UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2025

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: 001-38371

One Stop Systems, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**33-0885351**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

2235 Enterprise Street #110

Escondido, California 92029

(Address of principal executive offices including Zip Code

(760) 745-9883

(Registrant's telephone number, including area code)

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

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

Title of each class	Trading symbol	Name of exchange on which registered
Common Stock, $0.0001 par value per share	OSS	The Nasdaq Capital Market

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 X No ☐

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	X	Smaller reporting company	X
		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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No X

As of July 31, 2025, the registrant had 21,924,818 shares of common stock (par value $0.0001) outstanding.

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PART_1_FINANCIAL_INFORMATION

FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q ("Quarterly Report"), contains forward-looking statements that involve substantial risks and uncertainties. The forward-looking statements are contained principally in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." All statements, other than statements of historical facts, contained in this Quarterly Report, including statements regarding our strategy, future operations, future financial position, projected costs, prospects, plans and objectives of management, are forward-looking statements. Words such as, but not limited to, "anticipate," "aim," "believe," "contemplate," "continue," "could," "design," "estimate," "expect," "intend," "may," "might," "plan," "possible," "potential," "predict," "project," "seek," "should," "suggest," "strategy," "target," "will," "would," and similar expressions or phrases, or the negative of those expressions or phrases, are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

These forward-looking statements include, among other things, statements about:

- our ability to adjust to economic uncertainty and capital markets disruption, which has been significantly impacted by geopolitical instability, and could harm our financial condition and results of operations;
- our ability to remediate issues with volatile or recessionary conditions in the United States or abroad which could adversely affect our business and/or our access to capital markets in a material manner;

- adverse developments affecting the financial services industry, such as actual events or concerns involving liquidity, defaults, or non-performance by financial institutions or transactional counterparties, could adversely affect our current and projected business operations and our financial condition and results of operations;
- our ability to file Annual and Quarterly Reports on a timely basis;
- our ability to raise additional capital to fund our operations if and as needed;
- our ability to achieve and sustain profitability;
- our estimates regarding our future performance including, without limitation, any estimates of potential future revenues;
- estimates regarding market size;
- our estimates regarding expenses, revenues, financial performance, and capital requirements, including the length of time our capital resources will sustain our operations;
- our dependence on third parties for the manufacture of our products;
- our ability to expand our organization to accommodate potential growth; and
- our ability to retain and attract key personnel

Although we believe that we have a reasonable basis for each forward-looking statement contained in this Quarterly Report, we caution you that these statements are based on our projections of the future that are subject to known and unknown risks and uncertainties and other factors that may cause our actual results, level of activity, performance or achievements expressed or implied by these forward-looking statements, to differ. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. All forward-looking statements are qualified in their entirety by this cautionary statement. Forward-looking statements should be regarded solely as our current plans, estimates and beliefs. You should read this Quarterly Report and the documents that we have filed as exhibits to this Quarterly Report and incorporated by reference herein completely and with the understanding that our actual results may be materially different from the plans, intentions and expectations disclosed in the forward-looking statements we make. Moreover, we operate in a very competitive and rapidly changing environment and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. The forward-looking statements contained in this Quarterly Report are made as of the date of this Quarterly Report, and we do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

Unless the context requires otherwise, references in this Quarterly Report to "OSS," "Company," "we," "us" and "our" refer to One Stop Systems, Inc. and its subsidiaries.

One Stop Systems, the One Stop Systems logo, and other trademarks or service marks of One Stop Systems appearing in this Quarterly Report are the property of One Stop Systems, Inc. This Quarterly Report also includes trademarks, trade names and service marks that are the property of other organizations. Solely for convenience, trademarks and trade names referred to in this Annual Report appear without the ® and ™ symbols, but those references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights, or that the applicable owner will not assert its rights, to these trademarks and trade names.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

In our opinion, the accompanying unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly our financial position, results of operations, and cash flows for the interim periods presented. We have presented financial statements in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). Therefore, such financial statements do not include all disclosures required by accounting principles generally accepted in the United States of America. In preparing these unaudited consolidated financial statements, management has evaluated events and transactions for potential recognition or disclosure through the date the unaudited consolidated financial statements were issued by filing with the SEC.

This Quarterly Report should be read in conjunction with our audited financial statements for the year ended December 31, 2024, included in our Annual Report on Form 10-K, filed with the SEC on March 19, 2025.

The results of operations for the three month and six month periods ended June 30, 2025, are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2025.

ONE STOP SYSTEMS, INC. (OSS)

CONSOLIDATED BALANCE SHEETS

		Unaudited June 30, 2025		Audited December 31, 2024
ASSETS				
Current assets				
Cash and cash equivalents	$	8,458,920	$	6,794,093
Short-term investments (Note 3)		1,030,416		3,217,065
Accounts receivable, net (Note 4)		7,112,660		8,177,371
Inventories, net (Note 5)		14,599,319		13,176,156
Prepaid expenses and other current assets		1,217,555		836,364
Total current assets		32,418,870		32,201,048
Property and equipment, net		1,443,088		1,669,026
Operating lease right-of use assets		3,986,046		1,536,094
Deposits and other		38,092		38,093
Goodwill		1,489,722		1,489,722
Total Assets	$	39,375,818	$	36,933,982
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Accounts payable	$	4,097,309	$	2,068,017
Accrued expenses and other liabilities (Note 6)		3,516,054		4,806,675
Current portion of operating lease obligation (Note 9)		457,302		285,937
Current portion of notes payable (Note 7)		1,177,064		1,035,050
Total current liabilities		9,247,729		8,195,679
Deferred tax liability, net		77,562		52,574
Operating lease obligation, net of current portion (Note 9)		3,846,257		1,513,684
Total liabilities		13,171,548		9,761,937
Commitments and contingencies (Note 9)				
Stockholders' equity				
Common stock, \$0.0001 par value; 50,000,000 shares authorized; 21,920,779 and 21,148,810 shares issued and outstanding		2,192		2,115
Additional paid-in capital		50,908,298		49,082,737
Accumulated other comprehensive income		1,385,205		140,254
Accumulated deficit		(26,091,425)		(22,053,061)
Total stockholders' equity		26,204,271		27,172,045
Total Liabilities and Stockholders' Equity	$	39,375,818	$	36,933,982

See accompanying notes to unaudited consolidated financial statements.

ONE STOP SYSTEMS, INC. (OSS)

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2025	2024	2025	2024
Revenue:				
Product	$ 13,723,583	$ 11,753,124	$ 25,572,295	$ 24,040,170
Customer funded development	385,002	1,448,206	795,377	1,812,946
	14,108,585	13,201,330	26,367,672	25,853,116
Cost of revenue:				
Product	9,445,428	8,703,324	17,357,742	17,522,080
Customer funded development	250,879	1,164,743	600,661	1,274,480
	9,696,307	9,868,067	17,958,403	18,796,560
Gross profit	4,412,278	3,333,263	8,409,269	7,056,556
Operating expenses:				
General and administrative	2,386,201	2,407,398	4,752,571	4,501,715
Marketing and selling	2,325,130	2,255,128	4,543,319	4,175,241
Research and development	1,524,900	925,602	2,882,192	1,896,479
Total operating expenses	6,236,231	5,588,128	12,178,082	10,573,435
Loss from operations	(1,823,953)	(2,254,865)	(3,768,813)	(3,516,879)
Other (expense) income, net:				
Interest income	50,296	118,619	122,807	260,344
Interest expense	(13,690)	(19,103)	(27,876)	(54,445)
Other (expense) income, net	(9,195)	21,831	(30,828)	29,109
Total other income, net	27,411	121,347	64,103	235,008
Loss before income taxes	(1,796,542)	(2,133,518)	(3,704,710)	(3,281,871)
Provision for income taxes	224,188	211,027	333,654	402,296
Net loss	$ (2,020,730)	$ (2,344,545)	$ (4,038,364)	$ (3,684,167)
Net loss per share:				
Basic	$ (0.09)	$ (0.11)	$ (0.19)	$ (0.18)
Diluted	$ (0.09)	$ (0.11)	$ (0.19)	$ (0.18)
Weighted average common shares outstanding:				
Basic	21,687,808	20,931,798	21,534,925	20,820,516
Diluted	21,687,808	20,931,798	21,534,925	20,820,516

See accompanying notes to unaudited consolidated financial statements.

ONE STOP SYSTEMS, INC. (OSS)

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2025	2024	2025	2024
Net loss	$ (2,020,730)	$ (2,344,545)	$ (4,038,364)	$ (3,684,167)
Other comprehensive income (loss):				
Net unrealized loss on short-term investments	(2,740)	(2,203)	(2,346)	(7,410)
Currency translation adjustment	1,094,358	(24,537)	1,247,298	(180,824)
Total other comprehensive income (loss)	1,091,618	(26,740)	1,244,952	(188,234)
Comprehensive loss	$ (929,112)	$ (2,371,285)	$ (2,793,412)	$ (3,872,401)

See accompanying notes to unaudited consolidated financial statements.

ONE STOP SYSTEMS, INC. (OSS)

UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the Three and Six Month Periods Ended June 30, 2025

	Common Stock		Additional Paid-in-Capital	Accumulated Other Comprehensive income	Accumulated (Deficit) Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance, January 1, 2025	21,148,810	$ 2,115	$ 49,082,737	$ 140,254	$ (22,053,061)	$ 27,172,045
Stock-based compensation	-	-	612,561	-	-	612,561
Exercise of stock options, RSUs and warrants	433,386	43	373,267	-	-	373,310
Taxes paid on net issuance of employee stock options	-	-	(243,654)	-	-	(243,654)
Currency translation adjustment	-	-	-	152,940	-	152,940
Net unrealized gain on short-term investments	-	-	-	393	-	393
Net loss	-	-	-	-	(2,017,634)	(2,017,634)
Balance, March 31, 2025	21,582,196	2,158	49,824,911	293,587	(24,070,695)	26,049,961
Stock-based compensation	-	-	515,774	-	-	515,774
Exercise of stock options, RSUs and warrants	338,583	34	627,436	-	-	627,470
Taxes paid on net issuance of employee stock options	-	-	(59,823)	-	-	(59,823)
Currency translation adjustment	-	-	-	1,094,358	-	1,094,358
Net unrealized loss on short-term investments	-	-	-	(2,740)	-	(2,740)
Net loss	-	-	-	-	(2,020,730)	(2,020,730)
Balance, June 30, 2025	21,920,779	$ 2,192	$ 50,908,298	$ 1,385,205	$ (26,091,425)	$ 26,204,271

See accompanying notes to unaudited consolidated financial statements.

