Risk Factors Comparison 2023-08-24 to 2022-08-29 Form: 10-K

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The following risks could materially and adversely affect our business, financial condition, cash flows, results of operations and the trading price of our common stock could decline. These risk factors do not identify all risks that we face; our operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations. Investors should also refer to the other information set forth in this Annual Report on Form 10- K, including Management' s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements including the related notes. Investors should carefully consider all risks, including those disclosed, before making an investment decision. ~~Risks Related to the COVID- 19 Pandemic The global COVID- 19 pandemic has, and could continue to have, a material adverse effect on our business and results of operations. The ongoing global COVID- 19 pandemic has impacted the world economy, increased volatility within the financial markets, disrupted international trade, increased labor wage rates and significantly impacted global supply chains, all of which have affected and continue to affect the home furnishings industry and the Company' s business. In our action plan in response to COVID- 19 that we announced on April 1, 2020, we took immediate action and made a number of adjustments to our business operations, but not limited to, temporarily closing our design centers and manufacturing plants, reducing our employee headcount, and curtailing certain operating expenses. Our approach to the COVID- 19 pandemic continues to evolve as business trends have substantially improved as consumers have allocated more discretionary spending to home furnishings. We reopened all of our retail design centers and resumed our North American manufacturing. Temporary salary reductions were lifted, headcount increased and our Board of Directors reinstated the regular quarterly cash dividend. Although most state and local governments have eased or lifted restrictions, it is possible that a resurgence in COVID- 19 cases, particularly due to variants of COVID- 19, could prompt a return to tighter restrictions in certain areas. There remains numerous uncertainties that have risen from the pandemic, including the severity and transmissibility of the disease, the duration of the outbreak, the emergence and spread of variants of concern, actions that may be taken by governmental authorities in response to the disease, the distribution, efficacy and public acceptance of vaccines, and economic impact of the foregoing. ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES The home furnishings industry has experienced strong consumer demand during the pandemic. The trend of " nesting " spending has generated additional consumer activity in our industry but has also significantly strained inventory production and supply chains. Recently, the COVID- 19 pandemic has also resulted in rapidly increasing throughout the world, which has begun to affect the prices at which manufacturers charge home furniture retailers, as well as the prices that are charged to customers. To the extent such inflation continues, increases, or both, it may reduce our margins and have a material adverse effect on our financial performance. Additionally, the COVID- 19 pandemic has caused our associates to follow health guidelines including the wearing of masks and practicing social distancing, and for some team members increased the use of remote work and video meetings, all which could negatively impact our business and harm productivity and collaboration. While we continue to serve our customers and operate our business while managing the ongoing COVID- 19 pandemic, there can be no assurance that future COVID- 19 related developments will not have an impact on our business, results of operations or financial condition since the extent and duration of the pandemic remains highly uncertain. We will continue to make decisions regarding the sources and uses of capital in our business to reflect and adapt to changes in market conditions, including any lasting effects of COVID- 19. Despite our efforts to manage various impacts, including on those associated with our supply chain, the availability and pricing of raw materials, the ability to service our significant backlog and the health and safety of our employees and customers, future adverse developments related to the ongoing COVID- 19 pandemic, and the Russia / Ukraine conflict, including additional waves of COVID- 19 outbreaks, evolving international, federal, state and local restrictions and safety regulations, changes in consumer behavior, health concerns, the pace of economic activity, or other similar issues could adversely affect our business, results of operations or financial condition in the future, or including our financial results and business performance. Therefore, we currently cannot estimate with any degree of certainty the potential impact to our financial position, results of operations and cash flows. Changes in consumer spending due to COVID- 19 has had, and may continue to have, a material adverse effect on our results of operations. As a result of COVID- 19, beginning in the second quarter of fiscal 2021, we experienced heightened demand, as more discretionary spending was allocated to the home furnishings industry which carried forward through much of fiscal 2022. However, as various COVID- related restrictions were lifted during fiscal 2022, and given the current geopolitical climate and rising inflation, we are unable to predict how long this demand will last or to what extent these factors may impact the economic and purchasing cycle for our products in the short and long term. Any significant reduction in consumer willingness to visit our design centers, levels of consumer spending, employee willingness to work in our design centers, or additional closures of our design centers or distribution centers, due to COVID- 19 or its related impact on the economy, consumer sentiment or health concerns, could result in a loss of revenues, profits, cash flows, and other materially impactful effects on our business and operations. In addition, as vaccines and other treatments for COVID- 19 become available and the pandemic evolves, consumer behavior may continue to evolve or change, including spending more time away from home, and discretionary consumer spending on home furnishings may decrease. Any prolonged significant reduction in customer traffic and spending at our design center, caused directly or indirectly by COVID- 19, could result in a loss of revenue and profits. A resurgence of COVID- 19 and resulting containment measures could negatively impact our ability to fulfill existing order backlog or cause changes in consumer demand, which could have a material adverse effect on our financial performance. Although unable to predict with certainty, we expect decreases in wholesale and retail backlogs over the course of our fiscal~~

