenues - product sales	\$ 16,990,959	49,422,823	(65.6%)
Revenues - service income	1,532,722	3,222,236	(52.4%)
	<u>18,523,681</u>	<u>52,645,059</u>	<u>(64.8%)</u>
Cost of revenues - product costs	10,353,516	27,043,417	(61.7%)
Cost of revenues - service costs	1,332,681	2,704,737	(50.7%)
	<u>11,686,197</u>	<u>29,748,154</u>	<u>(60.7%)</u>
Gross profit	6,837,484	22,896,905	(70.1%)
Operating expenses	11,978,080	25,720,971	(53.4%)
Operating loss	(5,140,596)	(2,824,066)	82.0%
Other expenses	(3,291,599)	(317,788)	935.8%
Loss before income taxes	(8,432,195)	(3,141,854)	168.4%
Income tax (benefit) expense	(1,839,874)	(637,108)	(188.8%)
Net income (loss) from continuing operations	(6,592,321)	(2,504,746)	163.2%
Discontinued operations, net of tax	1,410,514	345,920	307.8%
Net loss	(5,181,807)	(2,158,826)	140.0%
Non-controlling interest	-	(8,765)	(100.0%)
Net loss income attributable to iPower Inc.	(5,181,807)	(2,150,061)	141.0%
Other comprehensive income	8,821	3,520	150.6%
Comprehensive loss attributable to iPower Inc.	\$ (5,172,986)	(2,146,541)	141.0%
Gross profit % of revenues - product sales	39.1%	45.3%	
Gross profit % of revenues - service income	13.1%	16.1%	
Operating loss % of revenues	(27.8%)	(5.4%)	
Net loss % of revenues	(28.0%)	(4.1%)	

Revenues

Revenues for the nine months ended March 31, 2026 decreased 64.8% to \$18,523,681 as compared to \$52,645,059 for the nine months ended March 31, 2025. While pricing remained stable, the decrease was mainly due to the combination of decreased orders from Amazon and disruption of product supply during the nine months ended March 31, 2026. The Company also experienced a significant decrease in Amazon orders due to uncertainty over tariffs during the nine months ended March 31, 2026. In addition, The Company completed a sale of its subsidiaries on February 1, 2026.

Costs of Revenues

Costs of revenues for the nine months ended March 31, 2026 decreased 60.7% to \$11,686,197 as compared to \$29,748,154 for the nine months ended March 31, 2025. The decrease was primarily due to a combination of the costs related to the logistics service income and the decrease in product sales as discussed above.

Gross Profit

Gross profit was \$6,837,484 for the nine months ended March 31, 2026 as compared to \$22,896,905 for the nine months ended March 31, 2025. While the overall gross profit ratio of the total sales revenues decreased to 36.9% for the nine months ended March 31, 2026 from 43.5% for the nine months ended March 31, 2025, the gross profit ratio of product sales revenue for the nine months ended March 31, 2026 and 2025 was 39.1% and 45.3%, respectively. The decrease in the gross profit ratio was primarily driven by the decrease in the logistics service income, increase in product costs and the changes in the Company's business strategy resulting from the sale of the Company's subsidiaries, as discussed above.

Operating Expenses

Operating expenses for the nine months ended March 31, 2026 decreased 53.4% to \$11,978,080 as compared to \$25,720,971 for the nine months ended March 31, 2025. The decrease was mainly due to the combination of a decrease in selling and fulfillment expenses of \$8.3 million as a result of decreased sales and costs related to advertising, merchant fees, rental expenses and delivery fees, and a decrease in general and administrative expenses of \$5.4 million, which included payroll expenses, stock-based compensation expense, insurance expenses, allowance for credit losses, travel expenses and other operating expenses. The decrease in general and administrative expenses was primarily attributable to the implementation of cost-cutting measures during the current period, compared to the prior-year period, which included expenses related to the expansion of the Company's vendor network, development of the SuperSuite platform, and increases in the allowance for credit losses and inventory reserves totaling approximately \$1.9 million for the nine months ended March 31, 2025. In addition, the decrease was attributable to changes in the Company's business strategy resulting from the sale of the Company's subsidiaries, as discussed above.

