



alarm systems as well as a leading provider of school safety solutions. We offer a diversified array of security products, encompassing access control systems, door-locking products, intrusion and fire alarm systems and video surveillance products. These products are used for commercial, residential, institutional, industrial and governmental applications, and are sold worldwide principally to independent distributors, dealers and installers of security equipment. We have experienced significant growth in recent years, primarily driven by fast growing recurring service revenues generated from wireless communication services for intrusion and fire alarm systems, as well as our school security products that are designed to meet the increasing needs to enhance school security as a result of on-campus shooting and violence in the U.S. Our wireless communication services have led to substantial growth in our monthly recurring revenues. **Significant Accounting Policies:** **Principles of Consolidation** The consolidated financial statements include the accounts of Napco Security Technologies, A Inc. and its wholly-owned subsidiaries. All inter-company balances and transactions have been eliminated in consolidation. **Accounting Estimates** The preparation of financial statements in conformity with Generally Accepted Accounting Principles (as defined by the Financial Accounting Standards Board) 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. We continuously evaluate our estimates and judgments

gains and losses at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, we continuously evaluate our estimates and judgments based on historical experience, as well as other factors that we believe to be reasonable under the circumstances. The results of our evaluation form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Critical estimates include management's judgments associated with reserves for sales returns and allowances, allowance for credit losses, overhead expenses applied to inventory, inventory reserves, valuation of intangible assets, share based compensation and income taxes. These estimates may change in the future if underlying assumptions or factors change, and actual results may differ from these estimates. Fair Value of Financial Instruments The methods and assumptions used to estimate the fair value of the following classes of financial instruments were: Current Assets and Current Liabilities - The carrying amount of cash and cash equivalents, certificates of deposits, marketable securities, current receivables and payables and certain other short-term financial instruments approximate their fair value as of September 30, 2024 and June 30, 2024 due to their short-term maturities. Cash and Cash Equivalents and Investments - Other All financial instruments purchased with an original maturity of three months or less at the time of purchase are considered cash equivalents. Such items may include liquid money market funds, certificate of deposit and time deposit accounts. Investments that are classified as cash equivalents are carried at cost, which approximates fair value. Certificate of deposits with an original maturity greater than three months are classified as Investments - other. Cash and cash equivalents include approximately \$73,055,000 of short-term time deposits in money market funds as of September 30, 2024. Cash and cash equivalents include approximately \$46,518,000 of short-term time deposits, consisting of several certificates of deposit totaling \$5,402,000 and \$41,116,000 in a money market fund as of June 30, 2024. The Company classifies these highly liquid 7Table of Contentsinvestments with original maturities of three months or less as cash equivalents. Certificates of deposit with an original maturity greater than three months are classified as Investments-other. Cash and cash equivalents consist of the following as of (in thousands): \$ 12,541 - \$ 18,823 Money Market Fund - \$ 73,055 - \$ 41,116. Certificate of Deposits - \$ 5,402 - \$ 41,116. Investments-other consists of the following as of (in thousands): \$ 35,596 - \$ 34,141. Certificate of Deposits - \$ 10,926 - \$ 26,980 - \$ 10,926 - \$

overhead expenses are applied based, in part, upon estimates of the proportion of those expenses that are related to procuring and storing raw materials as compared to the manufacture and assembly of finished products. These proportions, the method of their application, and the resulting overhead included in ending inventory, are based in part on subjective estimates and actual results could differ from those estimates. The Company records a reserve for excess and slow-moving inventory, which represents any excess of the cost of the inventory over its estimated realizable value. This reserve is calculated using an estimated excess and slow-moving percentage applied to the inventory based on age, historical trends, product life cycle, requirements to support forecasted sales, and the ability to find alternate applications of its raw materials and to convert finished product into alternate versions of the same product to better match customer demand. In addition, and as necessary, the Company may establish specific reserves for future known or anticipated events. There is inherent professional judgment and subjectivity made by both production and engineering members of management in determining the estimated excess and slow-moving percentage (See Note 6). The Company also regularly reviews the period over which its inventories will be converted to sales. Any inventories expected to convert to sales beyond 12 months from the balance sheet date are classified as non-current. Property, Plant, and Equipment Property, plant, and equipment are carried at cost less accumulated depreciation. Expenditures for maintenance and repairs are charged to expense as incurred; costs of major renewals and improvements are capitalized. At the time property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are eliminated from the asset and accumulated depreciation accounts and the profit or loss on such disposition is reflected in income. Depreciation is recorded over the estimated service lives of the related assets using primarily the straight-line method. The estimated service lives of the assets are as follows: buildings and improvements, 40 years; machinery and equipment, 5 to 10 years; furniture and fixtures, 5 to 10 years; and vehicles, 5 years.

