

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

**FORM 10-Q**

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

For the quarterly period ended December 31, 2024

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number: 001-14891

**FRANKLIN WIRELESS CORP.**

(Exact name of Registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of incorporation or organization)

**95-3733534**

(I.R.S. Employer Identification Number)

**3940 Ruffin Road**

**Suite C**

**San Diego, California**

(Address of principal executive offices)

**92123**

(Zip code)

**(858) 623-0000**

Registrant's telephone number, including area code

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, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer

☐

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. Yes ☐ No ☒

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

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

Title of each class

Common Stock, par value \$.001 per share

Trading symbol(s)

FKWL

Name of each exchange on which registered

The Nasdaq Stock Market LLC

The Registrant has 11,784,280 shares of common stock outstanding as of February 14, 2025.

**FRANKLIN WIRELESS CORP.**  
**FORM 10-Q**  
**FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2024**  
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## NOTE ON FORWARD LOOKING STATEMENTS

You should keep in mind the following points as you read this Report on Form 10-Q:

The terms “we,” “us,” “our,” “Franklin,” “Franklin Wireless,” or the “Company” refer to Franklin Wireless Corp.

This Report on Form 10-Q contains statements which, to the extent they do not recite historical fact, constitute “forward looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward looking statements are used under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operation,” and elsewhere in this Quarterly Report on Form 10-Q. You can identify these statements by the use of words like “may,” “will,” “could,” “should,” “project,” “believe,” “anticipate,” “expect,” “plan,” “estimate,” “forecast,” “potential,” “intend,” “continue,” and variations of these words or comparable words. Forward looking statements do not guarantee future performance and involve risks and uncertainties. Actual results may differ substantially from the results that the forward looking statements suggest for various reasons, including those discussed under the caption “Risk Factors” in Item 1A of our Annual Report on Form 10-K for the year ended June 30, 2024. These forward looking statements are made only as of the date of this Report on Form 10-Q. We do not undertake to update or revise the forward looking statements, whether as a result of new information, future events or otherwise.

## PART I – FINANCIAL INFORMATION

### ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

#### FRANKLIN WIRELESS CORP. Consolidated Balance Sheets

	December 31, 2024 (Unaudited)	June 30, 2024
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 20,262,886	\$ 12,266,556
Short-term investments	21,897,186	25,191,271
Accounts receivable, net	1,912,369	1,155,060
Inventories, net	4,169,222	1,425,685
Other current assets	196,402	107,976
Advance payments to vendors	148,283	73,912
<b>Total current assets</b>	<b>48,586,348</b>	<b>40,220,460</b>
Property and equipment, net	82,249	114,939
Intangible assets, net	867,564	1,309,626
Deferred tax assets, non-current	2,969,433	3,184,240
Goodwill	273,285	273,285
Right of use assets, net	1,545,471	1,486,034

Other assets	126,018	131,245
<b>TOTAL ASSETS</b>	<b>\$ 54,450,368</b>	<b>\$ 46,719,829</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 13,762,469	\$ 7,262,195
Contract liabilities and advance from customers	164,015	158,771
Accrued liabilities	2,002,924	1,425,146
Lease liabilities, current	351,571	239,727
<b>Total current liabilities</b>	<b>16,280,979</b>	<b>9,085,839</b>
Lease liabilities, non-current	1,193,901	1,257,992
<b>Total liabilities</b>	<b>17,474,880</b>	<b>10,343,831</b>
<b>Commitments and contingencies (Note 6)</b>		
<b>Stockholders' equity:</b>		
<b>Parent Company stockholders' equity</b>		
Preferred stock, par value \$0.001 per share, authorized 10,000,000 shares; none issued and outstanding	—	—
Common stock, par value \$0.001 per share, authorized 50,000,000 shares; 11,784,280 shares issued and outstanding	14,263	14,263
Additional paid-in capital	14,903,883	14,733,300
Retained earnings	25,881,136	25,137,209
Treasury stock, 2,549,208 shares	(3,554,893)	(3,554,893)
Accumulated other comprehensive loss	(1,273,253)	(1,182,825)
<b>Total Parent Company stockholders' equity</b>	<b>35,971,136</b>	<b>35,147,054</b>
Non-controlling interests	1,004,352	1,228,944
<b>Total stockholders' equity</b>	<b>36,975,488</b>	<b>36,375,998</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 54,450,368</b>	<b>\$ 46,719,829</b>

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

**FRANKLIN WIRELESS CORP.**  
**Consolidated Statements of Comprehensive Income (Loss) (Unaudited)**

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Net sales	\$ 17,827,098	\$ 8,847,779	\$ 31,150,010	\$ 18,503,325
Cost of goods sold	(14,585,036)	(8,010,704)	(25,836,446)	(16,153,090)
Gross profit	3,242,062	837,075	5,313,564	2,350,235
Operating expenses:				
Selling, general and administrative	1,519,593	1,540,162	2,939,566	2,770,884
Research and development	927,238	852,854	1,951,550	1,719,809
Total operating expenses	2,446,831	2,393,016	4,891,116	4,490,693
Income (loss) from operations	795,231	(1,555,941)	422,448	(2,140,458)
Other (loss) income, net:				
Interest income	173,048	151,753	354,852	405,768
Income from governmental subsidy	—	5,466	—	16,566
Gain from the forgiveness of accounts payable and accrued liabilities	—	—	247,592	—
(Loss) gain from foreign currency transactions	(1,008,538)	347,446	(556,591)	148,472
Other income, net	124,541	186,460	312,517	317,575
Total other (loss) income, net	(710,949)	691,125	358,370	888,381
Income (loss) before provision (benefit) for income taxes	84,282	(864,816)	780,818	(1,252,077)
Income tax provision (benefit)	167,727	(215,157)	215,607	(265,217)
<b>Net (loss) income</b>	<b>(83,445)</b>	<b>(649,659)</b>	<b>565,211</b>	<b>(986,860)</b>
Less: noncontrolling interests in net (loss) income of subsidiary at 33.7%	(308,804)	114,956	(175,335)	35,451
Less: noncontrolling interests in net loss of subsidiary at 40.0%	(3,381)	—	(3,381)	—
<b>Net income (loss) attributable to Parent Company</b>	<b>\$ 228,740</b>	<b>\$ (764,615)</b>	<b>\$ 743,927</b>	<b>\$ (1,022,311)</b>
Earnings (loss) per share attributable to Parent Company stockholders - basic	\$ 0.02	\$ (0.06)	\$ 0.06	\$ (0.09)
Earnings (loss) per share attributable to Parent Company stockholders - diluted	\$ 0.02	\$ (0.06)	\$ 0.06	\$ (0.09)
Weighted average common shares outstanding - basic	11,784,280	11,784,280	11,784,280	11,784,280
Weighted average common shares outstanding - diluted	11,838,850	11,784,280	11,823,672	11,784,280
<b>Comprehensive income (loss)</b>				
Net (loss) income	\$ (83,445)	\$ (649,659)	\$ 565,211	\$ (986,860)
Translation adjustments	(264,428)	139,112	(136,304)	65,643
Comprehensive (loss) income	(347,873)	(510,547)	428,907	(921,217)

Less: comprehensive (loss) income attributable to non-controlling interest	(312,185)	114,956	(178,716)	35,451
Less: foreign exchange translation attributable to non-controlling interest	(89,000)	—	(45,876)	—
<b>Comprehensive income (loss) attributable to controlling interest</b>	<b>\$ 53,312</b>	<b>\$ (625,503)</b>	<b>\$ 653,499</b>	<b>\$ (956,668)</b>

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

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**FRANKLIN WIRELESS CORP.**  
**Consolidated Statements of Stockholders' Equity**  
**For the Three and Six Months Ended December 31, 2024 (Unaudited)**

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Stockholders Equity
	Shares	Amount						
<b>Balance – June 30, 2024</b>	11,784,280	\$ 14,263	\$ 14,733,300	\$ 25,137,209	\$ (3,554,893)	\$ (1,182,825)	\$ 1,228,944	\$ 36,375,998
Net income attributable to Parent Company	—	—	—	515,187	—	—	—	515,187
Foreign exchange translation	—	—	—	—	—	85,000	43,124	128,124
Comprehensive income attributable to noncontrolling interest	—	—	—	—	—	—	133,469	133,469
Stock based compensation	—	—	87,384	—	—	—	—	87,384
<b>Balance – September 30, 2024</b>	11,784,280	\$ 14,263	\$ 14,820,684	\$ 25,652,396	\$ (3,554,893)	\$ (1,097,825)	\$ 1,405,537	\$ 37,240,162
Net income attributable to Parent Company	—	—	—	228,740	—	—	—	228,740
Foreign exchange translation	—	—	—	—	—	(175,428)	(89,000)	(264,428)
Comprehensive loss attributable to noncontrolling interest	—	—	—	—	—	—	(312,185)	(312,185)
Stock based compensation	—	—	83,199	—	—	—	—	83,199
<b>Balance – December 31, 2024</b>	11,784,280	\$ 14,263	\$ 14,903,883	\$ 25,881,136	\$ (3,554,893)	\$ (1,273,253)	\$ 1,004,352	\$ 36,975,488

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

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**FRANKLIN WIRELESS CORP.**  
**Consolidated Statements of Stockholders' Equity**  
**For the Three and Six Months Ended December 31, 2023 (Unaudited)**

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Stockholders Equity
	Shares	Amount						
<b>Balance - June 30, 2023</b>	11,784,280	\$ 14,263	\$ 14,438,196	\$ 29,101,225	\$ (3,554,893)	\$ (1,071,930)	\$ 1,487,967	\$ 40,414,828
Net loss attributable to Parent Company	—	—	—	(257,696)	—	—	—	(257,696)
Foreign exchange translation	—	—	—	—	—	(73,469)	—	(73,469)
Comprehensive loss attributable to noncontrolling interest	—	—	—	—	—	—	(79,505)	(79,505)
Stock based compensation	—	—	51,589	—	—	—	—	51,589
<b>Balance – September 30, 2023</b>	11,784,280	\$ 14,263	\$ 14,489,785	\$ 28,843,529	\$ (3,554,893)	\$ (1,145,399)	\$ 1,408,462	\$ 40,055,747
Net loss attributable to Parent Company	—	—	—	(764,615)	—	—	—	(764,615)
Foreign exchange translation	—	—	—	—	—	139,112	—	139,112
Comprehensive income attributable to noncontrolling interest	—	—	—	—	—	—	114,956	114,956
Stock based compensation	—	—	87,191	—	—	—	—	87,191
<b>Balance – December 31, 2023</b>	11,784,280	\$ 14,263	\$ 14,576,976	\$ 28,078,914	\$ (3,554,893)	\$ (1,006,287)	\$ 1,523,418	\$ 39,632,391