Loss from Operations

Loss from operations was \$5,140,596 for the nine months ended March 31, 2026 as compared to \$2,824,066 for the nine months ended March 31, 2025. The increase in loss was primary due to the combination of decrease in sales and operating expenses as discussed above.

Other Expenses

Other expense consists of interest expense and other non-operating income (expense). Other expense for the nine months ended March 31, 2026 was \$3,291,599 as compared to \$317,788 for the nine months ended March 31, 2025. The increase in other expenses was mainly due to combination of the increase in other non-operating income of \$1,236,219 resulted from discounted settlement and write-offs of aged accounts payable, recognition of loss on deconsolidation of VIE and subsidiaries, unrealized loss on digital assets, loss on extinguishment of debt resulted from conversion of convertible note payable, and goodwill impairment loss, an increase in interest expense, including amortization of debt discount on the convertible notes, refund of Employee Retention Tax Credit, change in fair value of derivative liability, and gain on disposal of vehicle, during the nine months ended March 31, 2026

Net Loss Attributable to iPower Inc.

Net loss attributable to iPower Inc. for the nine months ended March 31, 2026 was \$5,181,807 as compared to \$2,150,061 for the nine months ended March 31, 2025, representing an increase in net loss of \$3,031,746, which was primarily due to the combination of increase in loss from operations, the increase in other expenses, and the gain from discontinued operations resulted from the sale of the Company's subsidiaries, as discussed above.

Comprehensive Loss Attributable to iPower Inc.

Comprehensive loss attributable to iPower Inc. for the nine months ended March 31, 2026 was \$5,172,986 as compared to \$2,146,541 for the nine months ended March 31, 2025, representing an increase in comprehensive loss of \$3,026,445, which was due to the reasons discussed above, along with an increase in other comprehensive income of \$5,301 as a result of foreign currency translation adjustments resulting from the translation of RMB, the functional currency of our subsidiary and VIE in the PRC, to USD, the reporting currency of the Company.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

During the nine months ended March 31, 2026, we primarily funded our operations with cash and cash equivalents generated from operations, borrowing from related party, as well as through borrowings under our credit facility from JPMorgan Chase Bank ("JPM") and close of a convertible notes financing on December 23, 2025. Additionally, on June 18, 2024, we closed on a registered direct offering of 69,445 shares of common stock (the "Shares") and a concurrent private placement of warrants to purchase up to 69,445 shares of common stock (the "Warrants"), which Shares and Warrants were sold for aggregate gross proceeds of \$5,000,002. As of March 31, 2026, we had cash and cash equivalents of \$713,685, representing a \$1,294,205 decrease from \$2,007,890 in cash as of June 30, 2025. The cash decrease was primarily due to the combined result of cash provided by operating activities, cash used in investing activities and financing activities resulting from our payments to pay down the JPM revolving line of credit and proceeds from convertible notes.

Based on our current operating plan, we believe that our existing cash and cash equivalents and cash flows from operations will be sufficient to finance our operations during the next 12 months. However, our liquidity and our ability to meet our obligations and fund our capital requirements are dependent on our future financial performance, which is subject to general economic, financial and other factors that are beyond our control, such as rising inflation and potential recession, and our anticipated funding requirements could increase. See "Item 1A - Risk Factors" in our Annual Report on Form 10-K filed with the SEC on October 9, 2025.

Our cash requirements consist primarily of day-to-day operating expenses and obligations with respect to warehouse leases. We lease all of our office and warehouse facilities. We expect to make future payments on existing leases from cash generated from operations. We have credit terms in place with our major suppliers, however as we bring on new suppliers, we are often required to prepay our inventory purchases from them. This is consistent with our historical operating model which allowed us to operate using only cash generated by the business. Beyond the next 12 months we believe that our cash flow from operations should improve as supply chain operations normalize and new suppliers we are bringing online transition to credit terms more favorable to us. In addition, we plan to increase the size of our in-house product catalog, which will have a net beneficial impact to our margin profile and ability to generate cash.

Given our current working capital position and available funding from our revolving credit line and proceeds from our June 2024 registered direct offering, we believe we will be able to work through the current challenges by managing payment terms with customers and vendors.