shorter.9Table of ContentsLong-Lived and Intangible AssetsLong-lived assets are amortized over their useful lives and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets in question may not be recoverable. Impairment would be recorded in circumstances where undiscounted cash flows expected to be generated by an asset are less than the carrying value of that asset. Intangible assets consisted of the follows (in thousands):<sup>10</sup>  $\text{($9,800)} - \text{($9,465)} + \text{($3354)} - \text{($9,800)} + \text{($9,436)} + \text{($364)}$  Trade name<sup>11</sup>  $\text{($4,048)} - \text{($800)} + \text{($3,188)} - \text{($4,048)} + \text{($810)} + \text{($3,238)} - \text{($13,848)} + \text{($10,325)} + \text{($3,523)} - \text{($13,848)} - \text{($10,246)} + \text{($3,602)}$ . Amortization expense for intangible assets subject to amortization was approximately \$79,000 and \$84,000 for the three months ended September 30, 2024 and 2023, respectively. Amortization expense for each of the next five fiscal years is estimated to be as follows: 2026 - \$297,000; 2027 - \$283,000; 2028 - \$269,000; 2029 - \$210,000; and 2030 - \$202,000. The weighted average remaining amortization period for intangible assets was 14.6 years and 14.8 years at September 30, 2024 and June 30, 2024, respectively. Revenue RecognitionRevenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. Equipment RevenueEquipment revenue, which includes shipping and handling costs, is primarily generated from the sale of finished products to customers. Those sales predominantly contain a single performance obligation and revenue is recognized at a single point in time when ownership, risks and rewards transfer, which is typically the date of shipment of the related equipment when the product is picked up by the carrier or customer. A provision for product returns, credits and rebates is recorded as a reduction of equipment revenue in the same period the revenue is recognized. The Company provides limited standard warranty for defective products, usually for a period of 24 to 36 months, and accepts returns for such defective products as well as for other limited circumstances. The Company also provides rebates to customers for meeting specified purchasing targets and other coupons or credits in limited circumstances. Reserves are established for the estimated returns, rebates and credits and such variable consideration is measured based on the expected value method. The Company analyzes product sales returns and is able to make reasonable and reliable estimates of product returns based on several factors including actual returns and expected return data communicated to the Company by its customers. Service RevenueService revenue is primarily generated from the sale of monthly cellular communication services to customers. Those sales predominantly contain a single performance obligation and revenue is recognized ratably with the delivery of cellular communication service over the related monthly period, and when ownership, risks and rewards transfer to the customer. The services are billed monthly, and customers have the right to cancel the cellular communication services at any time, however the contract with the customer does not provide for a refund. 10Table of ContentsCost of SalesEquipment cost of sales is primarily comprised of direct materials and supplies consumed in the manufacturing of products, as well as manufacturing labor, depreciation expense and direct and indirect overhead expenses necessary to acquire and convert the purchased materials and supplies into finished products. Service Cost of SalesService cost of sales includes the cost of operating our network operations center to manage and deliver telecommunication services. Shipping and Handling Sales and CostsThe Company records the amount billed to customers for shipping and handling in net sales (\$89,000 and \$83,000 in the three months ended September 30, 2024 and 2023, respectively); and classifies the costs associated with these sales in cost of sales (\$390,000 and \$371,000 in the three months ended September 30, 2024 and 2023). Advertising and Promotional CostsAdvertising and promotional costs are included in "Selling, General and Administrative" (SG&A) expenses in the consolidated statements of income and are expensed as incurred. Advertising expense for the three months ended September 30, 2024 and 2023 was \$890,000 and \$761,000, respectively. Research and Development CostsResearch and development (R&D) costs incurred by the Company are charged to expense as incurred and are included in operating expenses in the consolidated statements of income. Company-sponsored R&D expense for the three months ended September 30, 2024 and 2023 was \$3,057,000 and \$2,437,000, respectively. Income TaxesDeferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company measures and recognizes the tax implications of positions taken or expected to be taken in its tax returns on an ongoing basis. The Company records uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (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 percent likely to be realized upon ultimate settlement with the related tax authority. 