

PRO DEX INC

FORM ARS

(Annual Report to Security Holders)

Filed 10/06/26 for the Period Ending 06/30/26

Address	2361 MCGAW AVENUE IRVINE, CA, 92614
Telephone	949-769-3231
CIK	0000788920
Symbol	PDEX
SIC Code	3841 - Surgical and Medical Instruments and Apparatus
Industry	Medical Equipment, Supplies & Distribution
Sector	Healthcare
Fiscal Year	06/30

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

FORM 10-K

(Mark One)

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

For the fiscal year ended June 30, 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 000-14942

PRO-DEX, INC.

(Exact name of registrant as specified in its charter)

Colorado
(State or Other Jurisdiction
of Incorporation or Organization)

2361 McGaw Avenue, Irvine, CA
(Address of Principal Executive Offices)

84-1261240
(I.R.S. Employer
Identification No.)

92614
(Zip Code)

Registrant's telephone number, including area code: (949) 769-3200

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	PDEX	NASDAQ Capital Market

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T 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 ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☒ Emerging growth company ☐

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

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

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

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

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

As of December 31, 2025, the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing sales price on the Nasdaq Capital Market was approximately \$67.8 million. For the purpose of this calculation shares owned by officers, directors, and 10% shareholders known to the registrant have been deemed to be owned by affiliates. This calculation does not reflect a determination that persons are affiliates for any other purposes.

As of September 2, 2026, 3,203,334 shares of the registrant’s no par value common stock were issued and outstanding.

Documents incorporated by reference:

Part III of this report incorporates by reference certain information from the registrant’s definitive proxy statement (the “Proxy Statement”) for its 2026 Annual Meeting of Shareholders. The Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

PRO-DEX, INC.
FORM 10-K
FOR THE FISCAL YEAR ENDED JUNE 30, 2026

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PART I

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of federal securities laws. Forward-looking statements are not based on historical facts but instead reflect the Company's expectations, estimates or projections concerning future results or events. These statements generally can be identified by the use of forward-looking words or phrases such as "believe," "expect," "anticipate," "may," "could," "intend," "intent," "belief," "estimate," "project," "forecast," "plan," "likely," "will," "should" or similar words or phrases. These statements are not guarantees of performance and are inherently subject to known and unknown risks, uncertainties, and assumptions that are difficult to predict and could cause actual results, performance, or achievements to differ materially from those expressed or indicated by those statements. The Company cannot assure you that any of its expectations, estimates or projections will be achieved.

Forward-looking statements included in this report are only made as of the date of this report and the Company disclaims any obligation to publicly update any forward-looking statement to reflect subsequent events or circumstances.

Numerous factors could cause the Company's actual results and events to differ materially from those expressed or implied by forward-looking statements, including, without limitation: loss of a significant customer, entry of new and stronger competitors, capital availability, unexpected costs, compliance with contractual obligations, failure to capitalize upon access to new customers, the ramifications of industry consolidation of medical products manufacturers, dealers and distributors, failure to mitigate supply chain issues, market acceptance and support of new products, cancellation of existing contracts, customer "in house" production of products previously designed by and/or acquired from the Company, invalidity or unenforceability of the Company's patents and other intellectual property, maintaining favorable supplier relationships, the Company's ability to engage qualified human resources as needed, regulatory compliance, general economic conditions, and other factors described under Item 1A (Risk Factors) of this report. This list of factors is illustrative, but by no means exhaustive. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

ITEM 1. BUSINESS

Company Overview

Pro-Dex, Inc. ("Company," "Pro-Dex," "we," "our," "us") specializes in the design, development, and manufacture of autoclavable, battery-powered and electric, multi-function surgical drivers and shavers used primarily in the orthopedic, thoracic, and craniomaxillofacial ("CMF") markets. We have patented adaptive torque-limiting technology and proprietary sealing solutions that appeal to our customers, primarily medical device distributors. Additionally, we provide engineering, quality and regulatory consulting services to our customers. We also manufacture and sell rotary air motors to a wide range of industries; however, these motors comprise a de minimis portion of our business. Beginning in fiscal 2026, we began selling precision machined parts and assemblies for the aerospace and defense industries through our newly acquired subsidiary, Advanced Precision Machining, LLC ("APM").

We were incorporated in Colorado in 1994. In August 2020, we formed a wholly owned subsidiary, PDEX Franklin, LLC ("PDEX Franklin"), to hold title for an approximate 25,000 square foot industrial building in Tustin, California (the "Franklin Property") that we acquired on November 6, 2020, in order to allow for the continued growth of our business. This subsidiary has no separate operations.

In February 2026, we acquired APM, a manufacturer located in Costa Mesa, California. APM manufactures several of our machined sub-assemblies and also manufactures parts and assemblies for the aerospace and defense industries. In addition, it serves as a Prime Contractor for the U.S. Government and therefore maintains registrations under the International Traffic in Arms Regulations ("ITAR") as well as a Joint Certification Program ("JCP") certification. The consolidated financial statements include the accounts of the Company, PDEX Franklin and APM and all significant inter-company accounts and transactions have been eliminated.

Our principal headquarters are located at 2361 McGaw Avenue, Irvine, California 92614 and our phone number is 949-769-3200. Our corporate Internet address is www.pro-dex.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, amendments to those reports, and certain other Securities and Exchange Commission (“SEC”) filings, are available free of charge through our website as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the SEC. In addition, our Code of Ethics and other corporate governance documents may be found on our website at the Internet address set forth above. Our filings with the SEC may also be read and copied at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov and company specific information at www.sec.gov/edgar/searchedgar/companysearch.html.

All years relating to financial data herein shall refer to fiscal years ended June 30, unless indicated otherwise.

Description of Business

The majority of our revenue is derived from designing, developing and manufacturing surgical devices for the medical device industry. The proportion of total sales by type is as follows (in thousands, except percentages):

	Years Ended June 30,			
	2026		2025	
	(In thousands)			
		% of Revenue		% of Revenue
Medical Devices	62,098	80%	47,747	72%
Industrial and Scientific	1,513	2%	861	1%
NRE & Prototypes	1,650	2%	698	1%
Repairs	12,540	16%	18,586	28%
Discounts & Other	(253)	—	(1,299)	(2%)
Total Sales	77,548	100%	66,593	100%

Our medical device products utilize proprietary designs, are developed by us primarily under exclusive development and supply agreements and are currently machined in our Irvine, California facility, and assembled in our Tustin, California facility, as are our rotary air motors. Our medical device products are sold primarily to original equipment manufacturers and our air motors are sold to a wide range of distributors and end users. We also manufacture and sell precision machined parts and assemblies for the aerospace and defense industries through our newly acquired subsidiary APM.

In fiscal 2026, our top three customers accounted for 92% of our sales compared to 94% in fiscal 2025. In fiscal 2026, we had one customer, included in both medical device and repairs revenue above, that accounted for 78% of sales with our next largest customer accounting for 8% of sales. This compares to fiscal 2025, when these same two customers accounted for 75% and 12%, respectively, of our total sales. In many cases, including our largest customers, disclosure of customer names is prohibited by confidentiality agreements with such entities. We have no plans to discontinue the sales relationships with our existing significant customers, nor does management have any knowledge that any existing significant customer intends to terminate its relationship with us.

Our business today is almost entirely driven by sales of our medical devices. Many of our significant customers place purchase orders for specific products that were developed under various development and/or supply agreements. Our customers may request that we design and manufacture a custom surgical device or they may hire us as a contract manufacturer to manufacture a product of their own design. In either case, we have extensive experience with autoclavable, battery-powered and electric, multi-function surgical drivers and shavers. We continue to focus a significant percentage of our time and resources on providing outstanding products and service to our valued principal customers. During the second quarter of fiscal 2026, our largest customer executed an amendment to our existing supply agreement such that we shall continue to supply their surgical handpieces to them through calendar 2028. During the third quarter of fiscal 2026, we completed the acquisition of APM, one of our significant suppliers, to help meet the increased demand as a result of this contract extension. Our acquisition of APM provides us with a second machine shop located in Costa Mesa, California that not only provides machined assemblies to service our largest customer but also provides machining to other customers primarily in the defense and aerospace industries.

Simultaneously, we are working to build top-line sales through active proposals of new medical device products with new and existing customers and/or acquisitions of other businesses. Our patented adaptive torque-limiting software has been very well received in the CMF and thoracic markets.

The majority of the raw materials and components used to manufacture our products are purchased and are available from several sources, including through our own in-house machining capabilities. Portescap, Fischer Connectors, and Tadiran Batteries are examples of key suppliers. We have no exclusive arrangements with any of our suppliers, but in several instances only one supplier is used for certain high-value components. In most of such instances, secondary suppliers have been identified, although it is likely that any transition to a new or different supplier would result in a delay in the supply chain. We consider our relationships with our suppliers and manufacturers to be good, however, beginning in fiscal 2025, some of our suppliers began passing along tariff charges and we have passed these tariffs on to some of our customers. We do not intend to terminate any such relationship at this time, nor does management have knowledge that any supplier or manufacturer intends to terminate its relationship with us.

Our commitment to product design, manufacturing, and quality systems are supported by our compliance with several regulatory agency requirements and standards. We hold a U.S. Food and Drug Administration (“FDA”) Establishment Registration and a State of California Device Manufacturing License (Department of Public Health Food and Drug Branch) with respect to our Irvine and Tustin, California facilities. In addition, both facilities produce products that are certified to ISO 13485:2016, Medical Device Directive 93/42/EEC – Annex II. APM produces products that are certified to AS9100D & ISO 9001:2015.

At June 30, 2026, we had a backlog of \$32.9 million compared with a backlog of \$50.4 million at June 30, 2025. Our backlog represents firm purchase orders received and acknowledged from our customers and does not include all revenue expected to be generated from existing customer contracts. Substantially all of our backlog at June 30, 2026, as well as certain purchase orders received subsequent to June 30, 2026, are expected to be delivered during fiscal 2027. We have experienced, and may continue to experience, variability in our new order bookings due to, among other reasons, the launch of new products, the timing of customer orders based on end-user demand, and customer inventory levels. We do not typically experience seasonal fluctuations in our shipments and revenues.

Segments

We have only one operating segment as our business is currently operated. We have reached this conclusion because our Chief Executive Officer (“CEO”) allocates resources, assesses performance, and manages our business as one segment. Additionally, 98% of our business in fiscal 2026 relates to designing, manufacturing, and repairing medical devices. We primarily design, sell, and repair handheld medical devices and accessories. We provide medical devices, NRE and proto-type services, as well as repairs to all our customers. The CEO utilizes consolidated operating income to analyze our business operations.

Competition

The markets for products in the industries served by our customers are intensely competitive, and we face significant competition from a number of different sources. Several of our competitors have significantly greater name recognition, as well as substantially greater financial, technical, product development, and marketing resources, than us.

We compete in all of our markets with other major medical device companies. As a provider of outsourced services, we also compete with our customers’ own internal development and manufacturing groups. Competitive pressures and other factors, such as new product or new technology introductions by us, our customers’ internal development and manufacturing departments, or our competitors, may result in price or market share erosion that could have a material adverse effect on our business, results of operations, and financial condition. Also, there can be no assurance that our products and services will achieve broad market acceptance or will successfully compete with other products targeting the same customers.

Research and Development

We conduct research and development activities to both maintain and improve our market position. Our research and development efforts involve the design and manufacture of products that perform specific applications for our existing and prospective customers. Our research and development activities are focused on:

- expanding our knowledge base in the medical device industry to solidify our products with current customers and expand our customer base;
- advancing applicable technologies;
- introducing new products; and
- enhancing our existing product lines.

In certain instances, we may share research and development costs with our customers by billing for non-recurring engineering (“NRE”) services often provided for under development portions of certain contracts. Revenue recognized for NRE services represented 2% and 1% of our revenue, respectively, during fiscal 2026 and 2025.

During the fiscal years ended June 30, 2026 and 2025, we incurred research and development expenses amounting to \$3.3 million and \$3.6 million, respectively, which costs exclude labor and related expenses of approximately \$82,000 and \$73,000 in fiscal 2026 and 2025, respectively, that were reimbursed by our customers through billings for NRE services.

Human Capital Management

Our employees are among our most critical assets. The success and growth of our business depends on our ability to attract, reward, retain and develop talent in all levels of our organization, including, but not limited to, machine operators, assembly technicians, engineers, and management.

In order to attract and retain highly qualified employees, we offer the following:

- Competitive, reasonable, and equitable compensation programs;
- Comprehensive and highly competitive health and welfare benefits to promote our employees’ physical health, as well as a 401(k) plan to support our employees’ financial health;
- An Employee Stock Purchase Plan and equity compensation to provide financial value, align employee’s interests with those of our shareholders, and incentivize retention;
- Flexible paid vacation and sick time, as well as paid volunteer time; and
- Education/tuition reimbursement and referral programs.

Our employee turnover for the fiscal years ended June 30, 2026 and 2025 was 21% and 16%, respectively. We consider the turnover rate a valuable metric to measure the effectiveness of our programs and to assist in developing new programs.

Employees

At June 30, 2026 we had 206 employees, five of whom were part time, and all but four were working at our facilities in California. At June 30, 2025 we had 181 employees, two of whom were part time, and all were working at one or both of our facilities in Irvine, California and Tustin, California. None of our employees are a party to any collective bargaining agreements with us. We consider our relationships with our employees to be good.

Government Regulations

The manufacture and distribution of medical devices are subject to state and federal requirements set forth by various agencies, including the FDA, and state medical boards. The statutes, regulations, administrative orders, and advisories that affect our businesses are complex and subject to diverse, often conflicting, interpretations. While we make every effort to maintain full compliance with all applicable laws and regulations, we are unable to eliminate the ongoing risk that one or more of our activities or devices may at some point be determined to be non-compliant. The penalties for non-compliance could range from an administrative warning to termination of a portion of our business. Furthermore, even if we are subsequently determined to have fully complied with applicable laws or regulations, the costs to achieve such a determination and the intervening loss of business could adversely affect or result in the cessation of a portion of our business. A change in such laws or regulations at any time may have an adverse effect on our operations.

The FDA designates all medical devices into one of three classes (Class I, II, or III) based on the level of control necessary to assure the safety and effectiveness of the device (with Class I requiring the lowest level of control and Class III requiring the greatest level of control). The surgical instrumentation we manufacture is generally classified into Class I. The FDA has broad enforcement powers to recall and prohibit the sale of products that do not comply with federal regulations and to order the cessation of non-compliant processes. No claim has been made to date by the FDA regarding any of our products or processes. Nevertheless, as is common in the industry, certain of our products and processes have been the subject of routine governmental reviews and investigations.

The total cost of providing health care services has been and will continue to be subject to review by governmental agencies and legislative bodies in the major world markets, including the United States, which are faced with significant pressure to lower health care costs. Downward pressure on health care costs could result in reduced pricing or demand for our products.

APM operates a manufacturing facility located in Costa Mesa, California and manufactures precision machined components and assemblies for the medical, aerospace and defense industries, including parts and assemblies for aerospace and defense systems. In addition, APM serves as a Prime Contractor for the U.S. Government and, as such, maintains registrations under ITAR and a JCP certification. The regulatory requirements may include U.S. export control and sanctions regimes, including ITAR and the Export Administration Regulations (“EAR”), as well as other laws and regulations that apply to the performance of U.S. government contracts. A change in such laws or regulations at any time may have an adverse effect on our operations.

We believe that our business is conducted in a manner consistent with the Environmental Protection Agency (“EPA”) and other agency regulations governing disposition of industrial waste materials.

While we believe that our products and processes fully comply with applicable laws and regulations, we are unable to predict the outcome of any investigation or review which may be undertaken in the future with respect to our products or processes.

Management believes that each of our facilities has manufacturing systems and processes that are based on established Quality Management System standards. In addition, we believe that both our Irvine, California and Tustin, California facilities are compliant with applicable Good Manufacturing Practices promulgated by the FDA and are compliant with applicable ISO standards set forth by the International Organization for Standardization. We similarly believe that our Costa Mesa, California facility is compliant with applicable ISO standards set forth by the International Organization for Standardization.

Patents, Trademarks, and Licensing Agreements

We hold US and foreign patents relating to our handheld medical devices and torque-limiting screwdrivers. Our patents have varying expiration dates. The near-term expiration of the patents, if any, is not expected to cause any change in our revenue-generating operations as changing the legal manufacturer of medical devices is a significant undertaking and we believe the expiration of a patent would offer minimal inducement to make such a change.

We have no reason to believe that our activities infringe upon the intellectual property of any third party. With respect to our own patents, we have no reason to believe that our patents are invalid, and we believe that at least some of our patents cover certain aspects of our products. Although we are currently unaware of any reason that would cause us to assert or defend a claim of patent infringement, any such assertion or defense could materially and adversely affect our business and results of operations due to the costs involved.

We have certain federally registered trademarks relating to our products, including Pro-Dex[®], along with a number of other common law trademarks.

We have not entered into any franchising agreements. We have not granted, nor do we hold any, third-party licenses having terms under which we earn revenue or incur expense in material amounts.

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors, as well as the other information contained in this report, before deciding whether to invest in shares of our common stock. If any of the following risks actually occur, our business, financial condition, operating results, and prospects would suffer. In that case, the trading price of our common stock would likely decline and you might lose all or part of your investment in our common stock. The risks described below are not the only ones we face. Additional risks that we currently do not know about or that we currently believe to be immaterial may also impair our operations and business results.

Risks Related to Our Business and the Industry in Which We Operate

A substantial portion of our revenue is derived from a few customers. If we were to lose a key customer, it would have a material adverse effect on our business, financial condition, and results of operations.

In fiscal 2026, our top three customers accounted for 92% of our sales, with our current largest customer accounting for 78% of our sales. This customer has made purchase commitments to us through a supply agreement to purchase surgical handpieces through calendar 2028, and has placed purchase orders for deliveries in 2027, but there can be no assurance that this customer will extend purchase commitments to us beyond that date. The loss of, or a material reduction in purchases from, this customer or any of our other significant customers would severely impact us, including having a material adverse effect on our business, financial condition, cash flows, revenue, and results of operations.

A substantial portion of our business is derived from our core business area that, if not serviced properly, may result in a material adverse impact upon our business, financial condition, and results of operations.

In fiscal 2026, we derived 98% of our revenue from sales of our medical device products and related services. We believe that a primary factor in the market acceptance of our products and services is the value they create for our customers. Our future financial performance will depend in large part on our ability to continue to meet the increasingly sophisticated needs of our customers through the timely development, and successful introduction and implementation, of new and enhanced products and services, while at the same time continuing to provide the value our customers have come to expect from us. We have historically expended a significant percentage of our revenue on product development and believe that significant continued product development efforts will be required to sustain our growth. Continued investment in our sales and marketing efforts will also be required to support future growth.