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

**FRANKLIN WIRELESS CORP.**  
**Consolidated Statements of Cash Flows (unaudited)**

	Six Months Ended December 31,	
	2024	2023
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 565,211	\$ (986,860)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	16,970	20,510
Amortization of intangible assets	471,586	490,244
Loss from foreign currency transactions	585,283	—
Gain from trading a vehicle	(3,563)	—
Stock based compensation	170,583	138,780
Forgiveness of debt	(247,592)	—
Amortization of right of use assets	(102,896)	152,665
Deferred tax (benefit) provision	214,807	(266,192)
Increase (decrease) in cash due to change in:		
Accounts receivable	(866,389)	(4,495,638)
Inventories	(2,751,477)	2,581,682
Other current assets	6,707	(85,409)
Advance to vendors	(83,527)	(56,791)
Prepaid income taxes	—	(124,583)
Other assets	—	(12,060)
Accounts payable	6,501,820	(3,869,191)
Contract liabilities and advance from customers	5,244	112,781
Accrued liabilities	838,564	365,632
Lease liabilities	91,211	(159,104)
Net cash provided by (used in) operating activities	<u>5,412,542</u>	<u>(6,193,534)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Sales (purchases) of short-term investments	2,685,688	(779,571)
Cash proceeds from sales of a vehicle	10,500	—
Purchases of property and equipment	(24,784)	(15,961)
Payments for capitalized product development costs and intangible assets	(39,587)	(73,949)
Net cash provided by (used in) investing activities	<u>2,631,817</u>	<u>(869,481)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Loan to an employee	—	(2,046)
Net cash used in financing activities	<u>—</u>	<u>(2,046)</u>
Effect of foreign currency translation	(48,029)	65,643
Net increase (decrease) in cash and cash equivalents	7,996,330	(6,999,418)
Cash and cash equivalents, beginning of period	12,266,556	12,241,286
Cash and cash equivalents, end of period	<u>\$ 20,262,886</u>	<u>\$ 5,241,868</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the periods for:		
Income taxes	\$ (800)	\$ (975)

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

**FRANKLIN WIRELESS CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's consolidated financial statements. The consolidated financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to GAAP and have been consistently applied in the preparation of the consolidated financial statements.

**Principles of Consolidation**

As of June 30, 2024, the consolidated financial statements include the accounts of the Company and its subsidiary, Franklin Technology Inc. ("FTI"), with a majority voting interest of 66.3% (approximately 33.7% is owned by noncontrolling interests) as of June 30, 2024. As of December 31, 2024, the consolidated financial statements include the accounts of the Company and its subsidiaries, FTI and Sigbeat Inc. ("Sigbeat"), with majority voting interests of 66.3% and 60.0%, respectively, (approximately 33.7% and 40.0% are owned by noncontrolling interests, respectively). In the preparation of consolidated financial statements of the Company, intercompany transactions and balances are eliminated and net earnings (loss) are

reduced by the portion of the net earnings (loss) of the subsidiary or subsidiaries applicable to noncontrolling interests.

On May 14, 2024, the Company entered into an Agreement for Formation of Corporation (the "Agreement") with MeiG Smart Technology Co., Ltd., leading supplier of cellular modules, IoT terminals and wireless data solutions ("MeiG"). Under the terms of the Agreement, the parties formed a Nevada corporation, Sigbeat, to be owned 60% by Franklin and 40% by its supplier partner. The parties contributed a total of \$5,000,000 in capital, in accordance with their respective ownership interest percentages. Under the terms of the Agreement, Sigbeat has a Board of Directors consisting of three members, of whom two are to be appointed by the Company and one appointed by MeiG. Sigbeat will engage in worldwide sales, marketing, customer support and operations for telecommunications modules under such brands or designations as the Board of Directors of Sigbeat determine.

Pursuant to the Agreement, in July 2024, Sigbeat entered into a stock subscription agreement with an affiliate of MeiG, Forge International Co., Ltd. ("Forge"), for the purchase of 400,000 shares of Common Stock, representing 40% of the total outstanding Common Stock of Sigbeat. On December 23, 2024, and January 9, 2025, the Company contributed \$600,000 and \$2,400,000 for Common Stock, respectively, and, on January 16, 2025, Forge contributed \$2,000,000 for Common Stock.

## Reclassifications

Certain amounts on the prior period's consolidated financial statements were regrouped and reclassified to conform to current-year presentation, with no effect on total stockholders' equity.

## Non-controlling Interest in a Consolidated Subsidiary

As of June 30, 2024, noncontrolling interests represent approximately 33.7% equity interest in FTI held by a minority shareholder, and, as of December 31, 2024, noncontrolling interests represent approximately 33.7% equity interest in FTI and 40.0% equity interest in Sigbeat held by a minority shareholder.

As of December 31, 2024, the non-controlling interests were \$1,004,352, which represents a \$224,592 decrease from \$1,228,944 as of June 30, 2024. The decrease of \$224,592 in the non-controlling interest consists of \$175,335 and \$3,381 from the losses in the FTI and Sigbeat of \$520,940 and \$8,452, respectively, as well as \$45,876 of foreign exchange translation attributable to non-controlling interest incurred for the six months ended December 31, 2024.

## Segment Reporting

Accounting Standards Codification ("ASC") 280, "Segment Reporting," requires public companies to report financial and descriptive information about their reportable operating segments. We identify our operating segments based on how our chief operating decision maker internally evaluates separate financial information, business activities and management responsibility. We have one reportable segment, consisting of the sale of wireless access products.

We generate revenue from two geographic areas, consisting of North America and Asia. The following enterprise-wide disclosure is prepared on a basis consistent with the preparation of the consolidated financial statements. The following table contains certain financial information by geographic area:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
<b>Net sales:</b>				
North America	\$ 17,827,098	\$ 8,753,451	\$ 31,149,546	\$ 18,408,997
Asia	—	94,328	464	94,328
<b>Totals</b>	<b>\$ 17,827,098</b>	<b>\$ 8,847,779</b>	<b>\$ 31,150,010</b>	<b>\$ 18,503,325</b>

	December 31, 2024	June 30, 2024
<b>Long-lived assets, net (property and equipment and intangible assets):</b>		
North America	\$ 780,434	\$ 1,218,139
Asia	169,379	206,426
<b>Totals</b>	<b>\$ 949,813</b>	<b>\$ 1,424,565</b>

## Fair Value of Financial Instruments

Fair value accounting is applied for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis (at least annually). Assets and liabilities recorded at fair value in the financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, which are directly related to the amount of subjectivity, associated with the inputs to the valuation of these assets or liabilities are as follows:

- Level 1 – Observable inputs, such as unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 – Observable inputs other than Level 1 quoted prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that cannot be directly corroborated by observable market data and that typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

The carrying amounts of financial instruments such as cash equivalents, short-term investments, accounts receivable, other current assets, accounts payable, and accrued liabilities approximate the related fair values due to the short-term nature of these instruments. We invest our excess cash into financial instruments which are readily convertible into cash, such as money market funds and certificates of deposit.

#### **Use of Estimates**

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 materially differ from those estimates.

#### **Allowance for Doubtful Accounts**

On July 1, 2023, we adopted ASU 2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held to maturity debt securities. It also applies to Off-Balance Sheet ("OBS") credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments and leases recognized by a lessor in accordance with Topic 842 on leases. Upon adoption of ASC 326 and based upon our review of our collection history as well as the current balances associated with all significant customers and associated invoices, as of December 31, 2024, we did not record any reserve for unfunded commitments and doubtful accounts.

#### **Cash Flows Reporting**

We follow ASC 230, Statements of Cash Flows, for cash flows reporting, which classifies cash receipts and payments according to whether they stem from operating, investing, or financing activities and provides definitions of each category. We use the indirect or reconciliation method ("Indirect method") as defined by ASC 230, Statement of Cash Flows, to report net cash flow from operating activities by adjusting net income to reconcile it to net cash flow from operating activities by removing the effects of all deferrals of past operating cash receipts and payments and all accruals of expected future operating cash receipts and payments and all items that are included in net income (loss) that do not affect operating cash receipts and payments.

#### **Related Parties**

We follow ASC 850, "Related Party Disclosures," for the identification of related parties and disclosure of related party transactions. Related parties are any entities or individuals that, through employment, ownership or other means, possess the ability to direct or cause the direction of our management and policies of the Company. (Refer to NOTE 9—RELATED PARTY TRANSACTIONS)

#### **Foreign Currency Translations**

We have a majority-owned subsidiary in a foreign country, South Korea. Fluctuations in foreign currency impact the amount of total assets, liabilities, earnings and cash flows that we report for our foreign subsidiary upon the translation of these amounts into U.S. Dollars for, and as of the end of, each reporting period. In particular, the strengthening of the U.S. Dollar generally will reduce the reported amount of our foreign-denominated cash, cash equivalents, total revenues and total expense that we translate into U.S. Dollars and report in our consolidated financial statements for, and as of the end of, each reporting period. However, a majority of our consolidated revenue is denominated in U.S. Dollars, and therefore, our revenue is not directly subject to foreign currency risk.

In accordance with ASC 830, when an operation has transactions denominated in a currency other than its functional currency, they are measured in the functional currency. Changes in the expected functional currency cash flows caused by changes in exchange rates are included in net income (loss) for the period.

#### **Leases**

In accordance with ASC 842, we determine whether an arrangement contains a lease at inception. A lease is a contract that provides the right to control an identified asset for a period of time in exchange for consideration. For identified leases, we determine whether it should be classified as an operating or finance lease. Operating leases are recorded in the balance sheet as right-of-use asset ("ROU asset") and operating lease obligation. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payment arising from the lease ROU assets and operating lease liabilities are recognized at the commencement date of the lease and measure based on the present value of lease payment over the lease term. The ROU asset also includes deferred rent liabilities. Our lease arrangement generally does not provide an implicit interest rate. As a result, in such situations, we use its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We include options to extend or terminate the lease when it is reasonably certain that it will exercise that option in the measurement of its ROU assets and liabilities.

Lease expense for operating leases is recognized on a straight-line basis over the lease term. We are also electing not to apply the recognition requirements to short-term leases of twelve months or less and instead will recognize lease payments as expense on a straight-line basis over the lease term.

#### **Revenue Recognition**

The Company accounts for its revenue according to ASC 606, "Revenue from Contracts with Customers", pursuant to which, revenue is recognized when the control of the promised goods or services is transferred to the customers, and the performance obligations under the contract have been satisfied, in an amount that reflects the consideration expected to be entitled to in exchange for those goods or services.

The Company determines revenue recognition through the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

##### *Contracts with Customers*

Revenue from sales of products and services is derived from contracts with customers. The products and services promised in contracts primarily consist of hotspot routers. Contracts with each customer generally state the terms of the sale, including the description, quantity and price of each product or service. Payment terms are stated in the contract, primarily in the form of a purchase order. Since the customer typically agrees to a

stated rate and price in the purchase order that does not vary over the life of the contract, the majority of our contracts do not contain variable consideration. We establish a provision for estimated warranty and returns. Using historical averages, those provisions for the six months ended December 31, 2024 and 2023 were not material.