11Table of ContentsNet Income per ShareBasic net income per common share (Basic EPS) is computed by dividing net income by the weighted average number of common shares outstanding. Diluted net income per common share (Diluted EPS) is computed by dividing net income by the weighted average number of common shares and dilutive common share equivalents and convertible securities then outstanding. The following provides a reconciliation of information used in calculating the per share amounts for the three months ended September 30, 2024 and 2023 (in thousands, except share and per share data):<sup>12</sup>  $\text{($11,185)} - \text{($11,078)} + \text{($36,865)} - \text{($36,827)} - \text{($0.30)} + \text{($0.28)}$  Effect of Dilutive Securities<sup>13</sup>  $\text{($11,185)} - \text{($11,078)} + \text{($36,865)} - \text{($36,827)} - \text{($0.30)} + \text{($0.28)}$  Options to purchase 20,000 and 5,000 shares of common stock were excluded for the nine months ended September 30, 2024 and 2023, respectively, and were not included in the computation of Diluted EPS because their inclusion would be anti-dilutive. These options were still outstanding at the end of the period. Stock-Based CompensationThe Company has established five share incentive programs as discussed in Note 10. Stock-based awards exchanged for services are accounted for under the fair value method. Accordingly, stock-based compensation cost is measured at the grant date based on the estimated fair value of the award. The expense for awards is recognized over the requisite service period (generally the vesting period of the award). The Company has elected to treat awards with only service conditions and with graded vesting as one award. Consequently, the total compensation expense is recognized straight-line over the entire vesting period, so long as the compensation cost recognized at any date at least equals the portion of the grant date fair value of the award that is vested at that date. Determining the fair value of share-based awards at the grant date requires assumptions and judgments about expected volatility, among other factors. Stock-based compensation costs of \$371,000 and \$307,000 were recognized for the three months ended September 30, 2024 and 2023, respectively. Foreign CurrencyThe Company has determined the functional currency of all foreign subsidiaries is the U.S. Dollar. All foreign operations are considered a direct and integral part or extension of the Company's operations. The day-to-day operations of all foreign subsidiaries are dependent on the economic environment of the U.S. Dollar. Therefore, no realized and unrealized gains and losses associated with foreign currency translation are recorded for the three months ended September 30, 2024 or 2023. 12Table of ContentsComprehensive IncomeFor the three months ended September 30, 2024 and 2023, the Company's operations did not give rise to material items includable in comprehensive income, which were not already included in net income. Accordingly, the Company's comprehensive income approximates its net income for all periods presented. Segment ReportingThe Company operates and measures its results in one operating segment and therefore has one reportable segment: the development, manufacture and sales of high-tech security devices and related cellular communication services for the devices. The Company's Chief Operating Decision Maker, (the President, Chief Operating Officer, and Chief Financial Officer) evaluates performance of the Company and makes decisions regarding the allocation of resources based on total Company results. The Company has presented required geographical data in Note 14. LeasesThe Company determines at contract inception if an arrangement is a lease, or contains a lease, of an identified asset for which the Company has the right to obtain substantially all of the economic benefits from its use and the right to direct its use. Right-of-use (ROU) assets represent the Company's right to use an underlying asset for the lease term, while lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at lease commencement date based on the present value of lease payments over the lease term. The implicit discount rate in the Company's leases generally cannot readily be determined, and therefore the Company uses its incremental borrowing rate based on information available at lease commencement date in determining the present value of future payments. If the Company has options to renew or terminate certain leases, those options are included in the determination of lease term when it is reasonably certain that the Company will exercise such options. The Company does not separate lease and non-lease components in determining ROU assets or lease liabilities for real estate leases. Additionally, the Company does not recognize ROU assets or lease liabilities for leases with original terms or renewals of one year or less. See Note 13 "Commitments and Contingencies; Leases for additional accounting policies and disclosures. Legal and Other Contingencies The outcomes of legal proceedings and claims brought against us are subject to significant uncertainty. An estimated loss from a loss contingency such as a legal proceeding or claim is accrued by a charge to income if it is probable that an asset has been impaired, or a liability has been incurred and the amount of the loss can be reasonably estimated. In determining whether a loss should be accrued we evaluate, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Changes in these factors could materially impact our consolidated financial statements. Recent Accounting Pronouncements Not Yet AdoptedIn November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. The update expands public entities' segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss. It further requires disclosure of the amount and description of its composition for other segment items, and interim disclosures of both a reportable segment's profit or loss and assets. The guidance requires disclosure of the title and position of the chief operating decision maker and how reported measures of segment profit or loss are used to assess performance and allocate resources. This pronouncement is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently in the process of evaluating the impact of adoption on its consolidated financial statements. In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires public entities to disclose consistent categories and greater disaggregation of information in the rate reconciliation and for income taxes paid. It also includes certain other amendments to improve the effectiveness of income tax disclosures. The guidance is effective for financial statements issued for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is currently in the process of evaluating the impact of adoption on its consolidated financial statements. 