There can be no assurance that we will be successful in our product development efforts, that the market will continue to accept our existing products, or that new products or product enhancements will be developed and implemented in a timely manner, meet the requirements of our customers, or achieve market acceptance. If the market does not continue to accept our existing products, or our new products or product enhancements do not achieve market acceptance, our business, financial condition, and results of operations could be materially adversely affected.

Our customers may cancel or reduce their orders, change production quantities, or delay production, any of which would reduce our sales and adversely affect our results of operations.

Since most of our customers purchase our products from us on a purchase order basis, they may cancel, change, or delay product purchase commitments with little notice to us. As a result, we are not always able to forecast with certainty the sales that we will make in a given period and sometimes we may increase our inventory, working capital, and overhead in expectation of orders that may never be placed, or, if placed, may be delayed, reduced, or canceled.

The following factors, among others, affect our ability to forecast accurately our sales and production capacity:

- Changes in the specific products or quantities our customers order; and
- Long lead times and advance financial commitments for components required to complete actual/anticipated customer orders.

In addition to reducing our sales, delayed, reduced, or canceled purchase orders also may result in our inability to recover costs that we incur in anticipation of those orders, such as costs associated with purchased raw materials and write-offs of obsolete inventory.

In recent years, we have launched several new medical device products and our estimates of warranty claims are based largely on our previous history from similar legacy products. If actual warranty claims exceed our estimates, it could have an adverse effect on our results of operations and financial condition.

In recent years, we have completed significant medical device development projects in the CMF and thoracic surgical segments for which we have made estimates of product warranty claims based upon similar, legacy products. If the actual repair volumes or repair costs exceed the estimates that we have been using, we may incur additional costs which could be materially adverse to our results of operations and financial condition.

We face significant competition from a number of different sources, which could negatively impact our results of operations.

The markets for products in the industries served by our customers are intensely competitive, and we face significant competition from a number of different sources. Several of our competitors have significantly greater name recognition, as well as substantially greater financial, technical, product development and marketing resources, than us.

We compete in all of our markets with other major surgical device and related companies. As a provider of outsourced products and services, we also compete with our customers' own internal development groups. Competitive pressures and other factors, such as new product or new technology introductions by us, our customers' internal development and manufacturing departments, or our competitors, may result in price or market share erosion that could have a material adverse effect on our business, results of operations and financial condition. Also, there can be no assurance that our products and services will achieve or maintain broad market acceptance or will successfully compete with other products.

The industry in which we operate is subject to significant technological change and any failure or delay in addressing such change could adversely affect our competitive position or could make our current products obsolete.

The medical device market is generally characterized by rapid technological change, changing customer needs, frequent new product introductions and evolving industry standards. The introduction of products incorporating new technologies and the emergence of new industry standards could render our existing products obsolete and unmarketable. There can be no assurance that we will be successful in developing and marketing new products that respond to technological changes or evolving industry standards.

New product development requires significant research and development expenditures that we have historically funded through operations; however, we may be unable to do so in the future. Any significant decrease in revenues or research funding could impair our ability to respond to technological advances in the marketplace and to remain competitive. If we are unable, for technological or other reasons, to develop and introduce new products in a timely manner in response to changing market conditions or customer requirements, our business, results of operations, and financial condition may be materially adversely affected. Although we continue to target new markets for access, develop new products, and update existing products, there can be no assurance that we will do so successfully or that, even if we are successful, such efforts will be completed concurrently with or prior to the introduction of competing products. Any such failure or delay could adversely affect our competitive position or could make our current products obsolete.

We rely heavily on our proprietary technology, which, if not properly protected or if deemed invalid, could have a material adverse effect on our business, financial condition, and results of operations.

We are dependent on the maintenance and protection of our proprietary technology and rely on patent filings, exclusive development and supply agreements, confidentiality procedures and employee nondisclosure agreements to protect it. There can be no assurance that the legal protections and precautions taken by us will be adequate to prevent misappropriation of our technology or that competitors will not independently develop technologies equivalent or superior to ours. Further, the laws of some foreign countries do not protect our proprietary rights to as great an extent as do the laws of the United States and are often not enforced as vigorously as those in the United States.

We do not believe that our operations or products infringe on the intellectual property rights of others. However, there can be no assurance that others will not assert infringement or trade secret claims against us with respect to our current or future products. Assertions or claims by others, whether or not valid, could cause us to incur significant legal costs defending our intellectual property rights and potentially require us to enter into a license agreement or royalty arrangement with the party asserting the claim or to cease our use of the infringing technology, any of which could have a material adverse effect on our business, financial condition and results of operations.

If our technology infrastructure is compromised, damaged or interrupted by a cybersecurity incident, data security breach or other security problems, our results of operations and financial condition could be adversely affected.

We use technology in substantially all aspects of our business operations, and our ability to serve customers most effectively depends on the reliability of our technology systems. We use software and other technology systems, among other things, to generate sales orders, job orders, and purchase orders and to monitor and manage our business on a day-to-day basis. Cybersecurity incidents can include computer viruses, computer denial-of-service attacks, worms, and other malicious software programs or other attacks, covert introduction of malware to computers and networks, impersonation of authorized users, and efforts to discover and exploit any design flaws, bugs, security vulnerabilities or security weaknesses, as well as intentional or unintentional acts by employees or other insiders with access privileges, intentional acts of vandalism by third parties and sabotage.

In addition, our technology infrastructure and systems are vulnerable to damage or interruption from natural disasters, power loss and telecommunications failures. Any such disruption to our systems, or the technology systems of third parties on which we rely, the failure of these systems to otherwise perform as anticipated, or the theft, destruction, loss, misappropriation, or release of sensitive and/or confidential information or intellectual property, could result in business disruption, negative publicity, loss of customers, potential liability, including litigation or other legal actions against us or the imposition of penalties, fines, fees or liabilities, which may not be covered by our insurance policies, and competitive disadvantage, any or all of which would potentially adversely affect our customer service, decrease the volume of our business and result in increased costs and lower profits. Moreover, a cybersecurity breach could require us to devote significant management resources to address the problems associated with the breach and to expend significant additional resources to upgrade further the security measures we employ to protect information against cyber-attacks and other wrongful attempts to access such information, which could result in a disruption of our operations.

While we have invested, and continue to invest, in technology security initiatives and other measures to prevent security breaches and cyber incidents, as well as disaster recovery plans, these initiatives and measures may not be entirely effective to insulate us from technology disruption that could result in adverse effects on our results of operations and financial condition.

To service our debt obligations, we will require a significant amount of cash. However, our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on, and to refinance, our debt obligations and to fund capital expenditures, will depend on our ability to generate cash in the future, which, in turn, is subject to general economic, financial, competitive, regulatory and other factors, many of which are beyond our control.

Our business may not generate sufficient cash flow from operations, and we may not have available to us future borrowings in an amount sufficient to enable us to pay our debt obligations or to fund our other liquidity needs. In these circumstances, we may need to refinance all or a portion of our debt obligations on or before maturity. We may not be able to refinance any of our debt obligations, on commercially reasonable terms, or at all. Without this financing, we could be forced to sell assets or secure additional financing to make up for any shortfall in our payment obligations under unfavorable circumstances. However, we may not be able to secure additional financing on terms favorable to us or at all and, in addition, the agreements governing our debt obligations limit our ability to sell assets. In addition, we may not be able to sell assets quickly enough or for sufficient amounts to enable us to meet our obligations.

Our cash and cash equivalents may be exposed to banking institution risk.

We hold our cash balances with several financial institutions which are subject to risks, which may include failure or other circumstances that limit our access to deposits or other banking services. For example, in March 2023, Silicon Valley Bank (“SVB”) was unable to continue their operations and the Federal Deposit Insurance Corporation (“FDIC”) was appointed as receiver for SVB. If similar failures in financial institutions occur where we hold deposits, we could experience additional risk. Any such loss or limitation on our cash and cash equivalents would adversely affect our business.

In addition, if similar failures affect institutions relied on by our customers, we might not be able to receive timely payment from customers. We and they may maintain cash balances that are not insured or are in excess of the FDIC’s insurance limit. Any delay in ours or our customers’ ability to access funds could have a material adverse effect on our operations. If any parties with which we conduct business are unable to access funds pursuant to such instruments or lending arrangements with such a financial institution, such parties’ ability to continue to fund their business and perform their obligations to us could be adversely affected, which, in turn, could have a material adverse effect on our business, financial condition and results of operations.

We periodically invest surplus cash in marketable securities and other investments in order to realize a positive return, although there can be no assurance that a positive return will be realized, and we could lose some or all of our investments, which could adversely affect our financial condition and results of operation.

We invest a portion of our excess capital in marketable securities, including equity securities of publicly traded companies. At June 30, 2026, the fair value of our investments was approximately \$1.7 million. While we intend to hold our investments until such time as we believe it is appropriate to sell them in accordance with our overall investment policy, we may have unexpected cash requirements that could necessitate the sale of some or all of these investments for a loss. Additionally, these investments are subject to changes in their valuation, and are recorded at their estimated fair value at each measurement date, with unrealized gains and losses presented in other income (expense) in our consolidated income statements, which can result in material upward or downward non-cash adjustments to our income from quarter-to-quarter.

Our operations are dependent upon our key personnel. If such personnel were to leave unexpectedly, we may not be able to execute our business plan.

Our future performance depends in significant part upon the continued service of our key technical and senior management personnel. Because we have a relatively small number of employees when compared to other companies in the same industry, our dependence on maintaining our relationship with key employees is particularly significant. We are also dependent on our ability to attract and retain high quality personnel, particularly in the areas of product development, operations management, marketing and finance.

A high level of employee mobility and the aggressive recruiting of skilled personnel characterize the medical device industry. There can be no assurance that our current employees will continue to work for us. Loss of services of key employees could have a material adverse effect on our business, results of operations, and financial condition. Furthermore, we may need to provide enhanced forms of incentive compensation to attract and retain such key personnel, which could potentially dilute the holdings of other shareholders.

We may not be able to successfully integrate our business acquisitions, which could adversely affect our business, financial condition, and results of operations.

As part of our strategy, we are actively exploring acquisition opportunities. We have acquired, and may acquire in the future, businesses, products, and technologies that complement or expand our current operations. Acquisitions could require significant capital investments and require us to integrate with companies that have different cultures, management teams, and business infrastructure. Depending on the size and complexity of an acquisition, our successful integration of the acquisition could depend on several factors, including:

- Difficulties in assimilating and integrating the operations, products, and workforce of an acquired business;
- The retention of key employees;
- Management of facilities and employees in separate geographic areas;
- The integration or coordination of different research and development and product manufacturing facilities;
- Successfully converting information and accounting systems; and
- Diversion of resources and management attention from our other operations.

If market conditions or other factors require us to change our strategic direction, we may fail to realize the expected value from one or more of our acquisitions. Our failure to successfully integrate any future acquisitions or realize the expected value from past or future acquisitions could harm our business, financial condition, and results of operations.

We have experienced losses in the past, and we cannot be certain that we will sustain our current profitability; we may need additional capital in the future to fund our businesses, which we may not be able to obtain on acceptable terms.

We have experienced operating losses in the past. Our ability to achieve or sustain profitability is based on a number of factors, many of which are out of our control, including the material costs for our products and the demand for our products.

We currently anticipate that our available capital resources, including our existing cash and cash equivalents and accounts receivable balances, will be sufficient to meet our expected working capital and capital expenditure requirements as our business is currently conducted for at least the next 12 months. However, if our available capital resources become insufficient, we may attempt to raise additional funds through public or private debt or equity financings, if such financings become available on acceptable terms. We cannot be certain that any additional financing we may need will be available on terms acceptable to us, or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to take advantage of opportunities, develop new products, or otherwise respond to competitive pressures, and our operating results and financial condition could be adversely affected.

Risks Related to Ownership of Our Common Stock

Two of our directors hold voting power with respect to a substantial portion of our outstanding common stock that enables them to have significant influence over the outcome of all matters submitted to our shareholders for approval, which influence may conflict with our interests and the interests of other shareholders.

As of August 20, 2026, two of our directors, Nicholas J. Swenson and Raymond E. Cabillot, directly or indirectly, controlled voting power over approximately 40% (32% and 8%, respectively) of the outstanding shares of our common stock. As a result of such voting control, these directors will have significant influence over all matters submitted to our shareholders for approval, including the election of our directors and other corporate actions, and may have interests that conflict with our interests and the interests of other shareholders.

Our quarterly results can fluctuate significantly from quarter to quarter, which may negatively impact the price of our shares and/or cause significant variances in the prices at which our shares trade.

Our sales have fluctuated in the past, and may fluctuate in the future from quarter to quarter and period to period, as a result of a number of factors, including, without limitation: the size and timing of orders from customers; the length of new product development cycles; market acceptance of new technologies; changes in pricing policies or price reductions by us or our competitors; the timing of new product announcements and product introductions by us or our competitors; the financial stability of major customers; our success in expanding our sales and marketing programs; acceleration, deferral, or cancellation of customer orders and deliveries; changes in our strategy; revenue recognition policies in conformity with accounting principles generally accepted in the United States (“U.S. GAAP”); personnel changes; and general market and economic factors.

Because a significant percentage of our expenses are fixed, a variation in the timing of sales can cause significant fluctuations in operating results from quarter to quarter. As a result, we believe that interim period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as indications of future performance. Further, our historical operating results are not necessarily indicative of future performance for any particular period.

In addition, it is possible that our operating results in future quarters may be below the expectations of public market analysts and investors. In such an event, the price of our common stock could be materially adversely affected.

Regulatory & Compliance Risks

Our operations are subject to a number of complex government regulations, the violation of which could have a material adverse effect on our business.

The manufacture and distribution of medical devices are subject to state and federal requirements set forth by various government agencies including the FDA and EPA. The statutes, regulations, administrative orders, and advisories that affect our businesses are complex and subject to diverse, often conflicting, interpretations. While we make every effort to maintain full compliance with all applicable laws and regulations, we are unable to eliminate the ongoing risk that one or more of our activities may at some point be determined to be non-compliant. The penalties for non-compliance could range from an administrative warning to termination of a portion of our business. Furthermore, even if we are subsequently determined to have fully complied with applicable laws or regulations, the costs to achieve such a determination and the intervening loss of business could adversely affect or result in the cessation of a portion of our business. A change in such laws or regulations at any time may have an adverse effect on our operations.

The FDA designates all medical devices into one of three classes (Class I, II, or III) based on the level of control necessary to assure the safety and effectiveness of the device (with Class I requiring the lowest level of control and Class III requiring the greatest level of control). The surgical instrumentation we manufacture is generally classified into Class I. The FDA has broad enforcement powers to recall and prohibit the sale of products that do not comply with federal regulations and to order the cessation of non-compliant processes. No claim has been made to date by the FDA regarding any of our products or processes. Nevertheless, as is common in the industry, certain of our products and processes are from time to time subject to routine governmental reviews and investigations. We are also subject to EPA regulations concerning the disposal of industrial waste.

While management believes that our products and processes fully comply with applicable laws and regulations, we are unable to predict the outcome of any such future review or investigation.

We face risks and uncertainties associated with potential litigation by or against us, which could have a material adverse effect on our business, financial condition, and results of operations.

We continually face the possibility of litigation as either a plaintiff or a defendant. It is not reasonably possible to estimate the awards or damages, or the range of awards or damages, if any, that we might incur in connection with such litigation.

Many of our products are complex and technologically advanced. Such products may, from time to time, be the subject of claims concerning product performance and construction, including warranty and patent infringement claims. While we are committed to investigating such concerns and correcting them, there is no assurance that solutions will be found on a timely basis, if at all, to satisfy customer demands or to avoid potential claims or litigation. Also, due to the location of our facilities, as well as the nature of our business activities, there is a risk that we could be subject to litigation related to environmental remediation claims. Additionally, from time to time, including currently, we are involved in various labor claims or other personnel matters. We maintain insurance to protect against claims associated with the manufacture and use of our products as well as environmental pollution and employment practices, but there can be no assurance that our insurance coverage will adequately cover any claim asserted against us.

The uncertainty associated with potential litigation may have an adverse impact on our business. In particular, litigation could impair our relationships with existing customers and our ability to obtain new customers. Defending or prosecuting litigation could result in significant legal costs and a diversion of management's time and attention away from business operations, either of which could have a material adverse effect on our business, financial condition, and results of operations. There can be no assurance that litigation would not result in liability in excess of our insurance coverage, that our insurance will cover such claims, or that appropriate insurance will continue to be available to us in the future at commercially reasonable rates.

The agreements governing our various debt obligations impose restrictions on our business and could adversely affect our ability to undertake certain corporate actions.

The agreements governing our debt obligations include covenants imposing significant restrictions on our business. These restrictions may affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities as they arise. These covenants place restrictions on our ability to, among other things:

- incur additional debt;
- declare or pay dividends to shareholders;
- create liens or use assets as security in other transactions;
- be acquired by a third party;
- pursue strategic acquisitions;
- engage in transactions with affiliates; and
- sell or transfer assets.

The agreements governing our debt obligations also require us to comply with a number of financial ratios, borrowing base requirements and additional covenants.

Our ability to comply with these covenants may be affected by events beyond our control, including prevailing economic, financial, and industry conditions. These covenants could adversely affect our business by limiting our ability to take advantage of financing, merger and acquisition, or other corporate opportunities. The breach of any of these covenants or restrictions could result in a default under our debt obligations. If we were unable to repay our debt or are otherwise in default under any provision governing our secured debt obligations, our lender could proceed against us and against the collateral (consisting of substantially all of our assets) securing that debt.

We are subject to changes in and interpretations of financial accounting matters that govern the measurement of our performance, compliance with which could be costly and time-consuming.

We are subject to changes in and interpretations of financial accounting standards that govern the measurement of our performance. Based on our reading and interpretations of relevant pronouncements, guidance, or concepts issued by, among other authorities, the Financial Accounting Standards Board, the SEC, and the American Institute of Certified Public Accountants, management believes our performance, including current sales contract terms and business arrangements, has been properly reported. However, there continue to be issued pronouncements, interpretations, and guidance for applying the relevant standards to a wide range of contract terms and business arrangements that are prevalent in the industries in which we operate. Future interpretations or changes by the regulators of existing accounting standards or changes in our business practices may result in future changes in our accounting policies and practices that could have a material adverse effect on our business, financial condition, cash flows, revenue, and results of operations.

