**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**
**FORM 10-Q**

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

**For the quarterly period ended July 31, 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 001-38334**

# Immersion Corporation

*(Exact name of registrant as specified in its charter)*

| **Delaware** | **94-3180138** |
|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |

**2999 N.E. 191st Street, Suite 610, Aventura, FL, 33180**
*(Address of principal executive offices, zip code)*

**(408) 467-1900**
*(Registrant's telephone number, including area code)*

**Not Applicable**
(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 each exchange on which registered |
|---|---|---|
| Common Stock, $0.001 par value | IMMR | Nasdaq Global Market |
| Series C Junior Participating Preferred Stock Purchase Rights | | |

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

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

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☒ | Smaller reporting company | ☒ |
| | | Emerging Growth Company | ☐ |

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

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

Number of shares of common stock outstanding at March 20, 2026 was 32,921,888.

## FORWARD-LOOKING STATEMENTS

In this Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2025, Immersion Corporation is referred to using terms such as the "Company," "Immersion," "we," "us" or "our."

Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Actual results could differ materially from those projected in the forward-looking statements, and therefore, we caution you not to place undue reliance on these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the risk factors contained under Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended April 30, 2025, filed with the Securities and Exchange Commission (the "SEC") on March 12, 2026, as amended on March 13, 2026, Part I, Item 1A, "Risk Factors" in Barnes & Noble Education Inc.'s ("Barnes & Noble Education") Annual Report on Form 10-K for the fiscal year ended May 2, 2025, filed with the SEC on December 23, 2025, and in Part II, Item 1A, "Risk Factors" of this Quarterly Report on Form 10-Q.

Any forward-looking statements made by us in this report speak only as of the date of this report, and we do not intend to update these forward-looking statements after the filing of this report, unless required to do so by applicable law or regulation. You are urged to review carefully and consider our various disclosures in this report and in our other reports publicly disclosed or filed with the SEC that attempt to advise you of the risks and factors that may affect our business.

**IMMERSION CORPORATION**

**TABLE OF CONTENTS**


**PART I**
**FINANCIAL INFORMATION**

| | | |
|---|---|---|
| Item 1. | Financial Statements (Unaudited) | 1 |
| | Condensed Consolidated Balance Sheets as of July 31, 2025 and April 30, 2025 | 1 |
| | Condensed Consolidated Statements of Operations for the Three Months Ended July 31, 2025 and 2024 | 3 |
| | Condensed Consolidated Statements of Comprehensive Income (Loss) for the Three Months Ended July 31, 2025 and 2024 | 4 |
| | Condensed Consolidated Statements of Stockholders' Equity for the Three Months Ended July 31, 2025 and 2024 | 5 |
| | Condensed Consolidated Statements of Cash Flows for the Three Months Ended July 31, 2025 and 2024 | 6 |
| | Notes to Condensed Consolidated Financial Statements | 8 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 36 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk | 43 |
| Item 4. | Controls and Procedures | 43 |

**PART II**
**OTHER INFORMATION**

| | | |
|---|---|---|
| Item 1. | Legal Proceedings | 45 |
| Item 1A. | Risk Factors | 45 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 45 |
| Item 6. | Exhibits | 46 |
| **SIGNATURES** | | 47 |

**PART I - FINANCIAL INFORMATION**
**Item 1. Financial Statements**

**IMMERSION CORPORATION**
**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

| *(In thousands except share data)* | July 31, 2025 | April 30, 2025 |
|---|---|---|
| **ASSETS** | | |
| *Immersion* | | |
| Cash and cash equivalents | $ 82,800 | $ 63,550 |
| Investments – current | 77,351 | 88,789 |
| Accounts receivable, net | 2,638 | 2,767 |
| Prepaid expenses and other current assets | 12,720 | 11,331 |
| | 175,509 | 166,437 |
| *Barnes & Noble Education* | | |
| Cash and cash equivalents | 7,340 | 9,058 |
| Accounts receivable, net | 161,974 | 98,075 |
| Merchandise inventories, net | 400,565 | 299,564 |
| Textbook rental inventories, net | 8,890 | 26,439 |
| Prepaid expenses and other current assets | 42,595 | 32,250 |
| | 621,364 | 465,386 |
| **Total Current Assets** | 796,873 | 631,823 |
| *Immersion* | | |
| Property and equipment, net | 104 | 113 |
| Investments – noncurrent | 13,876 | 13,880 |
| Long-term deposits | 6,223 | 6,188 |
| Other assets – noncurrent | 20,489 | 27,362 |
| | 40,692 | 47,543 |
| *Barnes & Noble Education* | | |
| Property and equipment, net | 88,075 | 95,702 |
| Intangible assets, net | 90,619 | 91,581 |
| Goodwill | 69,162 | 69,162 |
| Operating lease right-of-use assets | 165,551 | 155,281 |
| Other assets – noncurrent | 10,737 | 11,181 |
| | 424,144 | 422,907 |
| **Total Assets** | $ 1,261,709 | $ 1,102,273 |

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

**IMMERSION CORPORATION**
**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

| *(In thousands except share data)* | July 31, 2025 | April 30, 2025 |
|---|---|---|
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| *Immersion* | | |
| Accounts payable | $ 20 | $ 13 |
| Accrued compensation | 490 | 343 |
| Deferred revenue – current | 2,934 | 2,938 |
| Other current liabilities | 9,677 | 10,240 |
| | 13,121 | 13,534 |
| *Barnes & Noble Education* | | |
| Accounts payable | 236,520 | 148,848 |
| Accrued liabilities | 49,507 | 44,295 |
| Deferred revenue – current | 12,402 | 10,411 |
| Operating lease liabilities – current | 46,439 | 48,796 |
| | 344,868 | 252,350 |
| **Total Current Liabilities** | 357,989 | 265,884 |
| *Immersion* | | |
| Deferred revenue – noncurrent | 5,058 | 5,790 |
| Deferred income taxes – noncurrent | 11,403 | 11,034 |
| Other long-term liabilities | 12,372 | 13,344 |
| | 28,833 | 30,168 |
| *Barnes & Noble Education* | | |
| Deferred income taxes – noncurrent | 3,963 | 4,193 |
| Operating lease liabilities – noncurrent | 135,912 | 121,093 |
| Deferred revenue – noncurrent | 3,060 | 3,155 |
| Other long-term liabilities | 15,867 | 15,987 |
| Long-term borrowings | 170,000 | 103,098 |
| | 328,802 | 247,526 |
| **Total Liabilities** | 715,624 | 543,578 |
| **Commitments and contingencies (Note 18)** | | |
| **Stockholders' Equity:** | | |
| Common stock – $0.001 par value; 100,000,000 shares authorized; 49,942,199 and 32,817,199 shares issued and outstanding at July 31, 2025, respectively; 49,433,320 and 32,502,969 shares issued and outstanding at April 30, 2025, respectively | 50 | 49 |
| Additional paid-in capital | 376,179 | 374,327 |
| Accumulated other comprehensive income (loss) | 354 | 535 |
| Accumulated earnings (deficit) | 32,256 | 34,691 |
| Treasury stock: 17,125,000 and 16,930,351 shares as of July 31, 2025 and April 30, 2025, respectively, at cost | (113,019) | (111,477) |
| **Total Stockholders' Equity Attributable to Immersion Corporation Stockholders** | 295,820 | 298,125 |
| Noncontrolling interest in consolidated subsidiaries | 250,265 | 260,570 |
| **Total Stockholders' Equity** | 546,085 | 558,695 |
| **Total Liabilities and Stockholders' Equity** | $ 1,261,709 | $ 1,102,273 |

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

**IMMERSION CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

| *(In thousands except per-share data)* | Three Months Ended July 31, 2025 | 2024 |
|---|---|---|
| **REVENUES** | | |
| *Immersion* | | |
| Royalty and license | $ 3,872 | $ 48,425 |
| *Barnes & Noble Education* | | |
| Product and other | 274,179 | 130,118 |
| Rental income | 13,981 | 4,946 |
| | 288,160 | 135,064 |
| Total revenues | 292,032 | 183,489 |
| | | |
| **COST OF SALES (excludes depreciation and amortization expense)** | | |
| *Barnes & Noble Education* | | |
| Product and other cost of sales | 226,174 | 106,865 |
| Rental cost of sales | 7,420 | 3,045 |
| Total cost of sales | 233,594 | 109,910 |
| **OPERATING EXPENSES** | | |
| *Immersion* | | |
| Selling and administrative expenses | 3,695 | 13,411 |
| *Barnes & Noble Education* | | |
| Selling and administrative expenses | 67,805 | 36,330 |
| Depreciation and amortization expense | 10,397 | 5,275 |
| Restructuring and other charges | 2,896 | 5,005 |
| | 81,098 | 46,610 |
| Total operating expenses | 84,793 | 60,021 |
| **Operating Income (Loss)** | (26,355) | 13,558 |
| Interest and other income (expense), net | 7,741 | 10,696 |
| Interest expense | 2,829 | 2,367 |
| **Income (Loss) Before Income Taxes** | (21,443) | 21,887 |
| | 7,727 | |
| Income tax benefit (expense) | | (9,687) |
| **Net Income (Loss)** | (13,716) | 12,200 |
| Less: Net income (loss) attributable to noncontrolling interest | (12,786) | (14,877) |
| **Net Income (Loss) Attributable to Immersion Stockholders** | $ (930) | $ 27,077 |
| | | |
| **Earnings (Loss) Per Common Share Attributable to Immersion Stockholders** | | |
| Basic | $ (0.03) | $ 0.85 |
| Diluted | $ (0.03) | $ 0.83 |
| **Weighted-Average Common Shares Outstanding** | | |
| Basic | 32,615 | 31,970 |
| Diluted | 32,615 | 32,700 |

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

**IMMERSION CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)**

| *(In thousands)* | Three Months Ended July 31, 2025 | 2024 |
|---|---|---|
| **Net Income (Loss)** | $ (13,716) | $ 12,200 |
| Change in unrealized gains (losses) on available-for-sale securities | (181) | (218) |
| **Comprehensive Income (Loss)** | (13,897) | 11,982 |
| Comprehensive income (loss) attributable to noncontrolling interests | (12,786) | (14,877) |
| **Comprehensive Income (Loss) Attributable to Immersion Stockholders** | $ (1,111) | $ 26,859 |

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

**IMMERSION CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)**

| | Three Months Ended July 31, 2025 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Common Stock | | | | | Treasury Stock | | | | |
| *(In thousands, except number of shares)* | Shares | Amount | Additional Paid In Capital | Accumulated Other Comprehensive Income (Loss) | Accumulated Earnings (Deficit) | Shares | Amount | Total Stockholders' Equity Attributable to Immersion Stockholder | Noncontrolling Interest | Total Stockholders' Equity |
| **Balances at April 30, 2025** | 49,433,320 | $49 | $374,327 | $535 | $34,691 | 16,930,351 | (111,477) | $298,125 | $260,570 | $558,695 |
| Net income (loss) | — | — | — | — | (930) | — | — | (930) | (12,786) | (13,716) |
| Unrealized gain (loss) on available-for-sale securities, net of taxes | — | — | — | (181) | — | — | — | (181) | — | (181) |
| Release of restricted stock units and awards, net of shares withheld | 491,500 | 1 | (1) | — | — | 194,649 | (1,542) | (1,542) | — | (1,542) |
| Shares issued to an employee in lieu of cash compensation | 17,379 | — | 126 | — | — | — | — | 126 | — | 126 |
| Dividends declared | — | — | — | — | (1,505) | — | — | (1,505) | — | (1,505) |
| Stock-based compensation | — | — | 1,907 | — | — | — | — | 1,907 | 2,481 | 4,388 |
| Tax effects of changes in controlling and noncontrolling interest | — | — | (180) | — | — | — | — | (180) | — | (180) |
| **Balances at July 31, 2025** | **49,942,199** | **$50** | **$376,179** | **$354** | **$32,256** | **17,125,000** | **$(113,019)** | **$295,820** | **$250,265** | **$546,085** |

| | Three Months Ended July 31, 2024 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Common Stock | | | | | Treasury Stock | | | | |
| | Shares | Amount | Additional Paid-In Capital | Accumulated Other Comprehensive Income (Loss) | Accumulated Earnings (Deficit) | Shares | Amount | Total Stockholders' Equity Attributable to Immersion Stockholder | Noncontrolling Interest | Total Stockholders' Equity |
| **Balances at April 30, 2024** | **48,047,329** | **$ 48** | **$ 322,786** | **$ 2,019** | **$ (18,263)** | **16,192,492** | **$ (105,360)** | **$ 201,230** | **$ —** | **$ 201,230** |
| Barnes & Noble Education acquisition | — | — | — | — | — | — | — | — | 203,657 | 203,657 |
| Net income (loss) | — | — | — | — | 27,077 | — | — | 27,077 | (14,877) | 12,200 |
| Unrealized gain (loss) on available-for-sale securities, net of taxes | — | — | — | (218) | — | — | — | (218) | — | (218) |
| Rebalancing of controlling and noncontrolling interest | — | — | 55,520 | — | — | — | — | 55,520 | (55,520) | — |
| Tax effects of changes in controlling and noncontrolling interests | — | — | (11,451) | — | — | — | — | (11,451) | — | (11,451) |
| Release of restricted stock units and awards, net of shares withheld for payroll taxes | 300,000 | — | — | — | — | 119,307 | (1,129) | (1,129) | — | (1,129) |
| Shares issued to an employee in lieu of cash compensation | 89,243 | — | 762 | — | — | — | — | 762 | — | 762 |
| Principal stockholder expense reimbursement | — | — | 1,500 | — | — | — | — | 1,500 | — | 1,500 |
| Dividends declared | — | — | (1,524) | — | (1) | — | — | (1,525) | — | (1,525) |
| Stock-based compensation | — | — | 1,531 | — | — | — | — | 1,531 | 84 | 1,615 |
| **Balances at July 31, 2024** | **48,436,572** | **$ 48** | **$ 369,124** | **$ 1,801** | **$ 8,813** | **16,311,799** | **$ (106,489)** | **$ 273,297** | **$ 133,344** | **$ 406,641** |

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

**IMMERSION CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

| *(in thousands)* | Three Months Ended July 31, 2025 | 2024 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income (loss) | $ (13,716) | $ 12,200 |
| Adjustments to reconcile net income (loss) to cash flows from operating activities: | | |
| Depreciation and amortization expense | 10,423 | 5,300 |
| Stock-based compensation | 4,388 | 1,615 |
| Loss on disposal of property and equipment | 1,929 | 2,884 |
| Deferred income taxes | (1,010) | (2,672) |
| Net (gains) losses on investment in marketable securities | (2,203) | (6,011) |
| Net (gains) losses on derivative instruments | (3,782) | (2,071) |
| Shares issued to an employee in lieu of cash compensation | 126 | 762 |
| Other noncash | (38) | 1,327 |
| Changes in operating assets and liabilities, net of acquisitions: | | |
| Accounts and other receivables | (63,696) | (46,505) |
| Merchandise inventories | (101,003) | (58,533) |
| Textbook rental inventories | 17,549 | (484) |
| Prepaid expenses and other current assets | (16,380) | 3,357 |
| Changes in lease right-of-use assets and liabilities | 2,192 | 30,379 |
| Other assets | 7,343 | (28,976) |
| Accounts payable and accrued liabilities | 93,039 | (45,982) |
| Other current liabilities | 2,147 | 17,145 |
| Deferred revenue | 1,160 | 2,089 |
| Other long-term liabilities | (121) | (197) |
| Net cash flows provided by (used in) operating activities | (61,653) | (114,373) |
| Cash flows from investing activities: | | |
| Purchases of marketable securities and other investments | (28,012) | (31,045) |
| Proceeds from sale or maturities of marketable securities and other investments | 41,447 | 43,688 |
| Proceeds from sale of derivative instruments | 416 | 1,369 |
| Payments for settlement of derivative instruments | (909) | (239) |
| Acquisition of business net of cash acquired | — | (29,647) |
| Purchase of property and equipment | (3,736) | (2,808) |
| Proceeds from disposition of property and equipment | — | 223 |
| Net cash flows provided by (used in) investing activities | 9,206 | (18,459) |
| Cash flows from financing activities: | | |
| Proceeds from borrowings | 163,300 | 166,744 |
| Repayment of borrowing | (96,400) | (46,063) |
| Dividend payments to stockholders | — | (1,524) |
| Shares withheld to cover payroll taxes | (1,542) | (1,130) |
| Net cash provided by (used in) financing activities | 65,358 | 118,027 |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 12,911 | (14,805) |
| Cash, cash equivalents, and restricted cash: | | |
| Beginning of period | 92,273 | 85,521 |
| End of period | $ 105,184 | $ 70,716 |

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

**IMMERSION CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

**Reconciliation of cash, cash equivalents and restricted cash for *Condensed Consolidated Balance Sheets*:**

| *(In thousands)* | Three Months Ended July 31, 2025 | 2024 |
|---|---|---|
| Cash and cash equivalents | | |
| Immersion | $ 82,800 | $ 49,440 |
| Barnes & Noble Education | 7,340 | 8,213 |
| | 90,140 | 57,653 |
| Barnes & Noble Education restricted cash reported as: | | |
| Prepaid expenses and other current assets | 12,688 | 10,704 |
| Other assets - noncurrent | 2,356 | 2,359 |
| Total restricted cash | 15,044 | 13,063 |
| Total cash, cash equivalents and restricted cash | $ 105,184 | $ 70,716 |

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

**IMMERSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

## 1. ORGANIZATION

### Description of Business

***Immersion***

Immersion Corporation ("Immersion") was incorporated in 1993 in California and reincorporated in Delaware in 1999. Unless the context otherwise requires, references in these *Notes to the Condensed Consolidated Financial Statements* to the "Company", "we", "us" and "our" refer to Immersion and our consolidated subsidiaries.