13Table of ContentsThe Company is evaluating other pronouncements recently issued but not yet adopted. The adoption of these pronouncements is not expected to have a material impact on our consolidated financial statements. NOTE 2A "Revenue Recognition and Contracts with CustomersThe Company is engaged in the development, manufacture, and distribution of security products, encompassing access control systems, door security products, intrusion and fire alarm systems, alarm communication services, and video surveillance products for commercial and residential use. The Company also provides wireless communication service for intrusion and fire alarm systems on a monthly basis. These products and services are used for commercial, residential, institutional, industrial and governmental applications, and are sold primarily to independent distributors, dealers and installers of security equipment. Sales to unaffiliated customers are primarily shipped from the United States. As of September 30, 2024 and June 30, 2024, the Company included refund liabilities of approximately \$6,066,000 and \$6,295,000, respectively, in current liabilities. As of September 30, 2024 and June 30, 2024, the Company included return-related assets of approximately \$1,557,000 and \$1,586,000, respectively, in other current assets. As a percentage of gross sales, returns, rebates and allowances were 9% and 4% for the three months ended September 30, 2024 and 2023, respectively. The Company disaggregates revenue from contracts with customers into major product lines. The Company determines that disaggregating revenue into these categories achieves the disclosure objective to depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. As noted in the accounting policy footnote, the Company's business consists of one operating segment. Following is the disaggregation of revenues based on major product lines (in thousands):<sup>14</sup>  $\text{($13,854)} - \text{($15,094)} + \text{($21,086)} - \text{($17,285)} + \text{($44,003)} - \text{($41,676)}$  NOTE 3A "Business and Credit Concentrations An entity is more vulnerable to concentrations of credit risk if it is exposed to risk of loss greater than it would have had if it mitigated its risk through diversification of customers. Such risks of loss manifest themselves differently, depending on the nature of the concentration, and vary in significance. The Company had one customer with an accounts receivable balance that comprised of 15% and 17% as of September 30, 2024 and June 30, 2024. The Company had one additional customer with an accounts receivable balance that comprised of 15% as of September 30, 2024. The Company had another additional customer with an accounts receivable balance that comprised of 12% as of June 30, 2024. Sales to any of these customers did not exceed 10% of net sales during the three months ended September 30, 2024 and 2023, respectively. NOTE 4 "Fair Value MeasurementFair value is the price that would be received for an asset or the amount paid to transfer a liability in an orderly transaction between market participants. The Company is required to classify certain assets and liabilities based on the following fair value hierarchy: Level 1: Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities; Level 2: Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. 14Table of ContentsA financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Company has evaluated the estimated fair value of financial instruments using available market information and valuations as provided by third-party sources. The use of different market assumptions or estimation methodologies could have a significant effect on the estimated fair value amounts. The following table presents the Company's assets that were measured at fair value on a recurring basis at September 30, 2024 and June 30, 2024, respectively:<sup>15</sup>  $\text{($3,523)} - \text{($3,523)} + \text{($11,185)} - \text{($11,078)} + \text{($36,865)} - \text{($36,827)} + \text{($0.30)} - \text{($0.28)}$  Total September 30, 2024  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} = \text{($47,071)}$  Total September 30, 2023  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Cash equivalents<sup>16</sup>  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Certificate of deposits<sup>17</sup>  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Money market funds<sup>18</sup>  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Short-term investments<sup>19</sup>  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Marketable securities<sup>20</sup>  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Mutual funds<sup>21</sup>  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2024  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2023  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Cash equivalents<sup>22</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Certificate of deposits<sup>23</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Money market funds<sup>24</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Short-term investments<sup>25</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Marketable securities<sup>26</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Mutual funds<sup>27</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2024  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2023  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Short-term investments<sup>28</sup>  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Marketable securities<sup>29</sup>  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Mutual funds<sup>30</sup>  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2024  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2023  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Short-term investments<sup>31</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Marketable securities<sup>32</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Mutual funds<sup>33</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2024  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2023  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Short-term investments<sup>34</sup>  