ONE STOP SYSTEMS, INC. (OSS)

UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the Three and Six Month Periods Ended June 30, 2024

	Common Stock				Accumulated Other		Accumulated		Total
	Shares		Amount	Additional Paid-in-Capital	Comprehensive income		(Deficit) Earnings		Stockholders' Equity
Balance, January 1, 2024	20,661,341	$	2,066	$ 47,323,673	$	675,310	$	(8,418,727)	$ 39,582,322
Stock-based compensation	-		-	408,740		-		-	408,740
Exercise of stock options, RSUs and warrants	211,729		21	127,329		-		-	127,350
Taxes paid on net issuance of employee stock options	-		-	(246,376)		-		-	(246,376)
Currency translation adjustment	-		-	-		(156,287)		-	(156,287)
Net unrealized loss on short-term investments	-		-	-		(5,208)		-	(5,208)
Net loss	-		-	-		-		(1,339,622)	(1,339,622)
Balance, March 31, 2024	20,873,070		2,087	47,613,366		513,815		(9,758,349)	38,370,919
Stock-based compensation	-		-	557,198		-		-	557,198
Exercise of stock options, RSUs and warrants	124,313		12	91,986		-		-	91,998
Taxes paid on net issuance of employee stock options	-		-	(102,920)		-		-	(102,920)
Currency translation adjustment	-		-	-		(24,537)		-	(24,537)
Net unrealized loss on short-term investments	-		-	-		(2,203)		-	(2,203)
Net loss	-		-	-		-		(2,344,545)	(2,344,545)
Balance, June 30, 2024	20,997,383	$	2,099	$ 48,159,630	$	487,075	$	(12,102,894)	$ 36,545,909

See accompanying notes to unaudited consolidated financial statements.

ONE STOP SYSTEMS, INC. (OSS)

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30, 2025	2024
Cash flows from operating activities:		
Net loss	$ (4,038,364)	$ (3,684,167)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Deferred income taxes	(295,894)	(187,845)
Loss on disposal of property and equipment	-	354
Provision for bad debt	4,531	-
Warranty reserves	-	(30,000)
Depreciation	451,009	563,278
Amortization of right-of-use assets	184,962	206,771
Inventory reserves	(378,466)	744,845
Stock-based compensation expense	1,128,335	965,938
Changes in operating assets and liabilities:		
Accounts receivable	1,524,472	(220,525)
Inventories	24,257	541,323
Prepaid expenses and other current assets	(7,245)	(867,319)
Accounts payable	1,847,345	1,683,944
Accrued expenses and other liabilities	(1,814,124)	1,673,804
Operating lease liabilities	(135,118)	(163,659)
Net cash (used in) provided by operating activities	(1,504,300)	1,226,742
Cash flows from investing activities:		
Redemption of short-term investment grade securities	2,184,302	2,745,180
Purchases of property and equipment, including capitalization of labor costs for test equipment and ERP	(173,329)	(204,094)
Net cash provided by investing activities	2,010,973	2,541,086
Cash flows from financing activities:		
Proceeds from exercise of stock options and warrants	1,000,780	219,348
Payment of payroll taxes on net issuance of employee stock options	(303,477)	(349,296)
Repayments on notes payable	-	(884,892)
Net cash provided by (used in) financing activities	697,303	(1,014,840)
Net change in cash and cash equivalents	1,203,976	2,752,988
Effect of exchange rates on cash	460,851	(50,165)
Cash and cash equivalents, beginning of period	6,794,093	4,048,948
Cash and cash equivalents, end of period	$ 8,458,920	$ 6,751,771

See accompanying notes to unaudited consolidated financial statements.

ONE STOP SYSTEMS, INC. (OSS)

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

	For the Six Months Ended June 30,			
		2025		2024
Supplemental disclosure of cash flow information:				
Cash paid during the period for interest	$	26,793	$	52,911
Cash paid during the period for income taxes	$	278,754	$	221,353
Supplemental disclosure of non-cash flow transactions:				
Reclassification of inventories to property and equipment	$	18,406	$	-
Capitalization of right-of-use assets and operating lease liability	$	2,438,697		

See accompanying notes to unaudited consolidated financial statements.

ONE STOP SYSTEMS, INC. (OSS)

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Month Periods Ended June 30, 2025 and 2024

NOTE 1 – THE COMPANY AND BASIS OF PRESENTATION

Nature of Operations

One Stop Systems, Inc. ("we," "our," "OSS," or the "Company") was originally incorporated as a California corporation in 1999, after initially being formed as a California limited liability company in 1998. On December 14, 2017, the Company was reincorporated as a Delaware corporation in connection with its initial public offering. The Company designs, manufactures, and markets specialized rugged high-performance compute, high speed switch fabrics and storage systems, which are designed to target edge applications for artificial intelligence ("AI")/machine learning ("ML"), sensor processing, sensor fusion and autonomy. The Company markets its products to manufacturers of equipment used for autonomous vehicles, medical, industrial, and military applications, with special focus on platforms that move, such as planes, trucks, ships, submarines and mobile datacenters or command posts where sensor processing, sensor fusion, AI and ML are integrated to support such applications.

During the year ended December 31, 2015, the Company formed a wholly owned subsidiary in Germany, One Stop Systems, GmbH ("OSS GmbH"). In July 2016, the Company acquired Mission Technologies Group, Inc. ("Magma") and its operations that complemented OSS' manufacture of custom high-performance compute servers.

On August 31, 2018, the Company acquired Concept Development Inc. ("CDI") located in Irvine, California. CDI specialized in the design and manufacture of custom high-performance computing systems for airborne in-flight entertainment, flight safety equipment, and networking systems. CDI's business was fully integrated into the core operations of the Company as of June 1, 2020.

On October 31, 2018, OSS GmbH acquired 100% of the outstanding equity of Bressner Technology GmbH, a limited liability company registered under the laws of Germany and located near Munich, Germany ("Bressner"). Bressner designs and manufactures standard and customized servers, panel PCs, and PCIe accelerator systems. It also operates as a systems integrator with standard and custom all in one hardware systems and components. In addition, Bressner serves as a channel to market for OSS ruggedized datacenter level compute and storage products to the European and Middle Eastern markets.

In 2023 and 2024, the Company increased its focus on the development and sale of edge computing solutions and increased efforts to penetrate the military and defense sectors in particular. A re-profiling of the board of directors and the executive team enabled further emphasis and focus on the pursuit of revenue opportunities with major defense contractors and the military.

Impacts resulting in part from tariffs and the threat of tariffs, ongoing military conflicts in Europe and Middle East, Federal Reserve and European Central Bank interest rate policy, inflation and the risk of inflation, and uncertainty about the timing and substance of U.S. government budgets and policy actions have contributed to economic uncertainty and capital markets volatility in the near term that have and could continue to negatively affect our operations. Weakness in the European and more specifically the German economy negatively affected our Bressner segment in 2024. Economic conditions have improved in 2025, but uncertainty, volatility, and the risk of recessionary conditions in Europe and North America remain elevated.

Tariffs and the threat of tariffs sanctioned by the United States have contributed to uncertainty and supply chain disruptions that could impact our operations. The Company's OSS segment conducts final assembly and test of products at our facility in California. However, we source components and subassemblies from both within and outside of the United States. While we attempt to pass on the cost of tariffs to our customers, our ability to do so is dependent upon many factors, including the predictability of tariff rates and market conditions for the Company's products. Management is closely monitoring and managing impacts and potential impacts to our business from ongoing trade policy developments.

In recent years, we experienced increased supplier pricing, long lead-times, unavailability or limited supplies of certain products, protracted delivery dates, changes in minimum order quantities to secure products, and/or shortages of certain parts and supplies that are necessary components for the products and services we offer to our customers. While these supply chain pressures have eased in recent quarters, recent geopolitical and trade policy developments and uncertainty have increased the risk of continued or increased impacts to our supply chain in the near-term.

These global issues and concerns regarding general economic uncertainty or recession may impact our business as well as some of our customers, who may experience downturns or uncertainty in their own business operations and revenue. As a result, these customers may need to decrease or delay their technology spending, request pricing concessions or payment extensions, or seek to renegotiate their contracts.

These global issues and events may also have the effect of heightening many risks associated with our customers and supply chain. We may take further actions that alter our operations from time to time, or which we determine are in our best interests. In addition, we may decide to postpone or abandon planned investments in our business in response to changes in our business, which may impact our ability to attract and retain customers and our rate of innovation, either of which could harm our business.

As a result of these global issues, it has been difficult to accurately forecast our revenues or financial results, especially given the near and long-term impacts of the economic and geopolitical issues, inflation, the impact of tariffs, and uncertainty regarding the economic outlook. In addition, while the potential impact and duration of these issues on the economy and our business may be difficult to assess or predict, these world events have resulted in, and may continue to result in, significant disruption of global financial markets, and may reduce our ability to access additional capital, which could negatively affect our liquidity in the future. Our results of operations could be materially below our forecasts as well, which could adversely affect our results of operations, disappoint analysts and investors, or cause our stock price to decline.

Management's plans with respect to the above are to continue their efforts towards responding to the changing economic landscape and to continue to control costs, conserve cash, and strengthen margins through the introduction of new products and solutions focusing on AI compute capabilities for military and industrial applications.

Basis of Presentation

The accompanying financial statements have been prepared on an accrual basis of accounting in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP"), as set forth in the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC").

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of OSS, which include the acquisition of CDI, and its wholly owned subsidiary, OSS GmbH, which also includes the acquisition of Bressner. Intercompany balances and transactions have been eliminated in consolidation.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

There have been no changes to our accounting policies disclosed in our audited consolidated financial statements and the related notes for the year ended December 31, 2024.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates and assumptions.

On an ongoing basis, our management evaluates these estimates and assumptions, including those related to determination of standalone selling prices of our products and services, allowance for credit losses and sales reserves, income tax valuations, stock-based compensation, goodwill, intangible assets and inventory valuations and recoverability. We base our estimates on historical data and experience, as well as various other factors that our management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities.

Recent Accounting Pronouncements

On December 14, 2023, the FASB issued ASU 2023-09, *Improvement to Income Tax Disclosure* (Topic 740) which establishes new income tax disclosure requirements in addition to modifying and eliminating certain existing requirements. Under the new guidance, entities must consistently categorize and provide greater disaggregation of information in the rate reconciliation. The Company must also further disaggregate income taxes paid. The objective of these disclosure requirements is for an entity, particularly an entity operating in multiple jurisdictions, to disclose sufficient information to enable users of financial statements to understand the nature and magnitude of factors contributing to the difference between the effective tax rate and the statutory tax rate. The standard is intended to benefit investors by providing more detailed income tax disclosures that would be useful in making capital allocation decisions. This guidance applies to annual periods beginning after December 15, 2024.

On November 27, 2023, the FASB issued ASU 2023-07 "Segment Reporting (Topic 280): Improvements to reportable segment disclosures." This amendment enhanced disclosures about significant segment expenses." In addition, the amendments enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provide new segment disclosure requirements for entities with a single reportable segment, and contain other disclosure requirements. Additionally, the amendments require the disclosure of the title and position of the chief operating decision maker (CODM) and an explanation of the segment profit or loss measures used to evaluate segment performance. Our segment disclosures comply with the requirements. See "Note 11: Segment and Geographic Information."

On November 4, 2024, the FASB issued ASU 2024-03 "Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses" which requires disaggregated disclosure of certain income statement expenses. This amendment introduces enhanced guidance regarding presentation of certain income statement expense items and requires disclosure of certain types of expenses in the footnotes to the financial statements. This guidance applies to annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027.

NOTE 3 - SHORT-TERM INVESTMENTS

The Company's short-term investments by significant investment category as of June 30, 2025, were as follows:

Description		Amortized Cost		Gross Unrealized Gains		Gross Unrealized Losses		Accrued Interest		Estimated Fair Value
Level 1: (1)										
Cash alternatives	$	32,722	$	-	$	-	$	-	$	32,722
Certificates of deposit		990,000		2,226		-		5,468		997,694
	$	1,022,722	$	2,226	$	-	$	5,468	$	1,030,416

(1)Level 1 fair value estimates are based on quoted prices in active markets for identical assets or liabilities.