Working Capital

As of March 31, 2026 and June 30, 2025, our working capital was \$7.9 million and \$4.9 million, respectively. The historical seasonality in our business during the year can cause cash and cash equivalents, inventory and accounts payable to fluctuate, resulting in changes in our working capital. We anticipate that past historical trends to remain in place through the balance of the fiscal year with working capital remaining near this level for the foreseeable future.

Cash Flows

Operating Activities

Our largest source of cash provided by operations is from sales of products. Our primary uses of cash from operating activities include payments to suppliers for products, to employees for compensation, and other general expenses. Net cash provided by (used in) operating activities for the nine months ended March 31, 2026 and 2025 was \$430,399 and \$(500,214), respectively. The increase in cash provided by operating activities mainly resulted from an increase in cash received from customers, which was partially offset by an increase in cash paid for cost of revenues and operating expenses.

Investing Activities

Net cash used in investing activities for the nine months ended March 31, 2026 and 2025 was \$5,671,074 and \$1,519,928, respectively. The increase was mainly due to deconsolidation of VIE and subsidiaries cash, payments made for investment in joint venture, purchase of digital assets, and prepayments made for software developments during the quarter ended March 31, 2026.

Financing Activities

Net cash provided by (used in) in financing activities was \$3,937,784 and \$3,168,925, respectively, for the nine months ended March 31, 2026 and 2025. The increase in net cash provided by financing activities was primarily due to a combination of proceeds from a convertible note financing and payments on the revolving loan.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements (as that term is defined in Item 303 of Regulation S-K) that are reasonably likely to have a current or future material effect on our financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States, or GAAP, and pursuant to the rules and regulations of the SEC. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. In some cases, changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ materially from our estimates. To the extent that there are material differences between these estimates and actual results, our financial condition and results of operations will be affected. We base our estimates on experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. We refer to accounting estimates of this type as critical accounting policies, which we discuss further below. While our significant accounting policies are more fully described in Note 2 to our unaudited condensed consolidated financial statements, we believe that the following accounting policies are critical to the process of making significant judgments and estimates in the preparation of our unaudited condensed consolidated financial statements.

Revenue recognition

The Company recognizes revenues from service and product sales, net of promotional discounts and return allowances, when the following revenue recognition criteria are met: a contract has been identified, separate performance obligations are identified, the transaction price is determined, the transaction price is allocated to separate performance obligations and revenue is recognized upon satisfying each performance obligation. The Company transfers the risk of loss or damage upon shipment or completion of service, therefore, revenue from product sales is recognized when it is shipped to the customer and the revenue from services is recognized upon completion of services. Return allowances, which reduce product revenue by the Company's best estimate of expected product returns, are estimated using historical experience.

The Company evaluates the criteria of ASC 606 - Revenue Recognition Principal Agent Considerations in determining whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions. Generally, when the Company is primarily responsible for fulfilling the promise to provide a specified good or service and the Company has discretion in establishing the price, revenue is recorded at gross.

Payments received prior to the delivery of goods to customers are recorded as customer deposits.

The Company periodically provides incentive offers to its customers to encourage purchases. Such offers include current discount offers, such as percentage discounts off current purchases and other similar offers. Current discount offers, when accepted by the Company's customers, are treated as a reduction to the purchase price of the related transaction.

Sales discounts are recorded in the period in which the related sales are recorded. Sales return allowances are estimated based on historical amounts and are recorded upon recognizing the related sales. Shipping and handling costs are recorded as selling expenses.

Accounts receivable

During the ordinary course of business, the Company extends unsecured credit to its customers. Accounts receivable are stated at the amount the Company expects to collect from customers, which includes the amount withheld by sales channel partners and refundable to the Company. Based on historical an expected loss rate and status of negotiations with the sales channel partner, management reviews its accounts receivable balances each reporting period to determine if an allowance for credit loss is required.

The Company evaluates the creditworthiness of all of its customers individually before accepting them and continuously monitors the recoverability of accounts receivable. If there are any indicators that a customer may not make payment, the Company may consider making provision for non-collectability for that particular customer. At the same time, the Company may cease further sales or services to such customer. The following are some of the factors that the Company develops allowance for credit losses:

- the customer fails to comply with its payment schedule;
- the customer is in serious financial difficulty;
- a significant dispute with the customer has occurred regarding job progress or other matters;
- the customer breaches any of its contractual obligations;
- the customer appears to be financially distressed due to economic or legal factors;
- the business between the customer and the Company is not active; and
- other objective evidence indicates non-collectability of the accounts receivable.