Immersion generates license and royalty revenues from a wide range of intellectual property ("IP") that more fully engage users' sense of touch when operating digital devices. We focus on the following target application areas: mobile devices, wearables, mobile entertainment; console gaming; and automotive.

On June 10, 2024, we acquired a controlling interest in Barnes & Noble Education, Inc., a Delaware corporation ("Barnes & Noble Education" or "BNED"). See *Note 4. Business Combination* for additional information. The financial results of Barnes & Noble Education have been included in our *Condensed Consolidated Financial Statements* from the acquisition date of June 10, 2024.

***Barnes & Noble Education***

Barnes & Noble Education is one of the largest contract operators of physical and virtual bookstores for college and university campuses and K-12 institutions across the United States. Barnes & Noble Education is also a textbook wholesaler, and bookstore management hardware and software provider. Barnes & Noble Education operates physical and virtual bookstores, delivering essential educational content and general merchandise within a dynamic omnichannel retail environment.

Barnes & Noble Education provides product and service offerings designed to address the most pressing issues in higher education, including equitable access, enhanced convenience and improved affordability through innovative course material delivery models designed to drive improved student experiences and outcomes. Barnes & Noble Education offers its *BNC First Day*® affordable access course material programs, consisting of *First Day Complete* and *First Day*, which provide faculty-required course materials to students on or before the first day of class.

- *First Day Complete* is adopted by an institution and includes all or the majority of undergraduate classes (and on occasion graduate classes), providing students with both physical and digital materials. In addition to providing numerous benefits to students, faculty and administrators, the *First Day Complete* model drives substantially greater unit sales and sell-through for the bookstore.
- *First Day* is adopted by a faculty member for a single course, and students receive primarily digital course materials through their school's learning management system ("LMS").

The *Barnes & Noble* brand (licensed from Barnes & Noble Education's former parent) along with its subsidiary brands, *BNC* and *MBS*, are synonymous with innovation in bookselling and campus retailing in the United States. Barnes & Noble Education's large college footprint, reputation, and credibility in the marketplace not only support its marketing efforts to universities, students, and faculty, but are also important to its relationship with leading educational publishers who rely on us as one of their primary distribution channels.

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Principles of Consolidation and Basis of Presentation

The results of operations reflected in our *Condensed Consolidated Financial Statements* include the accounts of Immersion and our wholly-owned subsidiaries, as well as the accounts of Barnes & Noble Education, a consolidated variable interest entity, since June 10, 2024. All significant intercompany accounts and transactions have been eliminated in consolidation.

**IMMERSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

The noncontrolling interest on the *Condensed Consolidated Statements of Operations* represents the portion of earnings or loss attributable to the interest in Barnes & Noble Education held by other owners. The noncontrolling interest on the *Condensed Consolidated Balance Sheets* represents the portion of Barnes & Noble Education's net assets attributable to the other owners, based on the portion of the interest owned by such owners. As of July 31, 2025, the noncontrolling interest was $250.3 million. At the end of each reporting period, equity related to Barnes & Noble Education that is attributable to Immersion and the other owners is rebalanced to reflect Immersion's and the other owners' ownership in Barnes & Noble Education.

These *Condensed Consolidated Financial Statements* have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions for Form 10-Q and the applicable articles of Regulation S-X. Accordingly, these condensed consolidated financial statements do not include all information and footnotes necessary for a complete presentation of the financial position, results of operations, and cash flows, in conformity with U.S. GAAP and should be read in conjunction with our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended April 30, 2025, as amended. In the opinion of management, all adjustments consisting of only normal and recurring items necessary for the fair presentation of the financial position and results of operations for the interim periods presented have been included.

Due to their non-homogeneous operations, our *Condensed Consolidated Balance Sheet* as of July 31, 2025 and *Consolidated Balance Sheet* as of April 30, 2025 and *Condensed Consolidated Statements of Operations* for the three months ended July 31, 2025 and 2024, separately present the operating assets, liabilities, and operations of Immersion's business from the operating assets, liabilities and operations of Barnes & Noble Education's business. All of the assets of Barnes & Noble Education, reported on the *Condensed Consolidated Balance Sheets*, can be used only to settle obligations of Barnes & Noble Education. None of the liabilities of Barnes & Noble Education have recourse to the general credit of Immersion Corporation.

***Reporting Periods***

On September 27, 2024, following the issuance of the Company's *Condensed Consolidated Financial Statements* as of June 30, 2024 and for the three months ended June 30, 2024 and 2023, the Board of Directors of Immersion approved a change in our fiscal year for the period beginning on January 1 and ending on December 31 to the period beginning on May 1 and ending on April 30. The Company has recast the historical financial statements presented herein for the three months ended July 31, 2024 to align with the Company's new fiscal year.

**Summary of Significant Accounting Policies**

***Use of Estimates***

In preparing these financial statements in conformity with U.S. GAAP, we are required to make estimates and assumptions that affect the reported amounts in the *Condensed Consolidated Financial Statements* and accompanying notes. Actual results could differ from those estimates.

***Earnings (Losses) Per Share***

We present both basic and diluted earnings (losses) per share ("EPS") using the two-class method, which is an earnings allocation formula that determines EPS for common stock and any participating securities according to dividends declared (whether paid or unpaid). Under the two-class method, basic EPS is computed by dividing the income available to Immersion stockholders by the weighted-average number of common stock shares outstanding for the period. Basic EPS includes participating securities, consisting of unvested restricted stock that receive nonforfeitable dividends similar to shares of common stock. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, where such exercise or conversion would result in a lower earnings per share amount.

**IMMERSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

***Goodwill and Indefinite-Lived Intangible Assets***

We have goodwill and indefinite-lived intangible assets that have been recorded in connection with the acquisition of Barnes & Noble Education. Goodwill and indefinite-lived intangible assets are not amortized, but instead are tested for impairment at least annually. We monitor these assets on a quarterly basis for potential indicators of impairment. Goodwill is required to be tested for impairment at the reporting unit level, which is an operating segment, or one level below the operating segment.

***Impairment of Long-Lived Assets***

Our long-lived assets include property and equipment, operating lease right-of-use assets, and amortizable intangibles recorded in connection with our business acquisition of Barnes & Noble Education. We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We evaluate the long-lived assets of the reporting units for impairment at the lowest asset group level for which individual cash flows can be identified. When evaluating long-lived assets for potential impairment, we first compare the carrying amount of the asset group to the estimated future undiscounted cash flows. The impairment loss calculation compares the carrying amount of the assets to the fair value based on estimated discounted future cash flows. If required, an impairment loss is recorded for that portion of the asset's carrying value in excess of fair value.

***Seasonality***

Barnes & Noble Education's business is highly seasonal, particularly with respect to textbook sales and rentals, with the major portion of sales and operating profit realized during the second and third fiscal quarters when college students generally purchase and rent textbooks for the upcoming semesters and lowest in the first and fourth fiscal quarters. Barnes & Noble Education's quarterly results also may fluctuate depending on the timing of the start of the various schools' semesters, as well as shifts in its fiscal calendar dates.

As the concentration of digital product sales increases, revenue will be recognized earlier during the academic term as digital textbook revenue is recognized when the digital content is made available to the customer compared to: (i) the rental of physical textbooks where revenue is recognized over the rental period, and (ii) a la carte courseware sales where revenue is recognized when the customer takes physical possession of Barnes & Noble Education's products, which occurs either at the point of sale for products purchased at physical locations or upon receipt of Barnes & Noble Education's products by its customers for products ordered through Barnes & Noble Education's websites and virtual bookstores. See *Revenue Recognition and Deferred Revenue* discussion below.

These shifts in timing may affect the comparability of Barnes & Noble Education's results across periods. Sales attributable to Barnes & Noble Education's wholesale business are generally highest in Barnes & Noble Education's first, second and third quarters, as it sells textbooks and other course materials for retail distribution. See *Revenue Recognition and Deferred Revenue* discussion below.

***Restricted Cash***

At July 31, 2025 and April 30, 2025, restricted cash was comprised of $12.7 million and $17.3 million, respectively, in *Prepaid expenses and other current assets* in the *Condensed Consolidated Balance Sheets* related to segregated funds for commission due to Fanatics Lids College, Inc. D/B/A "Lids" ("Lids") for logo merchandise sales as per the Lids service provider merchandising agreement, and for both respective dates, $2.4 million in *Other assets - noncurrent* in the *Condensed Consolidated Balance Sheets* related to amounts held in trust for future distributions related to employee benefit plans.

***Merchandise Inventories***

Merchandise inventories, which consist of finished goods, are stated at the lower of cost or market. Market value of Barnes & Noble Education's inventory, which is all purchased finished goods is determined based on its estimated net realizable value, which is generally the selling price less normally predictable costs of disposal and transportation. Reserves for non-returnable inventory represent write downs that reduce the cost basis of the asset. These write-downs are based on Barnes & Noble Education's history of liquidating non-returnable inventory, which includes certain assumptions, including markdowns and inventory aging.

**IMMERSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

Cost is determined primarily by the retail inventory method for Barnes & Noble Education's retail business. Textbook and trade book inventories for retail and wholesale are valued using the LIFO method. The related LIFO reserve was $6.4 million to Barnes & Noble Education's inventory balance as of July 31, 2025 and April 30, 2025, respectively.

For Barnes & Noble Education's physical bookstores, Barnes & Noble Education estimates and accrues inventory shortage for the period between the last physical count and the balance sheet date. Shortage rates are estimated and accrued based on historical rates and can be affected by changes in merchandise mix and changes in actual shortage trends.

The physical bookstores fulfillment order is directed first to Barnes & Noble Education's wholesale operations before other sources of inventory are utilized. The products that Barnes & Noble Education sells originate from a wide variety of domestic and international vendors. After internal sourcing, the bookstore purchases textbooks from outside suppliers and publishers.

***Textbook Rental Inventories***

Physical textbooks out on rent are categorized as textbook rental inventories. At the time a rental transaction is consummated, the book is removed from merchandise inventories and moved to textbook rental inventories at cost. The cost of the book is amortized down to its estimated residual value over the rental period with the amortization expense recognized in cost of goods sold. At the end of the rental period, upon return, the book is removed from textbook rental inventories and recorded in merchandise inventories at its amortized cost.

***Leases***

Barnes & Noble Education recognizes lease assets and lease liabilities on the *Condensed Consolidated Balance Sheets* for all operating lease arrangements based on the present value of future lease payments as required by Accounting Standards Codification ("ASC") Topic 842, Leases. Barnes & Noble Education does not recognize lease assets or lease liabilities for short-term leases (i.e., those with a term of twelve months or less). Barnes & Noble Education recognizes lease expense on a straight-line basis over the lease term for contracts with fixed lease payments, including those with fixed annual minimums, or over a rolling twelve-month period for leases where the annual guarantee resets at the start of each contract year, in order to best reflect the pattern of usage of the underlying leased asset. Barnes & Noble Education recognizes lease expense related to college and university contracts, inclusive of the amortization of the unfavorable lease terms determined at the acquisition date of June 10, 2024, as cost of sales in the *Condensed Consolidated Statements of Operations* and Barnes & Noble Education recognizes lease expense related to its various office spaces as selling and administrative expenses in the *Condensed Consolidated Statements of Operations.*

For leases entered into after June 10, 2024, Barnes & Noble Education uses its incremental borrowing rates to determine the present value of fixed lease payments based on the information available at the commencement date, as the rate implicit in the lease is not readily determinable. Barnes & Noble Education utilizes an estimated collateralized incremental borrowing rate as of the effective date or the commencement date of the lease, whichever is later. See *Note 8. Leases* for additional information.

***Revenue Recognition and Deferred Revenue***

*Product sales and rentals*

The majority of Barnes & Noble Education's revenue is derived from the sale of products through its bookstore locations, including virtual bookstores, and its bookstore affiliated e-commerce websites, and contains a single performance obligation. Revenue from sales of products is recognized at the point in time when control of the products is transferred to its customers in an amount that reflects the consideration it expects to be entitled to in exchange for the products. For additional information, see *Note 6. Revenue Recognition* for additional information.

Product revenue is recognized when the customer takes physical possession of its products, which occurs either at the point of sale for products purchased at physical locations or upon receipt of products by its customers for products ordered through websites and virtual bookstores. Product sales from Barnes & Noble Education's wholesale operations are recognized upon shipment of physical textbooks at which point title passes and risk of loss is transferred to the customer. Additional revenue is recognized for shipping charges billed to customers and shipping costs are accounted for as fulfillment costs within cost of sales.

**IMMERSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

Revenue from the sale of digital textbooks, which contains a single performance obligation, is recognized upon delivery of the digital content as product sales in Barnes & Noble Education's condensed consolidated financial statements. A software feature is embedded within the content of Barnes & Noble Education's digital textbooks, such that upon expiration of the term the customer is no longer able to access the content. While the sale of the digital textbook allows the customer to access digital content for a fixed period of time, once the digital content is delivered to the customer, Barnes & Noble Education's performance obligation is complete.

Revenue from the rental of physical textbooks is deferred and recognized over the rental period based on the passage of time commencing at the point of sale, when control of the product transfers to the customer and is recognized as rental income in Barnes & Noble Education's condensed consolidated financial statements. Rental periods are typically for a single semester and are always less than one year in duration. Barnes & Noble Education offers a buyout option to allow the purchase of a rented physical textbook at the end of the rental period if the customer desires to do so. Barnes & Noble Education records the buyout purchase when the customer exercises and pays the buyout option price which is determined at the time of the buyout. In these instances, Barnes & Noble Education accelerates any remaining deferred rental revenue at the point of sale.

Revenue recognized for the *BNC First Day* offerings is consistent with Barnes & Noble Education's policies outlined above for product, digital and rental sales, net of an anticipated opt-out or return provision. Given the growth of *BNC First Day* programs, the timing of cash collection from Barnes & Noble Education's school partners may shift to periods subsequent to when the revenue is recognized. When a school adopts the *BNC First Day* affordable access course material offerings, cash collection from the school generally occurs after the institution's drop/add dates, which is later in the working capital cycle, particularly in Barnes & Noble Education's third quarter given the timing of the Spring Term and its quarterly reporting period, as compared to direct-to-student point-of-sale transactions where cash is generally collected during the point-of-sale transaction or within a few days from the credit card processor.

Barnes & Noble Education estimates returns based on an analysis of historical experience. A provision for anticipated merchandise returns is provided through a reduction of sales and cost of sales in the period that the related sales are recorded.

For sales and rentals involving third-party products, Barnes & Noble Education evaluates whether it is acting as a principal or an agent. This determination is based on Barnes & Noble Education's evaluation of whether it controls the specified goods or services prior to transferring them to the customer. There are significant judgments involved in determining whether Barnes & Noble Education controls the specified goods or services prior to transferring them to the customer, including whether Barnes & Noble Education has the ability to direct the use of the good or service and obtain substantially all of the remaining benefits from the good or service. For those transactions where Barnes & Noble Education is the principal, it records revenue on a gross basis, and for those transactions where Barnes & Noble Education is an agent to a third-party, it records revenue on a net basis.

As the logo and emblematic general merchandise sales are fulfilled by Lids and Fanatics Retail Group Fulfillment, LLC ("Fanatics", collectively, F/L Relationship), Barnes & Noble Education recognizes commission revenue earned for these sales on a net basis in its condensed consolidated financial statements.

