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QUALSTAR REPORTS FISCAL 2008 FIRST QUARTER RESULTS

SIMI VALLEY, Calif., November 13, 2007 — Qualstar[®] Corporation (Nasdaq: QBAK), a manufacturer of automated tape storage solutions, today reported financial results for the first quarter of fiscal 2008 ended September 30, 2007.

Fiscal 2008 First Quarter Financial Results

Revenues for the first quarter of fiscal 2008 were \$5.3 million, compared to \$4.7 million for the same quarter of fiscal 2007, an increase of \$673,000 or 14.4%. Loss from operations was \$602,000 compared to a \$960,000 in fiscal 2007. Net loss was \$206,000, or \$(0.02) per basic and diluted share, compared to a net loss of \$579,000, or \$(0.05) per basic and diluted share for the first quarter of fiscal 2007.

Tape library segment revenues were \$4.6 million for the quarter up from \$3.9 million for the same quarter of the prior year. The increase was due primarily to sales of the Company's XLS, RLS and TLS tape libraries and drives along with higher media revenues.

Power supply segment revenues decreased 8.0%, or \$63,000, to \$724,000 for the quarter from \$787,000 for the same quarter of the prior year.

Gross margin in the fiscal 2008 first quarter was 30.5 percent, compared to 27.9 percent in the year-ago quarter. The increase in gross margin percentage was primarily attributable to better material management partially offset by lower overhead absorption.

Research and development expenses for the first quarter of fiscal 2008 were \$728,000, or 13.7 percent of revenues, compared to \$750,000 or 16.1 percent of revenues, for the first quarter of fiscal 2007. Sales and marketing expenses were \$759,000, or 14.2 percent of revenues, compared to

\$768,000 or 16.5 percent of revenues, in the corresponding period last year. General and administrative expenses in the first quarter of fiscal 2008 were \$739,000 or 13.9 percent of revenues, compared to \$744,000, or 16.0 percent of revenues, for the same period last year.

Cash, cash equivalents and marketable securities were \$33.7 million at September 30, 2007, compared with \$33.3 million at June 30, 2007. Days' sales outstanding (DSO) were approximately 56 days at September 30, 2007, compared to approximately 42 days at September 30, 2006. Inventory turns were 2.5 times on an annualized basis for the three-month period ended September 30, 2007, compared to 1.8 times for the period ended September 30, 2006.

"Our first quarter results were within expectations," said Bill Gervais, president and chief executive officer of Qualstar. "While the year-over-year revenue growth generated in the quarter was not enough to push the business to profitability, I continue to be encouraged by our ability to carefully manage expenses and conserve cash. Revenues were driven by our core library business and bolstered by our XLS product line, which continues to gain traction in the marketplace. During the quarter we shipped eight additional XLS units and we are pleased to report that all units in the field are meeting or exceeding our customers' expectations. We continue to see the XLS appealing to a broad array of end users and we are not reliant on any single business segment or application to drive demand. Moreover, recent international marketing activities have expanded our XLS pipeline to include European-based customers, which we believe will be an important source of demand for XLS in fiscal 2008 and beyond."

Mr. Gervais concluded, "Our N2Power business is poised to resume its growth after several quarters of declining revenues as we transitioned from the 250-watt unit to a new 275-watt product line. This new product line offers more power in a smaller package than any other competing product on the market today and we believe N2Power products are positioned to excel in the future due to strong worldwide demand for more energy efficient electronic devices."

Qualstar Corporation Conference Call

Company management will hold a conference call to discuss its fiscal 2008 first quarter results today at 2:00 p.m. Pacific (5:00 p.m. Eastern). Investors are invited to listen to the call live via the Internet using the link under the "Investors" section at www.qualstar.com. Please go to the Website at least 15 minutes early to register, download and install any necessary audio software. A replay of the Webcast will be available for 30 days. Additionally, participants can dial into the live conference call by calling 800-240-6709 or 303-262-2130. An audio replay will be available through November 20, 2007, by calling 800-405-2236 or 303-590-3000, and entering passcode 11101938.