~~2023 year as a result of an anticipated lower rate of future incoming orders coupled with increased manufacturing and shipping activity. This pattern of manufacturing productivity outpacing incoming orders was first prevalent in our fourth quarter of fiscal 2022 and we expect this pattern to continue. However, if we are unable to reduce the backlogs and increase the speed of order fulfillment due to a resurgence of COVID- 19 or otherwise, it is possible that some of our customers may begin to cancel existing orders and require refunds of deposits, which could have an adverse impact upon our liquidity and results of operations. While the home furnishings industry has fared much better during the pandemic than other sectors of the economy, continued economic weakness, the recent surge in COVID- 19 cases and any containment measures to stop further spread may have an adverse impact upon our business. Furthermore, the economic recession brought on by the pandemic may eventually have an adverse impact on consumer demand for our products. Should these conditions persist for a prolonged period, this may have a continuing material adverse impact on our ultimate financial condition and liquidity. ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES A resurgence of COVID- 19 could lead to temporary closures, including our distribution centers, which could have a material adverse effect on our business. Although our distribution centers were fully operational throughout fiscal 2022 and as of the date of filing of this Annual Report on Form 10- K, governmental mandates from a resurgence in COVID- 19 or illness or absence of a substantial number of distribution center employees could require that we temporarily close one or more of our distribution centers. A resurgence could also prohibit or significantly limit us, or our third- party logistics providers, from delivering to our customers and our design centers, which would complicate or prevent our fulfilling orders and would complicate or prevent our ability to supply merchandise to these design centers. Further, although we continue to implement strong physical and cyber- security measures to ensure that our business operations remain functional and to ensure uninterrupted service to our customers, our systems and our operations remain vulnerable to cyber- attacks and other disruptions due to the fact that a significant portion of our employees work remotely as a result of the ongoing COVID- 19 pandemic, and we cannot be certain that our mitigation efforts will be effective. We may require additional funding from external sources, which may not be available at the levels we require, or may cost more than we expect, and, as a consequence, our expenses and operating results could be negatively affected. Our liquidity could be negatively impacted if the COVID- 19 pandemic significantly hinders our ability to conduct our retail and manufacturing operations for a significant period of time and we may be required to pursue additional sources of financing to obtain working capital and meet our financial obligations. Depending on the continued impact of the pandemic, further actions may be required to improve our cash position and capital structure. We regularly review and evaluate our liquidity and capital needs. We believe that our available cash, cash equivalents, investments, cash flow from operations and revolving credit facility, will be sufficient to finance our operations and expected capital requirements for at least the next 12 months. However, we might experience periods during which we encounter additional cash needs, and we might need additional external funding to support our operations. In the event we require additional liquidity from our lenders, such funds may not be available to us on acceptable terms, or at all. In addition, in the event we were to breach any of our financial covenants, our banks would not be required to provide us with additional funding, or they may require us to renegotiate our existing credit facility on less favorable terms. In addition, we may not be able to renew our letters of credit that we use to help pay our suppliers, on terms that are acceptable to us, or at all, as the availability of credit facilities may become limited. Further, the providers of such credit may reallocate the available credit to other borrowers. If we are unable to access additional credit at the levels we require, or the cost of credit is greater than expected, it could adversely affect our operating results. Government- imposed COVID- 19 vaccine mandates could lead to labor disruptions, which could have a material adverse effect on our business and results of operations. On September 9, 2021, President Biden issued an executive order obligating parties that contract with the United States federal government to require their employees to be fully vaccinated against COVID- 19, with limited exceptions for certain accommodations including medical disabilities or sincerely held religious beliefs. Currently, this executive order, as well as the subsequent guidance by the federal government, are facing legal challenges in federal courts. Due to our GSA contract, we are classified as a government contractor. Given current information and uncertainty surrounding if the mandates are legal and when they become effective, it is not possible to predict with certainty the impacts the mandates would have on us. While we are not presently required to comply with a vaccine mandate or submit to weekly COVID- 19 testing, the implementation of any such federal mandate or other state or local mandate may result in increased costs, labor disruptions or employee attrition, which could be material as a substantial number of our employees are based in areas of the United States where vaccination rates are below the national average. If we lose employees as a result of these mandates, it will be difficult in the current competitive labor market to find qualified replacement employees, and this could have an adverse effect on future revenues and costs, which could be material. There could also be potential conflict with actions by certain states that are in conflict with the federal mandate. Accordingly, the federal mandate, or other mandates, if implemented, could have a material adverse effect on our business and results of operations.~~ ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES Home Furnishings Industry Risks Declines in certain economic conditions, which impact consumer confidence and consumer spending, could negatively impact our sales, results of operations and liquidity. ~~The~~ **Historically, the** home furnishings industry **has been subject** ~~and our business are particularly sensitive~~ to ~~declines~~ **cyclical variations** in **the** general ~~economic~~ **economy** ~~conditions~~ and to uncertainty regarding future economic prospects **. Should** ~~, including the~~ current ~~and evolving negative~~ economic **conditions weaken, the current rate of housing starts further decline, or elevated inflation persist, consumer confidence and demand for home furnishings could deteriorate which could adversely affect our business through its** impact ~~of~~ **on** the ~~COVID~~ **performance of our Company** - ~~19 pandemic~~ **operated design centers, as well as on our independent licensees and the ability of a number of them to meet their obligations to us** . Our principal products are consumer goods that may be considered postponable purchases. Economic downturns and prolonged negative conditions in the economy could affect consumer spending habits by decreasing the overall demand for discretionary items, including home furnishings. **Factors influencing** ~~Consumer~~ **consumer spending** ~~purchases of discretionary items, including~~ **include** ~~our products, generally~~ -- **general** ~~decline during periods when~~ **economic and financial market conditions, consumer** disposable income ~~is limited~~ **, fuel prices, recession and fears of recession, United States government default or shutdown or the risk of such default or shutdown** , unemployment **, war and fears of war, availability of consumer credit, consumer debt levels, conditions in the housing market, increased interest** rates **, sales tax rates and rate** ~~increase~~ **increases** ~~or there is uncertainty about~~ **, inflation, civil disturbances and terrorist activities, consumer confidence in** future economic **and political conditions** ~~prospects. In addition~~ , ~~increases