The Company's short-term investments by significant investment category as of December 31, 2024, were as follows:

Description		Amortized Cost		Gross Unrealized Gains		Gross Unrealized Losses		Accrued Interest		Estimated Fair Value
Level 1: (1)										
Cash alternatives	$	814,717	$	-	$	-	$	-	$	814,717
Certificates of deposit		2,349,000		4,572		-		48,776		2,402,348
	$	3,163,717	$	4,572	$	-	$	48,776	$	3,217,065

(1)Level 1 fair value estimates are based on quoted prices in active markets for identical assets or liabilities.

Cash alternatives represent cash balances in savings accounts and U.S. Treasury Bills that are temporarily on-hand that are immediately available for investments in accordance with the Company's investment policy.

The Company typically invests in low risk securities and its investment policy limits the amount of credit exposure to any one issuer. The policy requires investments in fixed income instruments denominated and payable in U.S. dollars only and requires investments to have an investment grade credit rating, with a primary objective of minimizing the potential risk of principal loss.

NOTE 4 -ACCOUNTS RECEIVABLE

Accounts receivable, net consisted of the following for the periods indicated:

		June 30, 2025		December 31, 2024
Accounts receivable	$	7,257,734	$	8,310,178
Less: allowance for credit losses		(145,074)		(132,807)
	$	7,112,660	$	8,177,371

Provision for bad debt expense related to accounts receivable was $4,879 and $0 for the three month periods ended June 30, 2025 and 2024, respectively, and $4,879 and $0 for the six month period ended June 30, 2025 and 2024, respectively.

The following tables represent the changes in the allowance for credit losses associated with our trade receivables for the six month periods ended June 30, 2025 and 2024.

	For the Six Months Ended June 30,			
Allowance for Credit Losses		2025		2024
Balance on January 1,	$	(132,807)	$	(50,032)
Provision charged to expense		(4,879)		-
Receivables written-off		100		-
Effects of change in exchange rates		(7,488)		333
	$	(145,074)	$	(49,699)

NOTE 5 – INVENTORIES

Inventories, net consisted of the following for the periods indicated:

	June 30, 2025	December 31, 2024
Raw materials	$ 10,307,419	$ 11,038,609
Sub-assemblies	1,019,401	887,440
Work-in-process	404,354	543,207
Finished goods	10,401,479	8,406,258
	22,132,653	20,875,514
Less: allowances for obsolete and slow-moving inventories	(7,533,334)	(7,699,357)
	$ 14,599,319	$ 13,176,156

NOTE 6 – ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consisted of the following for the periods indicated:

	June 30, 2025	December 31, 2024
Accrued compensation and related liabilities	$ 1,270,051	$ 1,008,278
Deferred revenue	152,254	218,499
Customer deposits	-	26,607
Warranty reserve	554,786	501,726
Trade and other taxes	765,203	495,105
Other accrued expenses	773,760	2,556,461
	$ 3,516,054	$ 4,806,675

The table below presents the deferred revenue, warranties and deposit balances along with the significant activity affecting balances during the six month periods ended June 30, 2025 and 2024:

Deferred revenue	June 30, 2025	June 30, 2024
Beginning balance	$ 218,499	$ 299,514
Deferral of revenue during the period	1,309,550	52,405
Recognition of unearned revenue from beginning of period	(173,768)	(98,816)
Recognition of unearned revenue from additions	(1,202,027)	(1,881)
Ending balance	$ 152,254	$ 251,222

Customer deposits	June 30, 2025	June 30, 2024
Beginning balance	$ (26,607)	$ 27,447
Additions during the period	(768,856)	3,275,864
Deposits recognized from beginning of period	-	(1,756,282)
Deposits recognized from additions	795,463	(280,552)
Ending balance	$ -	$ 1,266,477

As of June 30, 2025, the Company had approximately $4,171,013 of remaining performance obligations under fully funded contracts for which the Company's performance obligations are satisfied over time and for which the customer receives benefits as the Company performs. These performance obligations are expected to be satisfied within 2025.

Revenue from customers with non-U.S. billing addresses represented approximately 63% and 63% of the Company’s revenue during the three month periods ended June 30, 2025 and 2024, respectively, and 63% and 61% for the six month periods ended June 30, 2025 and 2024, respectively.

As of June 30, 2025, substantially all the Company’s long-lived assets are in the United States of America, except for assets of $452,380 located in Germany.

NOTE 7 – DEBT

Bank Lines of Credit

In April 2022, the Company obtained a domestic revolving line of credit of $2,000,000 at Torrey Pines Bank. To access this line of credit, the Company must maintain a minimum cash balance of $2,500,000 with the bank and maintain a maximum debt to tangible net worth of ratio of 1.00. The line of credit is also collateralized by the assets of the Company. No balance was outstanding on June 30, 2025 or December 31, 2024.

Bressner has three revolving lines of credit with German institutions, including Uni Credit Bank AG, Commerzbank AG, and VR Bank, with total availability of up to €2,700,000 (US $3,178,073) as of June 30, 2025. Borrowings under the lines of credit bear interest at a variable rate of Euribor plus a stated rate. The rates as of June 30, 2025, for the lines of credit ranged from 3.75% to 6.55%, with the balances remaining open indefinitely or until occurrence of a defined change of control event. There were no outstanding lines of credit balances as of June 30, 2025 or December 31, 2024.

Foreign Debt Obligations

Bressner had two term loans outstanding as of June 30, 2025, with an aggregate balance outstanding of €1,000,000 (US$1,177,064) as follows:

•On December 31, 2024, Bressner han an outstanding note payable with UniCredit Bank for €500,000 with a maturity date of June 20, 2025 at an interest rate of 4.40%. On June 19, 2025, the note was further extended to December 22, 2025 at an interest rate of 3.75%, with accrued interest having been paid as current. The balance outstanding on the note as of June 30, 2025 and December 31, 2024, was €500,000 (US$588,532) and €500,000 (US$517,525), respectively.

•On December 31, 2025, Bressner had an outstanding note payable with Commerzbank AG for €500,000 with a maturity date of March 31, 2025 at an interest rate of 4.75%. On March 31, 2025, the note was extended through September 30, 2025, and the interest rate was reduced to 3.9%, with accrued interest having been paid current as of March 31, 2025. The balance outstanding on the note as of June 30, 2025 and December 31, 2024, was €500,000 (US$588,532) and €500,000 (US$517,525), respectively.

A summary of outstanding debt obligations as of June 30, 2025, was as follows:

Loan Description	Current Interest Rate	Maturity Date	Balance (Euro)	Balance ($)	Current Portion
Foreign:					
Commerzbank AG	3.90%	September-25	500,000	588,532	588,532
Uni Credit Bank AG	3.75%	December-25	500,000	588,532	588,532
			€ 1,000,000	$ 1,177,064	$ 1,177,064

NOTE 8 – STOCKHOLDERS' EQUITY

The Company's amended and restated certificate of incorporation, filed with the Delaware Secretary of State on December 14, 2017, authorizes the Company to issue 10,000,000 shares of preferred stock and 50,000,000 shares of common stock.

2017 Equity Incentive Plan

On October 10, 2017, the Company's board of directors approved and adopted the Company's 2017 Equity Incentive Plan (as amended to date, the "2017 Plan"), subject to stockholder approval thereof. On December 18, 2017, the Company's stockholders approved the 2017 Plan. The 2017 Plan allows for the grant of a variety of equity vehicles to provide flexibility in the grant and issuance of equity awards, including stock options, unrestricted stock grants, restricted stock units ("RSUs"), stock bonuses and performance-based awards. An aggregate of 1,500,000 shares of common stock were initially reserved for issuance under the 2017 Plan.

On June 24, 2020, the Company amended the 2017 Plan to increase the maximum number of shares of common stock with respect to one or more Stock Awards (as defined in the 2017 Plan) that may be granted to any one participant under the 2017 Plan during any calendar year from 500,000 shares to 1,000,000 shares. The amendment did not increase the total number of shares of common stock authorized for issuance under the 2017 Plan and did not require stockholder approval.

On May 19, 2021, the Company's stockholders approved the Company's proposal to increase the number of shares authorized for issuance under the 2017 Plan from 1,500,000 shares to 3,000,000 shares of common stock of the Company pursuant to the terms and conditions of the 2017 Plan. The amendment took effect upon receipt of stockholder approval.

On March 15, 2024, the Company's board of directors unanimously approved, and on May 15, 2024, the Company's stockholders approved, an amendment to the 2017 Plan to increase the number of shares of common stock authorized for issuance thereunder from 3,000,000 to 5,000,000 shares. The amendment took effect upon receipt of stockholder approval.

Executive Employment Agreements

On June 5, 2023, in connection with, and as a material inducement to, the appointment of Michael Knowles as the Company's new chief executive officer and president, Mr. Knowles was granted (i) non-qualified stock options to purchase 400,000 shares of Company common stock (the "Inducement Options"), which Inducement Options have an exercise price equal to $2.95 per share and will expire ten years from the date of the grant; and (ii) 400,000 restricted stock units (together with the Inducement Options, the "Inducement Grants").

Both of the Inducement Grants shall vest over a four-year period as follows: 25% on the one-year anniversary of the date of the grant, and the remaining 75% will vest in six equal installments, commencing six months after the one-year anniversary of the date of grant and every six months thereafter until fully vested, subject to Mr. Knowles' continued employment by the Company.

The Inducement Grants were granted outside of the Company's 2017 Plan and any other equity incentive plans, and in reliance on the employment inducement exemption provided under the Nasdaq Listing Rule 5635(c)(4).

Stock Options

A summary of stock option activity under the Company's current equity incentive plans during the six month period ended June 30, 2025, was as follows:

	Stock Options Outstanding						
	Number of Underlying Shares		Weighted Average Exercise Price		Weighted Average Remaining Contractual Life (in years)		Aggregate Intrinsic Value
Outstanding on January 1, 2025	1,140,550	$	2.49		3.85	$	1,019,680
Granted	-	$	-		-		-
Forfeited / Canceled	(23,000)	$	3.09		-		15,880
Exercised	(481,259)	$	2.08		-	$	707,690
Outstanding on June 30, 2025	636,291	$	2.78		5.86	$	508,820
Exercisable as of June 30, 2025	436,291	$	2.70		4.91	$	388,820

As of June 30, 2025, there was $384,133 of unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a weighted average period of 1.20 years.

There were no options granted during the six month periods ended June 30, 2025 and 2024. The following table presents the grant date fair value of options vested and the intrinsic value of options exercised:

	For the Six Months Ended June 30,			
		2025		2024
Grant date fair value of options vested	$	688,212	$	1,043,083
Intrinsic value of options exercised	$	479,040	$	132,058

If there are any modifications or cancellations of the underlying unvested awards, the Company may be required to accelerate, increase, or cancel any remaining unearned stock-based compensation expense or calculate and record additional expense. Future stock-based compensation expense and unearned stock-based compensation will increase to the extent that the Company grants additional common stock options or other stock-based awards.