#### *Disaggregation of Revenue*

In accordance with Topic 606, we disaggregate revenue from contracts with customers into geographical regions and by the timing of when goods and services are transferred. We determined that disaggregating revenue into these categories meets the disclosure objective in Topic 606, which is to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by regional economic factors.

#### *Contract Balances*

We perform our obligations under a contract with a customer by transferring products in exchange for consideration from the customer. We typically invoice our customers as soon as control of an asset is transferred, and a receivable is established. We, however, recognize a contract liability when a customer prepays for goods and/or services, or we have not delivered goods under the contract since we have not yet transferred control of the goods and/or services.

The balances of our trade receivables are as follows:

	<b>December 31, 2024</b>	<b>June 30, 2024</b>
Accounts Receivable	<u>\$ 1,912,369</u>	<u>\$ 1,155,060</u>

We did not have any un-invoiced receivables in the periods ended December 31, 2024, and June 30, 2024.

Our contract liabilities are as follows:

	<b>December 31, 2024</b>	<b>June 30, 2024</b>
Undelivered products	<u>\$ 164,015</u>	<u>\$ 158,771</u>

#### *Performance Obligations*

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of measurement in Topic 606. At contract inception, we assess the products and services promised in our contracts with customers. We then identify performance obligations to transfer distinct products or services to the customer. In order to identify performance obligations, we consider all the products or services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices.

Our performance obligations are primarily satisfied at a point in time. Revenue from products transferred to customers at a single point in time accounted for 99.4% and 98.6% of net sales for the six months ended December 31, 2024 and 2023, respectively. Revenue recognized over a period of time for non-recurring engineering projects is based on the percent completion of a project and accounted for 0.0% and 0.5% of net sales for the six months ended December 31, 2024 and 2023, respectively. The majority of our revenue recognized at a point in time is for the sale of hotspot router products. Revenue from these contracts is recognized when the customer is able to direct the use of and obtain substantially all of the benefits from the product, which generally coincides with title transfer at completion of the shipping process.

As of December 31, 2024 and 2023, our contracts do not contain any unsatisfied performance obligations, except for undelivered products.

#### **Cost of Goods Sold**

All costs associated with our contract manufacturers, as well as distribution, fulfillment and repair services, are included in our cost of goods sold. Cost of goods sold also includes amortization expenses of approximately \$208,917 and \$454,150 associated with capitalized product development costs associated with complete technology for the three and six months ended December 31, 2024, respectively, and approximately \$239,688 and \$479,312 for the three and six months ended December 31, 2023, respectively.

#### **Capitalized Product Development Costs**

Accounting Standards Codification ("ASC") Topic 350, "Intangibles - Goodwill and Other" includes software that is part of a product or process to be sold to a customer and is accounted for under Subtopic 985-20. Our products contain embedded software internally developed by FTI, which is an integral part of these products because it allows the various components of the products to communicate with each other and the products are clearly unable to function without this coding.

The costs of product development that are capitalized once technological feasibility is determined (noted as technology in progress in the Intangible Assets table in NOTE 4-INTANGIBLE ASSETS, NET) include related licenses, certification costs, payroll, employee benefits, and other headcount-related expenses associated with product development. We determine that technological feasibility for our products is reached after all high-risk development issues have been resolved. Once the products are available for general release to our customers, we cease capitalizing the product development costs and any additional costs, if any, are expensed. The capitalized product development costs are amortized on a product-by-product basis using straight-line amortization. The amortization begins when the products are available for general release to our customers.

As of December 31, 2024, and June 30, 2024, capitalized product development costs in progress were \$ 26,500 and \$0, respectively, and are included in intangible assets in our consolidated balance sheets. For the three and six months ended December 31, 2024, we incurred \$17,981 and \$31,981, respectively, and for the three and six months ended December 31, 2023, we incurred \$ 46,233 and \$68,733, respectively, in capitalized product development costs, and such amounts are primarily comprised of certifications and licenses. All costs incurred before technological feasibility is reached are expensed and included in our consolidated statements of comprehensive income (loss).



## Research and Development Costs

Costs associated with research and development are expensed as incurred. Research and development costs were \$ 927,238 and \$852,854 for the three months ended December 31, 2024 and 2023, respectively, and \$1,951,550 and \$1,719,809 for the six months ended December 31, 2024 and 2023, respectively.

## Warranties

We provide a warranty for a period of twelve (12) to eighteen (18) months, which is covered by our vendors and manufacturers under purchase agreements between the Company and the vendors. As a result, we believe we do not have any net warranty exposure and do not accrue any warranty expenses. Historically, the Company has not experienced any material net warranty expenditures.

## Shipping and Handling Costs

Costs associated with product shipping and handling are expensed as incurred. Shipping and handling costs, which are included in selling, general and administrative expenses on the consolidated statements of comprehensive income, were \$94,742 and \$51,498 for the three months ended December 31, 2024 and 2023, respectively, and \$172,855 and \$103,948 for the six months ended December 31, 2024 and 2023, respectively.

## Cash and Cash Equivalents

For purposes of the consolidated statements of cash flow, we consider all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. We invest our excess cash into financial instruments which management believes are readily convertible into cash, such as money market funds that are readily convertible to cash and have a \$1.00 net asset value.

## Short Term Investments

We have invested excess funds in short-term liquid assets, such as certificates of deposit and government bonds, etc.

## Inventories, Net

Our inventories consist of finished goods and are stated at the lower of cost or net realizable value, cost being determined on a first-in, first-out basis. We assess the inventory carrying value and reduce it, if necessary, to its net realizable value based on customer orders on hand, and internal demand forecasts using management's best estimates given information currently available. Our customer demand is highly unpredictable and can fluctuate significantly caused by factors beyond the control of the Company. We may write down our inventory value for potential obsolescence and excess inventory. As of December 31, 2024, and June 30, 2024, we have recorded inventory reserves in the amount of \$91,482 for obsolete or slow-moving inventory.

## Property and Equipment, Net

Property and equipment are recorded at cost. Significant additions or improvements extending the useful lives of assets are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Machinery	6 years
Office equipment	5 years
Molds	3~6 years
Vehicles	5 years
Computers and software	5 years
Furniture and fixtures	7 years
Facilities improvements	5 years or life of the lease, whichever is shorter

## Goodwill and Intangible Assets

Goodwill and certain intangible assets were recorded in connection with the FTI acquisition in October 2009, and were accounted for in accordance with ASC 805, "Business Combinations." Goodwill represents the excess of the purchase price over the fair value of the tangible and intangible net assets acquired. Intangible assets are recorded at their fair value at the date of acquisition. Goodwill and other intangible assets are accounted for in accordance with ASC 350, "Goodwill and Other Intangible Assets." Goodwill and other intangible assets are tested for impairment at least annually and any related impairment losses are recognized in earnings when identified. No impairment was recognized for the six months ended December 31, 2024, and 2023.

## Impairment of Long-lived Assets

In accordance with ASC 360, "Property, Plant, and Equipment," we review for impairment of long-lived assets and certain identifiable intangibles whenever events or circumstances indicate that the carrying amount of assets may not be recoverable. We consider the carrying value of assets may not be recoverable based upon our review of the following events or changes in circumstances: the asset's ability to continue to generate income from operations and positive cash flow in future periods; loss of legal ownership or title to the assets; significant changes in our strategic business objectives and utilization of the asset; or significant negative industry or economic trends. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset are less than its carrying amount.

As of December 31, 2024, and June 30, 2024, we were not aware of any events or changes in circumstances that would indicate that the long-lived assets are impaired.

## Stock-based Compensation

We account for stock options and other equity-based compensation issued in accordance with ASC 718 "Stock Compensation", which requires the measurement and recognition of compensation expense related to the fair value of equity-based compensation awards that are ultimately expected to vest. Stock-based compensation expense recognized includes the compensation cost for all share-based compensation payments granted to employees and non-employees, net of estimated forfeitures, over the employees' requisite service period or the non-employees' performance period based on the grant date fair value estimated in accordance with the provision of ASC 718. ASC 718 is also applied to awards modified, repurchased, or cancelled during the periods reported.

## **Income Taxes**

We use the asset and liability method of accounting for income taxes. Accordingly, deferred tax assets and liabilities are determined based on the difference between the financial statement and income tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is recorded to reduce the carrying amount of deferred tax assets, unless it is more likely than not such assets will be realized. Current income taxes are based on the year's taxable income for federal and state income tax reporting purposes and the annual change in deferred taxes.

We assess income tax positions and record tax benefits based upon management's evaluation of the facts, circumstances, and information available at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, we record the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit is recognized in the financial statements. We classify interest and penalties associated with such uncertain tax positions as a component of income tax expense.

As of December 31, 2024, we have no material unrecognized tax benefits. We recorded income tax provisions of \$ 167,727 and \$215,607 for the three and six months ended December 31, 2024, respectively, and benefits of \$215,157 and \$265,217 for the three and six months ended December 31, 2023, respectively. We also recorded a decrease in deferred tax asset, non-current, of \$166,927 and \$214,807 for the three and six months ended December 31, 2024, respectively, and an increase in deferred tax asset, non-current, of \$215,332 and \$266,192 for the three and six months ended December 31, 2023, respectively.

## **Earnings (loss) per Share Attributable to Common Stockholders**

In accordance with ASC 260, basic earnings (loss) per share are calculated by dividing the net income (loss) by the weighted-average number of common shares that were outstanding for the period, without considering any potential future issuance of common shares. Diluted earnings (loss) per share is calculated by dividing the net income (loss) by the sum of the weighted-average number of dilutive potential common shares outstanding for the period determined using the treasury-stock method or the as-converted method. Potentially dilutive shares are comprised of common stock options outstanding under our stock plan. Diluted EPS excludes all dilutive potential common shares if their effect is nondilutive. Nondilutive shares are not taken into account while computation of weighted average number of shares for dilutive EPS calculation.

## **Concentrations**

We extend credit to our customers and perform ongoing credit evaluations of such customers. We evaluate our accounts receivable on a regular basis for collectability and provide for an allowance for potential credit losses as deemed necessary. No reserve was required or recorded for any of the periods presented.

Substantially all of our revenues are derived from sales of wireless data products. Any significant decline in market acceptance of our products or in the financial condition of our existing customers could impair our ability to operate effectively.

A significant portion of our revenue is derived from a small number of customers. For the six months ended December 31, 2024, sales to our two largest customers accounted for 94.5% of our consolidated net sales, and 82.9% of our accounts receivable balance as of December 31, 2024. In the same period of 2023, sales to our two largest customers accounted for 88% of our consolidated net sales, and 99% of our accounts receivable balance as of December 31, 2023. No other customers accounted for more than ten percent of total net sales for the six months ended December 31, 2024 and 2023.