in interest rates,~~ **natural disasters and inclement weather and** consumer **perceptions** ~~confidence, new housing starts, existing home sales, the availability~~ of **personal well - being** ~~consumer credit and broader national or geopolitical factors also impact our business. We have seen negative effects on certain of these measures during fiscal 2022. Consumer spending could remain depressed for an~~ **and** ~~extended time and improvement in~~ **security, including health epidemics** ~~our~~ - **or pandemics** ~~sales could lag behind a general economic recovery as consumers may postpone the purchase of relatively higher- cost discretionary items~~ . Other financial or operational difficulties due to competition may result in a decrease in our sales, earnings ~~,~~ and liquidity. The residential home furnishings industry is highly competitive and fragmented. We currently compete with many other manufacturers and retailers, including online retailers, some of which offer widely advertised products, and others, several of which are large retail dealers offering their own store- branded products. Competition in the residential home furnishings industry is based on quality, style of products, perceived value, price, service to the customer, promotional activities, and advertising. The highly competitive nature of the industry means we are constantly subject to the risk of losing market share, which would likely decrease our future sales, earnings and liquidity. ~~Consumer Demand Risks~~ A significant shift in consumer preference toward purchasing products online could have a materially adverse impact on our sales and operating margin. A majority of our business relies on physical design centers that merchandise and sell our products and a significant shift in consumer preference towards exclusively purchasing products online could have a materially adverse impact on our sales and operating margin. ~~The COVID- 19 pandemic accelerated the shift to online purchases by changing customer shopping patterns and behaviors, including decreased consumer willingness to visit physical retail locations.~~ We are attempting to meet consumers where they prefer to shop by expanding our online capabilities and improving the user experience at ethanallen. com as well as at our ~~new~~ Virtual Design Center to drive more sales. Rapidly evolving technologies are altering the manner in which the Company and its competitors communicate and transact with customers. Customers adoption of new technology and related changes in customer behavior, presents a specific risk in the event we are unable to successfully execute our technology plans or adjust them over time if needed. Further, unanticipated changes in pricing and other practices of competitors, including promotional activity, such as thresholds for free shipping and rapid price fluctuation enabled by technology, may adversely affect our performance. ~~An overall decline in the health of the economy and consumer spending may affect consumer purchases of discretionary items, which could reduce demand for our products and materially harm our sales, profitability and financial condition. Our business depends on consumer demand for our products and, consequently, is sensitive to a number of factors that influence general consumer spending on discretionary items in particular. Factors influencing consumer spending include general economic conditions, consumer disposable income, fuel prices, recession and fears of recession, unemployment, war and fears of war, inclement weather, availability of consumer credit, consumer debt levels, conditions in the housing market, increased interest rates, sales tax rates and rate increases, inflation, civil disturbances and terrorist activities, foreign currency exchange rate fluctuations, consumer confidence in future economic and political conditions, natural disasters, and consumer perceptions of personal well - being and security, including health epidemics or pandemics, such as the COVID- 19 pandemic. Prolonged or pervasive economic downturns could slow the pace of new design center openings or cause current design centers to temporarily or permanently close. Adverse changes in factors affecting discretionary consumer spending have reduced and may continue to further reduce consumer demand for our products, thus reducing our sales and harming our business and operating results. Historically, the home furnishings industry has been subject to cyclical variations in the general economy and to uncertainty regarding future economic prospects. Should current economic conditions weaken, the current rate of housing starts further decline, or rising inflation persist, consumer confidence and demand for home furnishings could deteriorate which could adversely affect our business through its impact on the performance of our Company- operated design centers, as well as on our independent licensees and the ability of a number of them to meet their obligations to us. ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES~~ Risks Related to our Brand and Product Offerings Inability to maintain and enhance our brand may materially adversely impact our business. Maintaining and enhancing our brand is critical to our ability to expand our base of customers and may require us to make substantial investments. Our advertising ~~campaign~~ **campaigns** ~~utilizes~~ - **utilize** ~~television,~~ direct mail, digital, newspapers, magazines **, television,** and radio to maintain and enhance our existing brand equity. We cannot provide assurance that our marketing, advertising and other efforts to promote and maintain awareness of our brand will not require us to incur substantial costs. If these efforts are unsuccessful or we incur substantial costs in connection with these efforts, our business, operating results and financial condition could be materially adversely affected. Failure to successfully anticipate or respond to changes in consumer tastes and trends in a timely manner could materially adversely impact our business, operating results and financial condition. Sales of our products are dependent upon consumer acceptance of our product designs, styles, quality and price. We continuously monitor changes in home design trends through attendance at ~~international~~ **trade shows,** industry events ~~and~~ **,** fashion shows, internal **and external** marketing research, and regular communication with our retailers and design professionals who provide valuable input on consumer tendencies. However, as with ~~all~~ **many** retailers, our business is susceptible to changes in consumer tastes and trends. Such tastes and trends can change rapidly and any delay or failure to anticipate or respond to changing consumer tastes and trends in a timely manner could materially adversely impact our business ~~,~~ **and** operating results ~~and financial condition~~ . We may not be able to maintain our current design center locations at current costs. We may also fail to successfully select and secure design center locations. Our design centers are typically located in busy urban settings as freestanding destinations or as part of suburban strip malls or shopping malls, depending upon the real estate opportunities in a particular market. ~~During fiscal 2023, we plan to open or relocate several design centers within the United States.