Barnes & Noble Education does not have gift cards or customer loyalty programs. Barnes & Noble Education does not treat any promotional offers as expenses. Sales tax collected from Barnes & Noble Education's customers is excluded from reported revenues. Barnes & Noble Education's payment terms are generally 30 days and do not extend beyond one year.

*Service and other revenue*

Service and other revenue is primarily derived from brand marketing services which include promotional activities and advertisements within Barnes & Noble Education's physical bookstores and web properties performed on behalf of third-party customers, shipping and handling, and revenue from other programs.

Brand marketing agreements often include multiple performance obligations which are individually negotiated with Barnes & Noble Education's customers. For these arrangements that contain distinct performance obligations, Barnes & Noble Education allocates the transaction price based on the relative standalone selling price method by comparing the standalone selling price ("SSP") of each distinct performance obligation to the total value of the contract. The revenue is recognized as each performance obligation is satisfied, typically at a point in time for brand marketing service and over time for advertising efforts as measured based upon the passage of time for contracts that are based on a stated period of time or the number of impressions delivered for contracts with a fixed number of impressions.

**IMMERSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

***Cost of Sales***

Cost of sales primarily includes costs such as merchandise costs, textbook rental amortization, warehouse costs related to inventory management and order fulfillment, insurance, certain payroll costs, and management service agreement costs, including rent expense, related to Barnes & Noble Education's college and university contracts and other facility related expenses.

***Selling and Administrative Expenses***

The Company's selling and administrative expenses primarily consisted of employee compensation and benefits including stock-based compensation, legal and other professional fees, external legal costs for patents, office expense, travel, and facilities costs.

Barnes & Noble Education's selling and administrative expenses consist primarily of employee payroll and store operating expenses. Selling and administrative expenses also include long-term incentive plan compensation expense and general office expenses, such as merchandising, procurement, field support, finance, and accounting.

***Accounting Pronouncements***

*Recently issued accounting pronouncements*

There were no new accounting pronouncements issued during the quarter ended July 31, 2025, that are expected to have a material impact on the Company's *Condensed Consolidated Financial Statements*.

*Recently Issued Accounting Pronouncements Adopted*

In September 2025, Financial Accounting Standards Board (the "FASB") issued ASU No. 2025-07 ("ASU 2025-07"), "Derivatives and Hedging (Topic 815): Derivatives Scope Refinements and Scope Clarification for Share-Based Noncash Consideration from a Customer in a Revenue Contract." The guidance refines the scope of Topic 815 to clarify which contracts are subject to derivative accounting. The guidance also provides clarification under Topic 606 related to share-based payments from a customer in a revenue contract. The amendments in ASU 2025-07 are effective for fiscal years beginning after December 15, 2026, and interim periods within those fiscal years, with early adoption permitted. The Company elected to early adopt ASU 2025-07 effective May 1, 2025, the first day of fiscal 2026. The adoption did not have a material impact on the Company's *Condensed Consolidated Financial Statements*. See *Note 11. Participation Interest Purchase Agreement* for additional information.

## 3. RESTATEMENT OF PREVIOUSLY-ISSUED FINANCIAL STATEMENTS

As previously disclosed in Note 20 of the Company's consolidated financial statements for the fiscal year ended April 30, 2025, the Company restated the unaudited quarterly *Condensed Consolidated Financial Statements* for the quarterly and year-to-date periods ended January 31, 2025 and October 31, 2024, calendar quarter and year-to-date ended June 30, 2024, and the one month period ended July 31, 2024 (the "restated periods") in connection with the identification of material errors related to the accounting for digital cost of sales, leases and other items. While some of these restated periods were used to derive the Company's results for the three months ended July 31, 2024, such restated periods are not presented herein because the Company has recast its historical financial statements for the three months ended July 31, 2024 to align with its new fiscal year. See *Note 2. Basis of Presentation and Summary of Significant Accounting Policies*.

**IMMERSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

## 4. BUSINESS COMBINATION

On June 10, 2024 ("Closing Date"), we acquired 42% of all outstanding common shares of Barnes & Noble Education, as well as control over Barnes & Noble Education through five Immersion-appointed board seats. The total cash consideration transferred was approximately $50.1 million after the $2.5 million Backstop Commitment (as defined in the purchase agreement between Barnes & Noble Education and the Company) and $2.5 million in transaction costs, incurred by Immersion but reimbursed by Barnes & Noble Education. For the fiscal year ended April 30, 2025, Immersion incurred costs related to this acquisition of $1.2 million, inclusive of the expenses reimbursed by Barnes & Noble Education, that were expensed as incurred and recorded in *Selling and administrative expenses* in the accompanying *Condensed Consolidated Statement of Operations*. The acquisition aims to expand Immersion's offerings, increase its customer reach, and diversify into the education sector.

The acquisition was accounted for as a business combination and the total purchase price was allocated to the net tangible and intangible assets and liabilities based on their fair values on the acquisition date with the excess recorded as goodwill. The purchase price allocation was finalized during the measurement period and the amounts presented below reflect final measurement period adjustments recorded during the fiscal year ended April 30, 2025. See *Note 9. Goodwill and Intangible Assets* for additional information. The results of the purchase price allocation below are presented, inclusive of the restatement adjustments. For the impacts of the restatement on the preliminary purchase price allocation, see, *Note 20. Restatement of Quarterly Financial Information (Unaudited)* as previously disclosed in the Company's consolidated financial statements for the fiscal year ended April 30, 2025.

The following table presents the results of the final purchase price allocation, inclusive of the restatement adjustments (in thousands):

| | Final Purchase Price Allocation |
|---|---|
| **Assets acquired** | |
| Cash and cash equivalents | $ 14,736 |
| Accounts receivable | 115,320 |
| Merchandise inventories | 336,741 |
| Textbook rental inventories | 5,158 |
| Prepaid expenses and other current assets (including $4.8 million in restricted cash) | 26,969 |
| Property and equipment | 118,818 |
| Operating lease right-of-use assets | 186,180 |
| Intangible assets | 95,000 |
| Other assets noncurrent (including $1.0 million in restricted cash) | 11,796 |
| Total assets acquired | $ 910,718 |
| **Liabilities assumed** | |
| Accounts payable | 279,456 |
| Accrued liabilities | 98,974 |
| Deferred revenue – current | 7,651 |
| Operating lease liabilities – current | 76,677 |
| Deferred income taxes – noncurrent | 4,790 |
| Operating lease liabilities – noncurrent | 141,501 |
| Deferred revenue – noncurrent | 3,393 |
| Other long-term liabilities | 12,413 |
| Long-term borrowings | 101,235 |
| Total liabilities assumed | 726,090 |
| **Net assets acquired** | $ 184,628 |
| | |
| **Total consideration transferred** | $ 50,133 |
| Less: Net assets acquired | (184,628) |
| Plus: Noncontrolling interest | 203,657 |
| Goodwill | $ 69,162 |

Identifiable intangible assets acquired were comprised of the following (in thousands except for estimated useful life):

| *(in thousands)* | Amount | Estimated Life |
|---|---|---|
| Trade name | $ 45,000 | Indefinite |
| Customer relationships | 50,000 | 13 years |
| Total intangible assets | $ 95,000 | |

**IMMERSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

Trade name represents Barnes & Noble Education's right to its trade name on a perpetual, royalty-free basis as it existed on the acquisition Closing Date. Customer relationships consist of distinct values associated with Barnes & Noble Education's large operating footprint with direct access to students and faculty across a diverse customer base.

We used the assistance of a third-party firm to estimate the fair value of the intangible assets acquired. The fair values assigned to identifiable intangible assets were determined through the use of the income approach, specifically the relief from royalty and the multi-period excess earnings methods. The key assumptions used to estimate the values of identifiable intangible assets include management's estimates of future revenue, adjusted for growth, EBITDA margins, royalty rate attrition based on historical data and management's forward-looking expectations. These cash flows were discounted at a rate of 21%, which reflects our cost of equity. The useful lives for intangible assets were determined based upon the remaining useful economic lives of the intangible assets that are expected to contribute directly or indirectly to future cash flow.

Goodwill generated from this acquisition is primarily attributed to the value of Barnes & Noble Education's assembled workforce. Goodwill is not amortized and is tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Our entire goodwill balance is associated with the Barnes & Noble Education reporting unit. Goodwill is not deductible for tax purposes.

We acquired a deferred tax liability of $4.8 million, recorded under Deferred income taxes – noncurrent, as part of this business combination.

We also used the assistance of a third-party valuation firm to estimate the fair value of the property and equipment, and inventory acquired. The fair value as of the Closing Date reflects a step-up in basis due to the highly depreciable nature of the property and equipment. No material fair value adjustments for inventory were identified, as there are minimal costs associated with procurement.

Most of the net tangible assets were valued at their respective carrying amounts as of the acquisition date, as we believe that these amounts approximate their current fair values. The leases acquired were recorded at their respective fair values as of the acquisition date.

**IMMERSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

## 5. SEGMENT REPORTING

We operate as two operating and reportable segments, Immersion and Barnes & Noble Education. Our Chief Executive Officer, as the Company's Chief Operating Decision Maker, uses *Operating income (loss)* as the profitability metric for the purposes of making decisions related to the allocation of resources to each segment and assessing performance of each segment, Summarized financial information for our reportable segments is reported below (in thousands):

| *(in thousands)* | Three Months Ended July 31, 2025 | July 31, 2024 |
|---|---|---|
| **Revenues:** | | |
| Immersion | $ 3,872 | $ 48,425 |
| Barnes & Noble Education | 288,160 | 135,064 |
| Total revenues | 292,032 | 183,489 |
| | | |
| **Cost of sales (excludes depreciation and amortization expense):** | | |
| Barnes & Noble Education | 233,594 | 109,910 |
| **Operating expenses:** | | |
| Immersion | | |
| Selling and administrative expenses | 3,695 | 13,411 |
| Barnes & Noble Education | | |
| Selling and administrative expenses | 67,805 | 36,330 |
| Depreciation and amortization expense | 10,397 | 5,275 |
| Restructuring and professional fees | 2,896 | 5,005 |
| | 81,098 | 46,610 |
| Total operating expenses | 84,793 | 60,021 |
| **Operating Income (Loss):** | | |
| Immersion | 177 | 35,014 |
| Barnes & Noble Education | (26,532) | (21,456) |
| **Operating Income (Loss)** | $ (26,355) | $ 13,558 |

The reconciliation between segment operating income (loss) and income (loss) before income taxes is included within our *Condensed Consolidated Statements of Operations.*

## 6. REVENUE RECOGNITION

**Immersion**

***Disaggregated Revenue***

The following table presents the disaggregation of Immersion's revenue for the three months ended July 31, 2025 and 2024 (in thousands):

| | Three Months Ended July 31, 2025 | July 31, 2024 |
|---|---|---|
| Fixed fee license revenue | $ 736 | $ 45,326 |
| Per-unit royalty revenue | 3,136 | 3,099 |
| Total royalty and license revenue | $ 3,872 | $ 48,425 |

**IMMERSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

***Contract Assets***

As of July 31, 2025, we had contract assets of $8.1 million included within *Prepaid expenses and other current assets* and $20.5 million within *Other assets – noncurrent* on the *Condensed Consolidated Balance Sheet*. As of April 30, 2025, we had contract assets of $7.8 million included within *Prepaid expenses and other current assets* and $27.4 million within *Other assets - noncurrent* on the *Condensed Consolidated Balance Sheet.*

***Deferred Revenue***

The following table presents changes in deferred revenue associated with our contract liabilities (in thousands):

| | July 31, 2025 | April 30, 2025 |
|---|---|---|
| Deferred revenue beginning of the period | $ 8,728 | $ 20,472 |
| Additions to deferred revenue during the period | - | 882 |
| Reductions to deferred revenue for revenue recognized during the period | (736) | (12,626) |
| Deferred revenue balance end of the period | $ 7,992 | $ 8,728 |

Based on contracts signed and payments received as of July 31, 2025, we expect to recognize $8.0 million in revenue under our fixed fee license agreements, which are satisfied over time, including $7.5 million over one to three years and $0.5 million over more than three years.

**Barnes & Noble Education**

***Disaggregated Revenue***

The following table presents disaggregated the revenue associated with Barnes & Noble Education's major products and service offerings (in thousands):

| | Three Months Ended July 31, 2025 | From June 10, 2024 to July 31, 2024 |
|---|---|---|
| Course material product sales | $ 157,598 | $ 68,153 |
| General merchandise product sales [(a)] | 97,710 | 50,838 |
| Services and other revenue [(b)] | 18,871 | 11,127 |
| Total product and other revenue | 274,179 | 130,118 |
| Course material rental income | 13,981 | 4,946 |
| Total revenue | $ 288,160 | $ 135,064 |

a)Logo general merchandise sales are recognized on a net basis as commission revenue in the condensed consolidated financial statements.
b)Service and other revenue primarily relates to brand partnership marketing and other service revenues.

***Deferred Revenue***

*Contract Assets and Contract Liabilities*

Contract assets represent the sale of goods or services to a customer before Barnes & Noble Education has the right to obtain consideration from the customer. Contract assets consist of unbilled amounts at the reporting date and are transferred to accounts receivable when the rights become unconditional. Contract assets (unbilled receivables) were $0.3 million and $0.6 million for July 31, 2025 and April 30, 2025, respectively, on the *Condensed Consolidated Balance Sheets*.

**IMMERSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

Contract liabilities represent an obligation to transfer goods or services to a customer for which Barnes & Noble Education has received consideration and consists of its deferred revenue liability (deferred revenue). Deferred revenue consists of the following:

- advanced payments from customers related to textbook rental performance obligations, which are recognized ratably over the terms of the related rental period;
- unsatisfied performance obligations associated with partnership marketing services, which are recognized when the contracted services are provided to Barnes & Noble Education's partnership marketing customers; and
- unsatisfied performance obligations associated with the premium paid for the sale of treasury shares, which are expected to be recognized over the term of the merchandising contracts for Fanatics and Lids.

The following table presents changes in deferred revenue associated with Barnes & Noble Education's contract liabilities (in thousands):

| | July 31, 2025 | April 30, 2025 |
|---|---|---|
| Deferred revenue as of the beginning of the period | $ 13,566 | $ 11,044 |
| Additions to deferred revenue during the period | 20,720 | 173,969 |
| Reductions to deferred revenue for revenue recognized during the period | (18,824) | (171,447) |
| Deferred revenue balance at the end of period | $ 15,462 | $ 13,566 |

## 7. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Immersion invests surplus funds in excess of operational requirements in a diversified portfolio of marketable securities, with the objectives of delivering competitive returns, maintaining a high degree of liquidity, and seeking to avoid the permanent impairment of principal. The following summarizes our investments in marketable-equity and debt securities as of July 31, 2025 and April 30, 2025 (in thousands):

| **Investments - current** | **July 31, 2025** | **April 30, 2025** |
|---|---|---|
| Marketable equity securities | $ 61,305 | $ 55,784 |
| U.S. treasury securities | 16,046 | 33,005 |
| Total Investments – current | $ 77,351 | $ 88,789 |

| **Investments - noncurrent** | **July 31, 2025** | **April 30, 2025** |
|---|---|---|
| Corporate bonds | $ 13,876 | $ 13,880 |
| Total Investments – noncurrent | $ 13,876 | $ 13,880 |

***Marketable Securities***

Marketable securities as of July 31, 2025 and April 30, 2025 consisted of the following (in thousands):

| | **July 31, 2025** | | | |
|---|---|---|---|---|
| | **Cost or Amortized Cost** | **Unrealized Gains** | **Unrealized Losses** | **Fair Value** |
| **Marketable equity securities** | | | | |
| Equity securities | $ 67,956 | $ 6,659 | $ (13,310) | $ 61,305 |
| **Marketable debt securities** | | | | |
| U.S. treasury securities | 15,907 | 139 | — | 16,046 |
| Corporate bonds | 13,787 | 162 | (73) | 13,876 |
| Total marketable debt securities | 29,694 | 301 | (73) | 29,922 |
| | $ 97,650 | $ 6,960 | $ (13,383) | $ 91,227 |

**IMMERSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

| | April 30, 2025 | | | |
|---|---|---|---|---|
| | Cost or Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| **Marketable equity securities** | | | | |
| Equity securities | $ 63,677 | $ 6,892 | $ (14,785) | $ 55,784 |
| **Marketable debt securities** | | | | |
| U.S. treasury securities | 32,674 | 331 | — | 33,005 |
| Corporate bonds | 13,802 | 147 | (69) | 13,880 |
| Total marketable debt securities | 46,476 | 478 | (69) | 46,885 |
| | $ 110,153 | $ 7,370 | $ (14,854) | $ 102,669 |

The following summarizes Immersion's amortized costs and fair value of our marketable securities, by contractual maturity, as of July 31, 2025 (in thousands):

| | July 31, 2025 | |
|---|---|---|
| | Amortized Cost | Fair Value |
| Less than 1 year | $ 15,907 | $ 16,046 |
| 1 to 5 years | 13,787 | 13,876 |
| More than 5 years | — | — |
| Total | $ 29,694 | $ 29,922 |

As of July 31, 2025, the fair value of corporate bonds with unrealized loss positions was $10.6 million, with an aggregated loss of $0.1 million. There were no U.S. treasury securities with an unrealized loss position at July 31, 2025. As of April 30, 2025, the fair value of available-for-sale debt securities in unrealized loss positions for corporate bonds were $10.6 million , with an aggregated loss of $0.1 million. There were no U.S. treasury securities with an unrealized loss position at April 30, 2025. For all available-for-sale debt securities that were in unrealized loss positions, we have determined that it is more likely than not we will hold the securities until maturity or a recovery of the cost basis. We had no credit-related impairment loss as of July 31, 2025 and April 30, 2025.