Restricted Stock Units

RSUs may be granted at the discretion of the compensation committee of the Company's board of directors under the 2017 Plan in connection with the hiring and retention of personnel and are subject to certain conditions. RSUs generally vest quarterly or semi-annually over a period of one to three years and are typically forfeited if employment is terminated before the RSUs vest. The compensation expense related to the RSUs is calculated as the fair value of the common stock on the grant date and is amortized to expense over the vesting period and is adjusted for estimated forfeitures.

The Company's RSU activity for the six months ended June 30, 2025, was as follows:

	Restricted Stock Units		
	Number of Underlying Shares		Weighted Average Grant Date Fair Value
Unvested on January 1, 2025	1,128,427	$	3.04
Granted	653,539	$	3.83
Vested	(388,442)	$	2.54
Canceled	(7,764)	$	3.25
Unvested on June 30, 2025	1,385,760	$	3.16

As of June 30, 2025, there was $3,619,751 of unrecognized compensation cost related to unvested RSUs, which is expected to be recognized over a weighted average period of 1.19 years.

Stock-based compensation expense for the three and six month periods ended June 30, 2025 and 2024, was comprised of the following:

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
Stock-based compensation classified as:		2025		2024		2025		2024
General and administrative	$	355,751	$	367,592	$	798,153	$	586,726
Production		21,906		58,053		43,327		116,106
Marketing and selling		41,414		23,786		80,859		47,572
Product and programs		47,898		51,357		100,223		102,714
Research and development		48,805		56,410		105,773		112,820
	$	515,774	$	557,198	$	1,128,335	$	965,938

Warrants

The Company did not have any outstanding warrants as of June 30, 2025 or December 31, 2024.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Legal

We are subject to litigation, claims, investigations, and audits arising from time to time in the ordinary course of our business. When applicable, we record accruals for contingencies when it is probable that a liability will be incurred, and the amount of loss can be reasonably estimated. While the outcome of lawsuits and other proceedings against us cannot be predicted with certainty, in our opinion, individually or in the aggregate, no such lawsuits are expected to have a material effect on our consolidated financial position or results of operations.

In the opinion of management, after consultation with legal counsel, the ultimate disposition of any such matters as of June 30, 2025, are not expected to have a materially adverse effect on the consolidated financial position or results of operations of the Company.

Guarantees and Indemnities

The Company has made certain indemnities, under which it may be required to make payments to an indemnified party, in relation to certain transactions. The Company indemnifies its directors, officers, employees, and agents to the maximum extent permitted under the laws of the State of Delaware. In connection with its facility lease, the Company has indemnified its lessor for certain claims arising from the use of the facilities. The duration of the indemnities varies, and in many cases is indefinite. These indemnities do not provide for any limitation of the maximum potential future payments the Company could be obligated to make. Historically, the Company has not been obligated to make any payments for these obligations and no liabilities have been recorded for these indemnities in the accompanying consolidated balance sheets.

Leases

The Company leases its offices, manufacturing, and warehouse facility in San Diego County under a non-cancellable operating lease. Our corporate headquarters are in a leased space comprising of approximately 29,342 square feet in Escondido, California under a lease that was last modified and extended in September 2023 and expires in August 2030. The Company also leases a 3,208 square foot facility in Salt Lake City, Utah, under a lease expiring in June 2025, that houses our Ion software development team. The Company extended the lease in Salt Lake City for an additional 12 months, with the lease commencing in July 2025 and expiring in June 2026, and the leased space was reduced from 3,208 square feet to 925 square feet. Additionally, we lease a 1,632 square foot facility located in Anaheim, California, with the lease expiring in July 2025. Bressner leases space in Germany comprising of 11,836 square feet on a month-to-month basis. In June 2024, Bressner leased an additional 2,500 square feet of office space in Germany on a month-to-month basis with payments of approximately $5,950 per month, beginning in October 2024.

In May 2025, Bressner entered into a lease agreement for approximately 15,629 square feet of office and warehouse space in Germany, with an initial lease term ending on June 30, 2030. The lease has an option to renew for additional five-year term that the Company is reasonably certain to exercise. Bressner expects to occupy the new facility in the second half of 2025, at which time the month to month lease for the other facility will be discontinued.

Other information related to leases as of the three and six month periods ended June 30, 2025 and 2024 was as follows:

	For the Three Months Ended June 30, 2025	For the Three Months Ended June 30, 2024	For the Six Months Ended June 30, 2025	For the Six Months Ended June 30, 2024
Operating lease expense	$ 278,673	$ 201,487	$ 483,563	$ 375,902
Total lease expense	$ 278,673	$ 201,487	$ 483,563	$ 375,902
Cash paid for amounts included in the measurement of operating lease liabilities:				
Operating cash flows from operating leases	$ 130,756	$ 174,014	$ 260,318	$ 348,429
Weighted-average remaining lease term - operating leases			97.1 months	69.5 months
Weighted-average discount rate - operating leases			9.04%	13.60%

The following table presents the maturity of the Company's operating lease liabilities as of June 30, 2025:

Year		Operating Leases
Remaining 2025	$	398,105
2026		769,530
2027		762,487
2028		766,426
2029		783,223
Thereafter		2,204,577
Total lease payments		5,684,348
Less: Amount representing interest		(1,380,789)
Present value of lease payment		4,303,559
Less: current portion of operating lease obligation		(457,302)
Operating lease obligation, net of current portion	$	3,846,257

Purchase Commitments

In the normal course of business, the Company may enter into purchase commitments for inventory components to be delivered based upon non-cancellable, pre-established, delivery schedules that are over a period that may exceed one year. Total non-cancellable purchase orders as of June 30, 2025 were $1,583,476.

Customer Concentration

During the three month periods ended June 30, 2025 and 2024, the Company had one and two customers, respectively, that accounted for (in the aggregate) approximately 12% and 27% of revenue, respectively. During the six month period ended June 30, 2025, the Company did not have any customers that accounted for 10% or more of total revenue. In the six month period ended June 30, 2024, the Company had one customer that accounted for approximately 11% of revenue. No other customers represented greater than 10% of our consolidated revenue in that period.

As of June 30, 2025 and December 31, 2024, the Company had one and two customers, respectively, that accounted for (in the aggregate) approximately 10% and 35%, respectively, of trade accounts receivables for which each of such customer's balances represented 10% or greater of our consolidated trade accounts receivable balance.

During the three month periods ended June 30, 2025 and 2024, the Company had approximately 40% and 52%, respectively, of aggregate purchases from three and two vendors/suppliers, respectively, for which each represents greater than 10% of our consolidated purchases. During the six month periods ended June 30, 2025 and 2024, the Company had approximately 31% and 41%, respectively, of aggregate purchases from two vendors/suppliers in each period for which each represents greater than 10% of our consolidated purchases.

NOTE 10 – NET LOSS PER SHARE

Basic and diluted net loss per share were calculated as follows for the three and six month periods ended June 30, 2025 and 2024:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2025	2024	2025	2024
Basic and diluted net loss per share:				
Numerator:				
Net loss	$ (2,020,730)	$ (2,344,545)	$ (4,038,364)	$ (3,684,167)
Denominator:				
Weighted average common shares outstanding - basic	21,687,808	20,931,798	21,534,925	20,820,516
Effect of dilutive securities	-	-	-	-
Weighted average common shares outstanding - diluted	21,687,808	20,931,798	21,534,925	20,820,516
Net loss per common share:				
Basic	$ (0.09)	$ (0.11)	$ (0.19)	$ (0.18)
Diluted	$ (0.09)	$ (0.11)	$ (0.19)	$ (0.18)

NOTE 11 – SEGMENT AND GEOGRAPHIC INFORMATION

The Company operates in two reportable segments: OSS and Bressner. OSS designs, manufactures, and markets specialized enterprise class high-performance compute, high speed switch fabrics, and storage hardware and software to target edge applications. Bressner operates as a system integrator with standard and custom all-in-one hardware systems and components for many kinds of industrial environments. The Company evaluates financial performance on a Company-wide basis.

Segment Information

The accounting policies of the segments are the same as those described in the summary of significant accounting policies of the Company. Intersegment sales are generally recorded at cost plus a specified fee or at a negotiated fixed price. Intersegment sales are eliminated in consolidation and segment results are presented net of eliminations.

The Company's chief operating decision maker (CODM) is our Chief Executive Officer. The CODM evaluates performance for both reportable segments based on segment gross profit and segment operating profit. The CODM uses these measures to assess actual and forecasted segment performance and to make decisions regarding the allocation of capital and personnel.

Segment details for the three and six month periods ended June 30, 2025 and 2024, are as follows:

	For the Three Months Ended June 30, 2025			For the Three Months Ended June 30, 2024		
	OSS	Bressner	Total	OSS	Bressner	Total
Revenues	$ 5,760,711	$ 8,347,874	$ 14,108,585	$ 5,522,034	$ 7,679,296	$ 13,201,330
Cost of revenues	(3,378,840)	(6,317,467)	(9,696,307)	(4,145,968)	(5,722,099)	(9,868,067)
Gross profit	2,381,871	2,030,407	4,412,278	1,376,065	1,957,197	3,333,263
Gross margin %	41.3%	24.3%	31.3%	24.9%	25.5%	25.2%
General and administrative	(1,907,425)	(478,776)	(2,386,201)	(2,009,289)	(398,109)	(2,407,398)
Marketing and selling	(1,658,753)	(666,377)	(2,325,130)	(1,626,586)	(628,542)	(2,255,128)
Research & development	(1,362,070)	(162,830)	(1,524,900)	(770,541)	(155,060)	(925,602)
Total operating expenses	(4,928,248)	(1,307,983)	(6,236,231)	(4,406,417)	(1,181,711)	(5,588,128)
(Loss) income from operations	$ (2,546,377)	$ 722,424	$ (1,823,953)	$ (3,030,351)	$ 775,486	$ (2,254,865)

	For the Six Months Ended June 30, 2025			For the Six Months Ended June 30, 2024		
	OSS	Bressner	Total	OSS	Bressner	Total
Revenues	$ 10,967,521	$ 15,400,151	$ 26,367,672	$ 11,055,906	$ 14,797,210	$ 25,853,116
Cost of revenues	(6,216,441)	(11,741,962)	(17,958,403)	(7,787,064)	(11,009,496)	(18,796,560)
Gross profit	4,751,080	3,658,189	8,409,269	3,268,842	3,787,714	7,056,556
Gross margin %	43.3%	23.8%	31.9%	29.6%	25.6%	27.3%
General and administrative	(3,815,809)	(936,762)	(4,752,571)	(3,705,678)	(796,036)	(4,501,715)
Marketing and selling	(3,265,629)	(1,277,690)	(4,543,319)	(2,952,910)	(1,222,331)	(4,175,241)
Research & development	(2,567,212)	(314,980)	(2,882,192)	(1,595,098)	(301,381)	(1,896,479)
Total operating expenses	(9,648,650)	(2,529,432)	(12,178,082)	(8,253,686)	(2,319,749)	(10,573,435)
(Loss) income from operations	$ (4,897,570)	$ 1,128,757	$ (3,768,813)	$ (4,984,844)	$ 1,467,965	$ (3,516,879)

	For the Three Months Ended June 30, 2025			For the Three Months Ended June 30, 2024		
	OSS	Bressner	Total	OSS	Bressner	Total
Interest income	$ 50,296	$ -	$ 50,296	$ 118,619	$ -	$ 118,619
Interest expense	-	(13,690)	(13,690)	(1,535)	(17,568)	(19,103)
Depreciation	(195,657)	(31,505)	(227,162)	(194,384)	(23,026)	(217,410)
Stock based compensation expense	(483,350)	(32,424)	(515,774)	(529,499)	(27,698)	(557,198)
Capital expenditures	(49,756)	(110,780)	(160,536)	(22,723)	(14,203)	(36,926)

	For the Six Months Ended June 30, 2025			For the Six Months Ended June 30, 2024		
	OSS	Bressner	Total	OSS	Bressner	Total
Interest income	$ 123,362	$ (555)	$ 122,807	$ 260,344	$ -	$ 260,344
Interest expense	-	(27,876)	(27,876)	(3,864)	(50,581)	(54,445)
Depreciation	(390,437)	(60,572)	(451,009)	(508,374)	(54,904)	(563,278)
Stock based compensation expense	(1,061,755)	(66,580)	(1,128,335)	(910,541)	(55,397)	(965,938)
Capital expenditures	(56,197)	(117,132)	(173,329)	(91,859)	(112,235)	(204,094)

	June 30, 2025			December 31, 2024		
	OSS	Bressner	Total	OSS	Bressner	Total
Total assets	$ 17,323,911	$ 22,051,907	$ 39,375,818	$ 20,552,197	$ 16,381,785	$ 36,933,982

NOTE 12 – SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events after the consolidated balance sheet dated as of June 30, 2025, through the date of filing of this Quarterly Report. Based upon the evaluation, management has determined that, other than as disclosed herein, no subsequent events have occurred that would require recognition in the accompanying consolidated financial statements or disclosure in the notes thereto.