~~ Our business competes with other retailers and as a result, our success may be affected by our ability to renew current design center leases and to select and secure appropriate retail locations for existing and future design centers. We have potential exposure to market risk related to conditions in the commercial real estate market. As of June 30, ~~2022~~ **2023** , there were ~~141~~ **139** Company- operated retail design centers averaging approximately 14, ~~500~~ **100** square feet in size per location. Of the ~~141~~ **139** Company- operated retail design centers, 49 of the properties are owned and ~~92~~ **90** are leased. Our retail segment real estate holdings could suffer significant impairment in value if we are forced to close design centers and sell or lease the related properties during periods of weakness in certain markets. We are also exposed to risk related to conditions in the commercial real estate rental market with respect to the right- of- use assets we carry on our balance sheet for leased design center locations and **retail service centers** ~~warehouse and distribution facilities~~ . At June 30, ~~2022~~ **2023** , the unamortized balance of such right- of- use assets totaled $ ~~100~~ **115** . ~~8~~ **9** million. Should we have to close or ~~otherwise~~ abandon one of these leased locations, we could incur additional impairment charges if rental market conditions do not support a fair value for the right of use asset in excess of its carrying value. Supply Chain Risks Disruptions of our supply chain **and supply chain management** could have a material adverse effect on our operating and financial results. Disruption of the Company' s supply chain capabilities due to trade restrictions, political instability, severe weather, natural disasters, public health crises ~~such as the ongoing COVID- 19 pandemic~~ , terrorism, product recalls, global unrest, war, labor supply or stoppages, the financial and / or operational instability of key suppliers and carriers, or other reasons could impair the Company' s ability to distribute its products. To the extent we are unable to mitigate the likelihood or potential impact of such events, there could be a material adverse effect on our operating and financial results. **During the COVID- 19 pandemic,** ~~Supply~~ **supply** ~~chain management disruption has had, and could continue to have, a material adverse effect on our results of operations. Supply~~ chain challenges **were** ~~have been~~ faced by the entire home furnishings industry, including the Company, as a result of labor shortages ~~and~~ **,** supply chain disruptions ~~. We continue to produce about 75 % of our products in our North American manufacturing facilities. The other 25 % is sourced primarily from Southeast Asia and China. During most of fiscal 2022~~ , **and** ~~the receipt of inventory sourced from impacted areas was disrupted due to raw material shortages,~~ ocean freight capacity issues **which resulted in unprecedented increases in material** and ~~COVID~~ **freight costs, as well as significant unavailability or delay of raw materials or finished goods. While the pandemic** - ~~19 related~~ **era disruptions have diminished, further transportation** delays **, increases on** ~~. During the 2021 and 2022 fiscal years there was much greater demand for~~ shipping ~~, which has resulted in price increases per shipping container~~ **containers** ~~. Streamline ships are charging priority booking fees to allocate space as~~ **, more extensive travel restrictions, closures or disruptions of businesses and facilities or social, economic, political or labor instability in** ~~they~~ - **the** ~~have less ships and workers~~ **affected areas, could impact either our or our suppliers'** ~~operating~~ **operations** ~~. While we have seen recent stabilization of container costs,~~ and ~~in some markets, a recent decrease in costs, there is no indication that shipping container rates will return to historical levels in the near- term and these elevated costs could~~ have a material adverse effect on our consolidated results of operations. ~~Furthermore, transportation delays, increases on shipping containers, more extensive travel restrictions, closures or disruptions of businesses and facilities or social, economic, political or labor instability in the affected areas, may impact our or our suppliers' operations. ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES~~ Fluctuations in the price, availability and quality of raw materials ~~have~~ **and imported finished goods could** ~~resulted~~ -- **result** in increased costs and ~~caused~~ - **cause** production delays which ~~, if continued,~~ could result in a decline in sales, either of which could materially adversely impact our earnings. In manufacturing furniture, we use various types of logs, lumber, fabrics, plywood, frames, leathers, finishing materials, foam, steel and other raw materials **. Fluctuations in the price, availability and quality of raw materials could result in increased costs or a delay in manufacturing our products, which in turn could result in a delay in delivering products to our customers** . Although we have instituted measures to ensure our supply chain remains open to us, ~~we experienced raw material supply chain challenges related to suppliers negatively impacted by COVID- 19 shutdowns and shipping delays. These global supply chain challenges could continue~~ **continued** ~~and in turn materially adversely impact our manufacturing production and fulfillment of backlog. While we strive to maintain a number of sources for our raw materials, the impact of COVID- 19 on raw materials and increased demand on our supply chain, has created additional pricing and availability pressures. During fiscal 2022, certain raw material prices, such as finishing material and plywood, significantly increased and in some instances, limited our production due to sourcing delays. Continued~~ high raw material prices and costs of sourced products could have an adverse effect on our future margins. **While we strive** ~~We expect raw material prices~~ to **maintain a number of sources for our** ~~remain at historically high levels in many categories during fiscal 2023 due to price inflation in certain~~ raw materials **, decreased availability on raw materials** and ~~global~~ **increased demand on our** supply chain **,** ~~complexities. COVID- 19 related issues will continue to introduce uncertainty into many~~ - **may** ~~markets, especially with respect to~~ **create additional pricing and availability pressures. Imported finished goods represent approximately 25 % of our consolidated sales. The prices paid for these imported products include inbound** freight **. Elevated ocean freight container rates may be impacted by container supply** and ~~labor availability~~ **elevated demand** . To the extent that we experience incremental costs in any of these areas, we may increase our selling prices to offset the impact. However, increases in selling prices may not fully mitigate the impact of **the** ~~raw material~~ cost increases which would adversely impact operating income. **Furthermore** ~~Fluctuations in the price~~ , **supply chain disruptions** ~~availability and quality of imported finished goods have resulted in increased costs which, if continued,~~ could materially adversely impact our **manufacturing** ~~earnings. Imported finished goods represent approximately 25 % of our consolidated sales. The prices paid for these imported products~~ **production** ~~, which include inbound freight, increased in fiscal 2022 compared with fiscal 2021, primarily due to constrained supply resulting from a combination of COVID- 19, increased demand across the industry and higher shipping container costs, which were constrained during most of fiscal 2022. Elevated ocean freight container rates were from an~~ **and fulfillment** ~~imbalance in container supply driven by COVID- 19 disruptions and elevated demand. However, during the fourth quarter~~ of **backlog** ~~fiscal 2022, we started to see stabilization in container costs, and in some areas, small declines in prices per shipping container. To the~~