For the six months ended December 31, 2024, we purchased the majority of our wireless data products from two manufacturing companies located in Asia. If these manufacturing companies were to experience delays, capacity constraints or quality control problems, product shipments to our customers could be delayed, or our customers could consequently elect to cancel the underlying product purchase order, which would negatively impact on the Company's revenue. For the six months ended December 31, 2024, we purchased wireless data products from these manufacturers in the amount of \$25,125,060, or 91.4% of total purchases, and had related accounts payable of \$ 11,973,285 as of December 31, 2024. In the same period of 2023, we purchased wireless data products from these manufacturers in the amount of \$12,902,543, or 99% of total purchases, and had related accounts payable of \$8,662,206 as of December 31, 2023.

We maintain our cash accounts with established commercial banks. Such cash deposits exceed the Federal Deposit Insurance Corporation insured limit of \$250,000 for each financial institution. However, we do not anticipate any losses on excess deposits.

## **Recently Issued Accounting Pronouncements**

In December 2023, the FASB issued ASU No. 2023-09, Improvements to Income Tax Disclosures (Topic 740). The ASU requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as additional information on income taxes paid. The ASU is effective on a prospective basis for annual periods beginning after December 15, 2024. Early adoption is also permitted for annual financial statements that have not yet been issued or made available for issuance. This ASU will likely result in the required additional disclosures being included in our consolidated financial statements once adopted.

In November 2024, the FASB issued ASU No. 2024-03, Expense Disaggregation Disclosures (Subtopic 220-40). The ASU requires disclosure of specified information about certain costs and expenses. This includes purchases of inventory, employee compensation, depreciation, and intangible asset amortization. The ASU is effective on a prospective or retrospective basis for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. This ASU will likely result in the required additional disclosures being included in our consolidated financial statements, once adopted.

In January 2025, the FASB issued ASU 2025-01, which revises the effective date of ASU 2024-03, "to clarify that all public business entities are required to adopt the guidance in annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027." Entities within the ASU's scope are permitted to early adopt the ASU. This ASU will likely result in the required

additional disclosures being included in our consolidated financial statements, once adopted.

## NOTE 2 – BUSINESS OVERVIEW

Doing business as “FranklinAccess”, we are a leading global provider of integrated wireless solutions utilizing the latest 5G (fifth generation) and 4G LTE (fourth generation long-term evolution) technologies including mobile hotspots, fixed wireless routers, and mobile device management (MDM) solutions. We are a leading enabler of the Digital Divide initiative, and our expertise extends to innovation in Internet of Things (IoT) and machine-to-machine (M2M) applications, driving forward seamless communication and connectivity for both individuals and enterprises.

We hold a 66.3% ownership in Franklin Technology Inc. (“FTI”), a research and development company based in Seoul, South Korea. FTI primarily provides design and development services for our wireless products. We hold a 60% ownership interest in Sigbeat Inc., based in San Diego, California (“Sigbeat”), which will engage in worldwide sales, marketing, customer support and operations for telecommunications modules. Our products are generally marketed and sold directly to wireless operators and indirectly through strategic partners and distributors. Our primary markets are in North America and Asia.

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## NOTE 3 – BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Franklin Wireless Corp. have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and are presented in accordance with the requirements of Form 10-Q. In the opinion of management, the financial statements included herein contain all adjustments, including normal recurring adjustments, considered necessary to present fairly the financial position, the results of operations and comprehensive income (loss) and cash flows of the Company for the periods presented. These financial statements and notes hereto should be read in conjunction with the financial statements and notes thereto for the fiscal year ended June 30, 2024 included in our Form 10-K filed on September 30, 2024. The operating results or cash flows for the interim periods presented herein are not necessarily indicative of the results to be expected for any other interim period or the full year.

## NOTE 4 – DEFINITE LIVED INTANGIBLE ASSETS, NET

The definite lived intangible assets consisted of the following as of December 31, 2024:

Definite lived intangible assets:	Expected Life	Average Remaining life	Gross Intangible Assets	Less Accumulated Amortization	Net Intangible Assets
Complete technology	3 years	–	\$ 18,397	\$ 18,397	\$ –
Technology in progress	Not Applicable	–	26,500	–	26,500
Software	5 years	1.1 years	430,091	327,840	102,251
Patents	10 years	6.6 years	69,263	26,915	42,348
Certifications & licenses	3 years	1.1 years	3,929,490	3,233,025	696,465
<b>Total as of December 31, 2024</b>			<b>\$ 4,473,741</b>	<b>\$ 3,606,177</b>	<b>\$ 867,564</b>

The definite lived intangible assets consisted of the following as of June 30, 2024:

Definite lived intangible assets:	Expected Life	Average Remaining life	Gross Intangible Assets	Less Accumulated Amortization	Net Intangible Assets
Complete technology	3 years	–	\$ 18,397	\$ 18,397	\$ –
Technology in progress	Not Applicable	–	–	–	–
Software	5 years	1.6 years	489,992	365,526	124,466
Patents	10 years	6.7 years	67,373	27,345	40,028
Certifications & licenses	3 years	1.4 years	3,924,007	2,778,875	1,145,132
<b>Total as of June 30, 2024</b>			<b>\$ 4,499,769</b>	<b>\$ 3,190,143</b>	<b>\$ 1,309,626</b>

Amortization expense recognized for the three months ended December 31, 2024 and 2023 was \$ 217,591 and \$245,326, respectively, and for the six months ended December 31, 2024 and 2023 was \$471,586 and \$490,244, respectively.

The amortization expenses of the definite lived intangible assets for the future are as follows:

	FY2025	FY2026	FY2027	FY2028	FY2029	Thereafter
<b>Total</b>	<b>\$ 360,266</b>	<b>\$ 401,660</b>	<b>\$ 46,168</b>	<b>\$ 20,575</b>	<b>\$ 12,395</b>	<b>\$ –</b>

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## NOTE 5 – ACCRUED LIABILITIES

Accrued liabilities consist of the following as of:

	December 31, 2024	June 30, 2024
Accrued payroll deductions owed to government entities	\$ 53,337	\$ 49,452
Accrued salaries and bonuses (1)	1,150,001	875,000
Accrued vacation	131,960	164,884
Accrued commission to a service provider	–	15,000
Accrued commission to a customer (2) (3)	594,408	247,592
Other accrued liabilities (4)	73,218	73,218
<b>Total</b>	<b>\$ 2,002,924</b>	<b>\$ 1,425,146</b>

- (1) On November 10, 2022, the Company and OC Kim, its President, entered into an amendment of the employment agreement dated September 7, 2021. The amendment provides for the payment of an incentive to Mr. Kim of \$125,000 for each calendar quarter during the remaining four-year term of the employment agreement, which will be total amount of \$2M, with the first such bonus accrued on December 31, 2022. An incentive of \$250,000 has been accrued for each of the six months ended December 31, 2024, and 2023, with \$1,125,000 and \$875,000 accrued bonus as of December 31, 2024, and June 30, 2024, respectively. As of December 31, 2024, no payment for the accrued bonuses has been made by the Company.

The Company also awarded and accrued a bonus of \$25,001 to OC Kim, its President, for the increased sales for the six months ended December 31, 2024, and payment of the accrued bonus of \$25,001 was made by the Company in January 2025.

- (2) We accrued a commission of approximately \$650,000 to a customer to provide financial support for its sales program during the 2021 fiscal year. Of the amount accrued, total payments were made of approximately \$400,000 in the form of credit memos. The remaining balance of approximately \$250,000 as of June 30, 2024, was eliminated/written-off as of September 30, 2024 because it was confirmed that the liability no longer existed.
- (3) We accrued a commission of \$141,178 and \$594,408 to a customer to provide financial support for the marketing and promotion programs of our products for the three and six months ended December 31, 2024, respectively.
- (4) On or about December 7, 2023, we received an invoice from our prior landlord, Hunsaker & Associates, requesting payment of additional rent on our completed and expired lease of office space located at 9707 Waples Street, San Diego, CA as of December 31, 2023. This invoice of \$142,978 purports to represent charges for variable cost increases during the prior 7 years of the lease, which was discounted by \$46,274 and adjusted down to \$96,704 for the three months ended June 30, 2024. We are currently reviewing these charges and will be requesting further validation of these charges, in accordance with our rights granted under the lease. For the year ended June 30, 2024, we recorded an additional rent expense of \$96,704 and an accrued liability of \$72,048 reflecting this pending invoice and a credit of \$24,656 for our deposit on the leasehold property.

## NOTE 6 – COMMITMENTS AND CONTINGENCIES

### Leases

We adopted ASC 842 new lease accounting on July 1, 2019. We have operating leases for both the Company. and FTI, in accordance with ASC 842.

We determine whether an arrangement contains a lease at inception. A lease is a contract that provides the right to control an identified asset for a period of time in exchange for consideration. Operating leases are recorded in the balance sheet as right-of-use asset ("ROU asset") and operating lease obligation. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payment arising from the lease ROU assets and operating lease liabilities are recognized at the commencement date of the lease and measure based on the present value of lease payment over the lease term. The ROU asset also includes deferred rent liabilities. Our lease arrangement generally does not provide an implicit interest rate. As a result, in such situations, we use its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We include options to extend or terminate the lease when it is reasonably certain that it will exercise that option in the measurement of its ROU assets and liabilities. Lease expense for operating lease is recognized on a straight-line basis over the lease term. We are also electing not to apply the recognition requirements to short-term leases of twelve months or less and instead will recognize lease payments as expense on a straight-line basis over the lease term.

We leased approximately 12,775 square feet of office space in San Diego, California, at a monthly rent of \$25,754, pursuant to a lease that expired in December 2023. On October 19, 2023, we signed a lease for office space consisting of approximately 11,400 square feet, located in San Diego, California, at a monthly rent of \$27,789, which commenced on January 1, 2024. In addition to monthly rent, the lease includes payment for certain common area costs. The term of the lease for the office space is 65 months from the lease commencement date. Our facility is covered by an appropriate level of insurance, and we believe it to be suitable for our use and adequate for our present needs. Rent expense for this office space was \$83,367 and \$77,263 for the three months ended December 31, 2024 and 2023, respectively, and \$ 166,734 and \$154,526 for the six months ended December 31, 2024 and 2023, respectively.

On or about December 7, 2023, we received an invoice from our prior landlord, Hunsaker & Associates, requesting payment of additional rent on our completed and expired lease of office space located at 9707 Waples Street, San Diego, CA as of December 31, 2023. This invoice of \$142,978 purports to represent charges for variable cost increases during the prior 7 years of the lease, which was discounted by \$46,274 and adjusted down to \$96,704 for the three months ended June 30, 2024. We are currently reviewing these charges and will be requesting further validation of these charges, in accordance with our rights granted under the lease. For the year ended June 30, 2024, we recorded an additional rent expense of \$ 96,704 and an accrued liability of \$72,048 reflecting this pending invoice and a credit of \$ 24,656 for our deposit on the leasehold property.