Our evaluation of internal controls and remediation of potential problems is costly and time-consuming and we have previously identified material weaknesses in our internal control over financial reporting. Failure to achieve and maintain effective internal control over financial reporting could materially and adversely affect our business, results of operations, financial condition, and stock price.

Section 404 of the Sarbanes-Oxley Act of 2002, as amended, requires management's assessment of the effectiveness of our internal control over financial reporting. This process is expensive and time consuming and requires significant attention of management. For example, we identified material weaknesses in our internal control over financial reporting as of June 30, 2024, and June 30, 2023.

In fiscal 2025 and 2024, we implemented remediation plans designed to address our June 30, 2024 and 2023, material weaknesses, which were both time consuming and costly. We completed the remediation of the previously identified material weaknesses, and as described in Item 9A of this report, management concluded that our internal control over financial reporting was effective as of June 30, 2026.

Notwithstanding the foregoing, we cannot be certain that additional material weaknesses or significant deficiencies in our internal control over financial reporting will not be identified or occur in the future. If additional material weaknesses or significant deficiencies in our internal control are discovered or occur in the future, our consolidated financial statements may contain material misstatements and we could be required to restate our financial results.

We cannot be certain that a future material weakness will not occur and that it will not be time consuming and costly to remediate and further divert the attention of management. The disclosure of a material weakness, even if quickly remedied, could reduce the market's confidence in our financial statements and harm our stock price, especially if a restatement of financial statements for past periods is required.

Our acquisition of APM may increase our exposure to complex export control and government contracting requirements, the violation of which could have a material adverse effect on our business.

As a result of our acquisition of APM in February 2026, we have increased exposure to defense and aerospace-related customers, programs, products and/or technical data. APM operates a manufacturing facility located in Costa Mesa, California and manufactures precision machined components and assemblies for the medical, aerospace and defense industries, including parts and assemblies for aerospace and defense systems. In addition, APM serves as a Prime Contractor for the U.S. Government and, as such, maintains registrations under ITAR and a JCP certification.

As a result, we may become subject to additional and more complex regulatory requirements than those historically applicable to our business. These requirements may include U.S. export control and sanctions regimes, including ITAR and EAR, as well as other laws and regulations that apply to the performance of U.S. government contracts. A change in such laws or regulations at any time may have an adverse effect on our operations.

These statutes and regulations can be complex and subject to diverse, often conflicting, interpretations, which may change over time. Compliance may require us to implement and maintain additional policies, procedures, training, and internal controls, and to devote significant management attention and resources to compliance activities. In addition, we may be required to obtain and maintain registrations, certifications, licenses, authorizations or approvals; monitor and restrict access to controlled items, information and technology; and comply with flow-down requirements imposed by customers and government agencies in connection with government-funded or government-related programs.

If we fail to comply with export control, sanctions, or government contracting requirements (including requirements associated with APM's ITAR registration and JCP certification), we could be subject to civil and criminal penalties, including fines, the loss, suspension or limitation of export privileges, the loss, suspension, limitation, or non-renewal of certifications or registrations, the imposition of enhanced compliance measures, contract termination, the loss of government contract opportunities, or suspension or debarment from doing business with the U.S. government or from participating in government-funded programs. The penalties for non-compliance could range from an administrative warning to termination of a portion of our business. Furthermore, even if we are subsequently determined to have fully complied with applicable laws or regulations, the costs to achieve such a determination and the intervening loss of business could adversely affect or result in the cessation of a portion of our business.

In addition, the APM acquisition was completed in large part to support expansion of our business and to support increased demand resulting from a contract extension with our largest customer, and APM's Costa Mesa facility provides machined assemblies to service that customer while also providing machining to other customers primarily in the defense and aerospace industries. To the extent this increases our reliance on defense-related or government-funded demand or increases our exposure to a limited number of significant customer relationships, our revenue may become more sensitive to government budgets, appropriations, procurement priorities, and political and policy shifts, as well as to the continuation, renewal, or termination of key customer arrangements. Any reduction, delay, or cancellation of spending or programs affecting such customers, or any contract termination or loss of relevant registrations or certifications, could have a material adverse effect on our business, financial condition, and results of operations.

General Risks

The global economic environment may impact our business, financial condition, and results of operations.

Changes in the global economic environment have caused, and may cause in the future, a general tightening in the credit markets, lower levels of liquidity, increases in rates of default and bankruptcy, high rates of inflation, higher interest rates, and extreme volatility in credit, equity and fixed income markets. These macroeconomic developments could negatively affect our business, operating results or financial condition should they cause, for example, current or potential customers to become unable to fund purchases of our products, in turn resulting in delays, decreases or cancellations of purchases of our products and services, or causing the customer to not pay us or to delay paying us for previously purchased products and services. In addition, financial institution failures may cause us to incur increased expenses or make it more difficult either to obtain financing for our operations, investing activities (including the financing of any future acquisitions), or financing activities. Additional economic risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition, and results of operations.

Tariffs could have a negative effect on our business, results of operations, financial condition, and liquidity.

Starting in the first calendar quarter of 2025, the United States government announced its intention and/or actively took action to increase tariffs at various rates, including on certain products imported from many countries and individualized higher tariffs on certain other countries. Other countries have announced reciprocal tariffs or other similar actions. In some cases, these tariffs have since been followed by announcements of limited exemptions and temporary pauses. We are subject to risks relating to increased tariffs on U.S. imports, and other changes affecting imports, as we purchase raw materials and components from a complex supply chain which includes both direct and indirect purchases from foreign countries. The recent enactment of these tariffs, along with the unpredictability of the rates, poses a risk to our business operations and may materially increase our costs and reduce our margins. There continues to be significant uncertainty about the future relationship between the U.S. and other countries regarding such trade policies, treaties and tariffs. As such, we can make no assurances about the eventual impact on our operating results and business. However, some of our suppliers have begun passing along tariff charges. Our inability to minimize the impact of tariffs on our raw material and components costs, pass through price increases to customers, or find alternative sources for our raw materials and components, may have a material adverse impact on our business, financial condition, and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Risk management and strategy

We have implemented and maintain various information security processes in accordance with our business designed to identify, assess, manage and protect against material risks from cybersecurity threats to our critical computer networks, communication systems, hardware and software, and our critical data, including intellectual property and confidential information.

Depending on the environment, we implement and maintain various technical, physical and organizational measures, processes, and policies designed to manage and mitigate material risks from cybersecurity threats to our information systems and data, including, for example, incident detection and response plans; disaster recovery and business continuity plans; maintaining network security and access controls; asset management; monitoring certain of our systems and network; cybersecurity insurance; and training our employees about certain cybersecurity risks and threats.

We currently engage third party information technology partners to design and manage our information security processes and system. Working with our outsourced security team, our Chief Financial Officer manages the risk assessment and mitigation process. We hired a business systems and information technology manager in fiscal 2025 to increase our in-house expertise in this area. As we grow, we plan to develop a more robust and detailed strategy for cybersecurity.

These processes are integrated into our broader enterprise risk management activities overseen by management and the Board. We also maintain processes designed to identify and manage material risks from cybersecurity threats associated with our use of third-party service providers, including through our engagement of, and coordination with, our outsourced information technology and security partners

Governance

Cybersecurity risks are overseen by the full Board of Directors and the Audit Committee as part of their regular oversight. We amended our Audit Committee charter in fiscal 2026 to incorporate cybersecurity and technology duties and responsibilities. Additionally, members of the Board and Audit Committee are encouraged to engage in ad hoc conversations with management on cybersecurity related updates to our risk management and strategy. Cybersecurity incidents are reported to the Chief Financial Officer to determine incident severity and response. Incidents that are assessed to present heightened risk or potential materiality are escalated to appropriate members of management and reported, as appropriate, to the Audit Committee and/or the full Board for oversight purposes. In evaluating potential materiality, management considers, among other things, the nature and scope of the incident and the potential impact on our business strategy, results of operations and financial condition. In an effort to deter and detect cyber threats, we also provide all employees with access to digital assets with an ongoing cybersecurity awareness training program, which further educates employees and covers timely and relevant topics, including phishing, password protection, asset use and mobile security.

Risks from cybersecurity threats

To date, we have not identified any cybersecurity incidents or threats that have materially affected us, or are reasonably likely to materially affect us, including our business strategy, results of operations, or financial condition. However, like many companies in our industry, we face numerous and evolving cybersecurity threats that could adversely affect our business. For more information about the risks from cybersecurity threats that may materially affect us and how they may do so, see our risk factors under Part 1 Item 1A Risk Factors contained elsewhere in this report.

ITEM 2. PROPERTIES

Our executive offices and manufacturing facility are located at 2361 McGaw Avenue, Irvine, California 92614. We lease the 28,000 square foot facility from an unrelated third party at a current base monthly lease rate of approximately \$45,000 with 3% annual escalations through the expiration of the lease in September 2027. The building is a one-story, stand-alone structure of concrete “tilt-up” construction, approximately 45 years old and in good condition.

Our Franklin Property, located at 14401 Franklin Avenue, Tustin, California 92780, is used primarily for our assembly and repairs operations. We purchased this 25,000 square foot facility in November 2020 from an unrelated third party, with the majority of the purchase price financed by a property loan (See Notes 6 and 9 of the consolidated financial statements contained elsewhere in this report). The building is a one-story, stand-alone structure of concrete “tilt-up” construction, approximately 45 years old and in good condition.

Our APM facility located at 1649 Monrovia Avenue, Costa Mesa, California 92627 is represented by three approximately 2,500 square foot adjacent facilities leased from an unrelated third party at a lease rate of approximately \$17,000 per month through December 31, 2026.

We believe that our facilities are adequate for our current and expected future needs and are in full compliance with applicable state, EPA and other agency environmental standards.

ITEM 3. LEGAL PROCEEDINGS

See Note 11 to the consolidated financial statements contained elsewhere in this report.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information

Our common stock is quoted under the symbol "PDEX" on the Nasdaq Capital Market ("NASDAQ").

Holders

As of September 2, 2026, there were 136 holders of record of our common stock. This number does not include beneficial owners including holders whose shares are held in nominee, or "street," name.

Dividends

We have never paid a cash dividend with respect to our common stock. The current policy of our Board of Directors is to retain any future earnings to provide funds for the operation and expansion of our business or for repurchases of our common stock pursuant to our repurchase plans. Any determinations to pay dividends in the future will be at the discretion of our Board of Directors. In addition, our current credit facilities contain covenants that prohibit us from paying dividends.

Repurchases

During the fourth quarter of fiscal 2026 and 2025, we repurchased 10,476 and 0 shares of our common stock, respectively, at an aggregate cost of \$600,000 and \$0, respectively, through Board approved prearranged share repurchase plans intended to qualify for the safe harbor under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

During the three-month period ended June 30, 2026, repurchases under the Board approved stock repurchase programs were as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April 1, 2026 to April 30, 2026	3,852	\$ 51.94	3,852	240,608
May 1, 2026 to May 31, 2026	3,666	\$ 54.58	3,666	236,942
June 1, 2026 to June 30, 2026	2,958	\$ 67.63	2,958	233,984

All shares were purchased under the share repurchase program that our Board of Directors approved in December 2019, which authorizes the repurchase of up to 1,000,000 shares of our common stock. All repurchases were made pursuant to a prearranged trading plan intended to qualify for the safe harbor under Rule 10b5-1 under the Exchange Act

ITEM 6. RESERVED

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

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the notes thereto contained elsewhere in this report, as well as the Risk Factors included in Item 1A of this report. The following discussion contains forward-looking statements. (See “Cautionary Note Regarding Forward-Looking Statements” included in Part I of this report.)

Overview

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of our results of operations and financial condition for the fiscal years ended June 30, 2026 and 2025.

We specialize in the design, development, and manufacture of autoclavable, battery-powered and electric, multi-function surgical drivers and shavers used primarily in the orthopedic, thoracic, and CMF markets. Additionally, we provide engineering, quality, and regulatory consulting services to our customers. We also sell rotary air motors to a wide range of industries; however, these motors comprise a de minimis portion of our business. Beginning in fiscal 2026, we began selling precision machined parts and assemblies for the aerospace and defense industries through our newly acquired subsidiary, APM. Our products are found in hospitals, medical engineering labs, scientific research facilities, and high-tech manufacturing operations around the world. We are headquartered in Irvine, California.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of our financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosures. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Revenue Recognition

Under Accounting Standards Update (“ASU”) 2014-09, (Topic 606) “*Revenue From Contracts with Customers*,” we recognize revenue from the sales of products and services by applying the following steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation in the contract; and (5) recognize revenue when each performance obligation is satisfied. We primarily sell finished products and recognize revenue at point of sale or delivery. However, we also perform services when we are engaged to design a product for a customer and there is more judgment involved in determining the amount and timing of revenue recognition under those types of contracts. In fiscal 2026, the revenue from NRE and prototype services represents approximately 2% of total revenue.

Returns of our product for credit are not material; accordingly, we do not establish a reserve for product returns at the time of sale.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or net realizable value. Reductions to estimated net realizable value are recorded, and charged to cost of sales, when indicated based on a formula that compares on-hand quantities to both historical usage and estimated demand from the measurement date.

Investments

Investments currently consist of marketable equity securities of publicly held companies as well as preferred stock of a private company. The investments were made to realize a reasonable return, although there is no assurance that positive returns will be realized. Investments are marked to market at each measurement date, with unrealized gains and losses presented in other income (expense) in our consolidated income statements. Some of our investments include the common stock of public companies that are thinly traded. Certain of these investments are classified as long-term in nature, as we may not be able to liquidate the investments in a timely manner even if we wish to sell them. All of our investments were subject to a valuation analysis as of June 30, 2026 and 2025.

Long-lived Assets & Intangible Assets

We review the recoverability of long-lived assets, consisting of building, equipment, and improvements, and definite-lived intangibles when events or changes in circumstances occur that indicate carrying values may not be recoverable. We assess the impairment of indefinite-lived intangibles annually, and more frequently, if events or changes in circumstances indicate that it is more likely than not that the asset is impaired.

Building, equipment, and improvements are recorded at historical cost and definite-lived intangibles are recorded at estimated fair value and depreciation is provided using the straight-line method over the following periods:

Building	Thirty years
Equipment	Three to ten years
Tradename	Seven years
Customer relationships	Ten years
Improvements	Shorter of the remaining life of the underlying building, lease term, or the asset’s estimated useful life

Business Combinations

Accounting for a business combination requires us to estimate the fair value of consideration paid and the individual assets acquired and liabilities assumed, which involves a number of judgments, assumptions and estimates that could materially affect the amount and timing of costs recognized in subsequent periods. We estimate the fair value of assets acquired, and liabilities assumed based upon assumptions we believe to be reasonable, but which are inherently uncertain and, as a result, actual results may differ from estimates. Estimates associated with the accounting for acquisitions may change as additional information becomes available. Due to the subjectivity of and reliance on forward-looking inputs, these acquisition-related estimates qualify as critical accounting estimates.

Income Taxes

We recognize deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of our assets and liabilities, along with net operating loss and tax credit carryovers. Deferred tax assets and liabilities at June 30, 2026 and 2025 consisted primarily of basis differences related to unrealized gain/loss related to investments, stock-based compensation, fixed assets, accrued expenses and inventories. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Significant management judgment is required in determining our provision for income taxes and the recoverability of our deferred tax assets. Such determination is based on our historical taxable income, with consideration given to our estimates of future taxable income and the periods over which deferred tax assets will be recoverable. In evaluating our ability to recover our deferred tax assets, we consider all available positive and negative evidence, including reversals of deferred tax liabilities, projected future taxable income, and results of recent operations. The assumptions about future taxable income require significant judgment and are consistent with the plans and estimates we are using to manage the underlying business. In evaluating the objective evidence that historical results provide, we consider three years of cumulative operating income (loss).

Results of Operations for the Fiscal Year Ended June 30, 2026 Compared to the Fiscal Year Ended June 30, 2025

The following tables set forth results from operations for the fiscal years ended June 30, 2026 and 2025:

	Years Ended June 30,			
	2026		2025	
	Dollars in thousands			
	% of Net Sales		% of Net Sales	
Net sales	77,548	100%	66,593	100%
Cost of sales	53,213	69%	47,083	71%
Gross profit	24,335	31%	19,510	29%
Selling expenses	516	—	344	—
General and administrative expenses	7,483	10%	4,841	7%
Research and development costs	3,345	4%	3,636	6%
Total operating expenses	11,344	14%	8,821	13%
Operating income	12,991	17%	10,689	16%
Other income (expense), net	5,024	6%	1,369	2%
Income before income taxes	18,015	23%	12,058	18%
Income tax expense	4,353	6%	3,080	5%
Net income	13,662	17%	8,978	13%

Net Sales

The majority of our revenue is derived from designing, developing, manufacturing and repairing powered surgical instruments for medical device original equipment manufacturers. We also manufacture and sell rotary air motors to a wide range of industries and precision machined parts and assemblies for the aerospace and defense industries through our newly acquired subsidiary APM. The proportion of total sales by product/service type is as follows:

	Years Ended June 30,				Increase (Decrease) From 2025 To 2026		
	2026		2025				
	Dollars in thousands						
	% of Net Sales		% of Net Sales				
Net sales:							
Medical Devices	\$	62,098	80%	\$	47,747	72%	30%
Industrial and Scientific		1,513	2%		861	1%	76%
NRE & Prototype services		1,650	2%		698	1%	136%
Repairs		12,540	16%		18,586	28%	(33%)
Discounts & Other		(253)	—		(1,299)	(2%)	(81%)
	\$	77,548	100%	\$	66,593	100%	16%

Net sales in fiscal 2026 increased by \$11.0 million, or 16%, as compared to fiscal 2025, due primarily to an increase in medical device revenue of \$14.4 million, offset by a decrease in repair revenue of \$6.0 million. Details of our medical device sales by type is as follows:

	Years Ended June 30,				Increase (Decrease) From 2025 To 2026
	2026		2025		
	Dollars in thousands				
		% of Total		% of Total	
Medical Device sales:					
Orthopedic	\$ 48,804	79%	\$ 33,542	70%	46%
CMF	11,233	18%	9,943	21%	13%
Thoracic	2,061	3%	4,262	9%	(52%)
Total	\$ 62,098	100%	\$ 47,747	100%	30%

Sales of our medical device products increased \$14.4 million, or 30%, during fiscal 2026 as compared to fiscal 2025. Our medical device revenue to our largest customer, included in orthopedic sales above, increased \$15.3 million, compared to the prior fiscal year due primarily to the launch of that customer's next generation handpiece. As previously disclosed, our largest customer executed a contract amendment which extends the contract through 2028 and also provides for higher volumes of their newest surgical handpiece. Therefore, we expect to see similar levels of revenue reported in orthopedic sales through 2028. During fiscal 2026, thoracic sales decreased by \$2.2 million to \$2.1 million, down from \$4.3 million in fiscal 2025. Recurring revenue from distributors of CMF drivers increased \$1.3 million in fiscal 2026 compared to fiscal 2025. We do not have much visibility into our customers' distribution networks, but these fluctuations are within expected levels.

