

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended
Sep 30, 2025
2. SEC Identification Number
AS95003836
3. BIR Tax Identification No.
004-780-008-000
4. Exact name of issuer as specified in its charter
Upson International Corp.
5. Province, country or other jurisdiction of incorporation or organization
Metro Manila, Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global City,
Taguig City
Postal Code
1635
8. Issuer's telephone number, including area code
+63285267152
9. Former name or former address, and former fiscal year, if changed since last report
-
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding	
Common Shares	3,125,001,300	

11. Are any or all of registrant's securities listed on a Stock Exchange?

☒ Yes ☐ No

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange, Inc. / Common Shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

☒ Yes ☐ No

(b) has been subject to such filing requirements for the past ninety (90) days

☒ Yes ☐ No

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.

Upson International Corp.

UPSON

PSE Disclosure Form 17-2 - Quarterly Report

*References: SRC Rule 17 and
Sections 17.2 and 17.8 of the Revised Disclosure Rules*

For the period ended	Sep 30, 2025
Currency (indicate units, if applicable)	PhP

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2025	Dec 31, 2024
Current Assets	6,361,022,894	5,862,284,849
Total Assets	8,032,106,297	7,282,637,656
Current Liabilities	4,679,136,210	4,028,890,309
Total Liabilities	4,802,551,252	4,175,174,709
Retained Earnings/(Deficit)	1,287,370,121	1,171,188,419
Stockholders' Equity	3,229,555,045	3,107,462,947
Stockholders' Equity - Parent	3,210,189,533	3,094,007,831
Book Value per Share	1.03	0.99

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	3,558,506,656	3,217,080,588	9,619,126,666	8,263,121,747
Gross Expense	3,467,470,927	3,045,271,493	9,352,999,168	7,925,928,348
Non-Operating Income	102,799,491	116,718,402	282,789,273	276,595,962
Non-Operating Expense	46,166,308	43,004,213	141,648,810	120,318,958

Income/(Loss) Before Tax	147,668,912	245,523,284	407,267,961	493,470,403
Income Tax Expense	42,217,133	49,867,765	97,675,785	105,827,005
Net Income/(Loss) After Tax	105,451,779	195,655,519	309,592,176	387,643,398
Net Income Attributable to Parent Equity Holder	101,189,768	195,655,519	303,681,780	388,325,850
Earnings/(Loss) Per Share (Basic)	0.03	0.06	0.1	0.12
Earnings/(Loss) Per Share (Diluted)	0.03	0.06	0.1	0.12

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.13	0.15
Earnings/(Loss) Per Share (Diluted)	0.13	0.15

Other Relevant Information
-

Filed on behalf by:

Name	Arlene Louisa Sy
Designation	Chief Executive Officer

Upson International Corp. and Subsidiaries

(Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light)

Interim Consolidated Financial Statements

As at September 30, 2025 (Unaudited) and December 31, 2024 (Audited)

and for the Nine Months Ended September 30, 2025 and 2024 (Unaudited) and for the Year Ended December 31, 2024 (Audited)

COVER SHEET

SEC Registration Number

A S 9 5 0 0 3 8 3 6

COMPANY NAME

U p s o n I n t e r n a t i o n a l C o r p . (D o i n g B u s i n e s s U n d e r t h e N a m e a n d S t y l e o f O c t a g o n C o m p u t e r S u p e r s t o r e ; M i c r o v a l l e y C o m p u t e r S u p e r s t o r e ; G a d g e t W o r l d ; O c t a g o n M o b i l e ; U n i s o ; G a d g e t K i n g a n d L a m p L i g h t) a n d S u b s i d i a r i e s

PRINCIPAL OFFICE(No./Street/Barangay/City/Town/ Province)

U n i t 2 3 0 8 , 2 3 / F C a p i t a l H o u s e T o w e r 1 , 9 t h A v e n u e c o r n e r 3 4 t h S t r e e t , B o n i f a c i o G l o b a l C i t y , T a g u i g C i t y