Our Korea-based subsidiary, FTI, leases approximately 10,000 square feet of office space, at a monthly rent of approximately \$8,000, and additional office space consisting of approximately 2,682 square feet at a monthly rent of approximately \$2,700, both located in Seoul, South Korea. These leases expired on August 31, 2024, and were extended for an additional 24 months to August 31, 2026. In addition to monthly rent, the leases provide for periodic cost of living increases in the base rent and payment for certain common area costs. These facilities are covered by an appropriate level of insurance, and we believe them to be suitable for our use and adequate for our present needs. Rent expense related to these leases was approximately \$26,475 and approximately \$32,100 for the three months ended December 31, 2024 and 2023, respectively, and \$ 53,821 and approximately \$64,200 for the six months ended December 31, 2024 and 2023.

We lease one corporate housing facility, located in Seoul, South Korea, primarily for our employees who travel, under a non-cancelable operating lease that expired on September 4, 2024 and was extended by an additional twelve months to September 4, 2025. Rent expense related to this lease was \$2,014 and \$2,061 for the three months ended December 31, 2024 and 2023, respectively, and \$ 4,058 and \$4,115 for the six months ended December 31, 2024 and 2023, respectively.

We lease one corporate vehicle on December 1, 2024, in San Diego, California, for our employees, under a non-cancelable lease that expires on November 30, 2027. Rent expense related to this lease was \$ 496 for the three and six months ended December 31, 2024, and \$ 0 for the three and six months ended December 31, 2023, respectively.

Short-term leases with initial terms of twelve months or less are not capitalized, and our leases of the South Korean offices and corporate housing facility have been considered as short-term lease.

We used discount rates of 7.0% and 6.0% in determining our operating lease liabilities for the office spaces in San Diego, California, and South Korea, respectively, and used a discount rate of 7.0% in determining our lease liabilities for the vehicle. These rates represented our incremental borrowing rates at that time. Short-term leases with initial terms of twelve months or less are not capitalized. The office leases of our Korea-based subsidiary were extensions of previous leases and do not contain any further extension provisions. Rent expenses for the six months ended December 31, 2024 and 2023 were \$225,109 and \$365,829, respectively.

In accordance with ASC 842, the components of the lease expense and supplemental cash flow information related to leases for the three months ended December 31, 2024, and 2023 are as follows:

	Six Months Ended December 31,	
	2024	2023
Operating lease expense	\$ 220,555	\$ 154,526
Additional charges for the prior operating lease in dispute	—	142,978
Vehicle lease expense	496	—
Short term lease cost	4,058	68,315
Total lease expense	<u>\$ 225,109</u>	<u>\$ 365,819</u>
Remaining lease term-operating lease in San Diego, California	4.4 year	
Discount rate-operating lease in San Diego, California	7%	
Remaining lease term-operating lease in South Korea	1.7 year	
Discount rate-operating lease in South Korea	6%	
Remaining lease term-vehicle lease in San Diego, California	2.9 year	
Discount rate-vehicle lease in San Diego, California	7%	

	Operating Leases
Fiscal 2025	\$ 212,072
Fiscal 2026	451,826
Fiscal 2027	375,636
Fiscal 2028	389,915
Fiscal 2029	363,310
Total lease payments	1,792,759
Less imputed interest	(247,287)
<b>Total</b>	<u>\$ 1,545,472</u>

## Warranty Repairs

The following table sets forth the percentages of return rates and warranty repairs for all products currently marketed, in the aggregate from the date each product was introduced.

Device Type	Current Devices	
	Return Rate	Warranty Repairs
4G Wireless Devices	0.11%	0.01%
5G Wireless Devices	0.57%	0.10%

## Litigation

We are from time to time involved in certain legal proceedings and claims arising in the ordinary course of business.

### Verizon Jetpack Recall

On April 8, 2021, Verizon issued a press release announcing that it was working with the U.S. Consumer Product Safety Commission (CPSC) to conduct a voluntary recall of certain Verizon Ellipsis Jetpack mobile hotspot devices, indicating that the lithium-ion battery in the devices can overheat, posing a fire and burn hazard. According to the CPSC release, the recall affects approximately 2.5 million devices. We imported the devices and supplied them to Verizon.

Verizon first advised us of one alleged Jetpack device failure at the end of February 2021. We immediately began meeting with Verizon and requested access to the device. We also began internal testing to evaluate device performance. We did not receive any further incident information until the last week of March 2021. On April 1, 2021 we issued a press release announcing that we had received reports from Verizon about potential issues with the batteries in the devices. On April 9, 2021 we issued a press release announcing the voluntary recall by Verizon.

As of the date of this report, we have been unable to recreate any device failures of the type identified by Verizon. All internal testing conducted to date has confirmed that the Jetpack devices are performing within normal parameters. We are not currently aware of any aspect of the Jetpack design that could cause the devices to fail in the way described in Verizon's recall notice.

### Future Impact on Financial Performance

We are striving to avoid any litigation with Verizon arising from the recall and have not been served with any legal action by Verizon relating to the products covered by the recall. We are not currently able to estimate the financial impact of the recall on our future operations. At this time, we do not have information that identifies the cause of the alleged incidents. We also do not have any specific legal claims or theories of causation for device failure incidents that would help us estimate the cost of potential future litigation. No liability has been recorded for this litigation because the Company believes that any such liability is not probable and reasonably estimable at this time.

In January of 2025 our South Korea-based subsidiary, Franklin Telecommunications, Inc. ("FTI") was sued by Partron Co., Ltd., a South Korean manufacturer of electronic parts for mobile and telecommunication devices ("Partron"). The complaint, filed in Seoul Central District Court, alleges that FTI requested Partron to prepare semiconductor components to be included in FTI's products for resale to third parties. The complaint also alleges that FTI and Partron had entered into a Confidentiality Agreement under which Partron shared the login credentials for its Qualcomm account and that FTI used such access for the design of the products but contracted with another vendor to produce the components. It further alleges that Partron ordered a large quantity of semiconductor components from its business partners, such as Qualcomm and Dasaron Corporation, in reliance on such requests from FTI, but FTI failed to complete the purchase of such components from Partron. Partron alleges that it paid its suppliers for such components, but that FTI failed to purchase the components from Partron, resulting in damages, including interest, of \$8,126,786, under the South Korean Unfair Competition Prevention Act and other legal theories.

The Company owns approximately 66.34% of the outstanding equity securities of FTI. The action does not name the Company as a defendant. FTI has advised the Company that it does not believe the allegations are supported by the facts and it intends to vigorously oppose the action.

#### Shareholder Litigation

##### *Ali*

A shareholder action, *Ali vs. Franklin Wireless Corp. et al.* Case #3:21-cv-00687-AJB-MSB, was filed in the U.S. District Court, Southern District of California (San Diego) on April 16, 2021, alleging, among other things, that we had prior knowledge that the Verizon recall was likely and that we did not disclose that information to investors in a timely manner. The Class and Defendants have executed a Stipulation and Agreement of Settlement under which the Class releases all claims against Defendants in exchange for a payment by Defendants of \$2.4 million (the "Settlement Amount"), which is reflected in liabilities under "accrued legal contingency expense" with a corresponding charge to "loss from a legal contingency". The Class has submitted a motion for preliminary approval of the settlement, which the Court denied on January 24, 2024. On April 22, 2024, after resubmission of the application, the court granted preliminary approval of the settlement. On May 6, 2024, per the terms of the settlement agreement, we sent by wire transfer \$2,400,000 to an account specified by the Ali class action claim administrator, Epiq (the appointed Settlement Administrator by the Court).

##### *Harwood / Martin*

A legal action was filed in the U.S. District Court, Southern District of California (San Diego) against Franklin, as a nominal defendant, by Stephen Harwood, derivatively on behalf of nominal defendant Franklin Wireless Corp. v. O.C. Kim, et al., Case #21cv01837-AJB-MSB, on or about October 29, 2021, claiming among other things, that we had prior knowledge that the recall was likely and that we did not disclose that information to investors in a timely manner. We believe these allegations are not supported by the facts and we will vigorously defend against such claims.

A legal action was filed in the U.S. District Court, Southern District of California (San Diego) against Franklin, as a nominal defendant, by Debra Martin, derivatively on behalf of nominal defendant Franklin Wireless Corp. v. O.C. Kim, et al., Case #21cv2091-AJB-MSB, on or about December 15, 2021, claiming among other things, that we had prior knowledge that the recall was likely and that we did not disclose that information to investors in a timely manner. We believe these allegations are not supported by the facts and we will vigorously defend against such claims.

The Harwood and Martin actions have been consolidated into a single action in the U.S. District Court, Southern District of California (San Diego) titled "In re Franklin Wireless Corp. Derivative Litigation," Case No.: 21cv1837-AJB (MSB). A jury trial was held in December 2024. On December 19<sup>th</sup>, 2024, after an 8 day trial, the jury returned a verdict finding only nominal damages of \$0.99 against a single director and no damages against all other defendants.

##### *Pape*

A legal action was filed in the Second Judicial District Court of Nevada in the County of Washoe against Franklin, as a nominal defendant, Barbara Pape, derivatively on behalf of nominal defendant Franklin Wireless Corp. v. O.C. Kim, et al., Case # CV22-00471, on or about March 21, 2022, claiming among other things, that we had prior knowledge that the recall was likely and that we did not disclose that information to investors in a timely manner. We believe these allegations are not supported by the facts and we will vigorously defend against such claims.

The Company will vigorously defend such shareholder litigation and proceedings. No liability has been recorded for these litigations because the Company believes that any such liability is not probable and reasonably estimable as of the reporting date.

#### *"Short-Swing" Profits Litigation*

A legal action was filed in the U.S. District Court, Southern District of California (San Diego) against Franklin, as a nominal defendant, Nosirrah Management LLC v. Franklin Wireless et al., Case # 3:21-cv-01316-RSH-JLB, on or about July 22, 2021, claiming that our Chief Executive Officer, O.C. Kim, violated Section 16(b) of the Securities Exchange Act of 1934 for receiving "short-swing" profits from a sale and purchase of Franklin shares, in violation of that Act. On October 19, 2023, the jury returned a verdict of \$2,000,000 in favor of the Company against the Company's Chief Executive Officer, O.C. Kim. Mr. Kim. Subsequently, the parties entered into a settlement agreement on June 12, 2024, for Mr. Kim to pay \$1,000,000, and the appeal by OC Kim was dismissed. On September 23, 2024 the Company and Mr. Kim entered into a Forbearance Agreement to defer payment of the settlement in exchange for deferment of a \$1,250,000 bonus for securing a joint venture agreement to allow Mr. Kim time to pursue remedies with the State of Nevada.