About Qualstar Corporation

Qualstar is a manufacturer of automated tape libraries used for backup, archival storage, data protection and disaster recovery. Its products are known throughout the world for their rugged, Simply Reliable design yielding years of trouble-free operation. Qualstar tape libraries are sold, installed and supported worldwide by selected Value Added Resellers, Systems Integrators, Distributors and Original Equipment Manufacturers. Qualstar also designs, manufactures and sells ultra small, high efficiency open-frame switching power supplies under the "N2Power" brand name to OEMs. Qualstar Corporation is publicly traded on the NASDAQ National Market under the symbol QBAK. More information is available at www.qualstar.com or by phone at 805-583-7744.

Forward-Looking Statements

Statements in this press release concerning the future business, operating results and financial condition of the Company are "forward-looking" statements as defined in the Private Securities Litigation Reform Act of 1995. Such statements are based upon management's current expectations and are subject to a number of uncertainties that could cause actual performance and results to differ materially from the results discussed in the forward-looking statements. Factors that could affect the Company's actual results include the Company's ability to increase sales of its tape libraries which incorporate LTO and SAIT tape drives; whether the Company's initiatives to maintain and increase sales of its tape libraries based on AIT tape technology will be successful; whether development of the Company's new enterprise-class tape libraries will be completed on time and achieve customer acceptance; rescheduling or cancellation of customer orders; unexpected shortages of critical components; unexpected product design or quality problems; and, adverse changes in market demand for tape libraries or other Qualstar products. The Company undertakes no obligation to publicly update any forward-looking statements whether as a result of new information, future events or otherwise. Further information on these and other potential factors that could affect the Company's financial results or condition are included in Qualstar's filings with the Securities and Exchange Commission. In particular, reference is made to the "Risk Factors" section of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2006, and to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of its Form 10-K and its most recent Quarterly Report on Form 10-Q.

-Financial Tables to Follow-

QUALSTAR CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(In Thousands, except per share data)
(Unaudited)

	<u>Three Months Ended</u>	
	<u>September 30,</u>	
	<u>2007</u>	<u>2006</u>
Net revenues	\$ 5,332	\$ 4,659
Cost of goods sold	<u>3,708</u>	<u>3,357</u>
Gross profit	<u>1,624</u>	<u>1,302</u>
Operating expenses:		
Research and development	728	750
Sales and marketing	759	768
General and administrative	739	744
Total operating expenses	<u>2,226</u>	<u>2,262</u>
Loss from operations	(602)	(960)
Investment Income	<u>413</u>	<u>381</u>
Loss before income taxes	(189)	(579)
Provision for income taxes	<u>17</u>	
Net loss	<u>\$ (206)</u>	<u>\$ (579)</u>
Loss per share:		
Basic	<u>\$ (0.02)</u>	<u>\$ (0.05)</u>
Diluted	<u>\$ (0.02)</u>	<u>\$ (0.05)</u>
Shares used to compute loss per share:		
Basic	<u>12,253</u>	<u>12,253</u>
Diluted	<u>12,253</u>	<u>12,253</u>

QUALSTAR CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
(In thousands)

ASSETS	September 30, 2007 (Unaudited)	June 30, 2007 (Audited)
Current assets:		
Cash and cash equivalents	\$ 8,602	\$ 7,697
Marketable securities, short-term	8,377	9,574
Receivables, net of allowances of \$129 as of September 30, 2007 and \$170 as of June 30, 2007	3,231	3,462
Inventories, net	5,707	5,928
Prepaid expenses and other current assets	767	576
Prepaid income taxes	134	137
Total current assets	<u>26,818</u>	<u>27,374</u>
Property and equipment, net	590	601
Marketable securities, long-term	16,703	15,994
Other assets	94	94
Total assets	<u>\$ 44,205</u>	<u>\$ 44,063</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,127	\$ 654
Accrued payroll and related liabilities	299	455
Other accrued liabilities	1,008	1,113
Total current liabilities	<u>2,434</u>	<u>2,222</u>
Other long-term liabilities	45	-
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par value; 50,000 shares authorized, 12,253 shares issued and outstanding as of September 30, 2007 and June 30, 2007	18,626	18,593
Accumulated other comprehensive loss	39	(55)
Retained earnings	23,061	23,303
Total shareholders' equity	<u>41,726</u>	<u>41,841</u>
Total liabilities and shareholders' equity	<u>\$ 44,205</u>	<u>\$ 44,063</u>