~~extent that we experience incremental costs associated with imported finished goods in the near- term due to continued inflationary pressures and heightened demand for shipping capacity, we may increase our selling prices to offset the impact. However, increases in selling prices may not fully mitigate the impact of the cost increases which would adversely impact operating income~~ . Manufacturing Risks Competition from overseas manufacturers and domestic retailers may materially adversely affect our business, operating results or financial condition. Our wholesale business segment is involved in the development of our brand, which encompasses the design, manufacture, sourcing, sales and distribution of our home furnishings products, and competes with other United States and foreign manufacturers. Our retail network sells home furnishings to consumers through a network of independently operated and Company- operated design centers, and competes against a diverse group of retailers ranging from specialty stores to traditional home furnishings and department stores, any of which may operate locally, regionally, nationally or globally, as well as over the internet. We also compete with these and other retailers for retail locations as well as for qualified design professionals and management personnel. Such competition could adversely affect our future financial performance. Industry globalization has led to increased competitive pressures brought about by the increasing volume of imported finished goods and components, particularly for case good products, and the development of manufacturing capabilities in other countries, specifically within Asia. ~~The increase in overseas production has created over - capacity for many manufacturers, including us, which has led to industry - wide plant consolidation.~~ In addition, because many foreign manufacturers are able to maintain ~~substantially~~ lower production costs, including the cost of labor and overhead, imported product may be capable of being sold at a lower price to consumers, which, in turn, could lead to some measure of further industry - wide price deflation. ~~ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES~~ We cannot provide assurance that we will be able to establish or maintain relationships with sufficient or appropriate manufacturers, whether foreign or domestic, to supply us with selected case goods, upholstery and home accent items to enable us to maintain our competitive advantage. In addition, the emergence of foreign manufacturers has served to broaden the competitive landscape. Some of these competitors produce products not manufactured by us and may have greater financial resources available to them or lower costs of operating. This competition could materially adversely affect our future financial performance. Our number of manufacturing sites may increase our exposure to business disruptions and could result in higher costs. We have a limited number of manufacturing sites in our case goods and upholstery operations ~~and consolidated our distribution network into fewer centers for both wholesale and retail segments~~ . Our upholstery operations consist of three upholstery plants in North Carolina and two plants in Mexico. The Company operates two manufacturing plants in Vermont and Honduras and one sawmill, one rough mill and one kiln dry lumberyard in support of our case goods operations. **If** ~~As a result of the consolidation of our manufacturing operations into fewer facilities, if~~ any of our manufacturing sites experience significant business interruption, our ability to manufacture or deliver our products in a timely manner would likely be impacted. ~~The consolidation to fewer~~ **Fewer** locations ~~has~~ **have** resulted in longer distances for delivery and could result in higher costs to transport products if fuel costs increase significantly. Environmental, Health and Safety Risks Our current and former manufacturing and retail operations and products are subject to increasingly stringent environmental, health and safety requirements. We use and generate hazardous substances in our manufacturing ~~and retail~~ operations. In addition, ~~both~~ the manufacturing properties on which we currently operate and those on which we have ceased operations are and have been used for industrial purposes. Our manufacturing operations and, to a lesser extent, our retail operations involve risk of personal injury or death. We are subject to increasingly stringent environmental, health and safety laws and regulations relating to our products, current and former properties and our current operations. These laws and regulations provide for substantial fines and criminal sanctions for violations and sometimes require the installation of costly pollution control or safety equipment, or costly changes in operations to limit pollution or decrease the likelihood of injuries. In addition, we may become subject to potentially material liabilities for the investigation and cleanup of contaminated properties and to claims alleging personal injury or property damage resulting from exposure to or releases of hazardous substances or personal injury because of an unsafe workplace. In addition, noncompliance with, or stricter enforcement of, existing laws and regulations, adoption of more stringent new laws and regulations, discovery of previously unknown contamination or imposition of new or increased requirements could require us to incur costs or become the basis of new or increased liabilities that could be material. Product recalls or product safety concerns could materially adversely affect our sales and operating results. If the Company' s merchandise offerings do not meet applicable safety standards or consumers' expectations regarding safety, the Company could experience decreased sales, increased costs and / or be exposed to legal and reputational risk. Although we require that all of our vendors comply with applicable product safety laws and regulations, we are dependent on them to ensure that the products we buy comply with all safety standards. Events that give rise to actual, potential or perceived product safety concerns could expose the Company to government enforcement action and / or private litigation. Reputational damage caused by real or perceived product safety concerns or product recalls could negatively affect the Company' s business and results of operations. We may incur significant increased costs and become subject to additional potential liabilities under environmental and other laws and regulations aimed at combating climate change. We believe it is likely that the increased focus by the **United States** ~~U. S.