#### Loan Agreement with Subsidiary, FTI

On March 21, 2022, Franklin Wireless Corp. (the "Company") entered into a Loan Agreement with its South Korean subsidiary, FTI, under which the Company agreed to loan US\$10,000,000 to FTI. The Company owns a majority of the outstanding equity of FTI. FTI's primary business is providing design and development services to the Company for our wireless products. As part of the loan transaction, FTI delivered a \$10 million Promissory Note to the Company (the "Note"). In the preparation of consolidated financial statements of the Company, the transactions and balances related to the loan of

\$10 million, including the accrued interest for the six months ended December 31, 2024, were eliminated as intercompany transactions.

The purpose of the loan is to allow FTI to purchase a facility in South Korea to house its operations, and to provide it with additional working capital. The purchase of such a facility with the loan proceeds is subject to the Company's reasonable approval. Upon acquisition of the facility, FTI is required to grant the Company a mortgage on it to secure payment of the Note. The Note is for a term of five years, provides for annual payments of interest at 2% per annum, and is due and payable upon maturity. The Note and Loan Agreement includes customary provisions for default and acceleration upon default, and a default interest rate of 7% per annum. FTI has not yet acquired a facility for its operations.

#### **Employment Contracts**

On October 1, 2020, we entered into Change of Control Agreements with OC Kim, our President, and Yun J. (David) Lee, our Senior Vice President of Sales and previously served as Chief Operating Officer. Each Change of Control Agreement provides for a lump sum payment to the officer in case of a change of control of the Company. The term includes the acquisition of Common Stock of the Company resulting in one person or company owning more than 50% of the outstanding shares, a significant change in the composition of the Board of Directors of the Company during any 12-month period, a reorganization, merger, consolidation or similar transaction resulting in the transfer of ownership of more than fifty percent (50%) of the Company's outstanding Common Stock, or a liquidation or dissolution of the Company or sale of substantially all of the Company's assets.

The Change of Control Agreement with Mr. Kim calls for a payment of \$5 million upon a change of control, and the agreement with Mr. Lee calls for a payment of \$2 million upon a change of control. These agreements were for an initial term of three years but have now been extended through October 2027.

On November 10, 2022, the Company and OC Kim, its President, entered into an amendment of the employment agreement dated September 7, 2021. The amendment provides for a severance payment of \$3 million if Mr. Kim voluntarily terminates his employment by the Company or if he voluntarily terminates his employment due to a "change in circumstances," generally defined as a material breach by the Company of its salary and benefit obligations or a significant reduction in Mr. Kim's title or responsibilities. In the case of a termination of employment by the Company for cause (generally defined as conviction of a felony, or a misdemeanor where imprisonment is imposed, commission of any act of theft, fraud, dishonesty, or material falsification of any employment or Company records, or improper disclosure of the Company's confidential or proprietary information), the Company is to make a severance payment of \$1,500,000. In either case, any unvested options become immediately vested.

In the amendment, Mr. Kim also agrees that, for a period of two years after termination, he will not disparage the Company or its officers, solicit any of its employees to terminate their employment, or disclose any of the Company's proprietary information. In addition, the amendment provides for the payment of an incentive bonus to Mr. Kim of \$125,000 for each calendar quarter during the remaining four-year term of the employment letter, with the first such bonus due on December 31, 2022. For the three months ended December 31, 2024, and 2023, \$125,000 bonus had been accrued, respectively, with \$1,125,000 and \$875,000 accrual bonus balances as of December 31, 2024, and June 30, 2024, respectively.

The employment agreement with OC Kim was renewed and extended by the Board in September 2024 and will continue through October 2027.

#### **Forbearance Agreement**

On May 14, 2024, the Company entered into an Agreement for Formation of Corporation (the "Agreement") with MeiG Smart Technology Co., Ltd., leading supplier of cellular modules, IoT terminals and wireless data solutions ("MeiG"). Under the terms of the Agreement, the parties formed a Nevada corporation, Sigbeat, to be owned 60% by Franklin and 40% by its supplier partner. The parties contributed a total of \$5,000,000 in capital, in accordance with their respective ownership interest percentages. Under the terms of the Agreement, Sigbeat has a Board of Directors consisting of three members, of whom two are to be appointed by the Company and one appointed by MeiG. Sigbeat will engage in worldwide sales, marketing, customer support and operations for telecommunications modules under such brands or designations as the Board of Directors of Sigbeat determine.

Pursuant to the Agreement, in July 2024, Sigbeat entered into a stock subscription agreement with an affiliate of MeiG, Forge International Co., Ltd. ("Forge"), for the purchase of 400,000 shares of Common Stock, representing 40% of the total outstanding Common Stock of Sigbeat. On December 23, 2024, and January 9, 2025, the Company contributed \$600,000 and \$2,400,000 for Common Stock, respectively, and, on January 16, 2025, Forge contributed \$2,000,000 for Common Stock.

On September 23, 2024, the Board acknowledged that Mr. Kim had earned an incentive bonus of \$ 1,250,000 for negotiating and securing a joint venture agreement with its partner. However, the Company and Mr. Kim entered into a Forbearance Agreement, dated September 23, 2024, under which Mr. Kim agreed to defer the bonus, in exchange for the Company's agreement to allow Mr. Kim to defer payment of the \$1,000,000 settlement amount owed by Mr. Kim to the Company under a Settlement Agreement, dated June 12, 2024. The forbearance is to allow Mr. Kim time to pursue remedies with the State of Nevada during the forbearance period (September 23, 2024 to September 23, 2025)

#### **International Tariffs**

Our products are currently manufactured in Vietnam. We believe that our products are currently exempt from international tariffs upon import from our manufacturers to the United States. However, following the 2024 US election, it is possible that tariffs may be imposed on imports, but it is not currently known which countries' imports will be affected. If such tariffs are imposed, they could significantly increase our costs to import devices and potentially reduce or even eliminate our ability to earn profits from the sale of our devices. Should we be required to use device manufacturing companies located outside of tariffed countries we will incur significant delays in production and possibly lose sales as a result of those changes and delays. Any such reduction in profit margins, lost sales and or increased costs would likely have a negative impact on the price of our shares in the market.

#### **Customer Indemnification**

Under purchase orders and contracts for the sale of our products we may provide indemnification to our customers for potential intellectual property infringement claims for which we may have no corresponding recourse against our third-party licensors. This potential liability, if realized, could materially adversely affect our business, operating results and financial condition.

Cybersecurity risk management is an integral part of our overall enterprise risk management program. The Company manages cybersecurity and data protection through a continuously evolving program. Our cybersecurity risk management program is designed to provide a framework for assessing, identifying and managing cybersecurity threats and incidents, including threats and incidents associated with the use of services provided by third-party service providers, and to facilitate coordination across different departments of our Company. Our processes include steps for assessing the severity of a cybersecurity threat, identifying the source of a cybersecurity threat, including whether the cybersecurity threat is associated with a third-party service provider, and implementing cybersecurity countermeasures and mitigation strategies and informing management and the board of directors of material cybersecurity threats and incidents.

The Board of Directors has oversight for the most significant risks facing us and for our processes to identify, prioritize, assess, manage and mitigate those risks. The Audit Committee of the Board of Directors (the "Audit Committee") has been designated to oversee cybersecurity risks. The Audit Committee receives regular updates on cybersecurity and information technology matters and related risk exposures from our management. The Board of Directors also receives periodic updates from management and the Audit Committee on cybersecurity risks. Management is responsible for identifying, considering and assessing material cybersecurity risks on an ongoing basis, establishing processes designed to ensure that such potential cybersecurity risk exposures are monitored, putting in place mitigation measures and maintaining cybersecurity programs. Our cybersecurity programs are under the direction of our Chief Executive Officer. Management regularly updates the Audit Committee on our cybersecurity programs, which includes cybersecurity risks and mitigation strategies, vulnerability management, and on-going cybersecurity projects.

As of December 31, 2024, we did not identify any cybersecurity incidents that materially affected or are reasonably likely to materially affect our business strategy, results of operations, or financial condition. However, despite our efforts, we cannot eliminate all risks from cybersecurity threats or provide assurances that we have not experienced an undetected cybersecurity incident. It is possible that we may not implement appropriate controls if we do not detect a particular risk. In addition, security controls, no matter how well designed or implemented, may only mitigate and not fully eliminate the risks. Even when a risk is detected, disruptive events may not always be immediately and thoroughly interpreted and acted upon.

#### NOTE 8 - LONG-TERM INCENTIVE PLAN AWARDS

We apply the provisions of ASC 718, "Compensation - Stock Compensation," to all of our stock-based compensation awards and use the Black-Scholes option pricing model to value stock options. The fair value of each share option award on the date of grant was estimated using the Black-Scholes method based on the following weighted average assumptions: The risk-free interest rate is based on the U.S. treasury yield curve in effect at the time of grant for periods corresponding with the expected term of options award; the expected term represents awards granted are expected to be outstanding giving considerations vesting schedules and historical participant exercise behavior; the expected volatility is based upon historical volatility of the dividend yield is based upon the company's dividend rate at the time fair value is measure and future expectations. Under this application, we record compensation expense for all awards granted.

In July of 2020, the Board of Directors adopted the 2020 Franklin Wireless Corp. Stock Option Plan (the "2020 Plan"), which covers 800,000 shares of Common Stock. The 2020 Plan provides for the grant of incentive stock options, non-qualified stock options and restricted stock to our employees, directors, and independent contractors. These options will have such vesting or other provisions as may be established by the Board of Directors at the time of each grant.

The estimated forfeiture rate considers historical turnover rates stratified into employee pools in comparison with an overall employee turnover rate, as well as expectations about the future. We periodically revise the estimated forfeiture rate in subsequent periods if actual forfeitures differ from those estimates. There were \$170,583 and \$138,780 compensation expenses recorded under this method for the six months ended December 31, 2024 and 2023, respectively.

A summary of the status of our stock options is presented below as of December 31, 2024:

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (In Years)	Aggregate Intrinsic Value
Outstanding as of June 30, 2024	627,001	\$ 4.24	2.88	\$ 130,200
Granted	—	—	—	—
Exercised	—	—	—	—
Cancelled	—	—	—	—
Forfeited or expired	(20,000)	4.90	—	—
Outstanding as of December 31, 2024	<u>607,001</u>	\$ 4.20	1.40	\$ 550,240
Exercisable as of December 31, 2024	<u>607,001</u>	\$ 4.20	1.40	\$ 550,240

The aggregate intrinsic value in the preceding table represents the total pretax intrinsic value, based upon the Company's closing stock price of \$4.90 as of December 31, 2024, which would have been received by the option holders had all option holders exercised their options as of that date. The weighted-average grant-date fair value of stock options outstanding as of December 31, 2024, in the amount of 607,001 shares was \$3.32 per share. As of December 31, 2024, there was unrecognized compensation cost of \$0 related to non-vested stock options granted.