***Derivative Financial Instruments***

Immersion's derivative instruments consisted of call and put options sold at their fair value as of the balance sheet date. These derivative instruments are reported as *Other current liabilities* on our *Condensed Consolidated Balance Sheets* as of July 31, 2025 and April 30, 2025 (in thousands):

| | July 31, 2025 | | |
|---|---|---|---|
| | Cost | Unrealized (Gains) Losses | Fair Value |
| Derivative instruments | $ 4,406 | $ 1,133 | $ 5,539 |
| | $ 4,406 | $ 1,133 | $ 5,539 |

| | April 30, 2025 | | |
|---|---|---|---|
| | Cost | Unrealized (Gains) Losses | Fair Value |
| Derivative instruments | $ 6,045 | $ 3,709 | $ 9,754 |
| | $ 6,045 | $ 3,709 | $ 9,754 |

**IMMERSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

The following summarizes the realized and unrealized gains and losses from Immersion's equity securities and derivative instruments and realized gains and losses from Immersion's marketable debt securities are as follows (in thousands):

| | Three Months Ended July 31, | |
|---|---|---|
| | 2025 | 2024 |
| Net unrealized gains (losses) recognized on marketable equity securities | $ 1,243 | $ 1,630 |
| Net realized gains recognized on marketable equity securities | 960 | 3,108 |
| Net unrealized gains (losses) recognized on derivative instruments | 2,577 | (525) |
| Net realized gains recognized on derivative instruments | 1,205 | 2,596 |
| Net realized gains recognized on marketable debt securities | — | 1,273 |
| Total net gains recognized in interest and other income (loss), net | $ 5,985 | $ 8,082 |

***Fair Value Measurements***

The fair value of certain financial instruments including *Cash and cash equivalents; Accounts receivable, net; Accounts payable;* and *Accrued liabilities* approximate their carrying value due to their short-term nature and are classified within Level 1. The fair value of our *Long-term borrowings* approximates its carrying value and is classified as Level 2, as it is estimated using observable market inputs such as current interest rates and credit spreads for similar instruments.

Our financial instruments measured at fair value on a recurring basis consisted of U.S. treasury securities, equity securities, corporate bonds, and derivatives. Equity securities and certain derivative instruments are classified within Level 1 of the fair value hierarchy as they are valued based on quoted market price in an active market. U.S. treasury securities, corporate bonds, and certain derivative instruments are valued based on quoted prices in markets that are less active, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency are generally classified within Level 2 of the fair value hierarchy.

Financial instruments valued based on unobservable inputs, which reflect the reporting entity's own assumptions or data that market participants would use in valuing an instrument, are generally classified within Level 3 of the fair value hierarchy.

See *Note 11. Participation Interest Purchase Agreement* for fair value information about Barnes & Noble Education's derivative instrument held as of July 31, 2025 and April 30, 2025, that is fair valued using Level 3 inputs.

Financial instruments measured at fair value on a recurring basis as of July 31, 2025 and April 30, 2025 are classified based on the valuation technique in the table below (in thousands):

| | July 31, 2025 Fair Value Measurements Using | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| **Assets:** | | | | |
| Money Market funds (within cash and cash equivalents) | $ 68,635 | $ — | $ — | $ 68,635 |
| U.S. treasury securities | — | 16,046 | — | 16,046 |
| Equity securities | 61,305 | — | — | 61,305 |
| Corporate bonds | — | 13,876 | — | 13,876 |
| Total assets at fair value | $ 129,940 | $ 29,922 | $ — | $ 159,862 |
| | | | | |
| **Liabilities** | | | | |
| Derivative instruments | 3,697 | 1,842 | | |
| | $ | $ | $ — | $ 5,539 |
| Total liabilities at fair value | $ 3,697 | $ 1,842 | $ — | $ 5,539 |

**IMMERSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

| | April 30, 2025 Fair Value Measurements Using | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| **Assets:** | | | | |
| Money Market funds (within cash and cash equivalents) | $ 59,747 | $ — | $ — | $ 59,747 |
| U.S. treasury securities | - | 33,005 | — | 33,005 |
| Equity securities | 55,784 | — | — | 55,784 |
| Corporate bonds | 3,272 | 10,608 | — | 13,880 |
| Total assets at fair value | $ 118,803 | $ 43,613 | $ — | $ 162,416 |
| | | | | |
| **Liabilities** | | | | |
| Derivative instruments | $ 6,456 | $ 3,298 | $ — | $ 9,754 |
| Total liabilities at fair value | $ 6,456 | $ 3,298 | $ — | $ 9,754 |

## 8. LEASES

**Immersion**

For the three months ended July 31, 2025 and 2024, Immersion's leases and related activity was not material.

**Barnes & Noble Education**

Barnes & Noble Education recognizes lease assets and lease liabilities on the *Condensed Consolidated Balance Sheets* for substantially all lease arrangements based on the present value of future lease payments as required by *ASC Topic 842, Leases*. Barnes & Noble Education's portfolio of leases consists of operating leases comprised of operating agreements, which grant us the right to operate on-campus bookstores at colleges and universities; real estate leases for office and warehouse operations; and vehicle leases. Barnes & Noble Education has one immaterial finance lease and no short-term leases (i.e., those with a term of twelve months or less).

Barnes & Noble Education recognizes a right of use ("ROU") asset and lease liability in the *Condensed Consolidated Balance Sheets* for leases with a term greater than twelve months. Options to extend or terminate a lease are included in the determination of the ROU asset and lease liability when it is reasonably certain that such options will be exercised.

Barnes & Noble Education's lease terms generally range from one year to fifteen years, and a number of agreements contain minimum annual guarantees, many of which are adjusted at the start of each contract year based on the actual sales activity of the leased premises for the most recently completed contract year.

Payment terms are based on the fixed rates explicit in the lease, including minimum annual guarantees, and/or variable rates based on: (i) a percentage of revenues or sales arising at the relevant premises ("variable commissions"), and/or (ii) operating expenses, such as common area charges, real estate taxes and insurance. For contracts with fixed lease payments, including those with minimum annual guarantees, Barnes & Noble Education recognizes lease expense on a straight-line basis over the lease term. For variable commissions, Barnes & Noble Education recognizes lease expense as incurred. Barnes & Noble Education's lease agreements do not contain any material residual value guarantees, material restrictions, or covenants.

Barnes & Noble Education uses an estimated incremental borrowing rate to determine the present value of fixed lease payments based on the information available at the lease commencement date, if the rate implicit in the lease is not readily determinable. Barnes & Noble Education utilizes an estimated collateralized incremental borrowing rate as of the effective date or the commencement date of the lease, whichever is later.

**IMMERSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

The following table summarizes additional information related to Barnes & Noble Education's operating leases:

| | Three Months Ended July 31, 2025 | From June 10, 2024 to July 31, 2024 |
|---|---|---|
| Operating lease cost | $ 17,579 | $ 10,879 |
| Variable lease payments | 20,912 | 3,981 |
| Short-term lease cost | — | 2,771 |
| Total lease cost | $ 38,491 | $ 17,631 |

| | July 31, 2025 | July 31, 2024 |
|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilities | 14,199 | 18,868 |
| Operating lease right-of-use assets obtained in exchange for operating lease liabilities | 24,884 | 13,234 |
| Weighted-average remaining lease term (in years) | 4.7 | 4.6 |
| Weighted-average discount rate | 6.7% | 5.5% |

## 9. GOODWILL AND INTANGIBLE ASSETS

The Company recognized $69.2 million in goodwill as the result of the business combination with Barnes & Noble Education on June 10, 2024. See *Note 4. Business Combination* for additional information. The carrying value of goodwill was $69.2 million as of July 31, 2025 and April 30, 2025.

In accordance with ASC Topic 350, Intangibles - Goodwill and Other, the Company did not record any goodwill impairment losses during the three months ended July 31, 2025 and 2024. Goodwill represents the future economic benefit attributable to Barnes & Noble Education's assembled workforce, which is not individually and separately recognized as an intangible asset. As such, the carrying value of goodwill has been allocated to Barnes & Noble Education Segment and none of the goodwill has been allocated to the Immersion Segment.

Intangible Assets, net

The following is a summary of intangible assets excluding goodwill recorded as intangible assets on our Condensed Consolidated Balance Sheets as of July 31, 2025 and April 30, 2025 (in thousands):

| | July 31, 2025 | | | |
|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Weighted-Average Remaining Life (years) |
| Trade name | $ 45,000 | N/A | $ 45,000 | Indefinite |
| Customer relationships | 50,000 | (4,381) | 45,619 | 11.9 |
| **Total** | $ 95,000 | $ (4,381) | $ 90,619 | |

| | April 30, 2025 | | | |
|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Weighted-Average Remaining Life (years) |
| Trade name | $ 45,000 | N/A | $ 45,000 | Indefinite |
| Customer relationships | 50,000 | (3,419) | 46,581 | 12.2 |
| **Total** | $ 95,000 | $ (3,419) | $ 91,581 | |

Amortization of finite-lived intangible assets is computed using the straight-line method over their estimated useful lives. Trade name is determined to have an indefinite useful life and is not subject to amortization.

**IMMERSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

Amortization expense was $1.0 million for the three months ended July 31, 2025 and $0.5 million for the period from June 10, 2024, to July 31, 2024.

Estimated amortization expense of the intangible assets to be recognized by the Company are as follows (in thousands):

| Year ended April 30, | Amount |
|---|---|
| Remainder of 2026 | $ 2,885 |
| 2027 | 3,846 |
| 2028 | 3,846 |
| 2029 | 3,846 |
| 2030 | 3,846 |
| Thereafter | 27,350 |
| Total | $ 45,619 |

## 10. DEBT

The following is a summary of Barnes & Noble Education's outstanding borrowing as of July 31, 2025 (in thousands):

| | Maturity Date | July 31, 2025 |
|---|---|---|
| Total debt - Barnes & Noble Education credit facility | June 9, 2028 | $ 170,000 |
| Balance sheet classification: | | |
| Long-term borrowings | | $ 170,000 |

On the Closing Date, Barnes & Noble Education amended and restated and extended the maturity of its existing asset-based credit facility with Bank of America, N.A., as administrative agent, collateral agent and swing line lender, and other lenders from time to time party thereto (such amended and restated credit facility, the "Restated ABL Facility"). Pursuant to the Restated ABL Facility, the lenders thereunder have committed to provide a four-year asset-backed revolving credit facility in an aggregate committed principal amount of up to $325 million. The Restated ABL Facility has a maturity date of June 9, 2028. Barnes & Noble Education has interest only obligations until June 9, 2028, at which time the total principal is due and payable.

Interest under the Restated ABL Facility accrues, at the election of Barnes & Noble Education, either (x) based on the Secured Overnight Financing Rate ("SOFR"), which is subject to a floor of 2.5% per annum, plus a spread of 3.5% per annum or (y) at an alternate base rate, which is subject to a floor of 3.5% per annum, plus a spread of 2.5% per annum, provided that, in the event Barnes & Noble Education meets certain financial metrics for a consecutive six-month period beginning and ending after the one-year anniversary of the Closing Date, the foregoing spreads shall be reduced by 0.25% per annum.

The Restated ABL Facility contains customary negative covenants that limit Barnes & Noble Education's ability to incur or assume additional indebtedness, grant or permit liens, make investments, make dividend payments, make Restricted Payments (as defined under the Restated ABL Facility agreement) and other specified payments, merge with other entities, dispose of or acquire assets, or engage in transactions with affiliates, among other things. Additionally, the Restated ABL Facility includes the following financial maintenance covenants:

- following the date that is six months following the Closing Date, Barnes & Noble Education is required to maintain a minimum Availability (as defined in the Restated ABL Facility agreement) of (x) $25 million for the first thirty (30) months after the Closing Date and (y) $30 million after the date that is thirty (30) months after the Closing Date;
- commencing with the month ending on or about May 31, 2025, Barnes & Noble Education is required to maintain a Consolidated Fixed Charge Coverage Ratio (as defined in the Restated ABL Facility) of not less than 1.10 to 1.00, which will be tested monthly on the last day of each fiscal month for the trailing 12-month period; and
- commencing with the quarter ending on or about October 31, 2024, Barnes & Noble Education is required to maintain a minimum Consolidated EBITDA (as defined in the Restated ABL Facility), which will be tested quarterly on the last day of each fiscal quarter for (a) the trailing six-month period for the first test date, (b) the trailing nine-month period of the second test date and (c) for the trailing 12-month period thereafter.

**IMMERSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

The Restated ABL Facility contains customary events of default, including for non-payment of obligations owing under the Credit Facility, material breaches of representations and warranties, failure to perform or observe covenants, default on other material indebtedness, customary ERISA events of default, bankruptcy and insolvency, material judgments, invalidity of liens on collateral, change of control or cessation of business. The Restated ABL Facility also contains customary affirmative covenants and representations and warranties. In connection with the timing of Barnes & Noble Education's financial statement filings, Barnes & Noble Education entered into a series of limited consent and waiver agreements with the lenders under its asset-based revolving credit facility (the "Credit Facility") to extend certain financial reporting deadlines. These waivers related solely to the timing of Barnes & Noble Education's filings and did not arise from noncompliance with any financial covenants. The Investigation and related restatement of Barnes & Noble Education's previously issued financial statements have been completed.

The credit facility is secured by substantially all of the inventory, accounts receivable and related assets of the borrowers under the credit facility. This is considered an all asset lien (inclusive of proceeds from tax refunds payable to Barnes & Noble Education and pledge of equity from subsidiaries, exclusive of real estate). None of the liabilities of Barnes & Noble Education have recourse to the general credit of Immersion Corporation.

In connection with the Restated ABL Facility, with respect to the 1.0% fee payable in connection with the eighth amendment to the Restated ABL Facility (prior to its having been restated), (x) 50% was paid on September 2, 2024, and (y) 50% was paid on June 10, 2025.

As of July 31, 2025, and through the date of this filing, Barnes & Noble Education was in compliance with all debt covenants under the Restated ABL Facility.

During the three months ended July 31, 2025, Barnes & Noble Education borrowed $163.3 million and repaid $96.4 million under the Restated ABL Facility, with $170 million of outstanding borrowings under the Restated ABL Facility as of July 31, 2025.

## 11. PARTICIPATION INTEREST PURCHASE AGREEMENT

***Participation Interest Purchase Agreement***

In April 2025, Barnes & Noble Education entered into a Participation Interest Purchase Agreement (the "Agreement") with Jefferies Leveraged Credit Products LLC ("Jefferies"), under which Jefferies paid Barnes & Noble Education $12.6 million in exchange for a participation interest in the proceeds of a specified litigation claim. The Agreement is non-recourse to Barnes & Noble Education with respect to financial risk, and Jefferies' entitlement to payment is limited to proceeds, if any, received from the litigation.

Barnes & Noble Education has continuing contractual obligations under the Agreement, including remaining the plaintiff of record, cooperating with Jefferies and its counsel, providing access to litigation-related documents, and complying with certain settlement-related provisions. These obligations are protective in nature and are intended to preserve Jefferies' contractual rights; however, they do not require Barnes & Noble Education to repay amounts received, provide services, or otherwise create a debt obligation.

Effective May 4, 2025, the first day of Barnes & Noble Education's fiscal year 2026, Barnes & Noble Education early adopted ASU No. 2025-07, Derivatives and Hedging (Topic 815): Derivatives Scope Refinements and Scope Clarification for Share-Based Noncash Consideration from a Customer in a Revenue Contract. Upon adoption, the Agreement no longer met the definition of a derivative under ASC 815, as the arrangement qualifies for the scope exception for litigation funding arrangements that do not create or modify debt.