Industrial and scientific sales increased \$652,000, or 76%, for fiscal 2026 compared to fiscal 2025 primarily due to the inclusion of APM sales from the acquisition date of February 9, 2026.

Sales of our NRE & prototype services increased \$952,000, or 136%, during fiscal 2026 as compared to fiscal 2025 and relates to an increase in the number of billable engagements for various NRE projects undertaken for our customers.

Our fiscal 2026 repair revenue decreased approximately \$6.0 million, or 33%, to \$12.5 million, as compared to fiscal 2025, due to decreased repairs of the legacy orthopedic handpiece we sold to our largest customer. This decrease relates to the customers transition to their next generation handpiece. We anticipate that repair revenue may continue to decline in future periods as this customer continues to transition to the next generation handpiece in lieu of enhancements of the legacy handpiece. However, beginning in fiscal 2027 we expect to commence billable repairs of our customer's next generation handpiece but we do not know yet at what volumes.

At June 30, 2026, we had a backlog of \$32.9 million compared with a backlog of \$50.4 million at June 30, 2025. Our backlog represents firm purchase orders received and acknowledged from our customers and does not include all revenue expected to be generated from existing customer contracts. Substantially all of our backlog at June 30, 2026, as well as certain purchase orders received subsequent to June 30, 2026, are expected to be delivered during fiscal 2027. We have experienced, and may continue to experience, variability in our new order bookings due to, among other reasons, the launch of new products, the timing of customer orders based on end-user demand, and customer inventory levels. While the June 30, 2026 backlog is significantly less than the backlog from one year ago, we attribute this simply to timing. We do not typically experience seasonal fluctuations in our shipments and revenues.

Cost of Sales and Gross Margin

	Years Ended June 30,				Increase (Decrease) From 2025 To 2026
	2026		2025		
	Dollars in thousands				
	% of Net Sales		% of Net Sales		
Cost of sales:					
Product cost	50,151	65%	44,302	67%	13%
Under absorption of manufacturing overhead	1,940	3%	2,517	4%	(23%)
Inventory and warranty charges	1,122	1%	264	—	325%
Total cost of sales	53,213	69%	47,083	71%	13%

Cost of sales in fiscal 2026 increased \$6.1 million, or 13%, from fiscal 2025, primarily due to the increase in product costs, consistent with the 16% increase in net sales. During fiscal 2026, we experienced \$2.0 million of under-absorption of manufacturing costs compared to \$2.5 million in fiscal 2025. Costs related to inventory and warranty charges increased \$858,000 in fiscal 2026 compared to fiscal 2025, primarily due to increased inventory reserves relating to a complex machined part used in our largest customer's next generation handpiece.

Operating Expenses

	Years Ended June 30,				Increase (Decrease) From 2025 To 2026
	2026		2025		
	(Dollars in thousands)				
	% of Net Sales		% of Net Sales		
Operating expenses:					
Selling expenses	516	—	344	—	50%
General and administrative expenses	7,483	10%	4,841	7%	55%
Research and development costs	3,345	4%	3,636	6%	(8%)
	11,344	14%	8,821	13%	29%

Selling expenses consist of salaries and other personnel-related expenses related to our business development department, as well as trade show attendance, advertising and marketing expenses, and travel and related costs incurred in generating and maintaining customer relationships. Selling expenses increased \$172,000, or 50%, compared to fiscal 2025, primarily due to a \$349,000 bad debt expense offset by reduced personnel and advertising expenses of \$80,000 and \$92,000, respectively.

General and administrative expenses ("G&A") consist of salaries and other personnel-related expenses for corporate, accounting, finance, and human resource personnel, as well as costs for outsourced information technology services, professional fees, directors' fees, and costs associated with being a public company. Fiscal 2026 G&A expenses increased \$2.6 million, or 55%, compared to fiscal 2025, primarily due to \$449,000 in increased bonus accruals, \$620,000 in increased personnel costs, \$668,000 related to APM's separate general and administrative expenses since the date of acquisition, \$500,000 in non-recurring consulting fees paid to the former owner of APM and \$133,000 in increased non-cash equity compensation expense.

Research and development costs generally consist of salaries, employer-paid benefits, and other personnel- related costs of our engineering and support personnel, as well as allocated facility and information technology (“IT”) costs, professional and consulting fees, patent-related fees, lab costs, materials, and travel and related costs incurred in the development and support of our products. Fiscal 2026 research and development costs decreased \$291,000 from fiscal 2025 due to a \$155,000 reduction in legal expenses related to intellectual property matters and \$76,000 and \$35,000 in decreased recruiting and IT expenses, respectively, as well as increased spending on billable project expenditures which get reclassified to cost of sales. The majority of our research and development expenditures incurred in fiscal 2026 and 2025 relates to our sustaining activities related to products we currently manufacture and sell. Typical examples of sustaining engineering activities include, but are not limited to, end-of-life component replacement, especially in electronic components found in our printed circuit board assemblies, analysis of customer complaint data to improve process and design, and replacement and enhancement of tooling and fixtures used in the machine shop, assembly operations, and inspection areas to improve efficiency and through-put.

Other Income (Expense)

Interest and Dividend Income

Our interest and dividend income earned in fiscal 2026 and 2025 includes income earned from our interest-bearing money market accounts and portfolio of equity investments.

Gain on marketable investments, net

As described in Note 5 to the consolidated financial statements contained elsewhere in this report, during the second quarter of fiscal 2026, Zimmer Biomet acquired Monogram Technologies, Inc. (“Monogram”) and upon consummation of the acquisition we received proceeds of \$8.9 million and realized a gain on our investment of \$6.8 million. Additionally, during the third quarter ended March 31, 2026, Monogram successfully completed the first of five milestones such that we earned and recorded an additional gain in the amount of \$2.3 million. During fiscal 2025, we sold some of the stocks in our portfolio of equity investments receiving proceeds of \$1.9 million and recording a gain on the sale in the amount of \$595,000. In addition to these realized gains, during fiscal 2026 and 2025, we also recorded unrealized gains and losses to adjust our investment holdings to estimated fair value as well as eliminating the previously recorded unrealized gains on our Monogram investment during the second quarter of fiscal 2026 in conjunction with recording the realized gain.

Interest Expense

Interest expense incurred in fiscal 2026 and 2025 consists primarily of interest expense related to our debt with UMB Bank N.A. (“UMB”) described more fully in Note 9 to the consolidated financial statements contained elsewhere in this report.

Income Taxes

The effective tax rate for the fiscal years ended June 30, 2026 and 2025 was 24% and 26%, respectively. Our effective tax rate is slightly lower in fiscal 2026 compared to 2025 due to our expansion into Florida and Indiana for income tax purposes, which states have a lower state income tax rate than California.

Liquidity and Capital Resources

The following table is a summary of our Statements of Cash Flows and Cash and Working Capital as of and for the fiscal years ended June 30, 2026 and 2025:

	As of and for the Years Ended June 30,	
	2026	2025
	(In thousands)	
Cash provided by (used in):		
Operating activities	\$ 7,242	\$ (1,682)
Investing activities	\$ 3,913	\$ (238)
Financing activities	\$ (3,382)	\$ (292)
Cash, cash equivalents and working capital:		
Cash and cash equivalents	\$ 8,192	\$ 419
Working capital	\$ 40,265	\$ 32,666

Cash Flows from Operating Activities

Cash provided by operating activities during fiscal 2026 totaled \$7.2 million. Our net income was \$13.7 million, which includes \$5.7 million of net gains on equity investments, as well as \$1.4 million of depreciation and amortization and \$688,000 of non-cash stock compensation. Additionally, at June 30, 2026 compared to June 30, 2025, our accounts receivable increased by \$4.7 million corresponding with our increased revenue, offset by our inventory decreasing by \$1.6 million.

Cash used in operating activities during fiscal 2025 totaled \$1.7 million. Our net income was \$9.0 million, which included \$2.1 million of gains on certain equity investments, as well as \$1.2 million of depreciation and amortization and \$555,000 of non-cash stock compensation. Additionally, at June 30, 2025 compared to June 30, 2024, our accounts receivable increased by \$2.5 million corresponding with our increased revenue, our income tax accounts reflected a \$1.5 million outlay of cash mostly related to higher estimated income tax payments, and our inventory increased by \$6.9 million in anticipation of increased sales to support our largest customer's release of their next generation orthopedic handpiece.

Cash Flows from Investing Activities

Net cash provided by investing activities for fiscal 2026 was \$3.9 million and relates primarily to the proceeds received from the Zimmer Biomet acquisition of Monogram previously disclosed in the amount of \$11.2 million offset by our acquisition of APM in the amount of \$6.5 million described further in Note 3 to the consolidated financial statements contained elsewhere in this report. Additionally, we spent \$483,000 on the purchase of capital equipment and \$350,000 related to Series A Preferred Stock of a privately held technology company.

Net cash used in investing activities in fiscal 2025 was \$238,000. During the 2025 fiscal year, we made capital expenditures in the amount of \$1.2 million and exercised warrants to purchase common stock and preferred stock of Monogram for cash in the amount of \$899,000 (See Note 5 to the consolidated financial statements contained elsewhere in this report) offset by proceeds of \$1.9 million from the sales of marketable equity securities.

Cash Flows from Financing Activities

Net cash used in financing activities for fiscal 2026 totaled \$3.4 million and relates primarily to the repurchase of 79,898 shares of our common stock pursuant to our share repurchase program.

Net cash used in financing activities for fiscal 2025 totaled \$292,000 and included \$3.5 million in net borrowings on various notes payable to UMB, more fully described in Note 9 to the consolidated financial statements contained elsewhere in this report, offset by \$3.5 million related to the repurchase of 130,148 shares of our common stock pursuant to our share repurchase program, as well as payment of \$305,000 of employee payroll taxes related to the award of 40,000 shares of common stock to employees under previously granted performance awards.

Liquidity Requirements for the Next 12 Months

As of June 30, 2026, our working capital was \$40.3 million. We currently believe that our existing cash and cash equivalent balances, together with our account receivable balances, and anticipated cash flows from operations will provide us sufficient funds to satisfy our cash requirements as our business is currently conducted for at least the next 12 months. We may also liquidate some or all of our investment portfolio or borrow against our revolving loan with UMB (See Note 9 to consolidated financial statements contained elsewhere in this report), under which we had availability of \$11.0 million as of June 30, 2026.

We are focused on preserving our cash balances by monitoring expenses, identifying cost savings, and investing only in those development programs and products that we believe will most likely contribute to our profitability. As we execute our current strategy, however, we may require additional debt and/or equity capital to fund our working capital needs and requirements for capital equipment to support our manufacturing and inspection processes. In particular, we have experienced negative operating cash flow in the past, especially as we procure long-lead time materials to satisfy our backlog, which can be subject to extensive variability.

Surplus Capital Investment Policy

During fiscal 2013, our Board approved a Surplus Capital Investment Policy (the “Policy”) that provides, among other items, for the following:

- (a) Determination by our Board of Directors of (i) our surplus capital balance and (ii) the portion of such surplus capital balance to be invested according to the Policy;
- (b) Selection of an Investment Committee responsible for implementing the Policy; and
- (c) Objectives and criteria under which investments may be made.

The Investment Committee is comprised of Messrs. Swenson (Chair), Cabillot, and Van Kirk. Both Mr. Cabillot and Mr. Swenson are active investors with extensive portfolio management expertise. We leverage the experience of these committee members to make investment decisions for the investment of our surplus operating capital or borrowed funds. Additionally, many of our securities holdings include stocks of public companies that either Messrs. Swenson or Cabillot or both may own from time to time either individually or through the investment funds that they manage, or other companies whose boards they sit on. The Investment Committee approved each of the investments comprising the \$1.7 million of investments held at June 30, 2026, which amount includes unrealized holding losses in the amount of \$97,000 at June 30, 2026.

In December 2019, our Board approved a new share repurchase program authorizing us to repurchase up to one million shares of our common stock, as the prior repurchase plan, authorized by our Board in 2013, authorizing the repurchase of 750,000 shares of common stock was nearing completion. In accordance with, and as part of, these share repurchase programs, our Board has approved the adoption of several prearranged share repurchase plans intended to qualify for the safe harbor Rule 10b5-1 under the Exchange Act (“10b5-1 Plan” or “Plan”).

During the fiscal year ended June 30, 2026, we repurchased 79,898 shares at an aggregate cost, inclusive of fees under the Plan, of \$3.4 million. During the fiscal year ended June 30, 2025, we repurchased 130,148 shares at an aggregate cost, inclusive of fees under the Plan, of \$3.5 million. On a cumulative basis, since 2013 we have repurchased a total of 1,591,395 shares under the share repurchase programs at an aggregate cost, inclusive of fees under the Plan, of \$27.6 million. All repurchases under the 10b5-1 Plans were administered through an independent broker.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide this information.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

PRO-DEX, INC. AND SUBSIDIARIES
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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors
Pro-Dex, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Pro-Dex, Inc. (the “Company”) as of June 30, 2026 and 2025, the related consolidated statements of income, shareholders’ equity, and cash flows for the years then ended, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2026 and 2025, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ Baker Tilly US, LLP

Irvine, California
September 3, 2026

We have served as the Company’s auditor since 2003.

PRO-DEX, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	June 30,	
	2026	2025
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,192	\$ 419
Investments	1,150	6,740
Accounts receivable, net of allowance for credit losses of \$349 and \$0 at June 30, 2026 and 2025, respectively	21,205	16,433
Deferred costs	70	24
Inventory	21,458	22,213
Income taxes receivable	620	1,056
Prepaid expenses	553	410
Total current assets	53,248	47,295
Land and building, net	5,967	6,061
Equipment and improvements, net	5,373	5,153
Right of use asset, net	602	1,050
Intangibles, net	686	26
Deferred income taxes, net	1,544	1,415
Investments	504	148
Goodwill	6,525	—
Other assets	60	44
Total assets	\$ 74,509	\$ 61,192
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,262	\$ 4,614
Accrued liabilities	4,366	3,479
Income taxes payable	124	186
Deferred revenue	26	202
Notes payable	4,205	6,148
Total current liabilities	12,983	14,629
Non-current liabilities:		
Lease liability, net of current portion	627	685
Notes payable, net of current portion	13,266	9,246
Total non-current liabilities	13,893	9,931
Total liabilities	26,876	24,560
Commitments and Contingencies (Note 11):		
Shareholders' equity:		
Common stock, no par value, 50,000,000 shares authorized; 3,186,135 and 3,261,043 shares issued and outstanding at June 30, 2026 and 2025, respectively	—	704
Retained earnings	47,633	35,928
Total shareholders' equity	47,633	36,632
Total liabilities and shareholders' equity	\$ 74,509	\$ 61,192

See notes to consolidated financial statements.

PRO-DEX, INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
(In thousands, except share and per share data)

	Years Ended June 30,	
	2026	2025
Net sales	\$ 77,548	\$ 66,593
Cost of sales	53,213	47,083
Gross profit	<u>24,335</u>	<u>19,510</u>
Operating expenses:		
Selling, general and administrative expenses	7,999	5,185
Research and development costs	3,345	3,636
Total operating expenses	<u>11,344</u>	<u>8,821</u>
Operating income	<u>12,991</u>	<u>10,689</u>
Other income (expense):		
Interest and dividend income	181	82
Gain on marketable equity investments, net	5,655	2,116
Interest expense	(812)	(829)
Total other income	<u>5,024</u>	<u>1,369</u>
Income before income taxes	18,015	12,058
Income tax expense	<u>(4,353)</u>	<u>(3,080)</u>
Net income	<u>\$ 13,662</u>	<u>\$ 8,978</u>
Basic & Diluted income per share:		
Basic net income per share	<u>\$ 4.24</u>	<u>\$ 2.73</u>
Diluted net income per share	<u>\$ 4.12</u>	<u>\$ 2.67</u>
Weighted-average common shares outstanding:		
Basic	3,225,884	3,287,844
Diluted	3,317,064	3,361,207

See notes to consolidated financial statements.

PRO-DEX, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For The Years Ended June 30, 2026 and 2025
(In thousands, except share data)

	Common Shares		Retained Earnings	Total
	Number of Shares	Amount		
Balance at June 30, 2024	3,363,412	\$ 3,917	\$ 26,950	\$ 30,867
Net income	—	—	8,978	8,978
ESPP shares issued	1,593	42	—	42
Shares issued in connection with performance award vesting	40,000	—	—	—
Shares withheld from common stock issued to pay employee payroll taxes	(14,866)	(273)	—	(273)
Exercise of stock options	1,052	(33)	—	(33)
Share-based compensation	—	555	—	555
Share repurchases	(130,148)	(3,504)	—	(3,504)
Balance at June 30, 2025	3,261,043	\$ 704	\$ 35,928	\$ 36,632
Net income	—	—	13,662	13,662
ESPP shares issued	2,262	85	—	85
Shares issued in connection with restricted share award vesting	3,600	—	—	—
Shares withheld from common stock issued to pay employee payroll taxes	(872)	(26)	—	(26)
Share-based compensation	—	688	—	688
Reclassification of excess share repurchases ⁽¹⁾	—	1,957	(1,957)	—
Share repurchases	(79,898)	(3,408)	—	(3,408)
Balance at June 30, 2026	3,186,135	\$ —	\$ 47,633	\$ 47,633

(1) During the fiscal year ended June 30, 2026, our stock repurchases exceeded the value of cumulative common stock, and the excess has been reflected as a shareholder distribution, reducing our consolidated retained earnings.

See notes to consolidated financial statements.