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Marketable securities<sup>35</sup>  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Mutual funds<sup>36</sup>  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2024  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2023  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Short-term investments<sup>37</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Marketable securities<sup>38</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Mutual funds<sup>39</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2024  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2023  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Short-term investments<sup>40</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Marketable securities<sup>41</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Mutual funds<sup>42</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2024  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2023  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Short-term investments<sup>43</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Marketable securities<sup>44</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Mutual funds<sup>45</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2024  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2023  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Short-term investments<sup>46</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Marketable securities<sup>47</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Mutual funds<sup>48</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2024  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2023  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Short-term investments<sup>49</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Marketable securities<sup>50</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Mutual funds<sup>51</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2024  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2023  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Short-term investments<sup>52</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Marketable securities<sup>53</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Mutual funds<sup>54</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2024  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2023  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Short-term investments<sup>55</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Marketable securities<sup>56</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Mutual funds<sup>57</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2024  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2023  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Short-term investments<sup>58</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Marketable securities<sup>59</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Mutual funds<sup>60</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2024  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2023  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Short-term investments<sup>61</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Marketable securities<sup>62</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Mutual funds<sup>63</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2024  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2023  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Short-term investments<sup>64</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Marketable securities<sup>65</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Mutual funds<sup>66</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2024  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2023  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Short-term investments<sup>67</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Marketable securities<sup>68</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Mutual funds<sup>69</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2024  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2023  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Short-term investments<sup>70</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Marketable securities<sup>71</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Mutual funds<sup>72</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2024  $\text{($3,523)} + \text{($11,185)} + \text{($36,865)} + \text{($0.30)} + \text{($0.28)} = \text{($47,428)}$  Total September 30, 2023  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Short-term investments<sup>73</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{($0.28)} = \text{($47,428)}$  Marketable securities<sup>74</sup>  $\text{($3,523)} + \text{($11,078)} + \text{($36,827)} + \text{$





products, intrusion and fire alarm systems and video surveillance products, used for commercial, residential, institutional, industrial and governmental applications. We have experienced significant growth in recent years, primarily driven by our recurring service revenues from wireless communication services for intrusion and fire alarm systems. NAPCO has established a heritage and proven record in the professional security community for reliably delivering both advanced technology and high-quality security solutions. We are dedicated to developing innovative technology and producing the next generation of reliable security solutions that utilize remote communications and wireless networks. Highlights from the quarter ended September 30, 2024 compared with the comparable quarter in fiscal 2023 included: **Net sales** for the quarter increased 6% to a record \$44.0 million. **Recurring service revenue** (a<sup>cc</sup>RSR<sup>a</sup>) for the quarter increased 22% to \$21.1 million. **Gross margin** for recurring service revenue increased to 91% as compared to 90%. **Gross margin** for equipment revenue was 24% as compared to 28%. **Net income** increased 7% to a first quarter record \$11.2 million. **Industry Trends** Our industry is dynamic and highly competitive, with frequent changes in both technologies and business models. Each industry shift is an opportunity to conceive new products, new technologies, or new ideas that can further transform the industry and our business. **Table of Contents** Napco continually innovates through a broad range of research and development activities that seek to identify and address the changing demands of customers, industry trends, and competitive forces. **Economic Conditions and Other Factors** We are subject to the effects of general macroeconomic and market conditions. The markets for security devices and services are dynamic and highly competitive. Our competitors are continually developing new products and solutions for consumers and businesses. We must continue to evolve and adapt to respond to customer and user preferences over an extended time in pace with this changing environment. **Critical Accounting Policies and Estimates** The Company's significant accounting policies are fully described in Note A 1 to the Company's consolidated financial statements included in its 2024 Annual Report on Form 10-K. Our discussion and analysis of our financial condition and results of operations are based upon our Condensed Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires a high degree of judgment, either in the application and interpretation of existing accounting literature or in the development of estimates that affect the reported amounts of assets, liabilities, revenues, and expenses. We continuously evaluate our estimates and judgments based on historical experience, as well as other factors that we believe to be reasonable under the circumstances. The results of our evaluation form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Critical estimates include management's judgments associated with reserves for sales returns and allowances, allowance for credit losses, overhead expenses applied to inventory, inventory reserves, valuation of intangible assets, share based compensation and income taxes. These estimates may change in the future if underlying assumptions or factors change, and actual results may differ from these estimates. **Results of Operations** **Net sales: equipment revenues** \$22,917,000 to \$24,391,000 (6.0%) **Service revenues** \$21,086,000 to \$17,285,000 (22.0%) **Total net sales** \$44,003,000 to \$41,676,000 (5.6%) **Gross Profit: equipment** \$5,407,000 to \$6,894,000 (21.6%) **services** \$19,209,000 to \$15,519,000 (23.8%) **Total gross profit** \$24,616,000 to \$22,413,000 (9.8%) **Gross profit as a % of net sales** 55.9% to 53.8% **Equipment** 23.6% to 28.3% **Services** 91.1% to 89.8% **Interest and other income** 1.4% to 1.3% **Operating income** \$11,856,000 to \$11,555,000 (2.6%) **Interest and other income, net** \$1,144,000 to \$440,000 (160.0%) **Provision for income taxes** \$1,815,000 to \$1,517,000 (19.6%) **Net income** \$11,185,000 to \$10,478,000 (6.7%) **Table of Contents** Net Sales for the three months ended September 30, 2024 increased \$2,327,000 to \$44,003,000 as compared to \$41,676,000 in the comparable period. Net equipment revenues for the three months ended September 30, 2024, decreased \$1,474,000 to \$22,917,000 as compared to \$24,391,000 in the comparable period. The decrease in net equipment sales was primarily due to decreases in intrusion and access alarm products of \$233,000 and door locking devices of \$1,241,000. Net service revenues for the three months ended September 30, 2024, increased \$3,801,000 to \$21,086,000 as compared to \$17,285,000 in the Comparable period. The increase in net service revenues was primarily due to an increase in our cellular (radio) communication device activations. **Gross Profit** Overall gross profit for the three months ended September 30, 2024 increased \$2,203,000 to \$24,616,000, or 55.9% of net sales, as compared to \$22,413,000, or 53.8% of net sales, for the comparable period. Gross profit from equipment sales was \$5,407,000, or 23.6% of equipment sales, as compared to \$6,894,000, or 28.3% of net equipment sales, for the comparable period. The decrease in gross profit percentage from equipment sales is primarily a result of product mix. Door locking products historically result in higher margin percentages as compared to access alarm products and specifically cellular (radio) communicator devices, which also result in future increases in recurring alarm communication services revenue. Gross profit on service revenues was \$19,209,000, or 91.1% of net service revenues, as compared to \$15,519,000, or 89.8% of net service revenues, for the comparable period a year ago. The increase in gross profit percentage was a result of renegotiation of royalty arrangements and volume rebates received from carriers. **Research and Development** Research and development expenses for the three months ended September 30, 2024 increased by \$620,000 to \$3,057,000, or 6.9% of net sales, as compared to \$2,437,000, or 5.8% of net sales, for the comparable period. The increase in research and development expenses was primarily a result of annual compensation increases and hiring of additional resources. **Selling, General and Administrative** Selling, general and administrative (a<sup>cc</sup>SG&A<sup>a</sup>) expenses for the three months ended September 30, 2024 increased by \$1,282,000 to \$9,703,000 as compared to \$8,421,000 for the comparable period. The increase in SG&A expenses was primarily attributable to compensation increases and hiring of additional staff, increases in advertising and insurance costs, partially offset by decreases in professional fees. **Other Income (Expense)** Interest and other income, net for the three months ended September 30, 2024 increased by \$704,000 to income of \$1,144,000 as compared to income of \$440,000 for the comparable period. The increase in income was primarily due to an increase in interest income on short-term investments as a result of higher interest rates and larger deposit balances. **Income Taxes** The Company's