~~ and other governmental authorities on climate change and other environmental matters will lead to enhanced regulation in these areas, which could also result in increased compliance costs and subject us to additional potential liabilities. The extent of these costs and risks is difficult to predict and will depend in large part on the extent of new regulations and the ways in which those regulations are enforced. We operate ~~and have~~ manufacturing facilities in multiple regions across the globe, and the impact of additional regulations in this area is likely to vary by region. It is possible the costs we incur to comply with any such new regulations and ~~implement~~ **implementation of** our own sustainability goals could be material. ~~ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES~~ Our goals and future disclosures related to Environmental, Social and Governance (“ ESG ”) matters may expose us to numerous risks, including risks to our reputation and stock price. There has been an increased focus on ~~our~~ ESG practices within the general markets. We plan to establish goals and ~~other~~ objectives related to **such** ESG matters. These goals will reflect our plans and aspirations and are not guarantees that we will be able to achieve them. Our efforts to accomplish and accurately report on these goals and objectives present numerous operational, reputational, financial, legal, and other risks, any of which could have a material negative impact, including on our reputation, stock price, and results of operation. We could also incur additional costs and require additional resources to implement various ESG practices to make progress against our ~~public~~ goals and to monitor and track ~~our~~ performance with respect to such goals. The standards for tracking and reporting on ESG matters are relatively new, have not been formalized and continue to evolve. Collecting, measuring, and reporting ESG information and metrics can be difficult and time consuming. Our selected disclosure framework or standards may need to be changed from time to time, which may result in a lack of consistent or meaningful comparative data from period to period. In addition, our interpretation of reporting frameworks or standards may differ from those of others and such frameworks or standards may change over time, any of which could result in significant revisions to our goals or reported progress in achieving such goals. Our ability to achieve any ESG-related goal or objective is subject to numerous risks, many of which are outside of our control, including ~~:~~ the availability and cost of low- or non- carbon- based energy sources and technologies, evolving regulatory requirements affecting ESG standards or disclosures, the availability of vendors and suppliers that can meet our sustainability, diversity and other standards, and the availability of raw materials that meet and further our sustainability goals. If our ESG practices do not meet evolving standards or our goals, then our reputation, our ability to attract or retain employees and our competitiveness ~~, including as an investment and business partner~~ , could be negatively impacted. Furthermore, if our competitors' ESG performance is perceived to be better than ours, potential or current customers and investors may elect to do business with our competitors instead, and our ability to attract or retain employees could be negatively impacted. Our failure, or perceived failure, to pursue or fulfill our goals, targets, and objectives or to satisfy various reporting standards within the timelines we announce, or at all, could also expose us to government enforcement actions and private litigation. Technology and Data Security Risks We rely extensively on information technology systems to process transactions, summarize results, and manage our business and that of certain independent retailers. Disruptions in both our primary and back- up systems could adversely affect our business and operating results. Our primary and back- up information technology systems are subject to damage or interruption from power outages, computer and telecommunications failures, viruses, phishing attempts, cyber- attacks, malware and ransomware attacks, security breaches, severe weather, natural disasters, and errors by employees **or third- party contractors** . Though losses arising from some of these issues ~~would~~ **may** be covered by insurance, interruptions of our critical business information technology systems or failure of our back- up systems could result in longer production times or negatively impact customers resulting in damage to our reputation and a reduction in sales. If our critical information technology systems or back- up systems were damaged or ceased to function properly, we might have to make a significant investment to repair or replace them. Further, information systems of our suppliers or service providers may be vulnerable to attacks by hackers and other security breaches, including computer viruses and malware, through the internet, email attachments and persons with access to these information systems. If our suppliers or service providers were to experience a system disruption, attack or security breach that impacts a critical function, it could result in disruptions in our supply chain, the loss of sales and customers, potential liability for damages to our customers, reputational damage and incremental costs, which could adversely affect our business, results of operations and profitability. Successful cyber- attacks and the failure to maintain adequate cyber- security systems and procedures could materially harm our operations. Cyber- attacks designed to gain access to and extract sensitive information or otherwise affect or compromise the confidentially, integrity, and availability of information, including phishing attempts, denial of service attacks, and malware or ransomware incidents, have occurred over the last several years at a number of major **global** ~~U. S.~~ companies and have resulted in, among other things, the unauthorized release of confidential information, **system failures including** material business disruptions, and negative brand and reputational impacts. Despite widespread recognition of the cyber- attack threat and improved data protection methods, cyber- attacks on organizations continue to be sophisticated, persistent, and ever- changing, making it difficult to prevent and detect these attacks ~~. Similar to many other retailers, we receive and store certain personal information about our employees and vendors~~ . Additionally, we rely on third- party service providers to execute certain business processes and maintain certain information technology systems and infrastructure, and we supply such third- party providers with the personal information required for those services. ~~ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES~~ Cyber- attacks are becoming more sophisticated ~~and frequent~~ , and in some cases have caused significant harm. Computer hackers and others routinely attempt to breach the security of technology products, services and systems, and to fraudulently induce employees, customers, or others to disclose information or unwittingly provide access to systems or data. We operate many aspects of our business ~~including financial reporting, and customer relationship management~~ through server and web - based technologies, and store various types of data on such servers or with third ~~–~~ parties who in turn store it on servers and in the cloud. Any disruption to the internet or to the Company' s or its service providers' global technology infrastructure, including malware, insecure coding, " Acts of God, " attempts to penetrate networks, data theft or loss and human error, could have adverse effects on the Company' s operations. A cyber- attack of our systems or networks that impairs our information technology systems could disrupt our business operations and result in loss of service to customers. ~~The risk of cyberattacks to our Company also includes attempted breaches of contractors, business partners, vendors and other third parties.