PRO-DEX, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended June 30,	
	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 13,662	\$ 8,978
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,394	1,239
Unrealized loss (gain) on equity investments	3,434	(1,521)
Gain on sale of investments	(9,089)	(595)
Non-cash straight-line lease amortization	(49)	(33)
Allowance for credit losses	368	—
Amortization of loan fees, net	12	9
Share-based compensation	688	555
Deferred income taxes	(129)	140
Changes in operating assets and liabilities:		
Accounts receivable	(4,713)	(2,546)
Deferred costs	(46)	238
Inventory	1,630	(6,944)
Prepaid expenses and other assets	(105)	(67)
Accounts payable and accrued expenses	(12)	179
Deferred revenue	(176)	188
Income taxes	373	(1,502)
Net cash provided by (used in) operating activities	7,242	(1,682)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment and improvements	(483)	(1,246)
Purchase of APM, net of cash acquired	(6,493)	—
Purchases of investments	(350)	(899)
Proceeds from sale of investments	11,239	1,907
Net cash provided by (used in) investing activities	3,913	(238)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable, leases, and revolving loan	(23,649)	(11,528)
Proceeds from notes and revolving loan, net of fees	23,617	15,003
Repurchases of common stock	(3,408)	(3,504)
Payments of employee taxes on net issuance of common stock	(27)	(305)
Proceeds from exercise of stock options and ESPP contributions	85	42
Net cash used in financing activities	(3,382)	(292)
Net increase (decrease) in cash and cash equivalents	7,773	(2,212)
Cash and cash equivalents, beginning of year	419	2,631
Cash and cash equivalents, end of year	\$ 8,192	\$ 419

See notes to consolidated financial statements.

PRO-DEX, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
(In thousands)

	Years Ended June 30,	
	2026	2025
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	\$ 775	\$ 818
Cash paid during the period for income taxes by jurisdiction, net of refunds:		
Federal income tax payments	\$ 3,460	\$ 3,030
California income tax payments	2	1,427
Colorado income tax refunds	(50)	—
Florida income tax payments	570	—
Indiana income tax payments	130	—
Total income tax payments	\$ 4,112	\$ 4,457
Non-cash investing and financing activity:		
Cashless stock option exercise	\$ —	\$ 117
Promissory note issued in conjunction with APM acquisition	\$ 2,000	\$ —

See notes to consolidated financial statements.

PRO-DEX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Pro-Dex, Inc. (“Company,” “we,” “our,” or “us”) specializes in the design, development and manufacture of autoclavable, battery-powered and electric, multi-function surgical drivers and shavers used primarily in the orthopedic, thoracic, and craniomaxillofacial markets. We have patented adaptive torque-limiting technology and proprietary sealing solutions which appeal to our customers, primarily medical device distributors. Additionally, we provide engineering, quality and regulatory consulting services to our customers. We also manufacture and sell rotary air motors to a wide range of industries; however, these motors comprise a de minimis portion of our business. Beginning in fiscal 2026 we began selling precision machined parts and assemblies for the aerospace and defense industries through our newly acquired subsidiary, Advanced Precision Machining, LLC (“APM”).

In August 2020, we formed a wholly owned subsidiary, PDEX Franklin, LLC (“PDEX Franklin”), to hold title for an approximate 25,000 square foot industrial building in Tustin, California (the “Franklin Property”) that we acquired on November 6, 2020, in order to allow for the continued growth of our business. This subsidiary has no separate operations.

As described more fully in Note 3, in February 2026, we acquired APM, a manufacturer located in Costa Mesa, California. APM manufactures several of our machined sub-assemblies and also manufactures parts and assemblies for the aerospace and defense industries. In addition, it serves as a Prime Contractor for the U.S. Government and therefore maintains registrations under the International Traffic in Arms Regulations (“ITAR”) as well as a Joint Certification Program (“JCP”) certification. The consolidated financial statements include the accounts of the Company, PDEX Franklin and APM and all significant inter-company accounts and transactions have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies presented below is designed to assist the reader in understanding our consolidated financial statements. Such consolidated financial statements and related notes are the representations of management, who is responsible for their integrity and objectivity. In the opinion of management, these accounting policies conform to accounting principles generally accepted in the United States of America (“U.S. GAAP”) in all material respects and have been consistently applied in preparing the accompanying consolidated financial statements.

Net Sales

Net sales consists of the sale of products and services, as well as shipping and handling billed to our customers and is net of volume rebates and discounts and excludes sales tax.

Revenue Recognition

Revenue from product sales is recognized as promulgated by the Financial Accounting Standards Board (“FASB”) in Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* once our contract(s) with a customer and the performance obligations in the contract have been identified, and the transaction price has been allocated to the performance obligations and revenue is recorded when (or as) we satisfy each performance obligation, generally upon shipment. At June 30, 2026, we had a backlog of \$32.9 million compared with a backlog of \$50.4 million at June 30, 2025. Our backlog represents firm purchase orders received and acknowledged from our customers and does not include all revenue expected to be generated from existing customer contracts.

Revenue from services, typically non-recurring engineering (“NRE”) services related to the design or customization of a medical device, is typically recognized over time. The customer funding for costs incurred for NRE services is deferred and subsequently recognized as revenue as under-lying products or services are delivered to the customers. Additionally, expenses incurred, up to the customer agreed funding amount, are deferred as an asset and recognized as cost of sales when the under-lying products or services are delivered to the customer. The deferred customer funding and costs result in recognition of deferred costs (asset) and deferred revenue (liability) on our consolidated balance sheets.

PRO-DEX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

One of our customer contracts gave rise to variable consideration due to volume rebates through the second quarter of fiscal 2026. We estimated variable consideration at the most likely amount we expected to receive from this customer. Our estimates of variable consideration were based on an assessment of our anticipated performance and all information (historical, current, and forecasted) that was reasonably available to us.

Returns of our product for credit are minimal; accordingly, we do not establish a reserve for product returns at the time of sale.

Cost of Sales

Cost of sales consists primarily of the purchase price of goods and cost of services rendered including freight costs. Cost of sales also includes production labor and overhead costs for all of our manufacturing and assembly operations, which overhead includes all indirect labor and expenses associated with our inspection, warehousing, material planning and quality departments.

Estimated Losses on Product Development Services

Cost and revenue estimates related to the product development service portions of development and supply contracts are reviewed and updated quarterly. An expected loss on development service contracts is recognized immediately in cost of sales. Losses recorded in fiscal 2026 and 2025 related to these services totaled \$0 and \$155,000, respectively.

Due to the complexity of many of the contracts we have undertaken, the cost estimation process requires significant judgment. It is based upon the knowledge and experience of our project managers, engineers, and finance professionals. Factors that are considered in estimating the cost of work to be completed and ultimate profitability of the fixed price product development portion of development and supply contracts include the nature and complexity of the work to be performed, availability and productivity of labor, the effect of change orders, the availability of materials, performance of subcontractors, and expected costs for specific regulatory approvals.

Warranties

Certain of our products are sold with a warranty that provides for repairs or replacement of any defective parts for a period, generally one to two years, after the sale. At the time of the sale, we accrue an estimate of the cost of providing the warranty based on prior experience with such factors as return rates and repair costs, which factors are reviewed quarterly.

The warranty accrual is based on historical costs of warranty repairs and expected future identifiable warranty expenses and is included in accrued expenses in the accompanying consolidated balance sheets. Warranty expenses are included in cost of sales in the accompanying consolidated statements of operations. Changes in estimates to previously established warranty accruals result from current period updates to assumptions regarding repair costs and warranty return rates and are included in current period warranty expense.

Cash and Cash Equivalents

We consider all highly liquid investments with an original maturity of ninety days or less to be cash equivalents. At June 30, 2026 and 2025, cash equivalents consisted of investments in money market funds.

Accounts Receivable

Trade receivables are stated at their original invoice amounts, less an allowance for doubtful portions of such accounts represented by expected credit losses. Management determines the allowance for credit losses based on facts and circumstances related to specific accounts and the age of accounts. As of June 30, 2026 and 2025 we had \$349,000 and \$0, respectively reserved as an allowance for expected credit losses, included in selling, general and administrative expenses. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously reserved are offset against the allowance when received.

PRO-DEX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Leases

Our operating leases consist of our corporate headquarters located in Irvine, California as well as the APM offices located in Costa Mesa, California. In conjunction with our acquisition of APM, we acquired several financing leases related to machinery and equipment. We classify arrangements meeting the definition of a lease as operating or financing leases. Our operating leases are recorded on the consolidated balance sheets as both a right-of-use asset ("ROU") and lease liability, calculated by discounting the fixed lease payments over the term of the lease term at the rate implicit in the lease or our incremental borrowing rate. Our financing leases are recorded on the consolidated balance sheets as equipment and improvements and lease liability. Lease liabilities are increased by interest and reduced by payments each period, and the related ROU asset or equipment is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the ROU asset result in straight-line rent expense over the lease term. Operating lease assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Variable lease expenses are recorded when incurred. We exclude short-term leases having an initial term of 12 months or less as an accounting policy election, which includes the operating leases associated with the APM offices, and instead recognize rent expense on a straight-line basis over the term of the lease.

We assess the impairment of ROU assets and equipment and improvements when an event or change in circumstance indicates that the carrying value of such assets may not be recoverable. If an event or a change in circumstance indicates that the carrying value of an underlying leased asset may not be recoverable and the estimated fair value attributable to the asset is less than its carrying value, an impairment loss equal to the excess of the asset's carrying value over its estimated fair value is recognized.

Deferred Costs

Deferred costs reflect costs incurred related to NRE services under the terms of the related development and/or supply contracts. These costs get recorded to cost of sales in the period that the revenue is recognized.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or net realizable value. Cost includes materials, labor, and manufacturing overhead related to the purchase and production of inventories. Reductions to estimated market value are recorded and charged to cost of sales when indicated based on a formula that compares on-hand quantities to both historical usage and estimated demand as of the measurement date. On an ongoing basis, we evaluate inventory for obsolescence and slow-moving items. This evaluation includes analysis of historical sales and usage, existing demand, as well as specific factors known to management. As of June 30, 2026 and 2025, our provision for excess and obsolete inventory totaled \$2.1 million and \$1.3 million, respectively. If actual economic trends are less favorable than those forecasted, additional future inventory write-downs may be required. As of June 30, 2026 and 2025, there was approximately \$895,000 and \$87,000, respectively, of inventory in-transit from suppliers.

Investments

Investments consist of marketable equity securities of publicly held companies and, as of June 30, 2026, an investment in Series A preferred stock of a private company. The investments were made to realize a reasonable return, although there is no assurance that positive returns will be realized. Investments are marked to market at each measurement date, with unrealized gains and losses presented within other income and expense on the consolidated income statement. Some of our investments consist of common stocks of public companies that are either thinly traded or we hold a significant (in excess of 5%) interest in. These investments were subject to a valuation analysis as of June 30, 2026 and 2025.

Long-lived Assets

We review the recoverability of long-lived assets, consisting of the land and building that we own, equipment, and improvements, including leasehold improvements, when events or changes in circumstances occur that indicate carrying values may not be recoverable.

PRO-DEX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Our building, equipment and improvements are recorded at historical cost and depreciation is provided using the straight-line method over the following periods:

Building	Thirty years
Equipment	Three to ten years
Improvements	Shorter of the remaining life of the underlying building, lease term, or the asset's estimated useful life

Goodwill & Intangibles

Goodwill is the excess of the consideration transferred over the fair value of the acquired assets and liabilities assumed in a business combination. Goodwill of \$6.5 million was recognized during fiscal 2026 in conjunction with our APM acquisition described in Note 3 and will be tested for impairment annually on the first day of the fourth quarter. In evaluating goodwill for impairment, the Company may first assess the qualitative factors to determine whether it is necessary to perform a quantitative goodwill impairment test. Alternatively, the Company may bypass the qualitative assessment and apply the quantitative impairment test to determine whether the carrying value of the reporting unit exceeds the fair value of the reporting unit. Quantitative assessments of fair value rely upon various valuation methods, including market-based valuation methods or income-based valuation methods. These assessments require significant assumptions including projected growth rates, profitability margins and discount rates, which are subject to variability year over year and are impacted by market and industry conditions. No goodwill impairment was recognized during fiscal 2026 and there were no other changes in the carrying amount of goodwill during the year.

Intangible assets consist of customer relationships and tradename. Useful lives of amortized intangible assets are estimated based on the nature of the asset and the pattern in which the economic benefits of the asset are consumed. If a pattern of economic benefit cannot be reliably determined or if a straight-line amortization approximates the pattern of economic benefit, straight line amortization is used. Intangible assets are amortized to amortization expense within selling, general and administrative expense on a straight-line basis over the applicable useful lives.

Income Taxes

We recognize deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of our assets and liabilities along with net operating losses and tax credit carryovers. Net deferred tax assets or liabilities at both June 30, 2026 and 2025 consisted primarily of basis differences related to stock-based compensation, fixed assets, accrued expenses, unrealized gain/loss related to investments, and inventories. Our deferred tax assets also include capitalization of our research expenditures as prescribed by the Tax Cuts and Jobs Act. The One Big Beautiful Bill Act of 2025 ("OBBBA") was enacted on July 4, 2025, which allowed us to claim 100% accelerated depreciation deductions on qualified property, with retroactive application beginning January 20, 2025, and immediate expensing of domestic research and development costs, with retroactive application beginning January 1, 2025. The Company adopted the applicable provisions of OBBBA in fiscal 2026. Additionally, we adopted the provisions of ASU 2023-09 in fiscal 2026 as described below.

Significant management judgment is required in determining the provision for income taxes, the recoverability of deferred tax assets, and the extinguishment of deferred tax liabilities. Such determination is based on historical taxable income, with consideration given to estimates of future taxable income and the periods over which deferred tax assets will be recoverable and deferred tax liabilities will be extinguished. We record a valuation allowance against deferred tax assets to reduce the net carrying value to an amount that we believe is more likely than not to be realized. When we establish or reduce the valuation allowance against deferred tax assets, the provision for income taxes will increase or decrease, respectively, in the period such determination is made.

Uncertain Tax Positions

We record uncertain tax positions in accordance with Accounting Standards Codification ("ASC") 740 on the basis of a two-step process whereby (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position, and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50% likely to be realized upon ultimate settlement with the related tax authority.

PRO-DEX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Shipping and Handling

Payments from customers for shipping and handling are included in net sales. Shipping expenses, consisting primarily of payments made to freight companies, are included in cost of sales.

Concentration of Credit Risk

Financial instruments that potentially subject us to credit risk consist principally of cash, cash equivalents, and trade receivables. We place our cash and cash equivalents with major financial institutions. At June 30, 2026 and 2025, and throughout the fiscal years then ended, we had deposits in excess of federally insured limits. Credit sales are made to medical device distributors, original equipment manufacturers, and resellers, and sales to such customers account for a substantial portion of our trade receivables. While such receivables are not collateralized, we evaluate their collectability based on several factors including customers' payment histories.

Segment Reporting

We have identified one business segment as our Chief Executive Officer ("CEO") allocates resources, assesses performance, and manages our business as one segment. We have reached this conclusion because 98% of our fiscal 2026 business related to designing, manufacturing, and repairing medical devices. We primarily design, sell, and repair handheld medical devices and accessories. We provide medical devices, NRE and proto-type services, as well as repairs to all our customers.

The Company's chief operating decision maker ("CODM") is our CEO who reviews and evaluates consolidated operating income for purposes of assessing performance, making operating decisions, allocating resources and planning and forecasting for future periods. As our operations are managed at the consolidated level, there are no differences between the measurement of the reportable segment's profit or loss and our consolidated statements of operations. Further, there are no differences between i) segment revenues and expenses included in the measurement of the reportable segment's profit or loss and used by the CODM to manage operations and ii) those disclosed elsewhere in the consolidated financial statements. Segment asset measures are not used as a basis for the CODM to evaluate the performance of or to allocate resources.

Business Combinations

We account for business combinations by applying the acquisition method. If the assets acquired are not a business, we account for the transaction as an asset acquisition. We allocate the fair value of purchase consideration to the assets acquired and liabilities assumed based on their estimated fair values. Any excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair values of assets acquired and liabilities assumed, we make significant estimates and assumptions, especially with respect to intangible assets. Critical estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from customer relationships and discount rates. Our estimates of fair value are based upon assumptions we believe to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ materially from estimates. Other estimates associated with the accounting for acquisitions may change as additional information becomes available regarding the assets acquired and liabilities assumed. Any adjustments from change in facts and circumstances as of the acquisition date and that impact our preliminary estimates are recorded to goodwill if identified within the measurement period. Any adjustments subsequent to the measurement period of our final determination of fair value of assets and liabilities are reported in current results of operations.

Compensation Plans

We recognize compensation expense for the share-based awards that vest subject to market conditions under ASC 718, *Compensation-Stock Compensation* by estimating their fair value using a Monte Carlo simulation. The fair value using a Monte Carlo simulation model is affected by assumptions regarding a number of complex judgments including expected stock price volatility, risk free interest rates, and the forecasted future value and trading volume of our stock. The awards are considered granted for accounting purposes on the date the awards were approved by the Compensation Committee of our Board of Directors and we recognize compensation expense, based on the estimated fair value of the award, on a straight-line basis over the requisite service period.

PRO-DEX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Our operations are affected by numerous factors including market acceptance of our products, supply chain disruptions, changes in technologies, and new laws, government regulations, and policies. We cannot predict what impact, if any, the occurrence of these or other events might have on our operations. Significant estimates and assumptions made by management include, but are not limited to, revenue recognition, business combinations, share-based compensation, the allowance for credit losses, accrued warranty expense, investments, inventory valuation, the carrying value of long-lived assets, and the recoverability/extinguishment of deferred income tax assets and liabilities.

Basic and Diluted Per Share Information

Basic per share amounts are computed on the basis of the weighted-average number of common shares outstanding during each period presented. Diluted per share amounts assume the issuance of all potential common stock equivalents, consisting of outstanding stock options, restricted shares, and performance awards as discussed in Note 12, unless the effect of such exercise is to increase income, or decrease loss, per common share.

Fair Value Measurements

Fair value is measured based on the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are based on a three-tier hierarchy that prioritizes the inputs used to measure fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Cash and cash equivalents: The carrying value of cash and cash equivalents is considered to be representative of their fair values based on the short-term nature of these instruments. As such, cash and cash equivalents are classified within Level 1 of the valuation hierarchy.

Investments: Investments consist of marketable equity securities of publicly held companies as well as preferred stock of a privately held company at June 30, 2026. Due to either the thinly traded nature of these stocks or our significant ownership percentage, in excess of 5% of shares outstanding, all of our investments in marketable equity securities of public companies are classified within Level 2 of the valuation hierarchy as of June 30, 2026 and 2025. Our investment in preferred stock of a privately held company is similarly classified within Level 2 of the valuation hierarchy as of June 30, 2026.

The respective carrying value of certain financial instruments included in the consolidated balance sheets approximated their fair values due to the short-term nature of these instruments. These financial instruments include accounts receivable, accounts payable, accrued liabilities and current portion of notes payable. Similarly, the carrying value of the notes payable net of current portion, approximates fair value due to the associated effective interest rate of the debt instrument.

Although the methods above may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values, we believe our valuation methods are appropriate.