Accounts receivable are recognized and carried at carrying amount less an allowance for credit losses, if any. The Company maintains an allowance for credit losses resulting from the inability of its customers to make required payments based on contractual terms. The Company reviews the collectability of its receivables on a regular and ongoing basis. The Company has also included in calculation of allowance for credit losses the potential impact of the overall economic conditions on our customers' industry and businesses and their ability to pay our accounts receivable. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. The Company also considers external factors to the specific customer, including current conditions and forecasts of economic conditions, including the potential impact of the recent tariff policy. In the event we recover amounts previously written off, we will reduce the specific allowance for credit losses.

Inventories, net

Inventory consists of finished goods ready for sale and is stated at the lower of cost or market. The Company values its inventory using the weighted average costing method. The Company's policy is to include as a part of inventory and costs of goods sold any freight incurred to ship the product from its vendors to warehouses. Outbound freight costs related to shipping costs to customers are considered period costs and reflected in selling and fulfillment expenses. The Company regularly reviews inventory and considers forecasts of future demand, market conditions and product obsolescence.

If the estimated realizable value of the inventory is less than cost, the Company makes provisions in order to reduce its carrying value to its estimated market value. The Company also reviews inventory for slow moving and obsolescence and records allowance for obsolescence.

Digital Assets

The Company accounts for its digital assets, which currently are comprised solely of Bitcoin (“BTC”) and Ethereum (“ETH”), as indefinite-lived intangible assets in accordance with Accounting Standards Codification (“ASC”) Topic 350-60, “Intangibles-Goodwill and Other-Crypto Assets.” The Company has ownership of and control over its digital assets and may use third-party custodial services to secure it. The Company’s digital assets are initially recorded at cost and are subsequently remeasured on the balance sheet at fair value.

The Company determines the fair value of its digital assets on a recurring basis in accordance with ASC Topic 820, “Fair Value Measurement,” based on quoted prices on the active exchange that the Company has determined is its principal market for such digital assets (Level 1 inputs). The Company determines the cost basis of digital assets using the specific identification of each unit received. Realized and unrealized gains and losses from changes in the fair value of digital assets are recognized in the statement of operations.

Variable interest entities

On February 15, 2022, the Company acquired 100% of the ordinary shares of Anivia and its subsidiaries, including Daheshou (Shenzhen) Information Technology Co., Ltd., a company organized under the Laws of the PRC (“DHS”). Pursuant to the terms of the Agreements, the Company does not have direct ownership in DHS but is actively involved in DHS’s operations as the sole manager to direct the activities and significantly impact DHS’s economic performance. DHS’s operational funding has been provided by the Company following the February 15, 2022 acquisition. During the term of the Agreements, the Company bears all the risk of loss and has the right to receive all of the benefits from DHS. As such, based on the determination that the Company is the primary beneficiary of DHS, in accordance with ASC 810-10-25-38A through 25-38J, DHS is considered a VIE of the Company and the financial statements of DHS have been consolidated from the date such control existed, February 15, 2022.

On August 4, 2025, the Company entered into a Variable Interest Entity (“VIE”) Contract Termination Agreement with the VIE, pursuant to which all VIE agreements were terminated. As a result, the Company no longer has a controlling financial interest in the VIE. In accordance with ASC 810-10-40, *Consolidation - Deconsolidation of a Subsidiary or Derecognition of a Group of Assets*, the Company deconsolidated the VIE as of the termination date.

Upon deconsolidation, the Company derecognized all assets and liabilities of the VIE from its consolidated balance sheet. Because the Company retains no ownership interest or continuing involvement in the VIE following the termination of the agreements, no retained interest was recognized.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed. The Company accounts for goodwill under *ASC Topic 350, Intangibles-Goodwill and Other*.