Accordingly, upon adoption, the previously recognized derivative liability was reclassified to deferred income within other long-term liabilities, and the Agreement is accounted for under *ASC 470, Debt, as deferred income*. The deferred income will be recognized in earnings when the related litigation is resolved and proceeds, if any, are distributed.

The guidance was applied using a modified retrospective approach, resulting in the reclassification of the derivative liability to deferred income as of the adoption date. The cumulative-effect adjustment to retained earnings upon adoption was immaterial. No amounts related to this arrangement are subject to recurring fair-value measurement subsequent to adoption.

**IMMERSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

## 12. STOCK-BASED COMPENSATION

**Immersion**

Our equity incentive program is a long-term retention program that is intended to attract, retain, and provide incentives for employees, consultants, officers, and directors and to align stockholder and employee interests. We may grant time-based options, market condition-based options, stock appreciation rights, restricted stock awards ("RSAs"), restricted stock units ("RSUs"), performance shares, market condition-based performance restricted stock units ("PSUs"), and other stock-based equity awards to employees, officers, directors, and consultants.

On January 18, 2022, our stockholders approved the 2021 Equity Incentive Plan (as amended, the "2021 Plan"), which provides for a total number of shares reserved and available for grant and issuance equal to 3,525,119 shares plus up to an additional 855,351 shares that are subject to stock options or other awards previously granted under the 2011 Equity Incentive Plan. On March 30, 2023, our stockholders approved an amendment to the 2021 Plan which increased the total number of shares reserved and available for grant and issuance equal to 8,146,607 shares plus up to an additional 855,351 shares that are subject to stock options or other awards previously granted under the 2011 Equity Incentive Plan.

Under our equity incentive plans, stock options may be granted at prices not less than the fair market value on the date of grant for such stock options. Stock options generally vest over four years and expire seven years from the applicable grant date. Market condition-based stock awards are subject to a market conditions whereby the closing price of our common stock must exceed a certain level for a number of trading days within a specified time frame or the awards will be canceled before expiration. RSAs generally vests over one year. RSUs generally vest over three years. Awards granted other than a stock option or a stock appreciation right shall reduce the common stock shares available for grant by 1.75 shares for every share issued.

A summary of our equity incentive program as of July 31, 2025 is as follows (in thousands):

| | |
|---|---|
| Common stock shares available for grant | 2,226 |
| RSUs outstanding | 633 |
| RSAs outstanding | — |
| PSUs outstanding | — |

As of July 31, 2025, we did not have any outstanding stock options.

***Restricted Stock Units***

The following summarizes RSU activities for the three months ended July 31, 2025:

| | Number of Restricted Stock Units (in thousands) | Weighted Average Grant Date Fair Value Per Share | Weighted Average Remaining Contractual Term (Years) |
|---|---|---|---|
| Outstanding at April 30, 2025 | 1,125 | $ 8.24 | 1.30 |
| Granted | — | — | |
| Released | (492) | 8.99 | |
| Forfeited | — | — | |
| Outstanding at July 31, 2025 | 633 | $ 7.66 | 0.71 |

The aggregate intrinsic value is calculated as the market value as of the end of the reporting period.

**IMMERSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

***Stock-based Compensation Expense***

Stock-based compensation is based on the estimated fair value of awards, net of estimated forfeitures, and recognized over the requisite service period. Estimated forfeitures are based on historical experience at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The stock-based compensation related to all of our stock-based awards as of the three months ended July 31, 2025 and July 31, 2024 is as follows (in thousands):

| | Three Months Ended | |
|---|---|---|
| | July 31, 2025 | July 31, 2024 |
| Stock options | $ — | $ — |
| RSUs, RSAs and PSUs | 1,998 | 1,472 |
| Total | $ 1,998 | $ 1,472 |
| Selling and administrative expenses | $ 1,998 | $ 1,472 |
| Total | $ 1,998 | $ 1,472 |

As of July 31, 2025, there was $2.5 million of unrecognized compensation cost adjusted for estimated forfeitures related to unvested, RSUs, RSAs and PSUs granted to our employees and directors. This unrecognized compensation cost will be recognized over an estimated weighted-average period of approximately 1.3 years. Total unrecognized compensation cost will be adjusted for future changes in estimated forfeitures.

**Barnes & Noble Education**

***Stock-based Compensation Expense***

For the three months ended July 31, 2025, and the period from June 10, 2024 to July 31, 2024, the total stock-based compensation expense for options, RSAs, RSUs, and PSUs were (in thousands):

| | Three Months Ended July 31, | |
|---|---|---|
| | 2025 | 2024 |
| Stock options | $ — | $ — |
| RSUs, RSAs and PSUs | 2,480 | (187) |
| Total | $ 2,480 | $ (187) |
| Selling and administrative expenses | $ 2,480 | $ (187) |
| Total | $ 2,480 | $ (187) |

The total unrecognized compensation cost related to unvested awards as of July 31, 2025 was $8.6 million and is expected to be recognized over a weighted-average period of 1.85 years.

## 13. EMPLOYEE BENEFIT PLAN

Barnes & Noble Education sponsors defined contribution plans for the benefit of substantially all of its employees. MBS Textbook Exchange, LLC ("MBS"), a subsidiary of Barnes & Noble Education, maintains a profit-sharing plan covering substantially all full-time employees of MBS. For all plans, Barnes & Noble Education is responsible to fund the employer contributions directly, if any. There was no benefit expense for these plans during the three months ended July 31, 2025, and for the period from June 10, 2024 to July 31, 2024.

**IMMERSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

## 14. STOCKHOLDERS' EQUITY

***Immersion Stock Repurchase Program***

On December 29, 2022, the Board approved a stock repurchase program of up to $50.0 million of our common stock for a period of up to twelve months (the "December 2022 Stock Repurchase Program"), which terminated and superseded the stock repurchase program that had been approved by the Board on February 23, 2022. Any stock repurchases may be made through open market and privately negotiated transactions, at such times and in such amounts as management deems appropriate, including pursuant to one or more Rule 10b5-1 trading plans adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. Additionally, the Board authorized the use of any derivative or similar instrument to effect stock repurchase transactions, including without limitation, accelerated share repurchase contracts, equity forward transactions, equity option transactions, equity swap transactions, cap transactions, collar transactions, naked put options, floor transactions or other similar transactions or any combination of the foregoing transactions. The December 2022 Stock Repurchase Program was implemented as a method to return value to our stockholders. The timing, pricing and sizes of any repurchases will depend on a number of factors, including the market price of our common stock and general market and economic conditions. The December 2022 Stock Repurchase Program does not obligate us to repurchase any dollar amount or number of shares, and the program may be suspended or discontinued at any time. The December 2022 Stock Repurchase Program has been amended various times and the most recent amendment extended the expiration date to December 29, 2026.

During the three months ended July 31, 2025, the Company did not purchase shares under the December 2022 Stock Repurchase Program. As of July 31, 2025, the Company had $40.6 million available for repurchase under the December 2022 Stock Repurchase Program.

***Barnes & Noble Education Stock Repurchase Program***

On December 14, 2015, the Board of Directors authorized a stock repurchase program of up to $50 million in the aggregate outstanding Barnes & Noble Education's common stock ("BNED's Common Stock"). The stock repurchase program is carried out at the direction of Barnes & Noble Education's management (which may include a plan under Rule 10b5-1 of the Securities Exchange Act of 1934). The stock repurchase program may be suspended, terminated, or modified at any time. Any repurchased shares will be held as treasury stock and will be available for general corporate purposes. During the three months ended July 31, 2025, Barnes & Noble Education did not purchase shares under the stock repurchase program. As of July 31, 2025, approximately $26.7 million remains available under the stock repurchase program.

***Immersion Dividends Declared and Dividend Payments***

| Announcement Date | Dividend Type | Amount per Share | Record Date | Payment Date |
|---|---|---|---|---|
| November 13, 2023 | Quarterly (increased) | 0.045 | January 14, 2024 | January 25, 2024 |
| March 7, 2024 | Quarterly | $ 0.045 | April 12, 2024 | April 19, 2024 |
| May 8, 2024 | Quarterly | $ 0.045 | July 8, 2024 | July 26, 2024 |
| August 20, 2024 | Quarterly | 0.045 | October 4, 2024 | October 18, 2024 |
| November 8, 2024 | Special | 0.245 | January 10, 2025 | January 24, 2025 |
| March 10, 2025 | Quarterly | 0.045 | April 14, 2025 | April 25, 2025 |
| July 8, 2025 | Quarterly | 0.045 | July 23, 2025 | August 8, 2025 |
| October 8, 2025 | Quarterly | 0.045 | October 20, 2025 | October 31, 2025 |
| December 8, 2025 | Quarterly (increased) | 0.075 | January 19, 2026 | January 30, 2026 |

Future dividends will be subject to further review and approval by the Board in accordance with applicable law. The Board reserves the right to adjust or withdraw the quarterly dividend in future periods as it reviews our capital allocation strategy from time to time.

During the three months ended July 31, 2025, the Company paid no dividends and during the three months ended July 31, 2024, the Company paid $1.5 million in dividends.

**IMMERSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

## 15. NONCONTROLLING INTEREST

Immersion is the primary beneficiary of Barnes & Noble Education and as a result, consolidates the financial results of Barnes & Noble Education and reports a noncontrolling interest representing BNED Common Stock held by other Barnes & Noble Education's stockholders. Changes in Immersion's ownership interest in Barnes & Noble Education while Immersion retains its controlling interest in Barnes & Noble Education are accounted for as equity transactions.

The following table summarizes the ownership interest in Barnes & Noble Education:

| | July 31, 2025 | |
|---|---|---|
| | Shares Owned | % of Ownership |
| Immersion | 11,208,746 | 32.9% |
| Noncontrolling Interest | 22,845,101 | 67.1% |
| Total BNED Common Stock outstanding | 34,053,847 | 100.0% |

The weighted average ownership percentages for the applicable reporting periods are used to attribute net income to the non-controlling interest holders and were as follows:

| | Three Months Ended July 31, 2025 | From June 10, 2024 to July 31, 2024 |
|---|---|---|
| Noncontrolling interest's weighted-average ownership percentage | 67.1% | 61.0% |

The following table summarizes the effect of changes in ownership of Barnes & Noble Education on the Company's equity for the periods presented (in thousands):

| | Three Months Ended July 31, 2025 | From June 10, 2024 to July 31, 2024 |
|---|---|---|
| Net Income (loss) attributable to Immersion stockholders | $ (930) | $ 27,077 |
| Transfers from (to) noncontrolling interest: | | |
| Increase (decrease) in additional paid-in capital as a result of common stock issuances pursuant to vesting of equity awards, and sales of common stock | — | 55,520 |
| **Total effect of changes in ownership interest on equity attributable to Immersion stockholders** | $ (930) | $ 82,597 |

**IMMERSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

## 16. INCOME TAXES

Provision for income taxes for the three months ended July 31, 2025 and July 31, 2024 consisted of the following (in thousands):

| | Three Months Ended July 31, | |
|---|---|---|
| | 2025 | 2024 |
| Income (Loss) Before Income Taxes | $ (21,443) | $ 21,887 |
| Income tax benefit (expense) | 7,727 | (9,687) |
| Effective tax rate | 36.0% | 44.3% |

Provision for income taxes for the three months ended July 31, 2025 resulted primarily from estimated domestic and foreign taxes included in the calculation of the effective tax rate.

We maintain a valuation allowance for certain deferred tax assets in the United States and Canada, which management believes are not more likely than not to be realizable in the future. Changes in provision for income taxes resulted primarily from the change in income from continuing operations across various tax jurisdictions.

In the event that we determine the deferred tax assets are realizable based on an assessment of relevant factors, an adjustment to the valuation allowance may increase income in the period such determination is made. The valuation allowance does not impact our ability to utilize the underlying net operating loss carryforwards. We also maintain liabilities for uncertain tax positions.

As of July 31, 2025, we had unrecognized tax benefits under ASC 740 Income Taxes of approximately $13.3 million, of which $11.7 million could be payable in cash. In addition, interest and penalty of $1.0 million could also be payable in cash in relation to unrecognized tax benefits. The total amount of unrecognized tax benefits that would affect our effective tax rate, if recognized, is $12.7 million. We account for interest and penalties related to uncertain tax positions as a component of income tax provision. We do not expect to have any significant changes to unrecognized tax benefits during the next twelve months.

The Company recorded an estimated tax true-up to Barnes & Noble Education's purchase accounting attributed to the Barnes & Noble Education's IRC Section 382 study performed and the accounting method change filed for its 2024 tax return in the current period.

**Barnes & Noble Education**

Barnes & Noble Education recorded an income tax benefit of $8.6 million on pre-tax loss of $26.9 million during the three months ended July 31, 2025, which represented an effective income tax rate of 32.1%.

In assessing the realizability of the deferred tax assets, management considered whether it is more likely than not that some or all of the deferred tax assets would be realized. As of July 31, 2025, Barnes & Noble Education determined that it was more likely than not that it would not realize all deferred tax assets and its tax rate for the current fiscal year reflects this determination. Barnes & Noble Education will continue to evaluate this position.

## 17. EARNINGS PER SHARE

We use the two-class method of computing EPS, which is an earnings allocation formula that determines EPS for common stock and any participating securities according to dividends declared. Under the two-class method, basic earnings per share is computed by dividing the income attributable to Immersion stockholders by the weighted-average number of common stock shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from share equivalent activity. Potential common stock, computed using the treasury stock method, includes stock options and stock awards.

**IMMERSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

The following are reconciliations of the denominators used in computing basic and diluted net income per share (in thousands):

| | | Three Months Ended July 31, | |
|---|---|---|---|
| | | 2025 | 2024 |
| **Basic** | | | |
| ***Numerator:*** | | | |
| Net income (loss) attributable to Immersion Stockholders | $ | (930) | $ 27,077 |
| Adjustment for Immersion's portion of Barnes & Noble Education's EPS to be included in the numerator for Immersion's basic EPS calculation [(a)] | | — | 3 |
| Net income (loss) attributable to Immersion Stockholders, basic | $ | (930) | $ 27,080 |
| ***Denominator:*** | | | |
| Weighted-average shares outstanding, basic | | 32,615 | 31,970 |
| **Net income (loss) attributable to Immersion stockholders per share, basic** | $ | (0.03) | $ 0.85 |
| **Diluted** | | | |
| ***Numerator:*** | | | |
| Net income (loss) attributable to Immersion Stockholders | $ | (930) | $ 27,077 |
| Adjustment for Immersion's portion of Barnes & Noble Education's EPS to be included in the numerator for Immersion's diluted EPS calculation [(a)] | | — | 3 |
| Net income (loss) attributable to Immersion stockholders, diluted | $ | (930) | $ 27,080 |
| ***Denominator:*** | | | |
| Weighted-average shares outstanding, basic | | 32,615 | 31,970 |
| Shares related to outstanding options, unvested RSUs, RSAs, and PSUs | | — | 730 |
| Weighted average shares outstanding, diluted | | 32,615 | 32,700 |
| **Net income (loss) attributable to Immersion stockholders per share, diluted** | $ | (0.03) | $ 0.83 |

a)Barnes & Noble Education has participating securities. Accordingly, for purposes of Immersion's basic and diluted net income per share computations using the two-class method, the numerator reflects Immersion's portion of Barnes & Noble Education's earnings per share, which is determined by multiplying the shares of Barnes & Noble Education held by Immersion by Barnes & Noble Education's basic and diluted EPS amounts.

We include PSUs in the calculation of diluted earnings per share if the applicable performance conditions have been satisfied as of the end of the reporting period and exclude stock equity awards if the performance condition has not been met.

For the three months ended July 31, 2025, the Company had 377 thousand outstanding RSU awards that could potentially dilute earnings per share in the future, but these were excluded from the calculation of diluted earnings per share because their effect would have been anti-dilutive. For the three months ended July 31, 2024, the Company had no outstanding stock options or awards that could potentially dilute basic earnings per share in the future.

## 18. COMMITMENTS AND CONTINGENCIES

We are involved in a variety of claims, suits, investigations and proceedings that arise from time to time in the ordinary course of our business, including actions with respect to contracts, intellectual property, taxation, employment, benefits, personal injuries and other matters. The results of these proceedings in the ordinary course of business are not expected to have a material adverse effect on our consolidated financial position, results of operations, or cash flows.

In the normal course of business, we provide indemnification of varying scope to customers, most commonly to licensees in connection with licensing arrangements that include our IP, although these provisions can cover additional matters. Historically, costs related to these guarantees have not been significant, and we are unable to estimate the maximum potential impact of these guarantees on our future results of operations.

**IMMERSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

*LGE Korean Withholding Tax Matter*

On October 16, 2017, we received a letter from LG Electronics Inc. ("LGE") requesting that we reimburse LGE with respect to withholding tax imposed on LGE by the Korean tax authorities following an investigation where the tax authority determined that LGE failed to withhold on LGE's royalty payments to Immersion Software Ireland Limited, a subsidiary of the Company, from 2012 to 2014. Pursuant to an agreement reached with LGE, on April 8, 2020, we provided a provisional deposit to LGE in the amount of KRW 5,916,845,454 (approximately $5.0 million) representing the amount of such withholding tax that was imposed on LGE, which provisional deposit would be returned to us to the extent we ultimately prevail in the appeal in the Korean courts. In the second quarter of 2020, we recorded this deposit in Long-term deposits on our *Condensed Consolidated Balance Sheets*. In the fourth quarter of 2021, we recorded an impairment charge of $0.8 million related to the long-term deposits paid to LGE.

On November 3, 2017, on behalf of LGE, we filed an appeal with the Korea Tax Tribunal regarding its findings with respect to the withholding taxes related to the 2012 to 2017 period. The Korea Tax Tribunal hearing took place on March 5, 2019. On March 19, 2019, the Korea Tax Tribunal issued its ruling in which it decided not to accept our arguments with respect to the Korean tax authorities' assessment of withholding tax and penalties imposed on LGE. On behalf of LGE, we filed an appeal with the Korea Administrative Court on June 10, 2019. We had numerous hearings before the Korea Administrative Court in the years 2019 through 2022. We had a hearing on April 27, 2023, and the Korea Administrative Court rendered a decision on this matter on June 8, 2023, in which it ruled that the withholding taxes and penalties which were imposed by the Korean tax authorities on LGE should be cancelled with litigation costs to be borne by the Korean tax authorities.

In connection with the Korea Administrative Court's decision, the Korean tax authorities filed an appeal on June 28, 2023, with the Seoul High Court to seek the cancellation of the lower court's decision. The appellate case is in progress at the Seoul High Court and the first and second hearings took place on November 30, 2023, and February 1, 2024, respectively. As of the date of this filing, the next hearing date had not yet been set. The Seoul Administrative Court also issued an additional judgment on July 27, 2022, clarifying the ratio of software versus patent usage, and, as of the date of this filing, the Seoul High Court appeal remains pending.

On April 25, 2023, we received notice from LGE requesting us to reimburse LGE with respect to its withholding tax imposed on LGE by the Korean tax authorities following a recent tax audit of LGE for the years 2018 through 2022. Pursuant to an agreement reached with LGE, on June 2, 2023, we provided a provisional deposit to LGE in the amount of KRW 3,024,877,044 (approximately $2.3 million) representing the amount of such withholding tax that was imposed on LGE, which provisional deposit would be returned to us to the extent we ultimately prevail in the appeal in the Korean courts. In the second quarter of 2023, we recorded this deposit in Long-term deposits on our *Condensed Consolidated Balance Sheets*. In the second quarter of 2023, we recorded an impairment charge of $0.3 million related to the long-term deposits paid to LGE.

On June 29, 2023, on behalf of LGE, we filed an appeal with the Korea Tax Tribunal regarding their findings with respect to the withholding taxes related to the 2018 to 2022 period. On August 7, 2023, the Korean tax authority submitted its answer against the tax appeal. On September 8, 2023, on behalf of LGE, we submitted our rebuttal brief in response thereto. On September 25, 2023, the Korean tax authority submitted an additional response brief, and on November 23, 2023, the Korea Tax Tribunal rendered a decision against LGE, dismissing our claims on the grounds that they are without merit. In response thereto, on behalf of LGE, we filed an appeal with the Korea Administrative Court on December 29, 2023.

On July 25, 2024, the Korea Tax Tribunal rendered a decision against LGE on the related local income tax assessment, and the deadline for the court appeal of the local income tax claim was October 21, 2024. On October 18, 2024, we filed a complaint and a brief with the Korea Administrative Court for the local income tax appeal. This case has been reassigned due to its significance, and the Korean tax authority filed its answer on November 27, 2024. The first hearing date, which was originally scheduled for March 21, 2025, has been set at a later date, as the counsel for the plaintiff submitted an application for hearing date to be set at a later date by obtaining the defendant’s consent. No subsequent changes have been made so far.

**IMMERSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

Based on the developments in these cases, we regularly reassess the likelihood that we will prevail in the claims from the Korean tax authorities with respect to the LGE case. To the extent that we determine that it is more likely than not that we will prevail against the claims from the Korean tax authorities, then no additional tax expense is provided for in our *Condensed Consolidated Statements of Operations*. In the event that we determine that it is more likely than not that we will not prevail against the claims from the Korean tax authorities, or a portion thereof, then we would estimate the anticipated additional tax expense associated with that outcome and record it as additional income tax expense in our C*ondensed Consolidated Statements of Operation*s in the period of the new determination. If the additional income tax expense was related to the periods assessed by Korean tax authorities and for which we recorded a Long-term deposit on our *Condensed Consolidated Balance Sheets*, then the additional income tax expense would be recorded as an impairment to the Long-term deposits. If the additional income tax expense was not related to the periods assessed by Korean tax authorities and for which we recorded Long-term deposits on our *Condensed Consolidated Balance Sheets*, then the additional income tax expense would be accrued as Other current liabilities.

In the event that we do not ultimately prevail in our appeal in the Korean courts with respect to this case, the applicable deposits included in Long-term deposits would be recorded as additional income tax expense on our *Condensed Consolidated Statements of Operations* in the period in which we do not ultimately prevail.

*Immersion Corporation vs. Xiaomi Group*

On or about March 3, 2023, the Company initiated patent infringement lawsuits against several companies of the Xiaomi-Group in Germany, France and India (the "Xiaomi Litigation"). Immersion filed complaints against Xiaomi-Group companies and their agents in the Düsseldorf Regional Court in Germany, the Tribunal judiciaire de Paris (Paris First Instance Civil Court) in France, and the High Court of Delhi, at New Delhi, in India. The complaints alleged that the Xiaomi-Group's devices, including the Xiaomi 12, infringed Immersion's patents that cover various uses of haptic effects in connection with such devices.

On June 12, 2024, the Company entered into a Patent License Agreement (the "Xiaomi License Agreement") with the Xiaomi Group, pursuant to which the parties agreed to terms for resolving the Xiaomi Litigation and the Xiaomi Group will license, on a non-exclusive basis, the Company's patent portfolio for use in its products. The Xiaomi Litigation was dismissed in October 2024. Any consideration related to the Xiaomi License Agreement is recognized in accordance with our revenue recognition policy described elsewhere in these *Condensed Consolidated Financial Statements*.

*Immersion Corporation vs. Valve Corporation ("Valve")*

On May 15, 2023, the Company filed a complaint against Valve in the United States District Court for the Western District of Washington. The complaint alleges that Valve's AR/VR systems, including the Valve Index, and handheld Steam Deck, infringe seven of our patents that cover various uses of haptic effects in connection with such AR/VR systems and other video game systems. The Company is seeking to enjoin Valve from further infringement and to recover a reasonable royalty for such infringement.

The complaint against Valve asserts infringement of the following patents:

- U.S. Patent No. 7,336,260: "Method and Apparatus for Providing Tactile Sensations"
- U.S. Patent No. 8,749,507: "Systems and Methods for Adaptive Interpretation of Input from a Touch-Sensitive Input Device"
- U.S. Patent No. 9,430,042: "Virtual Detents Through Vibrotactile Feedback"
- U.S. Patent No. 9,116,546: "System for Haptically Representing Sensor Input"
- U.S. Patent No. 10,627,907: "Position Control of a User Input Element Associated with a Haptic Output Device"
- U.S. Patent No. 10,665,067: "Systems and Methods for Integrating Haptics Overlay in Augmented Reality"
- U.S. Patent No. 11,175,738: "Systems and Methods for Proximity-Based Haptic Feedback"

Valve responded to the complaint on July 24, 2023, with a motion to dismiss. Valve re-noted its motion, which changed Immersion's response deadline from August 14, 2023, to August 21, 2023. Immersion timely filed its response, and Valve filed its reply on August 25, 2023. The Court heard arguments on Valve's motion on February 8, 2024. The Court entered a case schedule on November 21, 2023. The case schedule did not include a trial date but set the pretrial conference for May 30, 2025.

**IMMERSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

On March 14, 2024, Valve filed a motion to stay the district court case pending the PTAB's decisions on Valve's inter partes review ("IPR") petitions. Immersion opposed the motion on March 25, 2024, and Valve filed its reply brief on March 29, 2024. The Court granted Valve's motion to stay on April 4, 2024. In connection with that order, the Court struck Valve's motion to dismiss with leave to refile at a later date. The case remains stayed pending resolution of the IPR proceedings.

Valve filed multiple IPRs with the PTAB challenging the validity of the patents asserted in the district court litigation. As of the date of this filing, the status of these proceedings is as follows:

- IPR2024-00477 and IPR2024-00478 (filed January 19, 2024) directed to U.S. Patent Nos. 7,336,260 and 9,430,042, respectively. The Company filed its patent owner preliminary responses on April 26, 2024, and April 29, 2024, respectively. The PTAB instituted review on July 24, 2024, and July 25, 2024, respectively. The Company's patent owner responses were filed on October 15, 2024, and October 17, 2024, respectively. The Company's patent owner sur-replies to Valve's replies were both filed on February 28, 2025. Oral arguments in both proceedings were held on April 30, 2025. On June 12, 2025, the PTAB issued final written decisions determining all challenged claims unpatentable for both IPRs, and we filed a notice of appeal in IPR2024-00478 on August 14, 2025, with an opening Federal Circuit brief filed January 29, 2026.

- IPR2024-00508 (filed January 30, 2024) directed to U.S. Patent No. 9,116,546. The Company elected not to file a patent owner preliminary response. The PTAB instituted review on August 6, 2024. The Company elected not to file a patent owner response to the petition. On July 31, 2025, the PTAB issued a final written decision determining all challenged claims unpatentable, with a statutory deadline for final written decision not later than August 6, 2025. We elected not to file a patent owner response to the petition.

- IPR2024-00556 (filed February 7, 2024) directed to U.S. Patent No. 8,749,507. The Company filed its patent owner preliminary response on May 15, 2024. The PTAB instituted review on August 6, 2024. The Company elected not to file a patent owner response to the petition. On July 28, 2025, the PTAB issued a final written decision determining all challenged claims unpatentable, with the statutory deadline for the final written decision not later than August 6, 2025. We elected not to file a patent owner response to the petition.

- IPR2024-00557 (filed February 7, 2024), directed to U.S. Patent No. 10,665,067. The Company filed its patent owner preliminary response on May 15, 2024. The PTAB instituted review on August 13, 2024. The Company's patent owner response was filed on November 5, 2024. Valve filed its reply on February 4, 2025. The Company's patent owner sur-reply was filed on March 18, 2025. Oral argument occurred on May 9, 2025, and on August 11, 2025, the PTAB issued a final written decision determining all challenged claims unpatentable. We filed a notice of appeal on September 26, 2025, with our opening Federal Circuit brief due March 12, 2026.

- IPR2024-00582 (filed February 16, 2024) directed to U.S. Patent No. 11,175,738. The Company filed its patent owner preliminary response on June 27, 2024. The PTAB instituted review on September 25, 2024. The Company's patent owner response was filed on December 20, 2024. The Company's patent owner sur-reply to Petitioner's reply was filed on May 5, 2025. Oral argument in the proceeding was held on June 23, 2025. On September 4, 2025, the Board extended its statutory deadline of September 25, 2025, for a final written decision by up to six months. The final written decision in this proceeding is now expected by March 25, 2026.Our sur-reply was filed May 5, 2025, oral argument was held June 23, 2025, and on September 4, 2025, the PTAB extended the statutory deadline for a final written decision to March 25, 2026.

- IPR2024-00714 (filed March 22, 2024) directed to U.S. Patent No. 10,627,907. The Company filed its patent owner preliminary response on July 30, 2024. The PTAB instituted review on August 28, 2024. The Company's patent owner response was filed January 21, 2025. The Company's sur-reply to Petitioner's reply was filed June 10, 2025. Oral argument in the proceeding was held on July 29, 2025. The Board issued a final written decision determining all challenged claims unpatentable on October 24, 2025. The sur-reply was filed on June 10, 2025, oral argument occurred on July 29, 2025, and on October 24, 2025, the PTAB issued a final written decision determining all challenged claims unpatentable.

The parties submitted their joint claim construction statement and respective positions on March 29, 2024. The district court case is currently stayed pending the outcome of the IPR proceedings.

**IMMERSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

We are unable at this time to predict the ultimate outcome of the district court litigation or the related IPR proceedings, the impact of any PTAB decisions and any appeals therefrom, or to reasonably estimate the amount or range of any possible loss or recovery associated with these matters. Accordingly, we have not recorded a liability related to the Valve litigation or the associated IPRs as of July 31, 2025.

*Other Matters*

From time to time, we receive claims from third parties asserting that our technologies or those of our licensees infringe the other parties' intellectual property rights, and we are also periodically involved in other routine legal matters and contractual disputes incidental to our normal operations. In management's opinion, unless we disclose otherwise, the resolution of such matters will not have a material adverse effect on our consolidated financial condition, results of operations, or liquidity.

## 19. SUPPLEMENTARY INFORMATION

**Restructuring and other charges**

During the three months ended July 31, 2025, Barnes & Noble Education recognized restructuring and other charges totaling $2.9 million consisting of investigation-related and impairment costs. During the three months ended July 31, 2024, Barnes & Noble Education recognized restructuring and other charges totaling $5.0 million, consisting primarily of $2.0 million of severance primarily related to the resignation of the former Chief Executive Officer on June 11, 2024, $1.1 million related to severance and other employee termination and benefit costs associated with elimination of various positions as part of cost reduction initiatives and $0.5 million for legal and advisory professional service costs for restructuring and process improvements and other charges. Barnes & Noble Education recognized an increase to additional paid in capital on the *Condensed Consolidated Balance Sheet* for the reimbursement of the former Chief Executive Officer severance from VitalSource (a principal stockholder) as part of the June 10, 2024 financing transactions.

## 20. SUBSEQUENT EVENTS

**Dividends Declared and Paid**

On October 8, 2025, our Board declared a quarterly dividend in the amount of $0.045 per share, which was paid on October 31, 2025, to stockholders of record on October 20, 2025.

On December 8, 2025, our Board announced that it had approved an increase in the quarterly dividend from $0.045 per share to $0.075 per share. The quarterly cash dividend of $0.075 per share, was paid on January 30, 2026, to stockholders of record on January 19, 2026.

The total cash paid for these dividends is approximately $4.0 million. See *Note 14. Stockholders' Equity* for additional information.

**Korean Withholding Tax Assessment – Samsung License**

Immersion licenses certain of its patented technologies to Samsung Electronics Co., Ltd. (“Samsung”) and its affiliates under a license agreement that provides Samsung with the right to manufacture and sell Samsung products worldwide. Under the terms of this agreement, Immersion is obligated to indemnify Samsung for any Korean withholding taxes that may be imposed on royalty payments made by Samsung to Immersion.

In prior years, the Korean tax authorities, through the Suwon Regional Tax Office (“SRTO”), issued assessments to Samsung asserting that royalties paid to Immersion constituted Korean-source royalty income subject to Korean withholding tax. Samsung contested these assessments, and the most recent matters were the subject of an administrative appeal before the Regional Tax Office Appeal (“RATI”).

On November 19, 2025, RATI issued a decision in favor of the SRTO, upholding the withholding tax assessments on royalties paid to Immersion. As a result of this decision, Samsung was required to remit the assessed withholding taxes to the Korean tax authorities by the end of December 2025. In accordance with its indemnification obligation under the license agreement, Immersion reimbursed Samsung in December 2025 for the full amount of the withholding taxes paid.

**IMMERSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

The total amount reimbursed by Immersion, including related surcharges and local withholding components, was approximately $9.7 million, based on the applicable KRW/USD exchange rate at the time of settlement. The Company expects to recognize this amount as an income tax charge and a corresponding liability in its third quarter of fiscal 2026, when the obligation became both probable and reasonably estimable.

Because the RATI decision and related reimbursement occurred after April 30, 2025, the Company's Consolidated Financial Statements for the year then ended have not been adjusted for this matter.