Form Type

1 7 - Q

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

d_uy@octagon.com.ph

Company's Telephone Number/s

(02) 8526-7152

Mobile Number

0920 960 9377

No. of Stockholders

10

Annual Meeting (Month / Day)

May 25

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person

Ms. Anita Lim

Email Address

a_lim@octagon.com.ph

Telephone Number/s

(02) 8526-7152

Mobile Number

—

CONTACT PERSON'S ADDRESS

Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global City, Taguig City

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt shall not excuse the corporation from liability for its deficiencies.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **September 30, 2025**

2. Commission identification number **AS95003836**

3. BIR Tax Identification No **004-780-008-000**

4. Exact name of issuer as specified in its charter

UPSON INTERNATIONAL CORP.

(Doing Business under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light)

5. Province, country or other jurisdiction of incorporation or organization **Manila City, Philippines**

6. Industry Classification Code: (SEC Use Only)

7. **Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global City, Taguig City**

Address of issuer's principal office

Postal Code **1635**

8. Issuer's telephone number, including area code: **(02) 85267152**

9. **Not Applicable**

Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class

Number of shares of common
stock outstanding and amount
of debt outstanding

Common

3,125,001,300

11. Are any or all of the securities listed on a Stock Exchange?

Yes ☒ No ☐

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange (PSE)

Common Shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 there under or Sections 11 of the RSA and RSA Rule 11(a)-1 there under, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes ☒ No ☐ **Report: 17-Q**

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes ☒ No ☐

TABLE OF CONTENTS

PART 1 - FINANCIAL INFORMATION.....	1
Item 1. Consolidated Financial Statements	1
Interim Unaudited Consolidated Statement of Financial Position as at September 30, 2025 and Audited Statement of Financial Position as at December 31, 2024.....	2
Interim Unaudited Consolidated Statements of Comprehensive Income for the Nine Months Ended September 30, 2025 and 2024, and Audited Statement of Comprehensive Income for the Year Ended December 31, 2024.....	3
Interim Unaudited Consolidated Statements of Changes in Equity for the Nine Months Ended September 30, 2025 and 2024, and Audited Statement of Changes in Equity for the Year Ended December 31, 2024.....	4
Interim Unaudited Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2025 and 2024, and Audited Statement of Cash Flows for the Year Ended December 31, 2024.....	5
Notes to Condensed Interim Consolidated Financial Statements.....	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	25
PART 2 - OTHER INFORMATION.....	35
SIGNATURES.....	36

PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

The condensed interim consolidated financial statements as at September 30, 2025 (Unaudited) and December 31, 2024 (Audited) and for the nine months ended September 30, 2025 and 2024 (Unaudited) and for the year ended December 31, 2024 (Audited) and the related notes to condensed interim consolidated financial statements of Upson International Corp. (referred to as “UIC” or the “Parent Company”) and its subsidiaries, (collectively referred to as the “Group”) are filed as part of this Form 17-Q on pages 2 to 24.

The Group segment information is presented in Note 19 for the purpose of its segment reporting.

There are no other material events subsequent to the end of this interim period that have not been reflected in the condensed unaudited interim consolidated financial statements filed as part of this report.

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES

(Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light)