A summary of the status of our stock options is presented below as of December 31, 2023:

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (In Years)	Aggregate Intrinsic Value
Outstanding as of June 30, 2023	647,001	\$ 4.24	2.88	\$ 130,200
Granted	—	—	—	—
Exercised	—	—	—	—
Cancelled	—	—	—	—
Forfeited or expired	(16,000)	4.77	—	—



Outstanding as of December 31, 2023	<u>631,001</u>	\$	4.23	2.38	\$	—
Exercisable as of December 31, 2023	<u>509,449</u>	\$	4.43	2.24	\$	2,454

The aggregate intrinsic value in the preceding table represents the total pretax intrinsic value, based upon the Company's closing stock price of 3.39 as of December 31, 2023, which would have been received by the option holders had all option holders exercised their options as of that date. The weighted-average grant-date fair value of stock options outstanding as of December 31, 2023, in the amount of 631,001 shares was \$3.34 per share. As of December 31, 2023, there was unrecognized compensation cost of \$345,426 related to non-vested stock options granted.

## NOTE 9 – RELATED PARTY TRANSACTIONS

On May 14, 2024, the Company entered into an Agreement for Formation of Corporation (the "Agreement") with MeiG Smart Technology Co., Ltd., leading supplier of cellular modules, IoT terminals and wireless data solutions ("MeiG"). Under the terms of the Agreement, the parties formed a Nevada corporation, Sigbeat, to be owned 60% by Franklin and 40% by its supplier partner. The parties contributed a total of \$5,000,000 in capital, in accordance with their respective ownership interest percentages. Under the terms of the Agreement, Sigbeat has a Board of Directors consisting of three members, of whom two are to be appointed by the Company and one appointed by MeiG. Sigbeat will engage in worldwide sales, marketing, customer support and operations for telecommunications modules under such brands or designations as the Board of Directors of Sigbeat determine.

Pursuant to the Agreement, in July 2024, Sigbeat entered into a stock subscription agreement with an affiliate of MeiG, Forge International Co., Ltd. ("Forge"), for the purchase of 400,000 shares of Common Stock, representing 40% of the total outstanding Common Stock of Sigbeat. On December 23, 2024, and January 9, 2025, the Company contributed \$600,000 and \$2,400,000 for Common Stock, respectively, and, on January 16, 2025, Forge contributed \$2,000,000 for Common Stock.

On June 20, 2024 the Company entered into a Purchase and Supply Agreement with Forge. This Agreement outlines the terms under which Company purchases certain products from Forge for resale to the Company's customers.

For the three and six months ended December 31, 2024, the Company purchased wireless data products from Forge in the amount of approximately \$5.5 million and \$7 million, respectively, and had related accounts payable of approximately \$ 5.5 million as of December 31, 2024, and approximately \$177,000 as of June 30, 2024. Excluding what was previously described, there have not been any transactions entered into or been a participant in which a related person had or will have a direct or indirect material interest.

## NOTE 10 – SUBSEQUENT EVENTS

The FASB issued ASC 855, "Subsequent Events." ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. We have evaluated all events or transactions that occurred after December 31, 2024, up through the date the financial statements were available to be issued. during these periods, we did not have any material recognizable subsequent events required to be disclosed to the financial statements as of February 14, 2025.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and related notes included elsewhere in this report. This report contains certain forward-looking statements relating to future events or our future financial performance. These statements are subject to risks and uncertainties which could cause actual results to differ materially from those discussed in this report. You are cautioned not to place undue reliance on this information, which speaks only as of the date of this report. We are not obligated to publicly update this information, whether as a result of new information, future events or otherwise, except to the extent we are required to do so in connection with our obligation to file reports with the SEC. For a discussion of the important risks to our business and future operating performance, see the discussion under the caption "Item 1A. Risk Factors" and under the caption "Factors That May Influence Future Results of Operations" in the Company's Form 10-K for the year ended June 30, 2024, filed on September 30, 2024. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this report might not occur.

### BUSINESS OVERVIEW

Doing business as "FranklinAccess", we are a leading global provider of integrated wireless solutions utilizing the latest 5G (fifth generation) and 4G LTE (fourth generation long-term evolution) technologies including mobile hotspots, fixed wireless routers, and mobile device management (MDM) solutions. We are a leading enabler of the Digital Divide initiative, and our expertise extends to innovation in Internet of Things (IoT) and machine-to-machine (M2M) applications, driving forward seamless communication and connectivity for both individuals and enterprises.

We hold a 66.3% ownership in Franklin Technology Inc. ("FTI"), a research and development company based in Seoul, South Korea. FTI primarily provides design and development services for our wireless products. We hold a 60% ownership interest in Sigbeat Inc., based in San Diego,

California ("Sigbeat"), which will engage in worldwide sales, marketing, customer support and operations for telecommunications modules. Our products are generally marketed and sold directly to wireless operators and indirectly through strategic partners and distributors. Our primary markets are in North America and Asia.

## FACTORS THAT MAY INFLUENCE FUTURE RESULTS OF OPERATIONS

We believe that our revenue growth will be influenced largely by (1) the successful maintenance of our existing customers, (2) the rate of increase in demand for wireless data products, (3) customer acceptance of our new products, (4) new customer relationships and contracts, (5) our ability to meet customers' demands, (6) our ability to maintain good relationships with our manufacturing partners and suppliers, and (7) the defect rates experienced by end users of our hardware and software products.

We have entered into and expect to continue to enter into new customer relationships and contracts for the supply of our products, and this may require significant demands on our resources, resulting in increased operating, selling, and marketing expenses associated with such new customers.

We continuously evaluate the performance of our hardware and software products to discover defects that can adversely affect our revenue, income, and the price of our stock. If defects occur that customers believe are either severe in nature or excessively frequent in occurrence, customers could stop buying our products and services and the value of our stock may decrease.

We are also seeing that demand from end-users has been shifting in the post-pandemic economy as remote education and work from home trends are declining. Current demand for mobile device management (MDM) services has been declining. We are working to improve and further enhance our software service offerings to address this change in the market.

## CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of these financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. Management evaluates these estimates and assumptions on an ongoing basis. Our estimates and assumptions have been prepared on the basis of the most current reasonably available information. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates under different assumptions and conditions.

We have several critical accounting policies, which were described in our Annual Report on Form 10-K for the year ended June 30, 2024, that are both important to the portrayal of our financial condition and results of operations and require management's most difficult, subjective, and complex judgments. Typically, the circumstances that make these judgments difficult, subjective, and complex have to do with making estimates about the effect of matters that are inherently uncertain. There were no material changes to our critical accounting policies for the three and six months ended December 31, 2024.

## RESULTS OF OPERATIONS

The following table sets forth, for the three and six months ended December 31, 2024 and 2023, our statements of comprehensive income (loss) (unaudited) including data expressed as a percentage of sales:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	(81.8%)	(90.5%)	(82.9%)	(87.3%)
Gross profit	18.2%	9.5%	17.1%	12.7%
Operating expenses	13.7%	27.1%	15.7%	24.3%
Income (loss) from operations	4.5%	(17.6%)	1.4%	(11.6%)
Other (expense) income, net	(4.0%)	7.8%	1.1%	4.8%
Net income (loss) before income taxes	0.5%	(9.8%)	2.5%	(6.8%)
Income tax (benefit) provision	0.9%	(2.5%)	0.7%	(1.5%)
Net (loss) income	(0.4%)	(7.3%)	1.8%	(5.3%)
Less: non-controlling interest in net (loss) income of subsidiary	(1.7%)	1.3%	(0.6%)	0.2%
Net income (loss) attributable to Parent Company stockholders	<u>1.3%</u>	<u>(8.6%)</u>	<u>2.4%</u>	<u>(5.5%)</u>

## THREE MONTHS ENDED DECEMBER 31, 2024 COMPARED TO THREE MONTHS ENDED DECEMBER 31, 2023

**NET SALES** - Net sales increased by \$8,979,319, or 101.5%, to \$17,827,098 for the three months ended December 31, 2024 from \$8,847,779 for the corresponding period of 2023. For the three months ended December 31, 2024, net sales by geographic regions, consisting of North America and Asia, were \$17,827,098 (100% of net sales) and \$0 (0% of net sales), respectively. For the three months ended December 31, 2023, net sales by geographic regions, consisting of North America and Asia, were \$8,753,451 (98.9% of net sales) and \$94,328 (1.1% of net sales), respectively.

Net sales in North America increased by \$9,073,647, or 103.7%, to \$17,827,098 for the three months ended December 31, 2024 from \$8,753,451 for the corresponding period of 2023. The increase in net sales was primarily due to increased demand from our major carrier customers. Net sales in Asia decreased by \$94,328, or 100%, to \$0 for the three months ended December 31, 2023 from \$94,328 for the corresponding period of 2023. The decrease in net sales was primarily due to the absence of revenue generated from Wi-Fi router sales by FTI, which typically vary from period to period.

**GROSS PROFIT** - Gross profit increased by \$2,404,987, or 287.3%, to \$3,242,062 for the three months ended December 31, 2024 from \$837,075 for the corresponding period of 2023. The gross profit in terms of net sales percentage was 18.2% for the three months ended December 31, 2024, compared to 9.5% for the corresponding period of 2023. The increase in gross profit and gross profit in terms of net sales percentage for the three months ended December 31, 2024, was primarily due to the increase in net sales as described above and the fact that the increased sales were of higher margin products. .

**OPERATING EXPENSES** - Operating expenses increased by \$53,815, or 2.2%, to \$2,446,831 for the three months ended December 31, 2024 from \$2,393,016 for the corresponding period of 2023.

Selling, general, and administrative expenses decreased by \$20,569, or 1.3%, to \$1,519,593 for the three months ended December 31, 2024, from \$1,540,162 for the corresponding period of 2023. Research and development expense increased by \$74,384, or 8.7%, to \$927,238 for the three months ended December 31, 2024, from \$852,854 for the corresponding period of 2023. The increase in research and development expense was primarily due to the increased research and development costs and the related payroll expense of approximately \$64,000 and \$10,000, respectively, which is the mixed result of the timing of research and development activities and the number of active projects and typically vary from period to period.

**OTHER (EXPENSE) INCOME, NET** - Other (expense) income, net decreased by \$1,402,074, or 202.9%, to (\$710,949) for the three months ended December 31, 2024 from \$691,125 for the corresponding period of 2023. The decrease was primarily due to the increased loss of \$1,355,984 from the unfavorable changes in foreign currency exchange rates in FTI.

#### **SIX MONTHS ENDED DECEMBER 31, 2024 COMPARED TO SIX MONTHS ENDED DECEMBER 31, 2023**

**NET SALES** - Net sales increased by \$12,646,685, or 68.3%, to \$31,150,010 for the six months ended December 31, 2024 from \$18,503,325 for the corresponding period of 2023. For the six months ended December 31, 2024, net sales by geographic regions, consisting of North America and Asia, were \$31,149,546 (100% of net sales) and \$464 (0.0% of net sales), respectively. For the six months ended December 31, 2023, net sales by geographic regions, consisting of North America and Asia, were \$18,408,997 (99.5% of net sales) and \$94,328 (0.5% of net sales), respectively.