Advertising

Advertising costs are charged to selling, general and administrative expense as incurred and amounted to \$2,000 and \$94,000 for the fiscal years ended June 30, 2026 and 2025, respectively.

PRO-DEX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Reclassifications

The Company's selling expenses have been reclassified and combined with its general and administrative expenses in its consolidated income statements to conform to the current period presentation. Historically the Company has had only one employee in its sales department. Currently we have no employees in our sales department but in advance of the expanded disclosures required by ASU No. 2024-03 we are combining selling, general and administrative expenses to avoid potential disclosure of confidential compensation of one employee.

Recently Adopted Accounting Pronouncements

In September 2025, the FASB issued ASU 2025-07, *Derivatives and Hedging* (Topic 815) and *Revenue from Contracts with Customers* (Topic 606), which clarifies the application of derivative accounting to certain contracts and updates the guidance for share-based noncash consideration received from a customer in exchange for goods and services. Specifically, this ASU introduces a scope exception for contracts that are not exchange-traded and whose underlying is tied to operations or activities specific to one of the parties to the contract. It also clarifies the guidance for share-based consideration from a customer. This ASU is effective for fiscal years beginning after December 15, 2026, and interim periods within those annual reporting periods, with early adoption permitted and the option to apply on a prospective or modified retrospective basis. The Company early adopted this ASU on a prospective basis as of July 1, 2025. The Company expects this ASU to reduce the cost and complexity associated with analyzing and applying the derivative guidance to contracts with underlyings based on operations or activities specific to one of the parties of the contract, such as the contingent consideration received in exchange for the Company's shares of common stock in Monogram Technologies, Inc. ("Monogram") described more fully in Note 5.

In December 2023, the FASB issued ASU 2023-09 *Income Taxes (Topic 740): Improvement to Income Tax Disclosures*, which requires an entity to annually disclose categories in the rate reconciliation for reconciling items that meet a quantitative threshold, and certain information about income taxes paid. Effective July 1, 2025, the Company adopted ASU 2023-09 on a prospective basis. The adoption of ASU 2023-09 did not have any impact on our consolidated financial statements as it only affects disclosures.

Recently Issued and Not Yet Adopted Accounting Pronouncements

In November 2024, the FASB issued ASU No. 2024-03, *Disaggregation of Income Statement Expenses ("DISE")*. The ASU's purpose is to improve disclosures about a public business entity's expenses and address requests from investors for more detailed information about the types of expenses (including purchases of inventory, employee compensation, depreciation, amortization, and depletion) in commonly presented expense captions (such as cost of sales, selling, general and administrative, and research and development). This ASU is effective for fiscal years beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027, with early adoption permitted. We are currently evaluating these new expanded disclosure requirements, but this standard will not impact our results of operations or financial position.

In December 2025, the FASB issued ASU 2025-11 *Interim Reporting (Topic 270): Narrow-scope Improvements*, which clarifies the guidance in Topic 270 to improve the consistency of interim financial reporting. The ASU provides a comprehensive list of required interim disclosures and introduces a disclosure requiring entities to disclose events since the end of the last annual reporting period that have a material impact on the entity. ASU 2025-11 is effective for fiscal years beginning after December 15, 2027, including interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact of adopting ASU 2025-11.

No other new accounting pronouncements issued or effective during the fiscal year have, or are expected to have, a material impact on our consolidated financial statements.

3. BUSINESS COMBINATION

On February 9, 2026, we completed the acquisition of all of the issued and outstanding membership interests of APM, a manufacturer of precision machined components and assemblies for the medical, aerospace and defense industries. The aggregate purchase price was \$8,650,000 of which \$6,650,000 was paid in cash through a new term loan (Term Loan D) we borrowed from UMB Bank, N.A. (See Note 9) and \$2,000,000 of which is to be paid by the Company under the terms of a sixty-three month promissory note (the "Subordinated Promissory Note") issued to Advanced-Precision Machining Holding Company, Inc., the former owner of APM. The Subordinated Promissory Note bears interest at 8% per annum and requires twenty-one quarterly payments of principal and accrued interest in the approximate amount of \$118,000. This Subordinated Promissory Note is subordinate to all debt issued under our Second Amended and Restated Credit and Security Agreement with UMB Bank, N.A.

PRO-DEX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes the consideration paid and the estimated fair value of the assets acquired and liabilities assumed for APM as of the acquisition date of February 9, 2026 (in thousands).

	<u>APM Purchase Price Allocation</u>
Consideration:	
Cash	\$ 6,650
Promissory note payable to seller	2,000
Total Consideration	<u>\$ 8,650</u>
Fair value of assets acquired and liabilities assumed:	
Cash	\$ 155
Inventory	875
Accounts receivable	426
Fixed assets	977
Prepays and other assets	57
Tradename	210
Customer relationships	510
Accounts payable and accrued expenses	(502)
Long-term lease liabilities	(583)
Net assets acquired	<u>\$ 2,125</u>
Goodwill	<u>\$ 6,525</u>

The acquisition of APM was completed to support expansion of our business and broaden the Company's customer base as well as to support the increased demand resulting from the contract extension executed with our largest customer in the second quarter of this fiscal year. We have accounted for this acquisition as a business combination using the acquisition method of accounting. This method requires, among other things, that assets acquired, and liabilities assumed in a business combination be recognized at their fair values as of the acquisition date. Pro forma historical results of operations related to APM during the period prior to the acquisition date have not been presented because they are not material to our consolidated income statements. The results of operations related to APM have been included in the Company's consolidated income statements since the date of acquisition. While APM was acquired primarily for vertical integration, the consolidated income statement for the year ended June 30, 2026, includes \$719,000 of revenue and \$84,000 of income before income taxes, respectively, generated from APM. The fair value determination of assets recorded and liabilities assumed are those of management. The fair value determination of the customer relationships was based on the excess of earnings method which is based on the prospective net cash flows of the existing customers. The fair value determination of the trade name was based upon a relief from royalty approach which assesses the royalty savings an entity realizes since it owns the asset and isn't required to pay a third-party license for its use. We incurred approximately \$434,000 in acquisition-related costs which are primarily included in selling, general and administrative expenses. We expect that the APM goodwill in the amount of \$6.5 million will be deductible for income tax purposes.

PRO-DEX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. NET SALES

The following table presents the disaggregation of net sales by revenue recognition model (in thousands):

	Year ended June 30,	
	2026	2025
Net Sales:		
Over-time revenue recognition	\$ 1,650	\$ 698
Point-in-time revenue recognition	75,898	65,895
Total net sales	<u>\$ 77,548</u>	<u>\$ 66,593</u>

The timing of revenue recognition, billings, and cash collections results in billed accounts receivables, unbilled receivables (presented as deferred costs on our consolidated balance sheets) and customer advances and deposits (presented as deferred revenue on our consolidated balance sheets), where applicable. Amounts are generally billed as work progresses in accordance with agreed upon milestones. The over-time revenue recognition model consists of NRE and prototype services and typically relates to NRE services related to the evaluation, design or customization of a medical device and is typically recognized over time utilizing an input measure of progress based on costs incurred compared to the estimated total costs upon completion. During the fiscal years ended June 30, 2026 and 2025, we recorded \$202,000 and \$14,000, respectively, of revenue that had been included in deferred revenue in the prior year. The revenue recognized from the contract liabilities consisted of satisfying our performance obligations during the normal course of business.

The following tables summarize our contract assets and liability balances (in thousands):

	June 30,	
	2026	2025
Contract assets at beginning of year	\$ 24	\$ 262
Expenses incurred during the year	408	228
Amounts reclassified to cost of sales	(362)	(460)
Amounts allocated to discounts for standalone selling price	—	(6)
Contract assets at end of year	<u>\$ 70</u>	<u>\$ 24</u>

	June 30,	
	2026	2025
Contract liabilities at beginning of year	\$ 202	\$ 14
Payments received from customers	144	202
Amounts reclassified to revenue	(320)	(14)
Contract liabilities at end of year	<u>\$ 26</u>	<u>\$ 202</u>

5. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. In determining fair value, the use of various valuation methodologies, including market, income, and cost approaches is permissible. We consider the principal or most advantageous market in which it would transact and assumptions that market participants would use when pricing the asset or liability.

Fair Value Hierarchy. The accounting guidance for fair value measurements establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value based on the reliability of inputs. A financial instrument’s categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of a particular input to the fair value measurement requires judgment and may affect their placement within the fair value hierarchy levels.

PRO-DEX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

We have categorized our cash equivalents and investments within the fair value hierarchy as follows:

Level 1 – applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities. These Level 1 assets include our money market accounts, which are classified as cash equivalents. We have categorized our cash equivalents as Level 1 assets as there are quoted prices in active markets for identical assets or liabilities.

Level 2 – applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from or corroborated by observable market data. At June 30, 2026 and 2025, we have categorized our investments in marketable equity securities and our investment in the preferred stock of a privately held company as Level 2 assets and we utilized both a protective put option and a time-adjusted discount for the lack of marketability valuation method to estimate fair value for our marketable equity securities. The purchase price paid for our investment in the preferred stock of a privately held company is considered fair value due to our participation in its recent investment round.

Level 3 – applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities. We held no Level 3 assets or liabilities at June 30, 2026 or 2025.

	Fair Value Measurement at June 30, 2026			
	Level 1	Level 2	Level 3	Level 4
Financial Assets:				
Cash equivalents	\$ 6,082	\$ —	\$ —	\$ 6,082
Marketable equity securities – short-term	—	1,150	—	1,150
Marketable equity securities – long-term	—	154	—	154
Preferred stock – long-term	—	350	—	350
Total	\$ 6,082	\$ 1,654	\$ —	\$ 7,736

	Fair Value Measurement at June 30, 2025			
	Level 1	Level 2	Level 3	Level 4
Financial Assets:				
Cash equivalents	\$ 33	\$ —	\$ —	\$ 33
Marketable equity securities – short-term	—	6,740	—	6,740
Marketable equity securities – long-term	—	148	—	148
Total	\$ 33	\$ 6,888	\$ —	\$ 6,921

Marketable equity securities at June 30, 2026 and 2025 had an aggregate cost basis of \$1,751,000 and \$3,551,000, respectively. Both current and long-term marketable equity securities include equity securities of public companies that are thinly traded. We classified certain investments as long term in nature because even if we decide to sell the stocks, we may not be able to sell our position within one year. At June 30, 2026, the investments included net unrealized losses of \$97,000 (gross unrealized losses of \$180,000 offset by gross unrealized gains of \$83,000). At June 30, 2025, the investments included net unrealized gains of \$3.3 million (gross unrealized gains of \$3.5 million offset by gross unrealized losses of \$213,000).

PRO-DEX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Of the total marketable equity securities at June 30, 2026 and 2025, \$1.2 million and \$1.0 million, respectively, represent an investment in the common stock of Air T, Inc. Two of our Board members, Messrs. Swenson and Cabillot, are also board members of Air T, Inc. and both either individually or through affiliates own an equity interest in Air T, Inc. Mr. Swenson, our Chairman, also serves as the chief executive officer and chairman of Air T, Inc. Another of our Board members is employed by Air T as its Chief of Staff. The shares have been purchased through 10b5-1 Plans that, in accordance with our internal policies regarding the approval of related-party transactions, were approved by our then three Board members that are not affiliated with Air T, Inc.

On October 7, 2025, Zimmer Biomet Holdings, Inc. (“Zimmer Biomet”) announced that it had completed its acquisition of Monogram and soon after the announcement we received \$4.04 per share in cash for each of the 2,212,378 common shares we owned of Monogram prior to the close of the acquisition, for total proceeds of \$8.9 million. Accordingly, in our second quarter of fiscal 2026, we recorded a realized gain in the amount of \$6.8 million. In addition, we received 2,212,378 non-tradeable contingent value rights (“CVRs”) payable in cash to us if Monogram completes five milestones related to proof-of concept, FDA 510(k) approval, and specific revenue milestones. The CVR payments, if earned, will range in value from \$1.04 to \$3.43 per CVR for a total amount of \$12.37 per CVR should all milestones be attained.

In our third quarter of fiscal 2026, Monogram achieved the first of five milestones, and accordingly we earned and recorded an additional gain in the amount of \$2.3 million. There is no guarantee or assurance that any additional milestones will be achieved. As disclosed previously, in conjunction with making our original investment in Monogram during fiscal 2017, we were granted the exclusive right to develop, engineer, manufacture and supply certain products on its behalf. Those rights were transferred in connection with Zimmer Biomet’s acquisition of Monogram and remain in effect post-acquisition. We made this investment in the hope that it could generate meaningful additional revenue which has yet to occur but may be more likely to occur in the future because Zimmer Biomet has more financial resources to assist with commercialization of Monogram’s products. However, there is no guarantee or assurance as to the amount of revenue, if any, that we may ultimately recognize from our exclusive right to develop, engineer, manufacture and supply certain products for Monogram.

We invest surplus cash from time to time through our Investment Committee, which is comprised of one management director, Mr. Van Kirk, and two non-management directors, Mr. Cabillot and Mr. Swenson, who chairs the committee. Both Messrs. Cabillot and Swenson are active investors with extensive portfolio management expertise. We leverage the experience of these committee members to make investment decisions for the investment of our surplus operating capital or borrowed funds. Additionally, many of our securities holdings include stocks of public companies that either Messrs. Swenson or Cabillot or both may own from time to time either individually or through the investment funds that they manage, or other companies whose boards they sit on, such as Air T, Inc.

6. COMPOSITION OF CERTAIN FINANCIAL STATEMENT ITEMS

Inventory

Inventory is stated at the lower of cost (first-in, first-out) or net realizable value and consists of the following (in thousands):

	June 30,	
	2026	2025
Raw materials /purchased components	\$ 9,219	\$ 10,397
Work in process	7,699	7,422
Sub-assemblies /finished components	2,668	2,874
Finished goods	1,872	1,520
Total inventory	<u>\$ 21,458</u>	<u>\$ 22,213</u>

PRO-DEX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Land and Building

Land and building consist of the following (in thousands):

	June 30,	
	2026	2025
Land	\$ 3,684	\$ 3,684
Building	2,815	2,815
Total	6,499	6,499
Less: accumulated depreciation	(532)	(438)
	<u>\$ 5,967</u>	<u>\$ 6,061</u>

On November 6, 2020, we acquired the Franklin Property in order to increase our operational capacity for a total purchase price of \$6.5 million, of which we paid \$1.3 million in cash and the balance of \$5.2 million we financed (the “Property Loan”) through UMB Bank N.A. (formerly Minnesota Bank & Trust or MBT) (See Note 9). Depreciation expense for both fiscal years ended June 30, 2026 and 2025 totaled \$94,000. The building is being amortized on a straight-line basis over a period of 30 years.

Equipment and Improvements

Equipment and improvements consist of the following (in thousands):

	June 30,	
	2026	2025
Office furnishings and fixtures	\$ 2,262	\$ 2,078
Machinery and equipment	9,322	8,198
Automobiles	21	21
Improvements	5,354	5,205
Total	16,959	15,502
Less: accumulated depreciation and amortization	(11,586)	(10,349)
	<u>\$ 5,373</u>	<u>\$ 5,153</u>

Depreciation expense for the years ended June 30, 2026 and 2025 amounted to \$1.2 million and \$1.1 million, respectively.

Intangibles

Intangibles consist of the following (in thousands):

	June 30,	
	2026	2025
Patent-related costs	\$ 208	\$ 208
Customer relationships	510	—
Tradenname	210	—
Total Intangibles	928	208
Less accumulated amortization	(242)	(182)
	<u>\$ 686</u>	<u>\$ 26</u>

Patent-related costs consist of legal fees incurred in connection with both patent applications and patent issuances, and were amortized over the estimated life of the product(s) that is utilizing the technology, and these costs were fully amortized in fiscal 2026. Amortization expense for the years ended June 30, 2026 and 2025 totaled \$60,000 and \$28,000, respectively. Of the total fiscal 2026 amortization expense, \$26,000 was recorded to research and development and \$34,000 was recorded in selling, general and administrative expenses. The fiscal 2025 amortization expense was recorded in research and development costs.

PRO-DEX, INC. AND SUBSIDIARIES
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Both the customer relationships and the tradename relate to our acquisition of APM described in Note 3 and will be amortized on a straight-line basis over ten and seven years, respectively.

As of June 30, 2026, the expected future amortization expense of our intangible assets is as follows (in thousands):

	<u>Amortization Expense</u>
Fiscal Year:	
2027	\$ 81
2028	81
2029	81
2030	81
2031	81
Thereafter	281
Total	<u>\$ 686</u>

Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	<u>June 30,</u>	
	<u>2026</u>	<u>2025</u>
Payroll and related items	\$ 1,093	\$ 850
Accrued inventory in transit	895	87
Accrued legal and professional fees	209	267
Accrued bonuses	780	501
Current portion of lease liability	844	498
Warranty	260	357
Accrued interest expense	102	64
Accrued customer rebate	—	690
Other	183	165
	<u>\$ 4,366</u>	<u>\$ 3,479</u>

7. WARRANTY ACCRUAL

Information relating to the accrual for warranty costs for the years ended June 30, 2026 and 2025, is as follows (in thousands):

	<u>June 30,</u>	
	<u>2026</u>	<u>2025</u>
Balance at beginning of year	\$ 357	\$ 277
Accruals during the year	267	336
Change in estimates of prior period accruals	(38)	(84)
Warranty amortization/utilization	(326)	(172)
Balance at end of year	<u>\$ 260</u>	<u>\$ 357</u>

PRO-DEX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. INCOME TAXES

The provision for income taxes consists of the following amounts (in thousands):

	Years Ended June 30,	
	2026	2025
Current:		
Federal	\$ 3,685	\$ 2,114
State	797	826
Deferred:		
Federal	(99)	76
State	(30)	64
Income tax expense	<u>\$ 4,353</u>	<u>\$ 3,080</u>

The effective income tax rate from income from continuing operations differs from the United States statutory income tax rates for the reasons set forth in the table below (in thousands, except percentages).