~~ We have a comprehensive cybersecurity program designed to protect and preserve the integrity of our information technology systems. We ~~have experienced and~~ expect to continue to experience ~~actual or~~ attempted cyber- attacks of our IT systems or networks; however, none of ~~these~~ -- **the** ~~actual or~~ attempted cyber- attacks had a material impact on our operations or financial condition. While we devote significant resources to network security, data encryption and other security measures to protect our systems and data, including our own proprietary information and the confidential and personally identifiable information of our customers, employees, and business partners, these measures cannot provide absolute security. The costs to eliminate or alleviate network security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant, and our efforts to address these problems may not be successful, resulting potentially in the theft, loss, destruction or corruption of information we store electronically, as well as unexpected interruptions, delays or cessation of service, any of which could cause harm to our business operations. Moreover, if a computer security breach or cyber- attack affects our systems or results in the unauthorized release of proprietary or personally identifiable information, our reputation could be materially damaged, our customer confidence could be diminished, and our operations, including technical support for our devices, could be impaired. We would also be exposed to a risk of loss or litigation and potential liability, which could have a material adverse effect on our business, results of operations and financial condition. **Where necessary and applicable, we have enabled certain employees to arrange for a hybrid work approach. Although we continue to implement strong physical and cybersecurity measures to ensure that our business operations remain functional and to ensure uninterrupted service to our customers, our systems and our operations remain vulnerable to cyberattacks and other disruptions due to the fact that certain employees work remotely and we cannot guarantee that our mitigation efforts will be effective.** Loss, corruption and misappropriation of data and information relating to customers could materially adversely affect our operations. We have access to sensitive customer information in the ordinary course of business. If a significant data breach occurred, **the loss, disclosure or misappropriation of our business information may adversely affect** our reputation ~~may be adversely affected~~ , customer confidence may be diminished, or we may be subject to legal claims, or legal proceedings, including regulatory investigations and actions, **which** ~~may have a negative impact on our reputation,~~ may lead to regulatory enforcement actions against us, and may materially adversely affect our business, operating results and financial condition ~~. The loss, disclosure or misappropriation of our business information may materially adversely affect our business, operating results and financial condition. Further, legislative or regulatory action in these areas is evolving, and we may be unable to adapt our IT systems or to manage the IT systems of third parties to accommodate these changes. Finally, if a significant data breach occurred, our reputation could be materially and adversely affected, and confidence among our customers may be diminished~~ . Legal and Regulatory Risks Global and local economic uncertainty may materially adversely affect our manufacturing operations or sources of merchandise and international operations. Economic uncertainty, as well as other variations in global economic conditions such as fuel costs, wage and benefit inflation, and currency fluctuations, may cause inconsistent and unpredictable consumer spending habits, while increasing our own input costs. These risks resulting from global and local economic uncertainty could also severely disrupt our manufacturing operations, which could have a material adverse effect on our financial performance. We import approximately 25 % of our merchandise from outside of the United States as well as operate manufacturing plants in Mexico and Honduras and retail design centers in Canada. As a result, our ability to obtain adequate supplies or to control our costs may be adversely affected by events affecting international commerce and businesses located outside the United States, including natural disasters, public health crises ~~such as the ongoing COVID- 19 pandemic~~ , changes in international trade including tariffs, central bank actions, changes in the relationship of the ~~United States~~ **U. S.** dollar versus other currencies, labor availability and cost, and other **domestic** governmental policies ~~of the United States~~ and the countries from which we import our merchandise or in which we operate facilities. ~~ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES~~ Changes in **the** United States trade and tax policy could materially adversely affect our business and results of operations. Changes in the political environment in the United States may require us to modify our current business practices. **We** ~~Because we manufacture components and finished goods in Mexico and Honduras and purchase components and finished goods manufactured in foreign countries, we~~ are subject to risks relating to increased tariffs on ~~United States~~ imports, and other changes affecting imports **because we manufacture components and finished goods in Mexico and Honduras and purchase components and finished goods manufactured in foreign countries** . We may not be able to ~~fully or~~ substantially mitigate the impact of tariffs, pass price increases on to our customers, or secure adequate alternative sources of products or materials. The tariffs, along with any additional tariffs or retaliatory trade restrictions implemented by other countries, could negatively impact customer sales, including potential delays in product received from our vendors, our cost of goods sold and results of operations. Our business may be materially adversely affected by changes to tax policies. Changes in United States or international income tax laws and regulations may have a material adverse effect on our business in the future or require us to modify our current business practices. In the ordinary course of business, we are subject to tax examinations by various governmental tax authorities. The global and diverse nature of our business means that there could be additional examinations by governmental tax authorities and the resolution of ongoing and other probable audits, which could impose a future risk to the results of our business. Human Capital Risk Our business is dependent on certain key personnel; if we lose key personnel or are unable to hire additional qualified personnel, our business may be harmed. The success of our business depends upon our ability to retain continued service of certain key personnel, ~~particularly~~ **including** our Chairman of the Board, President and Chief Executive Officer, M. Farooq Kathwari, and to attract and retain additional qualified key personnel in the future. We face risks related to loss of any key personnel and we also face risks related to any changes that may occur in key senior leadership executive positions. Any disruption in the services of our key personnel could make it more difficult to successfully operate our business and achieve our business goals and could adversely affect our results of operation and financial condition. These changes could also increase the volatility of our stock price. The market for qualified employees and personnel in the retail and manufacturing industries is highly competitive. Our success depends upon our ability to attract, retain and motivate qualified artisans, professional and clerical employees and upon the continued contributions of these individuals. We cannot provide assurance that we will be successful in attracting and retaining qualified personnel. A shortage of qualified personnel may require us to enhance our wage and benefits package in order to compete effectively in the hiring and retention of qualified employees. ~~Our labor and benefit costs may continue to increase and such increases may not be recovered.~~ This could have a material adverse effect on our business, operating results and financial condition. ~~In addition, COVID- 19 increases the risk that certain senior executive officers or a member of our Board could become ill, causing them to be incapacitated or otherwise unable to perform their duties for an extended absence. Furthermore, because of the nature of the disease, multiple people working in close proximity could also become ill simultaneously which could result in the same department having extended absences. This~~