provision for income taxes for the three months ended September 30, 2024 increased by \$298,000 to \$1,815,000 as compared to \$1,517,000 for the same period a year ago. The increase in the provision for income taxes for the three months was primarily due to higher taxable income in the U.S. The Company's effective rate for income tax was 14.0% and 12.6% for the three months ended September 30, 2024 and 2023 respectively. The Company's effective tax rate for the three months ended September 30, 2024 increased as a result of higher non-deductible stock based compensation. **Table of Contents** **Liquidity and Capital Resources** Our cash and cash equivalents increased by \$20,255,000 during the quarter ended September 30, 2024, and our cash and cash equivalents and short-term investments as of September 30, 2024 was \$96,522,000. We believe that our projected cash flow from operations, combined with our cash and short-term investments, will be sufficient to meet our projected working capital requirements, contractual obligations, and other cash flow needs for the next twelve months. As of September 30, 2024, the Company's available revolving credit line was \$20,000,000, which expires in February 2029, none of which has been drawn. The Company has no outstanding debt. A summary of the cash flow activity for the periods ended September 30, 2024 and 2023 is as follows: **Cash Flows from Operating Activities** Net cash provided by operating activities was \$12.0 million for the period ended September 30, 2024 and was due to net income of \$11.2 million and increase in cash flow from changes in operating assets and liabilities of \$1.3 million, partially offset by adjustments for non-cash items of \$.4 million. The changes in operating assets and liabilities were largely attributable to increases in accounts receivables and decreases in inventories and accounts payable and accrued expenses. Net cash provided by operating activities was \$11.2 million for the period ended September 30, 2023 and was due to net income of \$10.5 million and adjustments for non-cash items of \$.7 million, partially offset by a decrease in cash flow from operating activities due to changes in operating assets and liabilities of \$1.0 million. The changes in operating assets and liabilities was largely attributable to a decrease in accounts receivable and an increase in accounts payable and accrued expenses offset by an increase in inventories. **Cash Flows from Investing Activities** The net cash provided by investing activities of \$15.5 million during the period ended September 30, 2024 was primarily attributable to the redemption of other investments (\$16.3 million) partially offset by expenditures used for capital expenditures (\$.7 million) and purchase of investments (\$.1 million). The cash used in investing activities of \$.6 million during the period ended September 30, 2023, was primarily attributable to expenditures used for capital expenditures and purchase of investments. The change in use of cash for investing activities from 2023 to 2024 was a reduction in investments in term deposits (other investments). **Cash Flows from Financing Activities** The cash used in financing activities of \$7.2 million for the period ended September 30, 2024 was primarily related to the purchase of treasury shares. The cash used in financing activities of \$.2 million for the period ended September 30, 2023 was primarily related to the payment of stockholder dividends. **Contractual Obligations and Commitments** As of September 30, 2024, the Company had no material commitments for capital expenditures or inventory purchases other than purchase orders issued in the normal course of business. On April 26, 1993, the Company's foreign subsidiary entered into a 99-year land lease of approximately 4 acres of land in the Dominican Republic, on which the Company's principle manufacturing facility is located, at an annual base rent of approximately \$235,000 and \$105,000 in annual service charges. The service charges increase 2% annually over the remaining life of the lease. **ITEM 3: Quantitative and Qualitative Disclosures About Market Risk** **Interest Rate Risk** Our exposure to market rate risk for changes in interest rates primarily relates to our investment portfolio. We internally manage our investment portfolios considering investment opportunities and risks, tax consequences, and overall financing strategies. Our investment portfolio includes fixed-income securities with a fair value of approximately \$5.4 million at June 30, 2024. These securities are subject to interest rate risk and, based on our investment portfolio at June 30, 2024, a 100 basis point increase in interest rates would result in a decrease in the fair value of the portfolio of approximately \$113,000. While an increase in interest rates may reduce the fair value of the investment portfolio, we will not realize the losses in the Consolidated Statements of Income unless the individual fixed-income securities are sold prior to recovery or the loss is determined to be other-than-temporary. **Currency Exchange Risk** We conduct business with non-U.S. customers, however all foreign sales transactions by the Company are denominated in U.S. dollars. As such, the Company has shifted foreign currency exposure onto its foreign customers. If changes in exchange rates were to negatively effect these customers, the Company could have trouble collecting unsecured receivables, and/or experience the cancellation of existing orders or the loss of future orders. The foregoing could materially adversely affect the Company's business, financial condition and results of operations. We are also exposed to foreign currency risk relative to expenses incurred in Dominican Pesos ("RD\$"), the local currency of the Company's production facility in the Dominican Republic. The result of a 10% strengthening or weakening in the U.S. dollar to the RD\$ would result in an annual increase or decrease in income from operations of approximately \$810,000. **ITEM 4: Controls and Procedures** **Evaluation of Disclosure