	Years Ended June 30,			
	2026		2025	
	Amount	Percent Pretax Income	Amount	Percent Pretax Income
Income before income taxes	<u>\$ 18,015</u>	<u>100%</u>	<u>\$ 12,058</u>	<u>100%</u>
Computed "expected" income tax expense on income before income taxes	\$ 3,783	21%	\$ 2,532	21%
State tax, net of federal benefit	663	3%	964	8%
Tax incentives	(57)	—	(149)	(1%)
Nontaxable or nondeductible items	44	—	—	—
Uncertain tax position	(73)	—	(116)	(1%)
Stock based compensation	—	—	(164)	(1%)
Other	(7)	—	13	—
Income tax expense	<u>\$ 4,353</u>	<u>24%</u>	<u>\$ 3,080</u>	<u>26%</u>

PRO-DEX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Deferred income taxes reflect the net effects of loss and credit carryforwards and temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of our deferred tax assets and liabilities for federal and state income taxes are as follows (in thousands):

	June 30,	
	2026	2025
Deferred tax assets:		
Federal and state NOL carryforward	\$ —	\$ 23
Research and other credits	—	65
Reserves	211	170
Accruals	344	436
Stock based compensation	1,015	1,096
Section 174 capitalization	40	756
Unrealized losses	24	—
Lease liability	166	353
Inventory	704	614
Other	1	12
Total gross deferred tax assets	\$ 2,505	\$ 3,525
Less: valuation allowance	—	(90)
Total deferred tax assets	<u>2,505</u>	<u>3,435</u>
Deferred tax liabilities:		
Property and equipment, principally due to differing depreciation methods	\$ (716)	\$ (651)
Right of use asset	(146)	(313)
Deferred state tax	(69)	(61)
Intangible assets	(30)	—
Unrealized gains	—	(995)
Total gross deferred tax liabilities	<u>(961)</u>	<u>(2,020)</u>
Net deferred tax assets	<u>\$ 1,544</u>	<u>\$ 1,415</u>

Realization of our deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. As of June 30, 2026, our deferred tax asset valuation allowance was eliminated as it primarily consisted of state net operating loss carryforwards and research and development credits for states in which we have filed a final return and the carryforward period has lapsed. For the fiscal years ended June 30, 2026 and 2025, we recorded a net decrease to our valuation allowance of \$90,000 and \$0, respectively, on the basis of management's reassessment of the amount of our deferred tax assets that are more likely than not to be realized.

As of June 30, 2026, we did not have any net operating losses for federal and state income tax purposes for state jurisdictions in which we currently operate. We have no federal or state research and development and alternative minimum tax credit carry forwards at June 30, 2026.

As of June 30, 2026, we have accrued \$103,000 of unrecognized tax benefits related to federal and state income tax matters that would reduce our income tax expense if recognized. If we are eventually able to recognize our uncertain tax positions, our effective tax rate would be reduced. Any adjustment to our uncertain tax positions would result in a cash outlay.

PRO-DEX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Information with respect to our accrual for unrecognized tax benefits is as follows (in thousands):

	June 30,	
	2026	2025
Unrecognized tax benefits:		
Beginning balance	\$ 159	\$ 262
Additions based on federal tax positions related to the current year	10	11
Additions based on state tax positions related to the current year	8	11
Reductions for tax positions of prior years	(24)	(10)
Reductions due to lapses in statutes of limitation	(50)	(115)
Ending balance	<u>\$ 103</u>	<u>\$ 159</u>

Although it is reasonably possible that certain unrecognized tax benefits may increase or decrease within the next twelve months due to tax examinations, settlement activities, expirations of statute of limitations, or the impact on recognition and measurement considerations related to the results of published tax cases or other similar activities, we do not anticipate any significant changes to unrecognized tax benefits over the next twelve months.

We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense when applicable. As of June 30, 2026, \$20,000 of interest applicable to our unrecognized tax benefits has been accrued.

We are subject to U.S. federal income tax, as well as income tax of California, Colorado, Florida, and Indiana. We are currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended June 30, 2023, and later. Additionally, we are currently open to audit under the statute of limitations for California for tax years from June 30, 2022 and later.

The One Big Beautiful Bill Act of 2025, or the 2025 Act, enacted on July 4, 2025, makes changes to U.S. corporate income taxes including reinstating the option to claim 100% accelerated depreciation deductions on qualified property, with retroactive application beginning January 20, 2025 and immediate expensing of research and development costs, with retroactive application beginning January 1, 2025. Accordingly, the provisions of the 2025 Act impacting the Company have been reflected in the consolidated financial statements.

The following table summarizes income taxes paid for the years ended June 30, 2026 and 2025 (in thousands):

	June 30,	
	2026	2025
Income tax payments (refunds):		
Federal	\$ 3,460	\$ 3,030
Colorado	(50)	—
California	2	1,427
Florida	570	—
Indiana	130	—
Total cash payments	<u>\$ 4,112</u>	<u>\$ 4,457</u>

PRO-DEX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. NOTES PAYABLE AND FINANCING TRANSACTIONS

UMB Bank, N.A. (“UMB”)

We have several outstanding term loans as well as a revolving loan (the “Amended Revolving Loan”) with UMB (formerly Minnesota Bank & Trust or MBT). The Company entered into a Second Amended and Restated Credit and Security Agreement (the “Amended Credit Agreement”) with UMB Bank, N.A. on February 9, 2026, which among other things provided for financing to fund the cash portion of the purchase price of APM as described in Note 3 by issuing Term Loan D in the principal amount of \$6,650,000.

The Amended Credit Agreement also extended the maturity date of the Amended Revolving Loan from December 29, 2026, to December 29, 2027, pursuant to a Third Amended and Restated Revolving Credit Note entered into by the Company and UMB on February 9, 2026. Loan origination fees in the amount of \$31,625 were paid to UMB in connection with the Amended Credit Agreement.

Advanced Precision Machining (“APM”) Subordinated Promissory Note

On February 9, 2026 in connection with the acquisition of APM as described in Note 3, we issued the seller a promissory note in the amount of \$2,000,000 which bears interest at 8% per annum and requires twenty-one equal quarterly payments of principal and accrued interest in the amount of approximately \$118,000 each. The promissory note contains covenants and obligations of the Company customary for a subordinated promissory note of this type.

The balance on our outstanding loans at June 30, 2026 and June 30, 2025 (in thousands) is as follows (exclusive of unamortized loan fees):

	June 30, 2026	June 30, 2025
Notes Payable:		
Term Loan A	\$ 1,716	\$ 2,795
Term Loan B	255	416
Term Loan C	3,167	4,167
Term Loan D	6,317	—
Property Loan	4,136	4,347
APM Subordinated Loan	1,922	—
Amended Revolving Loan	—	3,706
Total notes payable	<u>\$ 17,513</u>	<u>\$ 15,431</u>

Term Loan A and Term Loan B both bear interest at a fixed rate of 3.84% per annum, the Property Loan bears interest at a fixed rate of 3.55% per annum and Term Loan C bears interest at an annual rate equal to the greater of (a) 5%, or (b) SOFR for a one-month period from the website of the CME Group Benchmark Administration Limited plus 2.5% (the “Adjusted Term SOFR Rate”). Term Note D bears interest at the greater of (a) 4.5% or (b) the Adjusted SOFR Rate. The Amended Revolving Loan bears interest at the greater of (a) 4% or (b) the Adjusted SOFR Rate. Term Loan A and Term Loan B are both fully amortizing and mature on November 1, 2027, Term Loan C is fully amortizing and matures on August 1, 2029 and Term Note D is fully amortizing and matures on February 1, 2031. The Property Loan matures on November 1, 2030, at which time a balloon payment of \$3.1 million is due, and the Amended Revolving Loan matures on December 29, 2027. As of June 30, 2026, we have \$11.0 million, or 100%, of the Amended Revolving Loan available to us.

Any payment on Term Loan A, Term Loan B, Term Loan C, Term Loan D, the Property Loan, or the Amended Revolving Loan (collectively, the “Loans”) not made within seven days after the due date is subject to a late payment fee equal to 5% of the overdue amount. Upon the occurrence and during the continuance of an event of default, the interest rate of all Loans will be increased by 3% and UMB may, at its option, declare all of the Loans immediately due and payable in full. The Loans are secured by substantially all of the Company’s assets pursuant to a Security Agreement entered into on September 6, 2018, between the Company and UMB. The Property Loan is secured by the Franklin Property pursuant to a Deed of Trust with Assignment of Leases and Rents, Security Agreement and Fixture Filing in favor of UMB and by an assignment of Leases and Rents by PDEX Franklin in favor of UMB (collectively, the “Property Loan Security Agreements”).

PRO-DEX, INC. AND SUBSIDIARIES
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The Amended Credit Agreement, Security Agreement, Property Loan Security Agreement, Term Note A, Term Note B, Term Note C, Term Note D, Property Loan, and Amended Revolving Loan contain representations and warranties, affirmative, negative and financial covenants, and events of default that are customary for loans of this type. We believe that we are in compliance with all of our debt covenants as of June 30, 2026, but there can be no assurance that we will remain in compliance for the duration of the term of the Loans.

Scheduled principal maturities of the Loans, exclusive of unamortized loan origination fees in the amount of \$43,000, for future fiscal years ending June 30 are as follows (in thousands):

	Term Loan Principal Payments
Fiscal Year:	
2027	\$ 4,164
2028	3,591
2029	2,947
2030	2,154
2031	4,657
Total principal payments	\$ 17,513

10. LEASES

Our operating lease ROU asset and long-term liability are presented separately on our consolidated balance sheet. Additionally, we acquired some equipment leases in conjunction with our acquisition of APM in the third quarter of fiscal 2026. The current portion of our lease liabilities exclusive of imputed interest, as of June 30, 2026, in the amount of \$844,000, is presented within accrued expenses on the consolidated balance sheet. As of June 30, 2026, the maturity of our lease liabilities is as follows:

\$	Operating Leases	Finance Leases
Fiscal Year:		
2027	\$ 567	\$ 330
2028	143	223
2029	—	175
2030	—	58
Total lease payments	710	786
Less imputed interest	(26)	(65)
Total	\$ 684	\$ 721

As of June 30, 2026 and 2025, our operating lease for our office, production, and warehouse facility in Irvine, California (our “corporate office”) has a remaining lease term of 1.25 years and 2.25 years, respectively, and an imputed interest rate of 5.3%. Our lease agreement does not provide an implicit rate and, as a result, we used our estimated incremental borrowing rate at the time we adopted ASC 842 to determine the present value of future lease payments. The APM equipment financing leases have interest rates ranging from 3.99% to 7.79%. Cash paid for amounts included in the lease liability for the fiscal years ended June 30, 2026 and 2025 was \$713,000 and \$535,000, respectively.

11. COMMITMENTS AND CONTINGENCIES

Leases

We lease our corporate office under an agreement that expires in September 2027. Our corporate office lease requires us to pay insurance, taxes, and other expenses related to the leased space. We assumed the APM leases for its office, production and warehouse facility in Costa Mesa, California in February 2026 which expire on December 31, 2026.

Rent expense for our corporate office in fiscal 2026 and 2025 was \$617,000 and \$609,000, respectively. Rent expense recorded for the APM facility was \$83,000 in fiscal 2026.

Additionally, beginning in fiscal 2025 we began renting on a month-to-month basis some parking spaces at a neighboring location near our Franklin Property. In fiscal 2026 and 2025, we incurred rent expense in the amount of \$36,000 and \$23,000, respectively, for parking.

PRO-DEX, INC. AND SUBSIDIARIES
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Compensation Arrangements

Retirement Savings 401(k) Plan

The Pro-Dex, Inc. Retirement Savings 401(k) Plan (the “401(k) Plan”) is a defined contribution plan we administer that covers substantially all our employees and is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended. Employees are eligible to participate in the 401(k) Plan when they have attained 19 years of age and then can enter into the 401(k) Plan on the first of the month following 60 days of service. The 401(k) Plan was amended effective February 9, 2026, to allow employees of Advanced Precision Machining, LLC to participate. Participants are eligible to receive non-discretionary matching contributions by the Company equal to 50% of their contributions up to 5% of eligible compensation. For the fiscal years ended June 30, 2026 and 2025, we recognized compensation expense amounting to \$312,000 and \$259,000, respectively, in connection with the 401(k) Plan. During our fiscal years ended June 30, 2026 and 2025, we used approximately \$40,000 and \$23,000, respectively, of forfeited match contributions to reduce our match expense.

Legal Matters

We may be involved in legal proceedings arising either in the ordinary course of our business or incidental to our business. There can be no certainty, however, that we may not ultimately incur liability or that such liability will not be material or adverse.

12. SHARE-BASED COMPENSATION

Stock Option Plans

Our 2016 Equity Incentive Plan provides for the award of up to 1,500,000 shares of our common stock in the form of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted shares, restricted stock units, performance awards, and other stock-based awards. As of June 30, 2026, performance awards for 200,000 shares of common stock, non-qualified stock options for 372,000 shares of common stock, and 33,500 restricted shares of common stock have been granted under the 2016 Equity Incentive Plan.

Performance Awards

In December 2017, the Compensation Committee of our Board of Directors granted 200,000 performance awards to our employees which were to be paid in shares of our common stock. Whether any performance awards were to vest, and the amount that vests were tied to the completion of service periods ranging from 7 months to 9.5 years at inception and the achievement of our common stock trading at certain pre-determined prices. The awards were expected to vest in increments of 40,000 shares, or five distinct tranches, biannually beginning July 1, 2018, through July 1, 2026. The Compensation Committee reallocated 48,000, 17,500 and 15,200 forfeited performance awards during fiscal 2020, fiscal 2022, and fiscal 2024 respectively, having the same remaining terms and conditions to other current employees. The performance awards granted and reallocated were recorded at estimated fair value using a Monte Carlo simulation in each case. During each of the fiscal years ended June 30, 2026 and 2025 we recorded share-based compensation expense of \$28,000 related to outstanding performance awards. On June 30, 2026, there was no unrecognized compensation cost as the fifth and final tranche of awards vested on July 1, 2026.

On July 1, 2026, it was determined by the Compensation Committee that the vesting of the fifth and final tranche of performance awards for 40,000 shares of common stock had been achieved. Each participant elected a net issuance to cover their individual withholding taxes and, therefore, we issued participants 25,230 shares of common stock and paid \$926,000 of participant-related payroll tax liabilities.

PRO-DEX, INC. AND SUBSIDIARIES
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Non-Qualified Stock Options

In December 2020, the Compensation Committee of our Board of Directors granted non-qualified stock options for 310,000 shares of our common stock to our directors and certain employees under the 2016 Equity Incentive Plan. Whether any stock options vest, and the amount that does vest, is tied to the completion of service periods that range from 18 months to 10.5 years at inception and the achievement of our common stock trading at certain pre-determined prices. We recorded compensation expense of \$416,000 for both fiscal years ended June 30, 2026 and 2025 related to these options. The weighted average fair value of the stock option awards granted was \$16.72, calculated using a Monte Carlo simulation. We recognize forfeitures for our non-qualified stock options as they occur. As of June 30, 2026, there was approximately \$729,000 of unrecognized compensation cost related to these non-vested non-qualified stock options expected to be expensed over the weighted-average period of 39.22 months.

The following is a summary of non-qualified stock option activity under the 2016 Equity Incentive Plan for the fiscal year ended June 30, 2026 and 2025:

	2026		2025	
	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
Outstanding at July 1,	237,250	\$ 42.38	267,750	\$ 42.11
Options granted	—	—	—	—
Options exercised	—	—	(4,250)	27.50
Options forfeited/expired	—	—	(26,250)	42.00
Outstanding at June 30	237,250	\$ 42.38	237,250	\$ 42.38
Stock Options Exercisable at June 30,	79,750	\$ 32.27	79,750	\$ 32.27

The aggregate intrinsic value of options, which represents the cumulative difference between the fair market value of the underlying common stock and the option exercise prices, exercised was \$82,000 in fiscal 2025. No options were exercised in fiscal 2026. On June 30, 2026, the options outstanding and exercisable had intrinsic values of \$3.8 million and \$2.0 million, respectively. On June 30, 2025, the options outstanding and exercisable had intrinsic values of \$299,000 and \$907,000, respectively.

Restricted Shares

In November 2025, the Compensation Committee awarded 15,500 restricted shares of common stock to our directors and certain employees under the 2016 Equity Incentive Plan. The shares vest ratably over five years from the date of grant. The fair value of the restricted shares on the date of grant was \$478,000, based upon the closing price of our common stock on the date of grant. During the fiscal year ended June 30, 2026, we recorded \$58,000 of compensation expense related to these restricted shares. As of June 30, 2026, there was approximately \$399,000 of unrecognized compensation cost related to these restricted shares expected to be expensed over the weighted-average period of 53 months.

In November 2024, the Compensation Committee awarded 18,000 restricted shares of common stock to our directors and certain employees under the 2016 Equity Incentive Plan. The shares vest ratably over five years from the date of grant. The fair value of the restricted shares on the date of grant was \$857,000, based upon the closing price of our common stock on the date of grant. During the fiscal years ended June 30, 2026 and 2025, we recorded \$171,000 and \$105,000, respectively, of compensation expense related to these restricted shares. As of June 30, 2026, there was approximately \$581,000 of unrecognized compensation cost related to these restricted shares expected to be expensed over the weighted-average period of 41 months.

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The following is a summary of restricted share activity under the 2016 Equity Incentive Plan for the fiscal year ended June 30, 2026 and 2025:

	2026		2025	
	Number of Shares	Weighted-Average Stock Price	Number of Shares	Weighted-Average Stock Price
Outstanding at July 1,	18,000	\$ 43.64	—	\$ —
Shares granted	15,500	30.83	18,000	47.63
Shares vested	(2,728)	30.83	—	—
Shares forfeited	(1,622)	40.15	—	—
Outstanding at June 30	29,150	\$ 59.55	18,000	\$ 43.64

Employee Stock Purchase Plan

In September 2014, our Board approved the establishment of an Employee Stock Purchase Plan (the “ESPP”), which was approved by our shareholders at our 2014 Annual Meeting. The ESPP conforms to the provisions of Section 423 of the Internal Revenue Code, has coterminous offering and purchase periods of six months, and bases the pricing to purchase shares of our common stock on a formula so as to result in a per share purchase price that approximates a 15% discount from the market price of a share of our common stock at the end of the purchase period. Our Board of Directors also approved that 704,715 shares be reserved for issuance pursuant to the ESPP. An amendment to the ESPP to extend its term for an additional ten years (through 2035) was approved by our Board in October 2023 and by our shareholders at our 2023 Annual Meeting. Additionally, in July 2025 the Compensation Committee amended the ESPP such that the 15% discount from the market price of a share of our common stock is measured at either the beginning or the end of the purchase period, whichever is lower.

During the fiscal years ended June 30, 2026 and 2025, shares totaling 2,262 and 1,593, respectively, were purchased pursuant to the ESPP and allocated to participating employees based upon their contributions at weighted- average prices of \$37.75 and \$26.42, respectively. On a cumulative basis, since the inception of the ESPP, employees have purchased a total of 39,357 shares. During the fiscal years ended June 30, 2026 and 2025, we recorded stock compensation expense in the amount of \$15,000 and \$7,000, respectively, relating to the ESPP.