~~could negatively impact the efficiency and effectiveness of processes and internal controls throughout the Company.~~ Labor challenges could have a material adverse effect on our business and results of operations. In our current operating environment, due in part to ~~COVID- 19 and general~~ macroeconomic factors, we continue to experience various labor challenges, including, for example significant competition for skilled manufacturing and production employees; pressure to increase wages as a result of inflationary pressures, and at times, a shortage of qualified full- time labor ~~in certain geographies, particularly at our distribution facilities~~ . Outside suppliers that we rely on have also experienced similar labor challenges. The future success of our operations depends on our ability, and the ability of third parties on which we rely, to identify, recruit, develop and retain qualified and talented individuals in order to supply and deliver our products. A prolonged shortage or inability to retain qualified labor could decrease our ability to effectively produce and meet customer demand and efficiently operate our ~~distribution~~ facilities, which could negatively impact our business and have a material adverse effect on our results of operations. Higher wages to attract new and retain existing employees, as well as higher costs to purchase ~~raw materials or~~ services from ~~such~~ third parties, could ~~also~~ negatively impact our results of operations. ~~ETHAN ALLEN INTERIORS INC. AND SUBSIDIARIES~~ Financial Risks Our total assets include substantial amounts of long- lived assets. Changes to estimates or projections used to assess the fair value of these assets, financial results that are lower than current estimates at certain design center locations or determinations to close underperforming locations may cause us to incur future impairment charges, negatively affecting ~~its~~ **our** financial results. We make certain accounting estimates and projections with regard to individual design center operations as well as overall Company performance in connection with our impairment analysis for long- lived assets in accordance with applicable accounting guidance. An impairment charge may be required if the impairment analysis indicates that the carrying value of an asset exceeds the sum of the expected undiscounted cash flows of the asset. The projection of future cash flows used in this analysis requires the use of judgment and a number of estimates and projections of future operating results, including sales growth rates. If actual results differ from Company estimates, additional charges for asset impairments may be required in the future. If impairment charges are significant, our financial results could be negatively affected. Access to consumer credit could be interrupted as a result of conditions outside of our control, which could reduce sales and profitability. Our ability to continue to access consumer credit for our customers could be negatively affected by conditions outside our control. If capital market conditions have a material negative change, there is a risk that our business partner that issues our private label credit card program may not be able to fulfill its obligations under that agreement. In addition, the tightening of credit markets **as well as increased borrowing rates** may restrict the ability and willingness of customers to make purchases **. We are subject to risks associated with self- insurance related to health benefits. We are self- insured for our health benefits and maintain per employee stop loss coverage; however, we retain the insurable risk at an aggregate level. Therefore, unforeseen or significant losses in excess of our insured limits could have a material adverse effect on the Company' s financial condition and operating results. Recent events affecting the financial services industry could have an adverse impact on the Company' s business operations, financial condition, and results of operations. Closures of certain banks in 2023 created bank- specific and broader financial institution liquidity risk and concerns. Future adverse developments with respect to specific financial institutions or the broader financial services industry may lead to market- wide liquidity shortages, impair the ability of companies to access working capital needs, and create additional market and economic uncertainty. Although the Company does not have any deposits with any of the banks that have failed, closed or been placed into receivership to date, some of our customers may have deposits with them, which may expose us to potential risks that could impact our financial position and operations. This could include an adverse impact on the ability of our customers to pay amounts they owe to the Company. In addition, if any of our vendors have relationships with any of the banks that have been closed, it could negatively impact their ability to deliver goods and services to the Company. More generally, these events have resulted in market disruption and volatility and could lead to greater instability in the credit and financial markets and a deterioration in confidence in economic conditions. Our operations may be adversely affected by any such economic downturn, liquidity shortages, volatile business environments, or unpredictable market conditions. These events could also make any necessary debt or equity financing more difficult and costly** . General Risk Factors Failure to protect our intellectual property could materially adversely affect us. We believe that our copyrights, trademarks, service marks, trade secrets, and all of our other intellectual property are important to our success. We rely on patent, trademark, copyright and trade secret laws, and confidentiality and restricted use agreements, to protect our intellectual property and may seek licenses to intellectual property of others. Some of our intellectual property is not covered by any patent, trademark, or copyright or any applications for the same. We cannot provide assurance that agreements designed to protect our intellectual property will not be breached, that we will have adequate remedies for any such breach, or that the efforts we take to protect our proprietary rights will be sufficient or effective. Any significant impairment of our intellectual property rights or failure to obtain licenses of intellectual property from third parties could harm our business or our ability to compete. Moreover, we cannot provide assurance that the use of our technology or proprietary " know - how " or information does not infringe the intellectual property rights of others. If we have to litigate to protect or defend any of our rights, such litigation could result in significant expense. Our operations present hazards and risks which may not be fully covered by insurance, if insured. As protection against operational hazards and risks, we maintain business insurance against many, but not all, potential losses or liabilities arising from such risks. **We may incur costs in repairing any damage beyond our applicable insurance coverage.** Uninsured losses and liabilities from operating risks could reduce the funds available to us for capital and investment spending and could have a material adverse impact on the results of operations.