Controls and Procedures** We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management to allow timely decisions regarding required disclosure as of September 30, 2024. Management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2024. Based on that evaluation, management concluded that such disclosure controls and procedures were not effective, at the reasonable assurance level, as of September 30, 2024, as a result of the material weaknesses in internal control over financial reporting discussed below. **Previously Identified Material Weaknesses in Internal Control over Financial Reporting** As disclosed in our Annual Report on Form 10-K for the year ended June 30, 2024, management identified a material weakness in internal control related to inventory costing. The material weakness was a result of ineffective review of information used in the inventory costing process. **Plans for Remediation of Material Weaknesses** Management, with the oversight of the audit committee of our Board of Directors, is currently designing and implementing reconciliation procedures to determine that the information used in the costing of inventory is complete and accurate and expects to complete these actions during fiscal 2025. While the Company has begun the process of taking measures which it believes will remediate the underlying cause of this material weakness, there can be no assurance as to when the remediation plan will be fully developed and implemented and whether such measures will be effective. Until the Company's remediation plan is fully implemented and effective, the Company will continue to devote time, attention and financial resources to this effort. **Changes in Internal Control over Financial Reporting** During the three months ended September 30, 2024, there were no changes in the Company's internal controls over financial reporting, except for the remediation efforts described above, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting except as described above. **ITEM 5: Other Information** **None** **Table of Contents** **ITEM 6: Exhibits** **31.1 Certification Pursuant to Rule 13a-14(a)** of Richard L. Soloway, Chairman of the Board and President **31.2 Certification Pursuant to Rule 13a-14(a)/15d-14(a)** of Kevin S. Buchel, Executive Vice President and Chief Financial Officer **31.3 Section 1304 Certifications** **1304 Certifications** **101.INS** **XBRL Instance Document** (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document) **101.SCHIN** **XBRL Taxonomy Extension Schema Document** **101.CAL** **Inline XBRL Taxonomy Extension Calculation Linkbase Document** **101.LAB** **Inline XBRL Taxonomy Extension Label Linkbase Document** **101.PRE** **Inline XBRL Taxonomy Extension Presentation Linkbase Document** **101.DEF** **Inline XBRL Taxonomy Extension Definition Linkbase Document** **104.Cover Page** **Interactive Data File** (formatted as inline XBRL and contained in Exhibit 101) **34 Table of Contents** **SIGNATURES** Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. November 4, 2024 **NAPCO SECURITY TECHNOLOGIES, INC.** (Registrant) **By:** **/s/ RICHARD L. SOLOWAY** **Richard L. Soloway**, Chairman of the Board of Directors & Chief Executive Officer **(Chief Executive Officer)** **By:** **/s/ KEVIN S. BUCHEL** **Kevin S. Buchel**, President, Chief Operating Officer & Chief Financial Officer **(Principal Financial and Accounting Officer)** **By:** **/s/ RICHARD L. SOLOWAY**, Richard Soloway, certify that: **I**, have reviewed this quarterly report on Form 10-Q of Napco Security Technologies, Inc.; **2**, Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; **3**, Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report; **4**, The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have: **(a)** Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; **(b)** Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting

principles; (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting. (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function): (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting. (Date: November 4, 2024) /s/ RICHARD L. SOLOWAY (Richard Soloway, Chief Executive Officer) (Principal Executive Officer) EXHIBIT 31.2 SECTION 302 CERTIFICATION (I, Kevin S. Buchel, certify that: (1) I have reviewed this quarterly report on Form 10-Q of Napco Security Technologies, Inc.; (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report; (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have: (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting. (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function): (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting. (Date: November 4, 2024) /s/ KEVIN S. BUCHEL (Kevin S. Buchel, President, Chief Operating Officer & Chief Financial Officer) (Principal Financial Officer) EXHIBIT 32.1 CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (In connection with the Quarterly Report of Napco Security Technologies, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2024, filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, RICHARD L. SOLOWAY, Chief Executive Officer of the Company, certify, that to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that: (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. (Dated: A November 4, 2024) /s/ RICHARD L. SOLOWAY (Richard L. Soloway, Chief Executive Officer) (This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.) CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (In connection with the Quarterly Report of Napco Security Technologies, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2024, filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, KEVIN S. BUCHEL, Chief Financial Officer of the Company, certify, that to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that: (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. (Dated: November 4, 2024) /s/ KEVIN S. BUCHEL (Kevin S. Buchel, President, Chief Operating Officer & Chief Financial Officer) (This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.) A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.