As previously disclosed, Barnes & Noble Education was unable to timely file certain periodic reports due to the completion of a review of certain accounting matters and, as a result, has restated its previously-issued consolidated financial statements for certain prior periods. Subsequent to May 3, 2025, Barnes & Noble Education entered into limited consent and waiver arrangements with its lenders related to the timing of required financial statement deliveries and was in compliance with the applicable terms of these arrangements as of the issuance date of these financial statements.

**Shareholder Rights Plan**

On November 7, 2025, the Board declared a dividend to the holders of the Company's common stock outstanding at the close of business on November 17, 2025 (the "Record Date") of one preferred share purchase right (a "Right") for each share of the Company's common stock. Each Right is payable on the Record Date and initially entitles the registered holder to purchase from the Company one one-thousandth of a share of Series C Junior Participating Preferred Stock, par value $0.001 per share ("Preferred Share"), of the Company at a price of $20.58 per one one-thousandth of a Preferred Share, subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement, dated November 7, 2025 (the "Rights Agreement"), between the Company and Computershare Trust Company, N.A., as rights agent.

In general terms, the Rights Agreement imposes a significant penalty upon any person or group that acquires 9.99% or more of the shares of common stock without the approval of the Board. As a result, the overall effect of the Rights Agreement and the issuance of the Rights may be to render more difficult or discourage a merger, tender or exchange offer or other business combination involving the Company that is not approved by the Board.

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

*This Management's Discussion and Analysis of Financial Condition and Results of Operations includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The forward-looking statements involve risks and uncertainties. Forward-looking statements are frequently identified by words such as "anticipates", "believes", "expects", "intends", "may", "can", "will", "places", "estimates", and other similar expressions. However, these words are not the only way we identify forward-looking statements. Examples of forward-looking statements include among other things, any expectations, projections, or other characterizations of future events, or circumstances, and include statements regarding: our strategy and our ability to execute our business plan; our competition and the market in which we operate; our customers and suppliers; our revenue and trends related thereto, and the recognition and components thereof; our costs and expenses, including capital expenditures; our investment of surplus funds and sales of marketable securities seasonality and demand; our investment in research and technology development; changes to general and administrative expenses; our foreign operations and the reinvestment of our earnings related thereto; our investment in and protection of our intellectual property ("IP"); our employees; capital expenditures and the sufficiency of our capital resources; unrecognized tax benefit and tax liabilities; the impact of changes in interest rates and foreign exchange rates, as well as our plans with respect to foreign currency hedging in general; changes in laws and regulations, including with respect to taxes; our plans and estimates related to and the impact of current and future litigation and arbitration and our dividend, stock repurchase and equity distribution programs.*

*Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Actual results could differ materially from those projected in the forward-looking statements, and therefore, we caution you not to place undue reliance on these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the risk factors contained under Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended April 30, 2025, filed with the Securities and Exchange Commission (the "SEC") on March 12, 2026, as amended on March 13, 2026, Part I, Item 1A, "Risk Factors" in Barnes & Noble Education's Annual Report on Form 10-K for the fiscal year ended May 2, 2025 filed with the SEC on December 23, 2025, and in Part II, Item 1A, "Risk Factors" of this Quarterly Report on Form 10-Q.*

*Any forward-looking statements made by us in this report speak only as of the date of this report, and we do not intend to update these forward-looking statements after the filing of this report, unless required to do so by applicable law or regulation. You are urged to review carefully and consider our various disclosures in this report and in our other reports publicly disclosed or filed with the SEC that attempt to advise you of the risks and factors that may affect our business.*

### COMPANY OVERVIEW

Immersion Corporation ("Immersion") was incorporated in 1993 in California and reincorporated in Delaware in 1999. In this Management's Discussion and Analysis of Financial Condition and Results of Operations the terms "Company," "us," "we," or "our" refer to Immersion and its consolidated subsidiaries. Immersion generates license and royalty revenues from a wide range of IP that more fully engage users' sense of touch when operating digital devices. We focus on the following target application areas: mobile devices, wearables, mobile entertainment, console gaming, and automotive.

On June 10, 2024, we acquired a controlling interest in Barnes & Noble Education, Inc., a Delaware corporation ("Barnes & Noble Education"). Please refer to *Note 4. Business Combination* for additional information. The financial results of Barnes & Noble Education have been included in our *Condensed Consolidated Financial Statements* from the acquisition date of June 10, 2024.

Following June 10, 2024, we operate our business in two operating segments: Immersion and Barnes & Noble Education.

The financial information presented in this Quarterly Report on Form 10-Q includes the financial information of Barnes & Noble Education for the 13 weeks ended August 2, 2025.

**RESULTS OF OPERATIONS**

| *(in thousands)* | Three Months Ended July 31, 2025 | 2024 |
|---|---|---|
| **Revenues** | | |
| *Immersion* | | |
| Royalty and license | $ 3,872 | $ 48,425 |
| *Barnes & Noble Education* | | |
| Product and other | 274,179 | 130,118 |
| Rental income | 13,981 | 4,946 |
| | 288,160 | 135,064 |
| Total revenues | 292,032 | 183,489 |
| **Cost of sales (excludes depreciation and amortization expense)** | | |
| *Barnes & Noble Education* | | |
| Product and other cost of sales | 226,174 | 106,865 |
| Rental cost of sales | 7,420 | 3,045 |
| | 233,594 | 109,910 |
| **Operating expenses:** | | |
| *Immersion* | | |
| Selling and administrative expenses | 3,695 | 13,411 |
| *Barnes & Noble Education* | | |
| Selling and administrative expenses | 67,805 | 36,330 |
| Depreciation and amortization expense | 10,397 | 5,275 |
| Restructuring and other charges | 2,896 | 5,005 |
| | 81,098 | 46,610 |
| Total operating expenses | 84,793 | 60,021 |
| **Operating Income (Loss)** | (26,355) | 13,558 |
| Interest and other income (expense), net | 7,741 | 10,696 |
| Interest expense | 2,829 | 2,367 |
| **Income (Loss) Before Income Taxes** | (21,443) | 21,887 |
| Income tax benefit (expense) | 7,727 | (9,687) |
| **Net Income (Loss)** | $ (13,716) | $ 12,200 |

**Immersion**

Immersion generates license and royalty revenues from a wide range of IP that more fully engage users' sense of touch when operating digital devices. We focus on the following target application areas: mobile devices, wearables, mobile entertainment, console gaming and automotive.

We have adopted a business model under which we offer licenses to our patented technology to our customers and offer our customers enabling software, related tools and technical assistance related to integrating our patented technology into our customers' products or enhance the functionality of our patented technology. Our licenses enable our customers to deploy haptic-enabled devices, content and other offerings, which they typically sell under their own brand names. We and our wholly-owned subsidiaries hold more than 400 issued or pending patents worldwide as of July 31, 2025. Our patents cover a wide range of digital technologies and ways in which touch-related technology can be incorporated into and between hardware products and components, systems software, application software, and digital content.

A summary of our results of operation for the three months ended July 31, 2025, and July 31, 2024, is as follows (in thousands, except for percentages):

| | Three Months Ended | | | |
|---|---|---|---|---|
| | July 31, 2025 | July 31, 2024 | $ Change | % Change |
| **Revenues:** | | | | |
| Fixed fee license revenue | $ 736 | $ 45,326 | $ (44,590) | (98)% |
| Per-unit royalty revenue | 3,136 | 3,099 | 37 | 1% |
| | 3,872 | 48,425 | (44,553) | (92)% |
| Selling and administrative expenses | 3,695 | 13,411 | (9,716) | (72)% |
| **Operating income (loss)** | $ 177 | $ 35,014 | $ (34,837) | (99)% |

**Revenues**

Immersion revenue is primarily derived from fixed fee license agreements and per-unit royalty agreements. Royalty and license revenue is composed of per unit royalties earned based on usage or net sales by licensees and fixed payment license fees charged for our IP and software.

Fixed fee license revenue decreased in the first quarter of the current year by $44.6 million, compared to the comparable period of the prior year, primarily due to a decrease in mobility license revenue as a result of the one-time perpetual license agreements entered in the first quarter of the prior year.

Per-unit royalty revenue remained relatively flat for the three months ended July 31, 2025, compared to the three months ended July 31, 2024.

Geographically, revenues generated in Asia, North America, and Europe for the three months ended July 31, 2025 represented 68%, 5%, and 27%, respectively, of our total revenue as compared to 98%, 0%, and 2%, respectively, for the three months ended July 31, 2024. Revenue varies significantly from period to period due to the timing and geographic location of the company that executes the agreements.

**Operating Expenses**

A summary of operating expenses for the three months ended July 31, 2025 and July 31, 2024, is as follows (in thousands, except for percentages):

| | Three Months Ended | | | |
|---|---|---|---|---|
| | July 31, 2025 | July 31, 2024 | $ Change | % Change |
| Selling and administrative expense | $ 3,695 | $ 13,411 | $ 9,716 | 72% |

*Selling and administrative expenses* - Our selling and administrative expenses primarily consisted of employee compensation and benefits including stock-based compensation, legal and other professional fees, external legal costs for patents, office expense, travel, and facilities costs.

Selling and administrative expenses decreased $9.7 million in the three months ended July 31, 2025 as compared to the three months ended July 31, 2024 primarily due to a $3.5 million decrease in compensation, benefits and other personnel related costs, as well as a $5.6 million decrease in legal costs. The decrease in compensation, benefits and other personnel related costs is largely attributable to a decrease in variable compensation. The decrease in legal costs was primarily due to expenses incurred in the prior-year period related to the settlement of patent litigation that did not recur in the current period.

**Barnes & Noble Education**

Barnes & Noble Education is one of the largest contract operators of physical and virtual bookstores for college and university campuses and K-12 institutions across the United States. Barnes & Noble Education is also a textbook wholesaler, and bookstore management hardware and software provider. Barnes & Noble Education operates 1,143 physical and virtual bookstores, delivering essential educational content and general merchandise within a dynamic omnichannel retail environment.

The *Barnes & Noble* brand (licensed from Barnes & Noble Education's former parent) along with its subsidiary brands, BNC and MBS, are synonymous with innovation in bookselling and campus retailing, and are widely recognized and respected brands in the United States. Barnes & Noble Education's large college footprint, reputation, and credibility in the marketplace not only support its marketing efforts to universities, students, and faculty, but are also important to its relationship with leading publishers who rely on Barnes & Noble Education as one of their primary distribution channels.

**Seasonality**

Barnes & Noble Education's business is highly seasonal, particularly with respect to textbook sales and rentals, with the major portion of sales and operating profit realized during the second and third fiscal quarters when college students generally purchase and rent textbooks for the upcoming semesters and lowest in the first and fourth fiscal quarters. Barnes & Noble Education's quarterly results also may fluctuate depending on the timing of the start of the various schools' semesters, as well as shifts in Barnes & Noble Education's fiscal calendar dates. These shifts in timing may affect the comparability of Barnes & Noble Education's results across periods.

Given the growth of *BNC First Day*® affordable access course material programs, the timing of cash collection from the school partners may shift to periods subsequent to when the revenue is recognized. When a school adopts Barnes & Noble Education's *BNC First Day*® affordable access course material offerings, cash collection from the school generally occurs after the institution's drop/add dates, which is later in the working capital cycle, particularly in the third quarter given the timing of the Spring Term and Barnes & Noble Education's quarterly reporting period, as compared to direct-to-student point-of-sale transactions where cash is generally collected during the point-of-sale transaction or within a few days from the credit card processor. As a higher percentage of Barnes & Noble Education's sales shift to *BNC First Day*® affordable access course material offerings, Barnes & Noble Education is focused on efforts to better align the timing of its cash outflows to course material vendors and cash inflows from collections from schools. As the concentration of digital product sales increases, revenue will be recognized earlier during the academic term as digital textbook revenue is recognized upon delivery of the digital content compared to: (i) the rental of physical textbooks where revenue is recognized over the rental period; and (ii) a la carte courseware sales where revenue is recognized when the customer takes physical possession of Barnes & Noble Education's products, which occurs either at the point of sale for products purchased at physical locations or upon receipt of products by Barnes & Noble Education customers for products ordered through its websites and virtual bookstores.

A summary of Barnes & Noble Education's results of operations for the three months ended July 31, 2025 and for the period from June 10, 2024 to July 31, 2024, is as follows (in thousands):

| | Three Months Ended July 31, 2025 | From June 10, 2024 to July 31, 2024 |
|---|---|---|
| **Revenues** | | |
| Product and other | $ 274,179 | $ 130,118 |
| Rental income | 13,981 | 4,946 |
| Total revenue | 288,160 | 135,064 |
| **Cost of sales (excluding depreciation and amortization expense)** | | |
| Product and other costs of sales | 226,174 | 106,865 |
| Rental cost of sales | 7,420 | 3,045 |
| Total cost of sales | 233,594 | 109,910 |
| **Operating expenses** | | |
| Selling and administrative expenses | 67,805 | 36,330 |
| Depreciation and amortization expense | 10,397 | 5,275 |
| Restructuring and other charges | 2,896 | 5,005 |
| Total operating expenses | 81,098 | 46,610 |
| **Operating Income (Loss)** | $ (26,532) | $ (21,456) |

***Revenues***

Barnes & Noble Education primarily derives its revenues from sale of course materials, which include new, used, rental and digital textbooks. Additionally, at college and university bookstores which Barnes & Noble Education operates, it sells general merchandise, including emblematic apparel and gifts, trade books, computer products, school and dorm supplies, convenience and cafe items and graduation products. Barnes & Noble Education's rental income is primarily derived from the rental of physical textbooks. Barnes & Noble Education also derives revenue from other sources, such as sales of bookstore management, hardware and point-of-sale software, and other services.

Total revenue was $288.2 million during the three months ended July 31, 2025, primarily consisting of $274.2 million product and other sales and $14.0 million of rental sales. Total revenue was $135.1 million during the period from June 10, 2024, to July 31, 2024, primarily consisting of $130.1 million product and other sales and $4.9 million of rental sales. The largest factor impacting the increase in revenues of $153.1 million in the first quarter of the current year compared to the prior year period of June 10, 2024 to July 31, 2024 is that the prior year period had 41 fewer lower days (approximately 45% shorter), representing approximately $118 million of lower revenues calculated on a linear basis. The remaining revenue increase in the current year first quarter revenue from the prior year period is primarily due to growth in the *BNC First Day* programs of $33 million.

***Cost of sales***

Barnes & Noble Education cost of sales primarily includes costs such as merchandise costs, textbook rental amortization, warehouse costs related to inventory management and order fulfillment, insurance, certain payroll costs, and management service agreement costs, including rent expense, related to its college and university contracts and other facility related expenses. The cost of sales for the first quarter of the current year was 81% of total revenue which was flat with the cost of sales for the prior year period of June 10, 2024 to July 31, 2024 also at 81%. of total revenue.

***Selling and administrative***

Barnes & Noble Education selling and administrative expenses consist primarily of employee payroll and store operating expenses. Selling and administrative expenses also include long-term incentive plan compensation expense and general office expenses, such as merchandising, procurement, field support, and finance and accounting. The selling and administrative expenses in the first quarter of the current year were $67.8 million or $31.5 million higher than the prior year period of June 10, 2024 to July 31, 2024 expenses of $36.3 million. The largest factor impacting the significant increase in selling and administrative expenses in the first quarter of the current year compared to the prior year period is that the prior year period had 41 fewer days (approximately 45% shorter) representing approximately $30 million of lower expenses calculated on a linear basis. The remaining higher selling and administrative expenses in the first quarter of the current year compared to the prior year period is primarily due to an increase in employee incentive plan expenses partially off set by lower payroll and related operating expenses.

***Depreciation and amortization***

Barnes & Noble Education depreciation and amortization expense consisted primarily of depreciation and amortization expense for property and equipment and intangible assets. Depreciation and amortization in the first quarter of the current year was $10.4 million or $5.1 million higher than the prior year period of June 10, 2024 to July 31, 2024 expenses of $5.3 million. The largest factor impacting the increase in depreciation and amortization in the first quarter of the current year compared to the prior year period, is that the prior year period had 41 fewer days (approximately 45% shorter), representing approximately $5.9 million of lower estimated depreciation and amortization expenses calculated on a linear basis. The remaining estimated net decrease in the first quarter of the current year depreciation and amortization is primarily due closed stores and lower capital additions partially offset by additional depreciation based on the third-party valuation of the fair value of the property and equipment. The fair value as of the Closing Date reflects a step-up in basis due to the highly depreciable nature of the property and equipment.