Goodwill is not amortized but is reviewed for potential impairment on an annual basis, or if events or circumstances indicate a potential impairment, at the reporting unit level. The Company’s review for impairment includes an assessment of qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value, including goodwill. If it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, including goodwill, a quantitative goodwill impairment test is performed, which compares the fair value of the reporting unit with its carrying amounts, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired. However, if the carrying amount of the reporting unit exceeds its fair value, an impairment loss will be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

During the nine months ended March 31, 2026, the Company performed a goodwill impairment analysis following the steps laid out in ASC 350 and noted goodwill impairment due to the decrease in the Company’s share price. As of March 31, 2026 and June 30, 2025, the goodwill balance amounted to \$0 and \$3,034,110, respectively.

Embedded derivative liability

The Company evaluates the embedded features of its financial instruments, including its convertible notes payable in accordance with ASC Topic 480, “*Distinguishing Liabilities from Equity*,” and ASC Topic 815 “*Derivatives and Hedging*.” Certain conversion options and redemption features are required to be bifurcated from their host instrument and accounted for as free-standing derivative financial instruments should certain criteria be met. The Company applies significant judgment to identify and evaluate complex terms and conditions for its financial instruments to determine whether such instruments are derivatives or contain features that qualify as embedded derivatives. Embedded derivatives must be separately measured from the host contract if all the requirements for bifurcation are met. The assessment of the conditions surrounding the bifurcation of embedded derivatives depends on the nature of the host contract and the features of the derivatives. Bifurcated embedded derivatives are recognized at fair value.

The following table provides a roll-forward of changes for financial instruments measured at fair value on a recurring basis for the nine months ended March 31, 2026:

<u>Derivative Liability</u>	<u>Amount</u>
Balance as of June 30, 2025	\$ —
Initial fair value upon issuance of convertible notes	1,999,600
Extinguishment of derivative liability upon conversion of convertible notes	(468,800)
Gain on change in fair value of derivative liability	(266,200)
Balance as of March 31, 2026	<u>\$ 1,264,600</u>

Intangible Assets, net

Finite life intangible assets at March 31, 2026 include a covenant not to compete, supplier relationships and software recognized as part of the acquisition of Anivia. Intangible assets are recorded at the estimated fair value of these items at the date of acquisition, February 15, 2022. Intangible assets are amortized on a straight-line basis over their estimated useful life as follows:

	<u>Useful Life</u>
Covenant Not to Compete	10 years
Supplier relationship	6 years
Software	5 years

The Company reviews the recoverability of long-lived assets, including intangible assets, when events or changes in circumstances occur that indicate the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future pretax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations. The Company did not record any impairment charge for the nine months ended March 31, 2026 and 2025.

Stock-based Compensation

The Company applies ASC No. 718, "Compensation-Stock Compensation," which requires that share-based payment transactions with employees and nonemployees upon adoption of ASU 2018-07, be measured based on the grant date fair value of the equity instrument and recognized as compensation expense over the requisite service period, with a corresponding addition to equity. Under this method, compensation cost related to employee share options or similar equity instruments is measured at the grant date based on the fair value of the award and is recognized over the period during which an employee is required to provide service in exchange for the award, which generally is the vesting period. In addition to the requisite service period, the Company also evaluates the performance condition and market condition under ASC 718-10-20. For an award that contains both a performance and a market condition, and where both conditions must be satisfied in order for the award to vest, the market condition is incorporated into the fair value of the award, and that fair value is recognized over the employee's requisite service period or nonemployee's vesting period if it is probable that the performance condition will be met. If the performance condition is ultimately not met, compensation cost related to the award should not be recognized (or should be reversed) because the vesting condition in the award has not been satisfied.

The Company will recognize forfeitures of such equity-based compensation as they occur.

Income taxes

The Company accounts 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 perspective 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. A valuation allowance must be established for deferred tax assets when it is more-likely-than-not (a probability level of more than 50%) that they will not be realized. Valuation allowances are recorded, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The Company has analyzed filing positions in each of the federal and state jurisdictions where the Company is required to file income tax returns, as well as open tax years in such jurisdictions. The Company has identified the U.S. federal jurisdiction, and the states of Nevada and California, as its "major" tax jurisdictions. However, the Company has 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.

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

Recently issued accounting pronouncements

Other than as set forth under Note 2 to the unaudited condensed consolidated financial statements under "Recently issued accounting pronouncements," the Company does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the consolidated financial position, statements of operations and cash flows.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a “smaller reporting company,” we are not required to provide the information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Interim Chief Financial Officer, to allow for timely decisions regarding required disclosure.