Net sales in North America increased by \$12,740,549, or 69.2%, to \$31,149,546 for the six months ended December 31, 2024 from \$18,408,997 for the corresponding period of 2023. The increase in net sales was primarily due to increased demand from our major carrier customers. Net sales in Asia decreased by \$93,864, or 99.5%, to \$464 for the six months ended December 31, 2024 from \$94,328 for the corresponding period of 2023. The decrease in net sales was primarily due to the absence of revenue generated from Wi-Fi router sales by FTI, which typically vary from period to period.

**GROSS PROFIT** - Gross profit increased by \$2,963,329, or 126.1%, to \$5,313,564 for the six months ended December 31, 2024 from \$2,350,235 for the corresponding period of 2023. The gross profit in terms of net sales percentage was 17.1% for the six months ended December 31, 2024 compared to 12.7% for the corresponding period of 2023. The increase in gross profit and gross profit in terms of net sales percentage for the six months ended December 31, 2024, was primarily due to the change in net sales as described above. The amortization expenses associated with the completed capitalized product development costs that are included in the cost of goods sold declined the gross profits and gross profits in terms of net sales percentages in both periods.

**OPERATING EXPENSES** - Operating expenses increased by \$400,423, or 8.9%, to \$4,891,116 for the six months ended December 31, 2024 from \$4,490,693 for the corresponding period of 2023.

Selling, general, and administrative expenses increased by \$168,682, or 6.1%, to \$2,939,566 for the six months ended December 31, 2024, from \$2,770,884 for the corresponding period of 2023. The increase in selling, general, and administrative expenses was primarily due to the increased payroll expenses, legal fees, and compensation expenses related to stock options of approximately \$150,000, \$85,000, and \$66,000, respectively, which was offset by the decreased rent expense of the operating leases by approximately \$130,000.

Research and development expense increased by \$231,741, or 13.5%, to \$1,951,550 for the six months ended December 31, 2024, from \$1,719,809 for the corresponding period of 2023. The increase in research and development expense was primarily due to the increased research and development costs and the related payroll expense of approximately \$216,000 and \$16,000, respectively, which is the mixed result of the timing of research and development activities and the number of active projects and typically vary from period to period.

**OTHER INCOME, NET** - Other income, net decreased by \$530,011, or 59.7%, to \$358,370 for the six months ended December 31, 2024 from \$888,381 for the corresponding period of 2023. The decrease was primarily due to the increased loss of \$705,063 from the unfavorable changes in foreign currency exchange rates in FTI and the decreased interest income of approximately \$50,000 from deposits, which was partially offset by the increased forgiven liabilities of approximately \$250,000.

#### **LIQUIDITY AND CAPITAL RESOURCES**

Our historical operating results, capital resources and financial position, in combination with current projections and estimates, were considered in management's plan and intentions to fund our operations over a reasonable period of time, which we define as the twelve-month period ending from the date of the filing of this Form 10-Q. For purposes of liquidity disclosures, we assess the likelihood that we have sufficient available working capital and other principal sources of liquidity to fund our operating activities and obligations as they become due.

Our principal source of liquidity as of December 31, 2024 consisted of cash and cash equivalents, as well as short-term investments, of \$42,160,072. We believe we have sufficient available capital to cover our existing operations and obligations through at least one year from the date of the filing of this Form 10-Q. Our long-term future cash requirements will depend on numerous factors, including our revenue base, profit margins, product development activities, market acceptance of our products, future expansion plans and ability to control costs. If we are unable to achieve our current business plan or secure additional funding that may be required, we would need to curtail our operations or take other similar actions outside the ordinary course of business in order to continue to operate as a going concern.

**OPERATING ACTIVITIES** - Net cash provided by operating activities for the six months ended December 31, 2024 was \$5,412,542, and net cash used in operating activities for the six months ended December 31, 2023 was \$6,193,534.

The \$5,412,542 in net cash provided by operating activities for the six months ended December 31, 2024 was primarily due to the increase in accounts payable and accrued liabilities of \$6,501,820 and \$838,564 as well as our operating results (net income adjusted for depreciation, amortization, and other non-cash charges), which was partially offset by the increase in inventories of \$2,751,477.

The \$6,193,534 in net cash used in operating activities for the six months ended December 31, 2023 was primarily due to the increase in accounts receivable of \$4,495,638 and the decrease in accounts payable of \$3,869,191 as well as our operating results (net loss adjusted for

depreciation, amortization, and other non-cash charges), which was partially offset by the decrease in inventories of \$2,581,682.

**INVESTING ACTIVITIES** – Net cash provided by investing activities for the six months ended December 31, 2024 was \$2,631,817, and net cash used in investing activities for the six months ended December 31, 2023 was \$869,481.

The \$2,631,817 in net cash provided by investing activities for the six months ended December 31, 2024 was primarily due to the sales of short-term investments of \$2,685,688, which were offset by the payments for capitalized product development and property and equipment of \$31,981 and \$24,784, respectively.

The \$869,481 in net cash used in investing activities for the six months ended December 31, 2023 was primarily due to the purchase of short-term investments of \$779,571 and the payments for capitalized product development of \$68,733.

**FINANCING ACTIVITIES** - Net cash used in financing activities for the six months ended December 31, 2024, and 2023 was \$0 and \$2,046, respectively. The \$2,046 in net cash used in financial activities for the six months ended December 31, 2023 was from the increased loan interest to an employee.

## **CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS**

### **Leases**

We leased approximately 12,775 square feet of office space in San Diego, California, at a monthly rent of \$25,754, pursuant to a lease that expired in December 2023. On October 19, 2023, we signed a lease for office space consisting of approximately 11,400 square feet, located in San Diego, California, at a monthly rent of \$27,789, which commenced on January 1, 2024. In addition to monthly rent, the lease includes payment for certain common area costs. The term of the lease for the office space is 65 months from the lease commencement date. Our facility is covered by an appropriate level of insurance, and we believe it to be suitable for our use and adequate for our present needs.

On or about December 7, 2023, we received an invoice from our prior landlord, Hunsaker & Associates, requesting payment of additional rent on our completed and expired lease of office space located at 9707 Waples Street, San Diego, CA as of December 31, 2023. This invoice of \$142,978 purports to represent charges for variable cost increases during the prior 7 years of the lease, which was discounted by \$46,274 and adjusted down to \$96,704 for the three months ended June 30, 2024. We are currently reviewing these charges and will be requesting further validation of these charges, in accordance with our rights granted under the lease. For the year ended June 30, 2024, we recorded an additional rent expense of \$96,704 and an accrued liability of \$72,048 reflecting this pending invoice and a credit of \$24,656 for our deposit on the leasehold property.

Our Korea-based subsidiary, FTI, leases approximately 10,000 square feet of office space, at a monthly rent of approximately \$8,000, and additional office space consisting of approximately 2,682 square feet at a monthly rent of approximately \$2,700, both located in Seoul, South Korea. These leases expired on August 31, 2024, and were extended for an additional 24 months to August 31, 2026. In addition to monthly rent, the leases provide for periodic cost of living increases in the base rent and payment for certain common area costs. These facilities are covered by an appropriate level of insurance, and we believe them to be suitable for our use and adequate for our present needs.

We lease one corporate housing facility, located in Seoul, South Korea, primarily for our employees who travel, under a non-cancelable operating lease that expires on September 4, 2025. We lease one corporate vehicle on December 1, 2024, in San Diego, California, for our employees, under a non-cancelable lease that expires on November 30, 2027.

Rent expenses for the three months ended December 31, 2024 and 2023 were \$112,352 and \$254,402, respectively. Rent expenses for the six months ended December 31, 2024 and 2023 were \$225,109 and \$365,829, respectively.

## **Recently Issued Accounting Pronouncements**

Refer to NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES in the Consolidated Financial Statements.

## **OFF-BALANCE SHEET ARRANGEMENTS**

None.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

As a "smaller reporting company," the Company is not required to respond to this item.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

Our management has evaluated, under the supervision and with the participation of our President and Acting Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, our President and our Acting Chief Financial Officer have concluded that, as of December 31, 2024, our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC and (ii) accumulated and communicated to our management, including our principal executive and principal accounting officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

### **Changes in Internal Control Over Financial Reporting**

There have been no changes in our internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities

## PART II – OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

We have provided information about legal proceedings in which we are involved in Note 6 of the notes to consolidated financial statements for the six months ended December 31, 2024, contained within this Quarterly Report on Form 10-Q.

### ITEM 1A. RISK FACTORS

Our Annual Report on Form 10-K for the fiscal year ended June 30, 2024, filed with the SEC on September 30, 2024 (the "Annual Report"), includes a detailed discussion of our risk factors under the heading "PART I, ITEM 1A – RISK FACTORS." You should carefully consider the risk factors discussed in our Annual Report, as well as other information in this quarterly report. We are planning to replace one model this year and one model next year that are reaching end of life with new models. Any of the risks discussed in our Annual Report, including risks related to developing new models, could cause our business, financial condition, results of operations and future growth prospects to suffer. We are not aware of any material changes from the risk factors previously disclosed.

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

None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

None.

### ITEM 5. OTHER INFORMATION

During the six months ended December 31, 2024, no director or officer of the Company adopted or terminated 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 6. EXHIBITS

- 31.1 [Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 [Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

## SIGNATURES

In accordance with Section 13 of 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Franklin Wireless Corp.

By: /s/ OC Kim  
OC Kim  
President  
(Principal Executive Officer)

By: /s/ Reid Granados  
Reid Granados  
Acting Chief Financial Officer  
(Principal Financial Officer)

Dated: February 14, 2025



**Exhibit 31.1**

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

I, OC Kim, President of Franklin Wireless Corp., certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Franklin Wireless Corp.;
- 2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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 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 my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ OC KIM  
OC Kim  
President  
(Principal Executive Officer)  
February 14, 2025

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

I, Reid Granados, Acting Chief Financial Officer of Franklin Wireless Corp., certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Franklin Wireless Corp.;
- 2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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 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 my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Reid Granados

Reid Granados  
Principal Financial Officer  
February 14, 2025



**Exhibit 32.1**

**CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Franklin Wireless Corp. (the "Company") on Form 10-Q for the six months ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, OC Kim, President of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

/s/ OC KIM  
OC Kim  
President  
(Principal Executive Officer)  
February 14, 2025

A signed copy of this written statement required by section 906 of the Sarbanes-Oxley Act of 2002 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.

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Franklin Wireless Corp. (the "Company") on Form 10-Q for the six months ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Reid Granados, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

/s/ Reid Granados  
Reid Granados  
Principal Financial Officer  
February 14, 2025

A signed copy of this written statement required by section 906 of the Sarbanes-Oxley Act of 2002 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.