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Note</i>	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	4	₱873,230,871	₱889,350,473
Trade and other receivables	5	297,459,296	323,636,707
Inventories	6	4,863,469,666	4,478,855,523
Other assets	7	326,863,061	170,442,146
Total Current Assets		6,361,022,894	5,862,284,849
Noncurrent Assets			
Property and equipment	8	1,368,464,546	909,145,428
Right-of-use (ROU) assets	16	248,089,937	415,453,570
Noncurrent portion of refundable lease deposits	7	30,859,302	77,828,402
Net deferred tax assets	17	23,669,618	17,925,407
Total Noncurrent Assets		1,671,083,403	1,420,352,807
TOTAL ASSETS		8,032,106,297	₱7,282,637,656
LIABILITIES AND EQUITY			
Current Liabilities			
Bank loans and trust receipts payables	10	₱2,709,260,383	₱2,502,957,649
Trade and other payables	9	1,759,022,929	1,187,613,676
Current portion of lease liabilities	16	180,055,100	301,608,037
Income tax payable		30,797,798	36,710,947
Total Current Liabilities		4,679,136,210	4,028,890,309
Noncurrent Liabilities			
Lease liabilities - net of current portion	16	69,743,816	97,662,654
Retirement liability	15	53,671,226	48,621,746
Total Noncurrent Liabilities		123,415,042	146,284,400
Total Liabilities		4,802,551,252	4,175,174,709
Equity			
Capital stock	11	625,000,260	625,000,260
Additional paid-in capital	11	1,305,308,048	1,305,308,048
Retained earnings	11	1,287,370,121	1,171,188,419
Accumulated remeasurement losses on retirement liability	15	(7,488,896)	(7,488,896)
Equity Attributable to Equity Holders of the Parent Company		3,210,189,533	3,094,007,831
Non-controlling interests	11	19,365,512	13,455,116
Total Equity		3,229,555,045	3,107,462,947
TOTAL LIABILITIES AND EQUITY		8,032,106,297	₱7,282,637,656

See Notes to Condensed Interim Consolidated Financial Statements.

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES

(Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light)

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Unaudited				Audited
		July 1 to September 30, 2025	January 1 to September 30, 2025	July 1 to September 30, 2024	January 1 to September 30, 2024	December 31, 2024
SALES		₱3,558,506,656	₱9,619,126,666	₱3,217,080,588	₱8,263,121,747	₱11,435,255,269
COST OF SALES	6	(2,883,250,721)	(7,684,355,720)	(2,570,764,460)	(6,563,094,728)	(9,062,980,868)
GROSS INCOME		675,255,935	1,934,770,946	646,316,128	1,700,027,019	2,372,274,401
OPERATING EXPENSES	12	(584,220,206)	(1,668,643,448)	(474,507,033)	(1,362,833,620)	(1,924,449,385)
FINANCE COSTS	10	(46,166,308)	(141,648,810)	(43,004,213)	(120,318,958)	(152,538,293)
OTHER INCOME	13	102,799,491	282,789,273	116,718,402	276,595,962	341,307,910
INCOME BEFORE INCOME TAX		147,668,912	407,267,961	245,523,284	493,470,403	636,594,633
PROVISION FOR (BENEFIT FROM) INCOME TAX						
Current		43,805,374	103,419,996	50,033,489	108,253,533	153,602,522
Deferred		(1,588,241)	(5,744,211)	(165,724)	(2,426,528)	1,360,227
		42,217,133	97,675,785	49,867,765	105,827,005	154,962,749
NET INCOME		105,451,779	309,592,176	195,655,519	387,643,398	481,631,884
OTHER COMPREHENSIVE INCOME						
Not to be reclassified to profit or loss in subsequent periods						
Remeasurement loss on retirement liability - net of deferred income tax	15	—	—	—	—	(674,191)
TOTAL COMPREHENSIVE INCOME		₱105,451,779	₱309,592,176	₱195,655,519	₱387,643,398	₱480,957,693
Net Income (Loss) Attributable to:						
Equity holders of the Parent Company		₱101,189,768	₱303,681,780	₱195,655,519	₱388,325,850	₱480,957,693
Non-controlling interests	11	4,262,011	5,910,396	(153,852)	(682,452)	1,455,116
		₱105,451,779	₱309,592,176	₱195,655,519	₱387,643,398	₱481,631,884
Total Comprehensive Income (Loss) Attributable to:						
Equity holders of the Parent Company		₱101,189,768	₱303,681,780	₱195,809,371	₱388,325,850	₱479,502,577
Non-controlling interests	11	4,262,011	5,910,396	(152,852)	(682,452)	1,455,116
		₱101,451,779	₱309,592,176	₱195,655,519	₱387,643,398	₱480,957,693
Basic/diluted earnings per share	18	₱0.03	₱0.10	₱0.06	₱0.12	₱0.15

See Notes to Condensed Interim Consolidated Financial Statements.