As of March 31, 2026, our management carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Interim Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our management concluded that our internal controls over financial reporting were not effective because, among other things, our controls related to the financial statements closing process were not adequately designed or appropriately implemented to identify material misstatements in our financial reporting on a timely basis. Management has evaluated remediation plans to address these deficiencies and is implementing changes to address the material weakness identified, including hiring additional accountants and consultants and implementing controls and procedures over the financial reporting process.

Changes in Internal Controls

There have been no changes in our internal controls over financial reporting that occurred during the quarter ended March 31, 2026, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not presently party to any pending or threatened legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition, or operating results, although from time to time, we may become involved in legal proceedings in the ordinary course of business.

ITEM 1A. RISK FACTORS

We refer to Part I, Item 1A, Risk Factors, of our Annual Report on Form 10-K for the year ended June 30, 2025 for a detailed description of our significant risk factors. As of March 31, 2026, there have been no material changes from those risk factors disclosed in our Annual Report on Form 10-K for the year ended June 30, 2025.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None, other than as previously reported in the Company's Current Reports on Form 8-K.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

10b5-1 Plans

During our fiscal quarter ended March 31, 2026, none of our directors or officers informed us of the adoption or termination of a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" as those terms are defined in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

The following exhibits are filed or furnished with this report:

Exhibit No.	Description of Exhibit
3.1	Sixth Amended and Restated Articles of Incorporation of iPower Inc. (incorporated by reference to Exhibit 3.3 to Amendment No. 3 to the Registration Statement on Form S-1 filed May 5, 2021).
3.2	Amendment to Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed October 21, 2025).
3.3	Third Amended and Restated Bylaws of iPower Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on June 11, 2025).
4.1	Form of Series A Senior Secured Convertible Notes (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on December 23, 2025).
4.2	Form of Series B Senior Secured Convertible Notes (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on December 23, 2025).
4.3	Form of Series A Convertible Note (incorporated by reference to Exhibit 10.1 to the Current Report dated February 10, 2026).
4.4	Form of Series A Convertible Note (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K dated May 19, 2026).
10.1	Form of Promissory Note (portions of this exhibit have been omitted due to confidentiality in accordance with Item 601(b)(2)(ii) of Regulation S-K) (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on December 1, 2025).
10.2	Form of Securities Purchase Agreement, dated December 22, 2025, between iPower Inc. and the Investor (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on December 23, 2025).
10.3	Form of Security and Pledge Agreement (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on December 23, 2025).
10.4	Form of Guaranty (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed on December 23, 2025).
10.5	Form of Registration Rights Agreement (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed on December 23, 2025).
10.6	Addendum to Promissory Note, by and between iPower Inc. and ETTS AI Investment LLC, dated March 26, 2026 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on March 31, 2026).
10.7	Sublease Agreement, dated April 2, 2026, between iPower Inc. and Dezheng Logistics Inc. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on April 17, 2026).
10.8	iPower Inc. Second Amended and Restated 2020 Equity Incentive Plan (incorporated by reference to Exhibit 99.1 to the Registration Statement on Form S-8 filed on April 17, 2026).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 **
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Schema Document
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Definition Linkbase Data
101.LAB	Inline XBRL Taxonomy Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

** Furnished herewith.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

iPower Inc.

May 20, 2026

By: _____ /s/ Chenlong Tan
Chenlong Tan
Chief Executive Officer, President and Interim Chief Financial Officer
Principal Executive Officer and
Principal Financial and Accounting Officer

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Chenlong Tan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2026 of iPower Inc. (the “registrant”);

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. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 20, 2026

/s/ Chenlong Tan

Chenlong Tan
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Chenlong Tan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2026 of iPower Inc. (the “registrant”);
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. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 20, 2026

/s/ Chenlong Tan

Chenlong Tan

Interim Chief Financial Officer

(Principal Financial and Accounting 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 Quarterly Report of iPower Inc. (the "Company") on Form 10-Q for the period ended March 31, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Chenlong Tan, Chief Executive Officer and Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: May 20, 2026

/s/ Chenlong Tan

Chenlong Tan

Chief Executive Officer and Interim Chief Financial Officer

(Principal Executive Officer and Principal Financial and Accounting Officer)