***Restructuring and other charges***

During the three months ended July 31, 2025, Barnes & Noble Education recognized restructuring and other charges totaling $2.9 million comprised of investigation-related and impairment costs. During the three months ended July 31, 2024, Barnes & Noble Education recognized restructuring and other charges totaling $5.0 million, comprised primarily of $2.0 million of severance primarily related to the resignation of the former Chief Executive Officer on June 11, 2024, $1.1 million related to severance and other employee termination and benefit costs associated with elimination of various positions as part of cost reduction initiatives and $0.5 million for legal and advisory professional service costs for restructuring and process improvements and other charges. Barnes & Noble Education recognized an increase to additional paid in capital on the *Condensed Consolidated Balance Sheet* for the reimbursement of the former Chief Executive Officer severance from VitalSource (a principal stockholder) as part of the June 10, 2024 financing transactions.

**Interest and other income (expense), net; Interest expense; and Income tax benefit (expense)**

A summary of consolidated interest and other income (expense), net, interest expense, and income taxes for the three months ended July 31, 2025 and July 31, 2024 are as follows (in thousands, except for percentages):

| | Three Months Ended | | | |
|---|---|---|---|---|
| | July 31, 2025 | July 31, 2024 | $ Change | % Change |
| **Operating Income (Loss)** | $ (26,355) | $ 13,558 | $ (39,913) | NM |
| Interest and other income (expense), net | 7,741 | 10,696 | (2,955) | (28)% |
| Interest expense | 2,829 | 2,367 | 462 | 20% |
| **Income (Loss) Before Income Taxes** | (21,443) | 21,887 | (43,330) | (198)% |
| Income tax benefit (expense) | 7,727 | (9,687) | 17,414 | (180)% |
| **Net Income (Loss)** | $ (13,716) | $ 12,200 | $ (25,916) | NM |

*Interest and other income (expense), net* - Interest and other income (expense), net consists primarily of interest and dividend income from cash and cash equivalents and marketable debt and equity securities, realized and unrealized gains (losses) on our marketable equity securities, and derivative instruments and realized gains (losses) on our marketable debt securities.

Interest and other income (expense), net decreased $3.0 million during the three months ended July 31, 2025, compared to the three months ended July 31, 2024, primarily due to net gains for the three months ended July 31, 2024 from investments in marketable equity securities and derivative instruments and a $0.3 million increase in interest income.

*Interest expense*, interest expenses primarily consisted of interest charges related to Barnes & Noble Education's credit facility. Interest expense decreased primarily due to the June 10, 2024 debt financing transaction, lower borrowings, and lower interest rates.

*Income tax benefit (expense),* the changes in the provision for income taxes are described below:

***Immersion***

Provision for income taxes for the three months ended July 31, 2025 resulted primarily from estimated domestic and foreign taxes included in the calculation of the effective tax rate. We maintain no valuation allowance against our U.S. federal deferred tax assets and maintain valuation allowance against certain U.S. state and Canadian federal deferred tax assets. The estimated effective tax rate was mainly driven by higher U.S. taxable income which was a result of higher U.S. passive income.

The year-over-year change in provision for income taxes resulted primarily from the change in income from continuing operations across various tax jurisdictions.

In the event that we determine the deferred tax assets are realizable based on an assessment of relevant factors, an adjustment to the valuation allowance may increase income in the period such determination is made. The valuation allowance does not impact our ability to utilize the underlying net operating loss carryforwards.

We also maintain liabilities for uncertain tax positions. As of July 31, 2025, we had unrecognized tax benefits under ASC 740 Income Taxes of approximately $13.3 million, of which $11.7 million could be payable in cash. In addition, interest and penalty of $1.0 million could also be payable in cash in relation to unrecognized tax benefits. The total amount of unrecognized tax benefits that would affect our effective tax rate, if recognized, is $12.7 million. We account for interest and penalties related to uncertain tax positions as a component of income tax provision. We do not expect to have any significant changes to unrecognized tax benefits during the next twelve months.

***Barnes & Noble Education***

Barnes & Noble Education recorded an income tax benefit of $8.6 million on pre-tax loss of $26.9 million during the three months ended July 31, 2025, which represented an effective income tax rate of 32.1%.

In assessing the realizability of the deferred tax assets, management considered whether it is more likely than not that some or all of the deferred tax assets would be realized. As of July 31, 2025, Barnes & Noble Education determined that it was more likely than not that it would not realize all deferred tax assets and its tax rate for the current fiscal year reflects this determination. Barnes & Noble Education will continue to evaluate this position.

**LIQUIDITY AND CAPITAL RESOURCES**

Our cash equivalents, investments - current and investments - noncurrent consist primarily of money-market funds, investments in marketable equity and debt securities and investments in U.S. treasury securities. All marketable securities are stated at fair value. Realized gains and losses on marketable equity securities and marketable debt securities are recorded in *Interest and other income (expense), net* on the *Condensed Consolidated Statements of Operations.* Unrealized gains and losses on marketable equity securities are reported as *Interest and other income (expense), net* on our *Condensed Consolidated Statement of Operations.* Unrealized gains and losses on marketable debt securities reported as a component of *Accumulated other comprehensive income (loss)* on our *Condensed Consolidated Balance Sheets*.

*Cash, cash equivalents, and investments-current* - As of July 31, 2025, our cash, cash equivalents, and investments-current totaled $167.5 million, a $6.1 million increase from $161.4 million on April 30, 2025. In addition, as of July 31, 2025, we had restricted cash of $15.0 million.

A summary of select cash flow information for the three months ended July 31, 2025 and July 31, 2024 are as follows (in thousands):

| | Three Months Ended July 31, | |
|---|---|---|
| | 2025 | 2024 |
| Net cash provided by (used in) operating activities | $ (61,653) | $ (114,373) |
| Net cash provided by (used in) investing activities | 9,206 | (18,459) |
| Net cash provided by (used in) financing activities | 65,358 | 118,027 |

*Cash provided by (used in) operating activities* - Our operating activities primarily consists of net income adjusted for certain non-cash items including depreciation and amortization, stock-based compensation expense, loss on disposal of property and equipment, deferred income taxes, net (gains) losses on investments in marketable securities, and the effect of changes in operating assets and liabilities.

Net cash provided by (used in) operating activities was $(61.7) million for the three months ended July 31, 2025, a $52.7 million decrease compared to the three months ended July 31, 2024. This cash decrease was primarily due to the timing of payables to vendors for inventory purchases and expenses, offset by increase in Textbook inventory in preparation for Fall rush.

*Cash provided by (used in) investing activities* - Our investing activities primarily consist of purchases of marketable securities and other investments and proceeds from disposal of marketable securities and other investments; proceeds from issuance of derivative instruments; payments made to settle derivative instruments; and purchases of property and equipment.

Net cash provided by (used in) investing activities was $9.2 million for the three months ended July 31, 2025, an increase of $27.7 million compared to the prior year period, primarily due to the absence of business acquisitions in the current period.

*Cash provided by (used in) financing activities* - Our financing activities primarily consist of payments of dividend, proceeds from and repayments of credit facility and cash paid for repurchases of our common stock.

Net cash provided by (used in) financing activities during the three months ended July 31, 2025 was $65.4 million primarily consisting of $163.3 million proceeds from borrowing under Barnes & Noble Education's credit facility and $96.4 million in debt repayment and $1.5 million in shares withheld for payroll taxes.

Total cash, cash equivalents, and short-term investments were $167.5 million as of July 31, 2025 of which approximately 20%, or $33.1 million, was held by our foreign subsidiaries and subject to repatriation tax effects.

*Immersion Dividends Declared and Dividend Payments*

| Announcement Date | Dividend Type | Amount per Share | Record Date | Payment Date |
|---|---|---|---|---|
| May 8, 2024 | Quarterly | $ 0.045 | July 8, 2024 | July 26, 2024 |
| August 20, 2024 | Quarterly | 0.045 | October 4, 2024 | October 18, 2024 |
| November 8, 2024 | Special | 0.245 | January 10, 2025 | January 24, 2025 |
| March 10, 2025 | Quarterly | 0.045 | April 14, 2025 | April 25, 2025 |
| July 8, 2025 | Quarterly | 0.045 | July 23, 2025 | August 8,2025 |
| October 8, 2025 | Quarterly | 0.045 | October 20, 2025 | October 31, 2025 |
| December 8, 2025 | Quarterly (increased) | 0.075 | January 19, 2026 | January 30, 2026 |

We may continue to invest in, protect, and defend our extensive IP portfolio, which can result in the use of cash in the event of litigation.

On December 29, 2022, the Board approved a stock repurchase program of up to $50.0 million of our common stock for a period of up to twelve months (the "December 2022 Stock Repurchase Program"), which terminated and superseded the stock repurchase program that had been approved by the Board on February 23, 2022. Any stock repurchases may be made through open market and privately negotiated transactions, at such times and in such amounts as management deems appropriate, including pursuant to one or more Rule 10b5-1 trading plans adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. Additionally, the Board authorized the use of any derivative or similar instrument to effect stock repurchase transactions, including without limitation, accelerated share repurchase contracts, equity forward transactions, equity option transactions, equity swap transactions, cap transactions, collar transactions, naked put options, floor transactions or other similar transactions or any combination of the foregoing transactions. The December 2022 Stock Repurchase Program does not obligate us to repurchase any dollar amount or number of shares, and the program may be suspended or discontinued at any time. The December 2022 Stock Repurchase Program has been amended various times and the most recent amendment extended the expiration date to December 29, 2026.

During the three months ended July 31, 2025, the Company did not purchase shares under the stock repurchase program. As of July 31, 2025, the Company had $40.6 million available for repurchase under the December 2022 Stock Repurchase Program.

As of the date of this Quarterly Report on Form 10-Q, we believe we have sufficient capital resources to meet our working capital needs for the next twelve months and beyond.

**CRITICAL ACCOUNTING ESTIMATES**

Our policies regarding the use of estimates and other critical accounting policies are consistent with the disclosures in *Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates* in our Annual Report on Form 10-K for the fiscal year ended April 30, 2025.

**Recent Accounting Pronouncements**

See *Note 2. Basis of Presentation and Summary of Significant Accounting Policies* of the *Notes to Condensed Consolidated Financial Statements* for information regarding the effect of new accounting pronouncements on our financial statements.

**Item 3. *Quantitative and Qualitative Disclosures About Market Risk***

Not applicable.

**Item 4. *Controls and Procedures***

**Evaluation of Disclosure Controls and Procedures**

An evaluation (as required under Rules 13a-15(b) and 15d-15(b) under the Exchange Act) was performed under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in the Company's periodic reports. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were ineffective at the reasonable assurance level as of July 31, 2025, due to the material weaknesses in internal control over financial reporting related to Barnes & Noble Education's control environment, risk assessment, information and communication, monitoring, and multiple control activities and a material weakness in our internal control over financial reporting related to our business combination and consolidation accounting as previously disclosed in Part II, Item 9A of our Annual Report on Form 10-K for the fiscal year ended April 30, 2025 and continue to exist as of July 31, 2025.

Notwithstanding the identified material weaknesses, management, including our Chief Executive Officer and Chief Financial Officer have determined, that the *Condensed Consolidated Financial Statements* included in this Quarterly Report on Form 10-Q fairly represent in all material respects the financial condition, results of operations and cash flows of the Company as of, and for the periods presented in accordance with U.S. generally accepted accounting principles.

**Remediation Update**

As previously described in Item 9A of our Annual Report on Form 10-K for the fiscal year ended April 30, 2025, , Barnes & Noble Education began implementing a remediation plan to address the material weaknesses mentioned above including enhancing its manual journal entry process and the IT user access review controls, identifying IPE and key reports and ensuring their accuracy and completeness, executing enhanced procedures for the review of non-routine transactions, and reinforcing the importance of the account reconciliation process and defining the related success criteria. In addition, Barnes & Noble Education continues to focus on ensuring clear roles and responsibilities over financial oversight are communicated and documented, accounting policies and procedures are compiled and stored centrally, and training on accounting controls and ethics are deployed.

With respect to implementing a remediation plan to address the material weakness related to our accounting for the Barnes & Noble Education business combination and consolidation accounting, we have taken and are continuing to take steps to enhance the design of our controls over business combination and consolidation accounting, including more detailed and documented management review of the inputs, assumptions, and methods used by third-party specialists, formalizing procedures for the review and documentation of information and reports received from acquired businesses and from third-party specialists that are used in significant estimates and judgments for business combinations and consolidation accounting, and increasing the level of technical accounting review for complex or nonroutine transactions, including establishing more formal documentation of accounting positions and involving internal and, when appropriate, external technical accounting resources.

**Changes in Internal Control Over Financial Reporting**

Other than with respect to the remediation efforts described above, management has not identified any changes in the Company's internal control over financial reporting that occurred during the first quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II**

**Item 1.** ***Legal Proceedings***

See *Note 18. Commitments and Contingencies* of the *Notes to Consolidated Financial Statements*.

**Item 1A.** ***Risk Factors***

There have been no material changes, during the three months ended July 31, 2025 to the risk factors discussed in Part I - Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended April 30, 2025. You should also carefully consider the risk factors described in Barnes & Noble Education, Inc.'s Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q which are filed with the SEC and are available at www.sec.gov.

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

***Stock Repurchase Program***

On December 29, 2022, the Board approved a stock repurchase program of up to $50.0 million of our common stock for a period of up to twelve months (the "December 2022 Stock Repurchase Program"), which terminated and superseded the stock repurchase program that had been approved by the Board on February 23, 2022. Any stock repurchases may be made through open market and privately negotiated transactions, at such times and in such amounts as management deems appropriate, including pursuant to one or more Rule 10b5-1 trading plans adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. Additionally, the Board authorized the use of any derivative or similar instrument to effect stock repurchase transactions, including without limitation, accelerated share repurchase contracts, equity forward transactions, equity option transactions, equity swap transactions, cap transactions, collar transactions, naked put options, floor transactions or other similar transactions or any combination of the foregoing transactions. The timing, pricing and sizes of any repurchases will depend on a number of factors, including the market price of our common stock and general market and economic conditions. The December 2022 Stock Repurchase Program does not obligate us to repurchase any dollar amount or number of shares, and the program may be suspended or discontinued at any time. The December 2022 Stock Repurchase Program has been amended various times and the most recent amendment extended the expiration date to December 29, 2026.

During the three months ended July 31, 2025, the Company did not purchase shares under the stock repurchase program. As of July 31, 2025, the Company had $40.6 million available for repurchase under the December 2022 Stock Repurchase Program.

**ITEM 6. EXHIBITS**

The exhibits listed in the accompanying "Exhibit Index" are filed or incorporated by reference as part of this Form 10-Q.

| Exhibit Number | Exhibit Description | Incorporated by Reference | | | |
|---|---|---|---|---|---|
| | | Form | File No. | Exhibit | Filing Date |
| 3.1 | Amended and Restated Bylaws of Immersion Corporation, effective as of August 12, 2022 | 8-K | 000-38334 | 3.1 | August 15, 2022 |
| 3.2 | Amended and Restated Certificate of Incorporation of Immersion Corporation | 8-K | 000-27969 | 3.1 | June 7, 2017 |
| 3.3 | Certificate of Designation of the Powers, Preferences and Rights of Series A Redeemable Convertible Preferred Stock | 8-K | 000-27969 | 3.1 | July 29, 2003 |
| 3.4 | Amended and Restated Certificate of Designations of Series B Participating Preferred Stock of Immersion Corporation | 8-K | 000-27969 | 3.1 | November 17, 2021 |
| 31.1 | *Certification of Eric Singer, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | | | | |
| 31.2 | *Certification of J. Michael Dodson, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | | | | |
| 32.1 | +Certification of Eric Singer, Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | | | | |
| 32.2 | +Certification of J. Michael Dodson, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | | | | |
| 101.INS | *Inline XBRL Report Instance Document | | | | |
| 101.SCH | *Inline XBRL Taxonomy Extension Schema Document | | | | |
| 101.CAL | *Inline XBRL Taxonomy Calculation Linkbase Document | | | | |
| 101.DEF | *Inline XBRL Taxonomy Extension Definition Linkbase Document | | | | |
| 101.LAB | *Inline XBRL Taxonomy Label Linkbase Document | | | | |
| 101.PRE | *Inline XBRL Presentation Linkbase Document | | | | |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) | | | | |

* Filed herewith
+ This certification is deemed not filed for purposes of section 18 of the Exchange Act, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act, as amended, or the Exchange Act, as amended.

**SIGNATURES**

Pursuant to the requirements of the Exchange Act, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: March 25, 2026

IMMERSION CORPORATION

By /S/ J. MICHAEL DODSON

J. Michael Dodson

*Chief Financial Officer*

*(Principal Financial Officer and Principal Accounting Officer)*