Enactment of the "One Beautiful Bill Act" (OBBBA)

On July 4, 2025, the President signed into law the reconciliation tax bill, commonly referred to as the "One Big Beautiful Bill Act" (OBBBA), which constitutes the enactment date under U.S. GAAP. Key corporate tax provisions of the OBBA include the restoration of 100% bonus depreciation, the introduction of new Section 174A permitting expensing of domestic research and experimental (R&E) expenditures, modifications to Section 163(j) interest expense limitations, updates to the rules governing global intangible low-taxed income (GILTI) and foreign-derived intangible income (FDII), amendments to energy credit provisions, and the expansion of Section 162(m) aggregation requirements.

Under U.S. GAAP, the effects of changes in tax laws are recognized in the period in which the new law is enacted. Accordingly, the impact of the OBBBA will be reflected in the Company's financial statement for the third quarter of 2025. The Company is currently assessing the impact of the OBBBA and, based on preliminary analysis, does not expect the new legislation to have a material effect on its financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The terms "we," "us," "our," "OSS" or the "Company" refer collectively to One Stop Systems, Inc.. and its wholly-owned subsidiaries, unless otherwise stated. You should read the following discussion and analysis of our financial condition and operating results together with our financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q (this "Quarterly Report"). This discussion and analysis contain forward-looking statements based upon current beliefs, plans and expectations that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" or in other parts of this Quarterly Report. In evaluating our business, you should carefully consider the information set forth under the heading "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2024 filed with the SEC on March 19, 2025. Readers are cautioned not to place undue reliance on these forward-looking statements.

Overview

The Company designs, manufactures, and markets specialized enterprise class high-performance compute, high speed switch fabrics and storage hardware and software, which are designed to target edge applications for artificial intelligence ("AI") / machine learning "ML", sensor processing, sensor fusion and autonomy. Edge computing is a form of computing that is done on platform or on site, connected with the data source or the user, rather than in the cloud, minimizing the need for data to be processed remotely. This growing trend increases computing performance and security, as the data does not have to travel to distant datacenter locations. Edge computing is most recognizable in applications such as sensor processing, sensor fusion, autonomy, and AI/ML. To meet the demands at the edge we offer specialized products and system solutions that consist of computers, switch fabrics and storage products that incorporate the latest state-of-the art components with embedded proprietary software. Such products and systems allow us to offer high-end solutions to be integrated into edge platforms in our target markets.

The global increase in load on cloud infrastructure and increase in AI applications are the primary factors driving the growth of the edge computing market. We market our products to manufacturers of automated equipment used for medical, industrial, and military applications. Our customer applications often require connection to a wide array of data sources and sensors, ultra-fast processing power, and the ability to quickly access and store large and ever-growing data sets at their physical location (rather than in the cloud). This equipment requires datacenter class performance optimized for deployment at the edge in challenging environments. Many of these edge applications have unique requirements, including special and compact form factors ruggedized for harsh conditions, which cannot be accommodated by traditional controlled air-conditioned datacenters.

We believe that we are uniquely positioned as a specialized provider to address the needs of this market, providing custom servers, data acquisition platforms, compute accelerators, solid-state storage arrays, system input/output expansion systems, as well as edge optimized industrial and panel PCs, tablets, and handheld compute devices. Our systems also offer industry leading capabilities that occupy less physical space and require less power consumption. We deliver this high-end technology to our customers through the sale of equipment and embedded software.

Recent Developments

Management and Board Changes

On April 12, 2025, Ms. Gioia Messinger notified the board of directors of her resignation from and decision to not stand for re-election for the board of directors, effective as of the date of the Annual Meeting on May 14, 2025. Ms. Messinger was appointed to the board of directors in July 2020. Her decision to resign from the board of directors was not related to any disagreement with the Company on any matter relating to its operations, policies, or practices.

On April 16, 2025, Mr. Joe Manko submitted a letter to the board of directors, resigning from the board of directors, effective April 16, 2025. In the resignation letter, Mr. Manko cited certain disagreements with the Company's governance practices and the composition and leadership of the board.

On May 7, 2025, Mr. Ken Potashner notified the board of directors of his intent to not stand for re-election to the board of directors. He continued to serve until the end of his term at the Annual Meeting on May 14, 2025. Mr. Potashner's decision to not stand for re-election was not the result of any disagreement with the Company on any matter relating to the Company's operations, policies, or practices.

At the Annual Meeting on May 14, 2025, the Company's stockholders re-elected Mitch Herbets, Mike Dumont, Greg Matz, and Mike Knowles to serve on the board of directors. Additionally, at the Annual Meeting, Mr. David Basset was elected as the newest member to the board of directors.

Second Amended and Restated Bylaws

On March 13, 2025, the board of directors adopted the Second Amended and Restated Bylaws of the Company (the "Amended and Restated Bylaws"). The Amended and Restated Bylaws (i) consolidate the amendments to the first amended and restated bylaws (the "Previous Bylaws") dated April 7, 2023 and August 9, 2024; and (ii) the first sentence of Section 2.8 was amended and restated to read:

> "Unless otherwise provided by law, the certificate of incorporation or these bylaws, the holders of the majority of the voting power of the capital stock issued and outstanding and entitled to vote, present in person, or by remote communication, if applicable, or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the stockholders"

A copy of the Amended and Restated Bylaws is filed as Exhibit 3.1, which is incorporated by reference.

Components of Results of Operations

Revenue

The Company recognizes revenue under accounting standard ASC 606. Revenue is primarily generated from the sale of computer hardware and engineering services, and, to a minimal extent, revenue is also generated from the sale of software and sales of software maintenance and support contracts. The Company's performance obligations are satisfied over time as work is performed or at a specific point in time. The majority of the Company's revenue is recognized at that point in time when products ship and control is deemed to be transferred to the customer. The Company determines revenue recognition through the following steps: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when, or as, a performance obligation is satisfied.

Cost of revenue

Cost of revenue primarily consists of costs of materials, costs paid to third-party contract manufacturers (which may include the costs of components), and personnel costs associated with manufacturing and support operations. Personnel costs consist of wages, bonuses, benefits, and stock-based compensation expenses. Cost of revenue also includes freight, allocated overhead costs and inventory write-offs and changes to our inventory and warranty reserves. Allocated overhead costs consist of certain facilities and utility costs. We expect cost of revenue to increase in absolute dollars as product revenue increases.

Operating expenses

Our operating expenses consist of general and administrative, sales and marketing, and research and development expenses. Salaries and personnel-related costs, benefits, and stock-based compensation expense are the most significant components of each category of operating expenses. Operating expenses also include allocated overhead costs for facilities and utility costs.

General and Administrative

General and administrative expense consists primarily of employee compensation and related expenses for administrative functions including finance, legal, human resources, and fees for third-party professional services, as well as certain overhead expenses which are allocated to general and administrative expense. We expect our general and administrative expense to increase in absolute dollars as we continue to invest in growing the business.

Marketing and Selling

Marketing and Selling expense consists primarily of employee compensation and related expenses for marketing and sales functions, sales commissions, marketing programs, travel, and entertainment expenses, as well as certain overhead expenses which are allocated to marketing and selling expense. Marketing programs consist of advertising, tradeshows, events, corporate communications, and brand-building activities. We expect marketing and selling expenses to increase in absolute dollars as we expand our sales force, increase marketing resources, and further develop sales channels.

Research and Development

Research and development expense consists primarily of employee compensation and related expenses for research and development functions, certain prototype expenses, depreciation associated with assets acquired for research and development, third-party engineering and contractor support costs, as well as certain overhead expenses which are allocated to research and development expense. We expect our research and development expenses to increase in absolute dollars as we continue to invest in new and existing products.

Other Income (Expense), net

Other income consists of miscellaneous income and income received for activities outside of our core business. Other expense includes expenses for activities outside of our core business.

Provision for Income Taxes

Provision for income taxes consists of estimated income taxes due to the United States and German governments, as well as state tax authorities in jurisdictions in which we conduct business, along with the change in our deferred income tax assets and liabilities.