13. MAJOR CUSTOMERS & SUPPLIERS

Customers that accounted for more than 10% of our total sales in either of fiscal year 2026 or 2025, is as follows (in thousands, except percentages):

	Years Ended June 30,			
	2026		2025	
	Amount	Percent of Total	Amount	Percent of Total
Net sales	\$ 77,548	100%	\$ 66,593	100%
Customer concentration:				
Customer 1	\$ 60,742	78%	\$ 49,930	75%
Customer 2	6,387	8%	8,271	12%
Total	\$ 67,129	86%	\$ 58,201	87%

PRO-DEX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Information with respect to accounts receivable from those customers who comprised more than 10% of our gross accounts receivable at either June 30, 2026 or June 30, 2025 is as follows (in thousands, except percentages):

	June 30, 2026		June 30, 2025	
Total gross accounts receivable	<u>\$ 21,554</u>	<u>100%</u>	<u>\$ 16,433</u>	<u>100%</u>
Customer concentration:				
Customer 1	\$ 17,403	81%	\$ 11,895	72%
Customer 2	1,974	9%	2,768	17%
Total.	<u>\$ 19,377</u>	<u>90%</u>	<u>\$ 14,663</u>	<u>89%</u>

During fiscal 2026 we acquired APM as described in Note 3, which had been a significant supplier to us prior to the acquisition. While APM continues to supply components to us, fiscal 2026 inventory purchases have been adjusted to exclude inventory sourced from APM after the acquisition. In fiscal 2026 and 2025, we had two suppliers that accounted for more than 10% of total inventory purchases, as follows (in thousands, except percentages):

	June 30, 2026		June 30, 2025	
Total inventory purchases	<u>\$ 28,327</u>	<u>100%</u>	<u>\$ 32,556</u>	<u>100%</u>
Supplier concentration:				
Supplier 1	\$ 5,797	20%	\$ 7,018	22%
Supplier 2	3,661	13%	4,554	14%
Total	<u>\$ 9,458</u>	<u>33%</u>	<u>\$ 11,572</u>	<u>36%</u>

Information with respect to accounts payable due to our top two suppliers at June 30, 2026 or June 30, 2025 is as follows (in thousands, except percentages):

	June 30, 2026		June 30, 2025	
Total accounts payable	<u>\$ 4,262</u>	<u>100%</u>	<u>\$ 4,614</u>	<u>100%</u>
Supplier concentration:				
Supplier 1	\$ 1,920	45%	\$ 735	16%
Supplier 2	141	3%	1,016	22%
Total	<u>\$ 2,061</u>	<u>48%</u>	<u>\$ 1,751</u>	<u>38%</u>

PRO-DEX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. NET INCOME PER SHARE

We calculate basic earnings per share by dividing net income by the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per share reflects the effects of potentially dilutive securities based upon the treasury stock method for in-the-money stock options and the fully diluted shares outstanding method for restricted stock and performance awards. The summary of the basic and diluted earnings per share calculations for the years ended June 30, 2026 and 2025 is as follows (in thousands, except per share data):

	Years Ended June 30,	
	2026	2025
Basic:		
Net income	\$ 13,662	\$ 8,978
Weighted-average shares outstanding	3,226	3,288
Basic earnings per share	<u>\$ 4.24</u>	<u>\$ 2.73</u>
Diluted:		
Net income	\$ 13,662	\$ 8,978
Weighted-average shares outstanding	3,226	3,288
Effect of dilutive securities – stock options & performance awards	91	73
Weighted-average shares used in calculation of diluted earnings per share	<u>3,317</u>	<u>3,361</u>
Diluted earnings per share	<u>\$ 4.12</u>	<u>\$ 2.67</u>

15. COMMON STOCK – Share Repurchase Program

In December 2019, our Board approved a new share repurchase program authorizing us to repurchase up to one million shares of our common stock, as the prior repurchase plan authorized by our Board in 2013 was nearing completion. In accordance with, and as part of, these shares repurchase programs, our Board approved the adoption of several prearranged share repurchase plans intended to qualify for the safe harbor provided by Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (“10b5-1 Plan” or “Plan”). During the fiscal year ended June 30, 2026, we repurchased 79,898 shares at an aggregate cost, inclusive of fees under the Plan, of \$3.4 million. During the fiscal year ended June 30, 2025, we repurchased 130,148 shares at an aggregate cost, inclusive of fees under the Plan, of \$3.5 million. On a cumulative basis, since 2013 we have repurchased a total of 1,591,395 shares under the share repurchase programs at an aggregate cost, inclusive of fees under the Plan, of \$27.6 million. All repurchases under the 10b5-1 Plans were administered through an independent broker.

16. SUBSEQUENT EVENTS

We have evaluated subsequent events through the date of this filing. On July 1, 2026, the Compensation Committee determined that the fifth and final tranche of performance awards for 40,000 shares of common stock had vested. Each participant elected a net share settlement to cover applicable withholding taxes, and, accordingly, the Company issued 25,230 shares of common stock and paid \$926,000 of participant-related payroll tax liabilities. Other than as described above and elsewhere in these consolidated financial statements, there were no subsequent events that require disclosure.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Our Chief Executive Officer (our principal executive officer) and Chief Financial Officer (our principal financial officer and principal accounting officer) have concluded, based on their evaluation as of June 30, 2026, that the design and operation of our “disclosure controls and procedures” (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are effective at a reasonable assurance level to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, including to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Our management is responsible for establishing and maintaining adequate “internal control over financial reporting” (as defined in Rule 13a-15(f) under the Exchange Act). Under the supervision and with the participation of our management, including our principal executive officer, principal financial officer, and principal accounting officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework set forth in the *2013 Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in May 2013. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of June 30, 2026.

Our internal control over financial reporting is supported by written policies and procedures that:

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of our Company are being made only in accordance with authorizations of our management and directors; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This Form 10-K does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC that apply to certain smaller reporting companies that permit us to provide only management’s attestation in this annual report.

Acquisition of Advanced Precision Machining, LLC (“APM”)

As previously disclosed, we acquired APM on February 9, 2026. We have excluded APM from our assessment of internal control over financial reporting as of June 30, 2026, based on guidelines established by the SEC under which companies are permitted to exclude acquisitions from their assessment of internal control over financial reporting during the first year following an acquisition, while integrating an acquired company.

Changes in Internal Control Over Financial Reporting

During the quarter ended June 30, 2026, there were no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

Insider Trading Arrangements and Policies

On May 4, 2026, our Chairman of the Board of Directors, Nicholas Swenson, in his capacity as general manager of AO Partners canceled a “Rule 10b5-1 trading arrangement” (as such term is defined in Item 408(a) of Regulations S-K) that he had adopted on March 24, 2026. No trades were made under the arrangement.

On May 28, 2026, our Chief Executive Officer, Richard Van Kirk adopted a “Rule 10b5-1 trading arrangement” (as such term is defined in Item 408(a) of Regulations S-K). This trading arrangement commences on September 9, 2026, and terminates on May 26, 2028 unless earlier terminated in accordance with its terms, and covers the disposition of up to 20,000 shares of our common stock. The remaining terms of the trading arrangement are confidential. The plan was adopted for diversification of the individual’s portfolio and not for any other purpose.

During the quarter ended June 30, 2026, no additional directors or officers of the Company informed us of the adoption, modification or termination of a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement” (as each term is defined in Item 408(a) of Regulation S-K).

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item is incorporated herein by reference to our definitive Proxy Statement, which will be filed within 120 days of June 30, 2026, and delivered to shareholders in connection with our 2026 annual meeting of shareholders.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to our definitive Proxy Statement, which will be filed within 120 days of June 30, 2026, and delivered to shareholders in connection with our 2026 annual meeting of shareholders.

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

The information required by this Item is incorporated herein by reference to our definitive Proxy Statement, which will be filed within 120 days of June 30, 2026, and delivered to shareholders in connection with our 2026 annual meeting of shareholders.

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

The information required by this Item is incorporated herein by reference to our definitive Proxy Statement, which will be filed within 120 days of June 30, 2026, and delivered to shareholders in connection with our 2026 annual meeting of shareholders.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is incorporated herein by reference to our definitive Proxy Statement, which will be filed within 120 days of June 30, 2026, and delivered to shareholders in connection with our 2026 annual meeting of shareholders.

PART IV

ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements and Financial Statement Schedules

(1) Financial Statements are listed in the index included under Item 8 of this Report.

(b) Exhibits

Exhibit Number	Exhibit Description	Form	Exhibit	Filed or Furnished	
				Filing Date	Herewith
3.1	Articles of Incorporation	8-K	3.1	4/23/2007	
3.2	Articles of Amendment to Articles of Incorporation	8-K	3.1	12/5/2007	
3.3	Articles of Amendment to Articles of Incorporation	8-K	3.1	6/18/2010	
3.4	Amended and Restated Bylaws, dated January 31, 2011	8-K	3.1	2/4/2011	
4.1	Description of Company's Common Stock Registered Pursuant to Section 12 of the Securities Act of 1934				X
10.1*	Pro-Dex, Inc. 2016 Equity Incentive Plan	14A	Appendix A	10/17/2016	
10.2*	Form of Indemnification Agreement for directors and certain officers	8-K	10.1	10/29/2008	
10.3	Lease agreement with Irvine Business Properties, dated August 3, 2007	8-K	10.1	8/23/2007	
10.4	First Amendment to Lease - July 2013 by and between Irvine Business Properties and Pro-Dex, Inc. dated effective July 1, 2013	8-K	10.1	7/17/2013	
10.5*	Pro-Dex, Inc. Amended and Restated Employee Severance Policy effective as of September 16, 2016	10-Q	10.5	5/14/2015	
10.6	Second Amended to Standard Industrial/Commercial Multi-Tenant Lease - Net by and between Irvine Business Properties and Pro-Dex, Inc., dated September 19, 2017	8-K	10.1	9/20/2017	
10.7*	Form of Performance Award Agreement for Employees of Pro-Dex, Inc. - 2016 Equity Incentive Plan	8-K	10.1	12/8/2017	
10.8	Security Agreement, dated September 6, 2018 by Pro-Dex, Inc. in favor of Minnesota Bank & Trust	8-K	10.2	9/7/2018	
10.9	Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate by and between Pro-Dex, Inc. and 14401 Franklin, LLC	8-K	10.1	9/8/2020	
10.10	Loan Agreement dated November 6, 2020 made by and between PDEX Franklin LLC and Minnesota Bank & Trust	8-K	10.1	11/12/2020	

Exhibit Number	Exhibit Description	Form	Exhibit	Filed or Furnished	
				Filing Date	Herewith
10.11	Term Note dated November 6, 2020 made by PDEX Franklin LLC in favor of Minnesota Bank & Trust	8-K	10.2	11/12/2020	
10.12	Deed of trust with Assignment of Leases and Rents, Security Agreement and Fixture Filing dated November 6, 2020 by and between PDEX Franklin LLC and Minnesota Bank & Trust	8-K	10.3	11/12/2020	
10.13	Assignment of Leases and Rents dated November 6, 2020 by and between PDEX Franklin LLC and Minnesota Bank & Trust	8-K	10.4	11/12/2020	
10.14	Amended and Restated Credit Agreement dated November 6, 2020 by and between Pro-Dex, Inc. and Minnesota Bank & Trust	8-K	10.5	11/12/2020	
10.15	Amended and Restated Term Note A dated November 6, 2020 made by Pro-Dex, Inc. in favor of Minnesota Bank & Trust	8-K	10.6	11/12/2020	
10.16	Term Note B dated November 6, 2020 made by Pro-Dex, Inc. in favor of Minnesota Bank & Trust	8-K	10.7	11/12/2020	
10.17*	Form of Stock Option Agreement for Directors and Employees of Pro-Dex, Inc. - 2016 Equity Incentive Plan	8-K	10.1	12/11/2020	
10.18	Amendment No. 1 to Amended and Restated Credit Agreement dated November 5, 2021 by and between Pro-Dex, Inc. and Minnesota Bank & Trust	8-K	10.1	11/9/2021	
10.19	Amendment No. 2 to Amended and Restated Credit Agreement dated December 29, 2022 by and between Pro-Dex, Inc. and Minnesota Bank & Trust, a division of HTLF Bank	8-K	10.1	1/5/2023	
10.20	Amended and Restated Revolving Credit Note dated December 29, 2022 made by Pro-Dex, Inc. in favor of Minnesota Bank & Trust, a division of HTLF Bank	8-K	10.2	1/5/2023	
10.21	Supplemental Revolving Credit Note dated December 29, 2022 made by Pro-Dex, Inc. in favor of Minnesota Bank & Trust, a division of HTLF Bank	8-K	10.3	1/5/2023	
10.22	Warrant to Purchase Stock dated December 20, 2018 made by Monogram Orthopaedics Inc. in favor of Pro-Dex, Inc.	10-K	10.31	10/13/2023	
10.23	Amendment No. 3 to Amended and Restated Credit Agreement dated December 29, 2023 by and between Pro-Dex, Inc. and Minnesota Bank & Trust, a division of HTLF Bank	8-K	10.1	1/3/2024	
10.24	Amendment No 4 to Amended and Restated Credit Agreement dated July 31, 2024 by and between Pro-Pro-Dex, Inc. and Minnesota Bank & Trust, a division of HTLF Bank	8-K	10.1	8/5/2024	
10.25	Promissory Note dated July 31, 2024 made by Pro-Dex, Inc. in favor of Minnesota Bank & Trust, a division of HTLF Bank	8-K	10.2	8/5/2024	
10.26*	Form of Restricted Shares Award Agreement by and between Pro-Dex, Inc. and non-employee directors and select employees dated November 20, 2024	8-K	10.1	11/25/2024	

Exhibit Number	Exhibit Description	Form	Exhibit	Filed or Furnished	
				Filing Date	Herewith
10.27	Amendment No. 5 to Amended and Restated Credit Agreement dated December 23, 2024, by and between Pro-Dex, Inc. and Minnesota Bank & Trust, a division of HTLF Bank	8-K	10.1	12/27/2025	
10.28	Amendment and Restated Revolving Credit Note dated December 23, 2024, made by Pro-Dex, Inc. in favor of Minnesota Bank & Trust, a division of HTLF Bank	8-K	10.2	12/27/24	
10.29	Amendment No. 6 to Amended and Restated Credit Agreement dated April 8, 2025, by and between Pro-Dex, Inc. and UMB Bank, N.A. D/B/A Minnesota Bank and Trust, a division of UMB Bank N.A., successor-in-interest to Minnesota Bank and Trust, a division of HTLF Bank (incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K filed April 11, 2025).	8-K	10.1	4/11/2025	
10.30	Second Amended and restated revolving Credit Note dated April 8, 2025, made by Pro-Dex, Inc. in favor of UMB Bank, N.A. D/B/A Minnesota Bank and Trust, a division of UMB Bank N.A., successor-in-interest to Minnesota Bank and Trust, a division of HTLF Bank (incorporated herein by reference to Exhibit 10.2 to the Company's Form 8-K filed April 11, 2025).	8-K	10.2	04/11/2025	
10.31	Membership Interest Purchase Agreement dated February 9, 2026 by and among Pro-Dex, Inc., Advanced-Precision Machining Holding Company, Inc. and Seand McCaig and Yasumi McCaig	8-K	2.1	2/12/2026	
10.32	Subordinated Promissory Note dated February 9, 2026 between Pro-Dex, Inc., Advanced-Precision Machining Holding Company, Inc.	8-K	10.1	2/12/2026	
10.33	Second Amended and Restated Credit and Security Agreement dated February 9, 2026, by and among in favor of UMB Bank, N.A. and Pro-Dex, Inc.	8-K	10.2	2/12/2026	
10.34	Term Note D dated February 9, 2026, made by Pro-Dex, Inc. in favor of UMB Bank N.A	8-K	10.3	2/12/2026	
10.35	Third Amended and Restated Revolving Credit Note dated February 9, 2026, by Pro-Dex, Inc in favor of UMB Bank, N.A.	8-K	10.4	2/12/2026	
19	Policy on Insider Trading	10-K	19	9/4/2025	
21 ^Ω	Subsidiaries				X
23 ^Ω	Consent of Independent Registered Public Accounting Firm				X
31.1 ^Ω	Certification of the Chief Executive Officer required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2 ^Ω	Certification of the Chief Financial Officer required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32 ^Ω	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
97	Pro-Dex, Inc. Compensation Recovery Policy adopted by the Compensation Committee of the Board of Directors on December 1, 2023	10-K	97	9/5/2024	
101.INS	Inline XBRL Instance Document				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				X
104	Cover Page Interactive Date File				X

Ω Filed herewith.
* Denotes management contract or compensatory arrangement.

ITEM 16. FORM 10-K SUMMARY

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on September 3, 2026.

PRO-DEX, INC.

By: Richard L. Van Kirk

Richard L. Van Kirk

President, Chief Executive Officer and Director

(Principal Executive Officer)

POWER OF ATTORNEY

We, the undersigned directors and officers of Pro-Dex, Inc., do hereby constitute and appoint Richard L. Van Kirk, as our true and lawful attorney-in-fact and agent with power of substitution, to do any and all acts and things in our name and behalf in our capacities as directors and officers and to execute any and all instruments for us and in our names in the capacities indicated below, which such attorney-in-fact and agent may deem necessary or advisable to enable said corporation to comply with the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with this Annual Report on Form 10-K, including specifically but without limitation, power and authority to sign for us or any of us in our names in the capacities indicated below, any and all amendments hereto; and we do hereby ratify and confirm all that said attorney-in-fact and agent shall do or cause to be done by virtue hereof.

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

Signature	Title	Date
<u>/s/ Richard L. Van Kirk</u> Richard L. Van Kirk	President, Chief Executive Officer, and Director (Principal Executive Officer)	September 3, 2026
<u>/s/ Alisha K. Charlton</u> Alisha K. Charlton	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	September 3, 2026
<u>/s/ Nicholas J. Swenson</u> Nicholas J. Swenson	Chairman of the Board, Director	September 3, 2026
<u>/s/ Raymond E. Cabillot</u> Raymond E. Cabillot	Director	September 3, 2026
<u>/s/ Angelita R. Domingo</u> Angelita R. Domingo	Director	September 3, 2026
<u>/s/ William J. Farrell III</u> William J. Farrell III	Director	September 3, 2026
<u>/s/ David C. Hovda</u> David C. Hovda	Director	September 3, 2026
<u>/s/ Katrina M.K. Philp</u> Katrina M.K. Philp	Director	September 3, 2026