Results of Operations

The following tables set forth our results of operations for the three and six month periods ended June 30, 2025 and 2024, presented in dollars and as a percentage of revenue, respectively.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2025	2024	2025	2024
Revenue:				
Product	$ 13,723,583	$ 11,753,124	$ 25,572,295	$ 24,040,170
Customer funded development	$ 385,002	1,448,206	795,377	1,812,946
	14,108,585	13,201,330	26,367,672	25,853,116
Cost of revenue:				
Product	9,445,428	8,703,324	17,357,742	17,522,080
Customer funded development	250,879	1,164,743	600,661	1,274,480
	9,696,307	9,868,067	17,958,403	18,796,560
Gross profit	4,412,278	3,333,263	8,409,269	7,056,556
Operating expenses:				
General and administrative	2,386,201	2,407,398	4,752,571	4,501,715
Marketing and selling	2,325,130	2,255,128	4,543,319	4,175,241
Research and development	1,524,900	925,602	2,882,192	1,896,479
Total operating expenses	6,236,231	5,588,128	12,178,082	10,573,435
Loss from operations	(1,823,953)	(2,254,865)	(3,768,813)	(3,516,879)
Other (expense) income, net:				
Interest income	50,296	118,619	122,807	260,344
Interest expense	(13,690)	(19,103)	(27,876)	(54,445)
Other (expense) income, net	(9,195)	21,831	(30,828)	29,109
Total other income, net	27,411	121,347	64,103	235,008
Loss before income taxes	(1,796,542)	(2,133,518)	(3,704,710)	(3,281,871)
Provision for income taxes	224,188	211,027	333,654	402,296
Net loss	$ (2,020,730)	$ (2,344,545)	$ (4,038,364)	$ (3,684,167)

	For the Three Months Ended June 30, 2025	2024	For the Six Months Ended June 30, 2025	2024
Revenue:				
Product	97.3%	89.0%	97.0%	93.0%
Customer funded development	2.7%	11.0%	3.0%	7.0%
	100.0%	100.0%	100.0%	100.0%
Cost of revenue:				
Product	66.9%	65.9%	65.8%	67.8%
Customer funded development	1.8%	8.8%	2.3%	4.9%
	68.7%	74.8%	68.1%	72.7%
Gross profit	31.3%	25.2%	31.9%	27.3%
Operating expenses:				
General and administrative	16.9%	18.2%	18.0%	17.4%
Marketing and selling	16.5%	17.1%	17.2%	16.1%
Research and development	10.8%	7.0%	10.9%	7.3%
Total operating expenses	44.2%	42.3%	46.2%	40.9%
Loss from operations	-12.9%	-17.1%	-14.3%	-13.6%
Other income (expense), net:				
Interest income	0.4%	0.9%	0.5%	1.0%
Interest expense	-0.1%	-0.1%	-0.1%	-0.2%
Other (expense) income, net	-0.1%	0.2%	-0.1%	0.1%
Total other income, net	0.2%	0.9%	0.2%	0.9%
Loss before income taxes	-12.7%	-16.2%	-14.1%	-12.7%
Provision for income taxes	1.6%	1.6%	1.3%	1.6%
Net loss	-14.3%	-17.8%	-15.3%	-14.3%

Comparison of the Three and Six Month Periods Ended June 30, 2025 and 2024:

Revenue, cost of revenue and gross profit:

	For the Three Months Ended June 30, 2025				For the Three Months Ended June 30, 2024			
Entity:	**Revenue**	**Cost of Revenue**	**Gross (loss) profit**	**Gross Margin %**	**Revenue**	**Cost of Revenue**	**Gross Profit**	**Gross Margin %**
OSS	$ 5,760,711	$ (3,378,840)	$ 2,381,871	41.3%	$ 5,522,034	$ (4,145,968)	$ 1,376,065	24.9%
Bressner	8,347,874	(6,317,467)	2,030,407	24.3%	7,679,296	(5,722,099)	1,957,197	25.5%
	$ 14,108,585	$ (9,696,307)	$ 4,412,278	31.3%	$ 13,201,329	$ (9,868,067)	$ 3,333,263	25.2%

	For the Six Months Ended June 30, 2025				For the Six Months Ended June 30, 2024			
Entity:	**Revenue**	**Cost of Revenue**	**Gross Profit**	**Gross Margin %**	**Revenue**	**Cost of Revenue**	**Gross Profit**	**Gross Margin %**
OSS	$ 10,967,521	$ (6,216,441)	$ 4,751,080	43.3%	$ 11,055,906	$ (7,787,064)	$ 3,268,842	29.6%
Bressner	15,400,151	(11,741,962)	3,658,189	23.8%	14,797,210	(11,009,496)	3,787,714	25.6%
	$ 26,367,672	$ (17,958,403)	$ 8,409,269	31.9%	$ 25,853,116	$ (18,796,560)	$ 7,056,556	27.3%

Revenue

For the three months ended June 30, 2025, our total revenue increased $907,255, or 6.9%, as compared to the same period in 2024. The OSS segment saw an increase in revenue of $238,677, or 4.3%, as compared to the same period in 2024. The primary contributors to this increase were higher revenues related to the development and production of custom server products for a defense customer, higher shipments of data storage products to a US government customer, and the initiation of shipments of server products to a medical devices customer, partially offset by lower volume of shipments to a commercial aerospace customer. Bressner experienced an increase of $668,578, or 8.7%, as compared to the same period in 2024, due to higher book-and-ship revenue in the quarter, as well as the impact of foreign exchange rates.

For the six months ended June 30, 2025, our total revenue increased $514,556, or 2%, as compared to the same period in 2024. The OSS segment saw a decrease in revenue of $88,385, or 0.8%. This decrease was primarily driven by lower volume of revenue to a commercial aerospace customer, partially offset by higher volume of revenue to a defense customer and a medical devices customer. Bressner experienced an increase in revenue of $602,941, or 4.1%, as compared to the same period in 2024, due to higher book-and-ship revenue in the period, as well as the impact of foreign exchange rates.

Cost of revenue and gross profit

Cost of revenue decreased by $171,760, or 1.7%, for the three months ended June 30, 2025, as compared to the same period in 2024. The OSS segment saw a decrease in cost of revenue of $767,128, or 18.5%, as compared to the same period in 2024. This decrease in cost of revenue was due to the non-recurrence of a $428,270 inventory charge recognized in the prior year quarter, as well as a more profitable mix of products shipped in the quarter. Bressner's cost of revenue increased $595,368, or 10.4%, as compared to the same period in 2024, due primarily to higher revenue volume and the impact of foreign exchange rates.

The overall gross margin percentage was 31.3% for the three months ended June 30, 2025, an increase of 6.1 percentage points as compared to the prior year period in 2024 of 25.2%. OSS segment gross margin percentage for the three months ended June 30, 2025, was 41.3%, an increase of 16.4 percentage points as compared to the prior year period in 2024 of 24.9%. This increase was due to the non-recurrence of an inventory charge recognized in the prior year quarter, as well as a more profitable mix of products shipped in the quarter. Bressner contributed gross margin at a rate of 24.3%, as compared to the same period in 2024 of 25.5%, a decrease of 1.2 percentage points, due primarily to product mix.

Cost of revenue decreased $838,157, or 4.5%, for the six months ended June 30, 2025, as compared to the same period in 2024. The OSS segment saw a decrease in cost of revenue of $1,570,623, or 20.2%, as compared to the same period in 2024. This decrease in cost of revenue was mainly due to a more profitable mix of products shipped in the period, as well as the non-recurrence of $566,608 of inventory charges recognized in the prior year period. Bressner's cost of revenue increased $732,466, or 6.7%, as compared to the same period in 2024 due to higher revenue volume, a less profitable mix of products shipped in the quarter, and the impact of foreign exchange rates.

The overall gross margin percentage was 31.9% for the six months ended June 30, 2025, an increase of 4.6 percentage points as compared to the prior year period in 2024 of 27.3%. OSS segment gross margin percentage for the six months ended June 30, 2025, was 43.3%, an increase of 13.7 percentage points, as compared to the prior year period in 2024 of 29.6%. This increase was primarily due to a more profitable mix of products shipped in the period, as well as the non-recurrence of an inventory charge recognized in the prior year period. Bressner contributed gross margin at a rate of 23.8%, as compared to the same period in 2024 of 25.6%, a decrease of 1.8 percentage points, due primarily to product mix.

Operating expenses

General and administrative expense

General and administrative expense decreased $21,197, or 0.9%, for the three months ended June 30, 2025, as compared to the same period in 2024. The OSS segment experienced a decrease of $101,864, or 5.1%. This decrease in general and administrative expense is primarily attributable to a reduction in corporate general expenses, including board compensation. Bressner had an increase of $80,667, or 20.3%, as a result of higher salary and personnel costs, higher insurance costs, higher lease costs due to overlapping lease periods during the transition to a new facility, and the impact of foreign exchange rates. Overall, total general and administrative expense decreased as a percentage of revenue to 16.9% for the three months ended June 30, 2025, as compared to 18.2% during the same period in 2024.

General and administrative expense increased $250,856, or 5.6%, for the six months ended June 30, 2025, as compared to the same period in 2025. OSS segment general and administrative expense increased $110,130, or 3%, due primarily to increased stock compensation expense due to a higher grant date fair value of employee restricted stock units recognized as expense in the period, partially offset by a reduction in general corporate expenses. Bressner segment general and administrative expense increased $140,726, or 17.7%, primarily due to higher salary and personnel costs and higher lease cost due to overlapping lease periods during the transition to a new facility, as well as the impact of foreign exchange rates. Overall, total general and administrative expense increased as a percentage of revenue to 18% for the six months ended June 30, 2025, as compared to 17.4% during the same period in 2024.

Marketing and selling expense

Marketing and selling expense increased $70,002, or 3.1%, for the three months ended June 30, 2025, as compared to the same period in 2024. OSS had an increase of $32,167, or 2%, due to an increase in personnel costs. Bressner had an increase of $37,835, or 6%, due primarily to higher personnel costs and the impact of foreign exchange rates. Overall, total marketing and selling expense decreased as a percentage of revenue to 16.5% during the three months ended June 30, 2025, as compared to 17.1% during the same period in 2024.

Marketing and selling expense increased $368,078, or 8.8%, for the six months ended June 30, 2025, as compared to the same period in 2024. OSS segment marketing and selling expense increased $312,719, or 10.6%, due to an increase in personnel costs resulting from additions in headcount made during the course of 2024. Bressner segment marketing and selling expense increased $55,359, or 4.5%, due primarily to higher personnel costs and the impact of foreign exchange rates. Overall, total marketing and selling expense increased as a percentage of revenue to 17.2% for the six months ended June 30, 2025, as compared to 16.1% during the same period in 2024.

Research and development expense

Research and development expense increased $599,298, or 64.7%, for the three months ended June 30, 2025, as compared to the same period in 2024. OSS segment research and development expense increased $591,528, or 76.8%, due to higher engineering costs to support targeted investments in new product development. Bressner segment research and development expense increased $7,770, or 5%. Overall, total research and development expense as a percentage of revenue increased to 10.8% for the three months ended June 30, 2025, as compared to 7% during the same period in 2024.

Research and development expense increased $985,713, or 52%, for the six months ended June 30, 2025, as compared to the same period in 2024. OSS segment research and development expense increased $972,114, or 60.9%, due to higher engineering costs to support targeted investments in new product development. Bressner segment research and development expense increased $13,599, or 4.5%. Overall, total research and development expense as a percentage of revenue increased to 10.9% for the three months ended June 30, 2025, as compared to 7.3% during the same period in 2024.

Interest income

Interest income decreased $68,323 for the three months ended June 30, 2025, as compared to the same period in 2024. The decrease is primarily attributable to lower investment balances due to the company's usage of cash for operations and debt repayment.

Interest income decreased $137,537 for the six months ended June 30, 2025, as compared to the same period in 2024. The decrease is primarily attributable to lower investment balances due to the company's usage of cash for operations and debt repayment.

Interest expense

Interest expense decreased $5,413 for the three months ended June 30, 2025, as compared to the same period in 2024. The decrease is attributable to declining borrowing balances due to the repayment of debt, as well as lower interest rates on outstanding notes payable.

Interest expense decreased $26,569 for the six months ended June 30, 2025, as compared to the same period in 2024. The decrease is attributable to declining borrowing balances due to the repayment of debt, as well as lower interest rates on outstanding notes payable.

Other income (expense), net

Other income (expense), for the three months ended June 30, 2025, resulted in net other expense of $9,195, as compared to net other income of $21,831 in the same period in 2024, for a net decrease in other income of $31,026, attributable primarily to changes in foreign currency gain and losses.

Other income (expense), for the six months ended June 30, 2025, resulted in net other expenses of $30,828, as compared to net other income of $29,109 in the same period in 2024, for a a net decrease in other income of $59,937, attributable primarily to changes in foreign currency gain and losses.

Provision for income taxes

We have recorded an income tax provision of $224,188 and $211,027 for the three months ended June 30, 2025 and 2024, respectively, and $333,654 and $402,296 for the six months ended June 30, 2025 and 2024, respectively. The effective tax rate for the six months ended June 30, 2025 and 2024 differed from the statutory rate mainly due to permanent non-deductible goodwill amortization for Bressner, change in valuation allowance, deductions related to expenses of OSS stock options, research and development credits, and changes in reserves for uncertain tax positions, as well as projecting foreign and state tax liabilities for the year. The tax provision is predominately attributable to profit on operations in Germany.

Liquidity and Capital Resources

Historically, our primary sources of liquidity have been provided by public and private offerings of our securities and revenues generated from our business operations. As of June 30, 2025, we had total cash and cash equivalents of $8,458,920, with short-term investments of $1,030,416, and total net working capital of $23,171,142. Cash and cash equivalents held by Bressner totaled $4,354,279 on June 30, 2025. Bressner's debt covenants limit the use of those funds by its parent company.

During the six month period ended June 30, 2025, we had a loss from operations of $3,768,813, with net cash used in operating activities of $1,504,300.

During the six month period ended June 30, 2024, we had a loss from operations of $3,516,879, with cash provided by operating activities of $1,226,742.

During the year ended December 31, 2024, we had a loss from operations of $13,356,813, with net cash used in operating activities of $108,098.

Our sources of liquidity and cash flows are used to fund ongoing operations, to fund research and development projects for new products and technologies, and to provide ongoing support services for our customers. Over the next year, we anticipate that we will use our liquidity and cash flows from our operations to fund our business. In addition, as part of our business strategy, we occasionally evaluate potential acquisitions of businesses, products, and technologies. Accordingly, a portion of our available cash may be used at any time for the acquisition of complementary products or businesses. Such potential transactions may require substantial capital resources, which may require us to seek additional debt or equity financing. We cannot assure that we will be able to successfully identify suitable acquisition candidates, complete acquisitions, successfully integrate acquired businesses into our current operations, or expand into new markets. Furthermore, we cannot provide assurances that additional financing will be available to us at any required time and on commercially reasonable terms, if at all.

As of June 30, 2025, there remains an elevated level of uncertainty regarding the economic outlook. We intend to continue to monitor the effects of trade and tariff policy, inflation, global supply chain disruptions, and economic conditions, and, if appropriate, we may alter our plans to address such concerns as they may arise.

Management's plans are to focus on acquiring new customer orders, to further grow and expand our business in both commercial and military markets, and to respond to the changing economic landscape by continuing to control hiring and operating costs, conserve cash and focus on growth and margin expansion. Management is committed to conserving cash and securing debt and/or equity financing, as required, for liquidity to meet our near-term cash requirements.

In April 2022, the Company obtained a domestic revolving line of credit of $2,000,000 at Torrey Pines Bank. To access this line of credit, the Company must maintain a minimum cash balance of $2,500,000 with the bank and maintain a maximum debt to tangible net worth of ratio of 1.00. The line of credit is also collateralized by the assets of the Company. No balance was outstanding on June 30, 2025 or December 31, 2024.

Additionally, in August 2023, we filed a new registration statement on Form S-3 (Registration No. 333-274073) with the SEC, which became effective on August 25, 2023, and allows us to offer and sell up to an aggregate of $100,000,000 of our common stock, preferred stock, debt securities, warrants to purchase our common stock, preferred stock or debt securities, subscription rights to purchase our common stock, preferred stock or debt securities and/or units consisting of some or all of these securities, in any combination, together or separately, in one or more offerings, in amounts, at prices and on the terms that we will determine at the time of the offering and which will be set forth in a prospectus supplement and any related free writing prospectus. In the event that we need additional financing, we may choose to consummate an offering of our securities under the registration statement on S-3 in order to raise capital.

Management believes that we have sufficient liquidity to satisfy our anticipated working capital requirements for our ongoing operations and obligations for at least the next twelve months. However, there can be no assurance that management's efforts will be effective or the forecasted cash flows will be achieved. Furthermore, we will continue to evaluate our capital expenditure needs based upon various factors, including but not limited to, our sales from operations, growth rate, the timing and extent of spending to support development efforts, the expansion of our sales and marketing efforts, the timing of new product introductions, and the continuing market acceptance of our products and services.

If cash generated from operations is insufficient to satisfy our capital requirements, we may borrow up to $2,000,000 from our revolving line of credit with our bank (subject to satisfaction of certain borrowing conditions), may have to sell additional equity or debt securities, or may obtain expanded credit facilities to fund our operating expenses, pay our obligations, diversify our geographical reach, and grow the Company. In the event such financing is needed in the future, there can be no assurance that such financing will be available to us, or, if available, that it will be in amounts and on terms acceptable to us. If we cannot raise additional funds when we need or want them, our operations and prospects could be negatively affected. However, if cash flows from operations become insufficient to continue operations at the current level, and if no additional financing were obtained, then management would consider restructuring the Company in a way to preserve its business while maintaining expenses within operating cash flows.

The following table summarizes our cash flows for the six month periods ended June 30, 2025 and 2024:

	For the Six Months Ended June 30,	
Cash flows:	**2025**	**2024**
Net cash (used in) provided by operating activities	$ (1,504,300)	$ 1,226,742
Net cash provided by investing activities	$ 2,010,973	$ 2,541,086
Net cash provided by (used in) financing activities	$ 697,303	$ (1,014,840)

Operating Activities

During the six month period ended June 30, 2025, we used $1,504,300 in cash from operating activities, compared to cash generated from operating activities of $1,226,742 in the same period in 2024.

Net cash used in operating activities during the six month period ended June 30, 2025 was the result of three components: (i) net loss of $4,038,364; (ii) net adjustments to net loss for non-cash items of $1,094,477, of which the largest component was stock based compensation expense of $1,128,335; and (iii) cash provided by net changes in operating assets and liabilities of $1,439,587.

Cash provided by net changes in operating assets and liabilities for the six month period ended June 30, 2025 was $1,439,587, compared to $2,647,568 for the same period in 2024. The change in cash provided by net changes in working capital from the prior year period was primarily due to cash disbursements in 2025 related to accrued expenses for a contract loss and for accrued losses related to supplier material received on non-cancellable purchase orders.

In the six month period ended June 30, 2025, the total cash provided by changes in operating assets and liabilities of $1,439,587 was primarily due to an increase in accounts payable driven by timing of material receipts and payments and a decrease in accounts receivable due primarily to collections of customer payments for products shipped in Q4 2024, partially offset by cash usage from changes in accrued expenses due to cash disbursements related to a contract loss and supplier material received on non-cancellable purchase orders.

Our ability to generate cash from operations in future periods will depend in large part on our profitability, the rate and timing of collections of our accounts receivable, our inventory turns, and our ability to manage other areas of working capital, including accounts payable and accrued expenses.

Investing Activities

During the six month period ended June 30, 2025, the Company generated cash of $2,010,973 from investing activities, as compared to $2,541,086 provided by investing activities during the prior year period in 2024, a net reduction of $530,113. This change is attributable to a decrease in the number of short-term investments redeemed in the current year period as compared to the prior year period, partially offset by lower capital expenditures.

Financing Activities

During the six month period ended June 30, 2025, the Company generated $697,303 in cash from the exercise of options, net of payments of payroll taxes on the net issuance of employee stock. During the same period in 2024, cash used in financing activities was $1,014,840, which was driven by a usage of $884,892 for the repayment of debt and a usage of $349,296 for payment of tax on the net exercise of vested RSUs and employee stock options, partially offset by $219,348 of cash generated from the exercise of options.

Known Trends or Uncertainties

Although we have not seen any significant reduction in revenues to date due to consolidations, we have seen some consolidation in our industry during economic downturns. These consolidations have not had a negative effect on our total sales; however, should consolidations and downsizing in the industry continue to occur, those events could adversely impact our revenues and earnings going forward.

We are experiencing delays in funding for customer projects, delays in delivery schedules based upon customer requirements, and an extended sales cycle. Such delays could negatively impact the Company’s results of operations for the year ending December 31, 2025. If such delays in orders continue in the future, our operating results will be further impacted, and our revenues may decline in future periods.

With the Company's shifted focus to the development and sale of edge computing, we have significantly increased our efforts to penetrate the military and defense sectors in particular, which typically have protracted sales cycles, significant contracting requirements, and multi-year deliverables. Our pipeline reflects the procurement habits and timing of the military and defense sector.

Impacts resulting in part from tariffs and the threat of tariffs, ongoing military conflicts in Europe and Middle East, Federal Reserve and European Central Bank interest rate policy, inflation and the risk of inflation, and uncertainty about the timing and substance of U.S. government budgets and policy actions have contributed to economic uncertainty and capital markets volatility in the near term that could negatively affect our operations. Weakness in the European and more specifically the German economy negatively affected our Bressner segment in 2024. Economic uncertainty, volatility, and the risk of recessionary conditions in Europe and North America remain elevated.

Inflation

We have recently experienced some and, continue to feel, the effects due to inflation in both the U.S. and Europe. Although the Company attempts to pass on increases in raw material, labor, energy and fuel-related costs to our customers, the Company's ability to do so is dependent upon the rate and magnitude of any increase, competitive pressures, and market conditions for the Company's products. There have been in the past, and may be in the future, periods of time during which increases in these costs cannot be fully recovered. These increasing costs are being aggressively managed by the Company and actions are being taken to minimize the impact to the Company. Inflation affects the Company's manufacturing costs, distribution costs and operating expenses.

Tariffs

Tariffs and the threat of tariffs, including both United States sanctioned tariffs and the potential for retaliatory tariffs, have contributed to uncertainty and supply chain disruptions that could impact our operations. The Company's OSS segment conducts final assembly and test of products at our facility in California. However, we source components and subassemblies from both within and outside of the United States. While we attempt to pass on the cost of tariffs to our customers, our ability to do so is dependent upon the many factors, including the predictability of tariff rates and market conditions for the Company's products. Management is closely monitoring and managing impacts and potential impacts to our business from ongoing trade policy developments.

Off balance sheet arrangements

We do not have any off-balance sheet financing arrangements or liabilities, guarantee contracts, retained or contingent interests in transferred assets, or any obligation arising out of a material variable interest in an unconsolidated entity.

We do not have any majority-owned subsidiaries that are not consolidated in the financial statements. Additionally, we do not have an interest in, or relationships with, any special purpose entities.

Stockholder transactions

See Note 8 to the accompanying consolidated financial statements for a discussion regarding our stockholder transactions for the relevant periods.

Critical accounting policies and estimates

In preparing our consolidated financial statements in conformity with U.S. generally accepted accounting principles, management must make a variety of decisions which impact the reported amounts and the related disclosures. These decisions include the selection of the appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. In making these decisions, management applies its judgment based on its understanding and analysis of the relevant circumstances and our historical experience.

Our accounting policies and estimates that are most critical to the presentation of our results of operations and financial condition, and which require the greatest use of judgments and estimates by management, are designated as our critical accounting policies. See further discussion of our critical accounting policies under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our Annual Report on Form 10-K for the year ended December 31, 2024.

Interest rate risk

Our exposure to interest rate risk is primarily associated with borrowing on revolving lines of credit denominated in both U.S. dollars and Euros. We are exposed to the impact of interest rate changes primarily through our borrowing activities for our variable rate borrowings.

Concentration of credit risk

At times, deposits held with financial institutions may exceed the amount of insurance provided by the Federal Deposit Insurance Corporation ("FDIC") and Securities Investor Protection Corporation ("SIPC"), both of which provide basic deposit coverage with limits up to $250,000 per owner. As of June 30, 2025, the Company had $2,782,190 in cash in our accounts that exceeded the insurance limits. The Company has not experienced any losses in these accounts and believes that the financial institutions at which such amounts are held are stable; however, no assurances can be provided as to such. In Germany, the deposit insurance is €100,000 per bank, per customer. Bressner has funds on deposit in both Euro and U.S. dollar denominations of €3,328,868 (US$3,918,290) with banks in excess of the insurance limits.

We provide credit to our customers in the normal course of business. We perform ongoing credit evaluations of our customers' financial condition and limit the amount of credit extended when deemed necessary.

Foreign currency risk

We operate in the United States and Germany. Our primary reporting currency is the United States dollar. Foreign sales of products and services are primarily denominated in U.S. dollars. We also conduct business outside the United States through Bressner, our foreign subsidiary in Germany, where business is largely transacted in non-U.S. dollar currencies, particularly the Euro, which is subject to fluctuations due to changes in foreign currency exchange rates. Accordingly, we are subject to exposure from changes in the exchange rates of local currencies. Foreign currency transaction gains and losses are recorded in other income (expense), net in the consolidated statements of operations.

OSS GmbH operates as an extension of OSS' domestic operations and acquired Bressner in October 2018. The functional currency of OSS GmbH is the Euro. Transactions denominated in currencies other than the functional currency are remeasured in the functional currency at the average exchange rate in effect during the period. At the end of each reporting period, monetary assets and liabilities are translated using exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are remeasured at historical exchange rates. Consequently, changes in the exchange rates of the currencies may impact the translation of the foreign subsidiaries' statements of operations into U.S. dollars, which may in turn affect our consolidated statement of operations. The resulting foreign currency translation adjustments are recorded as a separate component of accumulated other comprehensive income in the consolidated statement of comprehensive income.

Derivative Financial Instruments

We employ derivatives on a periodic basis to manage certain market risks through the use of foreign exchange forward contracts. We do not use derivatives for trading or speculative purposes. Our derivatives are designated as a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). We hedge a portion of the exchange risk involved in anticipation of highly probable foreign currency-denominated transactions. In anticipation of these transactions, we may enter into foreign exchange contracts to provide currency at a fixed rate. The Company is currently not a party to any of these types of transactions.

Non-GAAP Financial Measures

Adjusted EBITDA

We believe that the use of adjusted earnings before interest, taxes, depreciation and amortization, or adjusted EBITDA, is helpful for an investor to assess the performance of the Company. The Company defines adjusted EBITDA as income (loss) before interest, taxes, depreciation, amortization, acquisition expenses, impairment of long-lived assets, financing costs, fair value adjustments from purchase accounting, stock-based compensation expense and expenses related to discontinued operations.

Adjusted EBITDA is not a measurement of financial performance under generally accepted accounting principles in the United States, or GAAP. Because of varying available valuation methodologies, subjective assumptions and the variety of equity instruments that can impact a company's non-cash operating expenses, we believe that providing a non-GAAP financial measure that excludes non-cash and non-recurring expenses allows for meaningful comparisons between our core business operating results and those of other companies, as well as providing us with an important tool for financial and operational decision making and for evaluating our own core business operating results over different periods of time.

Our adjusted EBITDA measure may not provide information that is directly comparable to that provided by other companies in our industry, as other companies in our industry may calculate non-GAAP financial results differently, particularly related to non-recurring, unusual items. Our adjusted EBITDA is not a measurement of financial performance under GAAP and should not be considered as an alternative to operating income or as an indication of operating performance or any other measure of performance derived in accordance with GAAP. We do not consider adjusted EBITDA to be a substitute for, or superior to, the information provided by GAAP financial results.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2025	2024	2025	2024
Net loss	$ (2,020,730)	$ (2,344,545)	$ (4,038,364)	$ (3,684,167)
Depreciation	227,162	273,731	451,009	563,278
Amortization of right-of-use assets net of change in lease liability & ROU asset	51,876	(12,885)	49,844	43,112
Stock-based compensation expense	515,774	557,198	1,128,335	965,938
Interest expense	13,690	19,103	27,876	54,445
Interest income	(50,296)	(118,619)	(122,807)	(260,344)
Provision for income taxes	224,188	211,027	333,654	402,296
Adjusted EBITDA	$ (1,038,336)	$ (1,414,990)	$ (2,170,453)	$ (1,915,442)

Adjusted EPS

Adjusted EPS excludes the impact of certain items, and therefore, has not been calculated in accordance with GAAP. We believe that exclusion of certain selected items assists in providing a more complete understanding of our underlying results and trends and allows for comparability with our peer company index and industry. We use this measure along with the corresponding GAAP financial measures to manage our business and to evaluate our performance compared to prior periods and the marketplace. The Company defines non-GAAP income (loss) as income or (loss) before amortization, stock-based compensation, expenses related to discontinued operations, impairment of long-lived assets and non-recurring acquisition costs. Adjusted EPS expresses adjusted income (loss) on a per share basis using weighted average diluted shares outstanding.

Adjusted EPS is a non-GAAP financial measure and should not be considered in isolation or as a substitute for financial information provided in accordance with GAAP. These non-GAAP financial measures may not be computed in the same manner as similarly titled measures used by other companies. We expect to continue to incur expenses similar to the adjusted income from continuing operations and adjusted EPS financial adjustments described above, and investors should not infer from our presentation of these non-GAAP financial measures that these costs are unusual, infrequent or non-recurring.

The following table reconciles non-GAAP net loss and basic and diluted earnings per share:

	For the Three Months Ended June 30, 2025	2024	For the Six Months Ended June 30, 2025	2024
Net loss	$ (2,020,730)	$ (2,344,545)	$ (4,038,364)	$ (3,684,167)
Stock-based compensation expense	515,774	557,198	1,128,335	965,938
Non-GAAP net loss	$ (1,504,956)	$ (1,787,347)	$ (2,910,029)	$ (2,718,229)
Non-GAAP net loss per share:				
Basic	$ (0.07)	$ (0.09)	$ (0.14)	$ (0.13)
Diluted	$ (0.07)	$ (0.09)	$ (0.14)	$ (0.13)
Weighted average common shares outstanding:				
Basic	21,687,808	20,931,798	21,534,925	20,820,516
Diluted	21,687,808	20,931,798	21,534,925	20,820,516

Free Cash Flow

Free cash flow, a non-GAAP measure for reporting cash flow, is defined as cash provided by or used in operating activities, less capital expenditures for property and equipment. We believe free cash flow provides investors with an important perspective on cash available for investments and acquisitions after making capital investments required to support ongoing business operations and long-term value creation. We believe that trends in our free cash flow can be valuable indicators of our operating performance and liquidity.

Free cash flow is a non-GAAP financial measure and should not be considered in isolation or as a substitute for financial information provided in accordance with GAAP. This non-GAAP financial measure may not be computed in the same manner as similarly titled measures used by other companies.

Investors should not infer from our presentation of this non-GAAP financial measure that these expenditures reflect all of our obligations which require cash. The following table reconciles cash provided by or used in operating activities, the most directly comparable GAAP financial measure, to free cash flow:

Cash flow:	For the Six Months Ended June 30, 2025	2024
Net cash (used in) provided by operating activities	$ (1,504,300)	$ 1,226,742
Capital expenditures	(173,329)	(204,094)
Free cash flow	$ (1,677,629)	$ 1,022,648

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not Applicable.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic and current reports that we file with the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Limitation on Effectiveness of Controls

The design of any control system is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals. The inherent limitations in any control system include the realities that judgments related to decision-making can be faulty and that reduced effectiveness in controls can occur because of simple errors or mistakes. Due to the inherent limitations in a cost-effective control system, misstatements due to error may occur and may not be detected.

Evaluation of Disclosure Controls and Procedures

Management is required to evaluate our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Disclosure controls and procedures are controls and other procedures designed to provide reasonable assurance that information required to be disclosed in our reports filed under the Exchange Act, such as this Quarterly Report, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include controls and procedures designed to provide reasonable assurance that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based on our management's evaluation (based upon 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and with the participation of our principal executive officer and principal financial officer), our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective at a reasonable assurance level as of the end of the period covered by this Quarterly Report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2025, which were identified in connection with management's evaluation required by paragraph (d) Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

For a description of any material pending legal proceedings, please see Note 9, Commitments and Contingencies, to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report.

Item 1A. Risk Factors.

Please carefully consider the information set forth in this Quarterly Report and the risk factors discussed in Part I, Item 1A. of our Annual Report on Form 10-K for the year ended December 31, 2024, which could materially affect our business, financial condition, or future results. In evaluating our business, you should carefully consider the risk factors discussed in our Annual Report on Form 10-K, as updated by our subsequent filings under the Exchange Act. The occurrence of any of the risks discussed in such filings, or other events that we do not currently anticipate or that we currently deem immaterial, could harm our business, prospects, financial condition and results of operations. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

There have not been any material changes to the risk factors disclosed in our Form 10-K for the year ended December 31, 2024, as filed with the SEC.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

(a) None.

(b) None.

(c) Rule 10b5-1 Trading Plans

During the six months ended June 30, 2025, none of our directors or officers entered into, modified or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," that were intended to satisfy the affirmative defense conditions of Rule 10b5-1, in each case as defined in Item 408 of Regulation S-K.

Item 6. Exhibits.

Exhibit Index

Exhibit Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
3.1	Amended and Restated Certificate of Incorporation (currently in effect).	8-K	001-38371	3.1	March 15, 2025	
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					*
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					*
101 INS	Inline XBRL Instance Document with Embedded Linkbase Documents					**
101 SCH	Inline XBRL Taxonomy Extension Schema Document					**
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101 attachments)					**

* Furnished herewith

** The XBRL related information in Exhibit 101 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	One Stop Systems, Inc.	
Date: August 7, 2025	By:	/s/ Michael Knowles **Michael Knowles** **President and Chief Executive Officer** **(Principal Executive Officer)**
Date: August 7, 2025	By:	/s/ Daniel Gabel **Daniel Gabel** **Chief Financial Officer** **(Principal Financial and Accounting Officer)**

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael Knowles, certify that:

1.I have reviewed this Quarterly Report on Form 10-Q of One Stop Systems, Inc.;

2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4.The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: August 7, 2025

By: /s/ Michael Knowles
Michael Knowles
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Daniel Gabel, certify that:

1.I have reviewed this Quarterly Report on Form 10-Q of One Stop Systems, Inc.;

2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4.The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: August 7, 2025

By: /s/ Daniel Gabel
Daniel Gabel
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of One Stop Systems, Inc. (the "Company") for the period ended June 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Knowles, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1)The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2)The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 7, 2025

By: /s/ Michael Knowles
Michael Knowles
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of One Stop Systems, Inc. (the "Company") for the period ended June 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel Gabel, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1)The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2)The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 7, 2025	By:	/s/ Daniel Gabel
		Daniel Gabel
		Chief Financial Officer
		(Principal Accounting and Financial Officer)