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES

(Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light)

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<i>Note</i>	(Unaudited)		(Audited)
		January 1 to September 30	January 1 to September 30	December 31
		2025	2024	2024
CAPITAL STOCK	11	₱625,000,260	₱625,000,260	₱625,000,260
ADDITIONAL PAID-IN CAPITAL	11	1,305,308,048	1,305,308,048	1,305,308,048
RETAINED EARNINGS	11			
UNAPPROPRIATED				
Balance at beginning of period		1,171,188,419	800,511,729	800,511,729
Net income		303,681,780	388,325,850	480,176,768
Reversal of appropriation		–	78,000,000	78,000,000
Cash dividends - ₱0.06 in 2025 and 2024 per share		(187,500,078)	(187,500,078)	(187,500,078)
Balance at end of period		1,287,370,121	1,079,337,501	1,171,188,419
APPROPRIATED				
Balance at beginning of period			78,000,000	78,000,000
Appropriation			–	–
Reversal of appropriation			(78,000,000)	(78,000,000)
Balance at end of period			–	–
ACCUMULATED REMEASUREMENT				
LOSSES ON RETIREMENT LIABILITY	15			
Balance at beginning of period		(7,488,896)	(6,814,705)	(6,814,705)
Remeasurement gain (loss)		–	–	(674,191)
Balance at end of period		(7,488,896)	(6,814,705)	(7,488,896)
EQUITY ATTRIBUTABLE TO EQUITY				
HOLDERS OF THE PARENT COMPANY		3,210,189,533	3,002,831,104	3,094,007,831
NON-CONTROLLING INTERESTS	11			
Balance at beginning of period		13,455,116	–	–
Additions		–	34,000,005	12,000,000
Net income		5,910,396	(682,452)	1,455,116
Balance at end of year		19,365,512	33,317,553	13,455,116
		₱3,229,555,045	₱3,036,148,657	₱3,107,462,947

See Notes to Condensed Interim Consolidated Financial Statements

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES

(Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light)

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

		Unaudited	Audited
		January 1 to September 30, 2025	January 1 to September 30, 2024
	Note		December 31, 2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		₱407,267,961	₱493,470,403
Adjustments for:			₱636,594,633
Depreciation and amortization	8	352,895,356	296,901,645
Finance costs	10	141,648,810	120,318,958
Interest income	4	(3,335,358)	(21,959,680)
Retirement expense	15	5,049,480	4,388,874
Provision for inventory obsolescence	6	—	—
Gain on lease modification	16	(529,392)	—
Operating income before working capital changes		902,996,857	893,120,200
Decrease (increase) in:			1,183,534,331
Trade and other receivables		24,103,244	19,536,103
Inventories		(384,614,143)	(406,357,110)
Other assets		(185,535,497)	(42,463,380)
Increase (decrease) in trade and other payables		643,463,168	(60,178,857)
Net cash generated from operations		1,000,413,629	415,656,956
Income taxes paid		(109,333,145)	(84,686,870)
Interest received		5,409,525	29,143,595
Net cash provided by operating activities		896,490,009	348,113,681
CASH FLOW FROM AN INVESTING ACTIVITY			
Additions to property and equipment	8	(531,411,775)	(119,674,554)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Loans and trust receipts	10	(2,569,598,145)	(1,531,605,517)
Lease liabilities	16	(279,179,336)	(248,158,177)
Dividends	11	(187,500,078)	(187,500,078)
Interest		(120,821,156)	(97,544,645)
Proceeds from:			
Bank loans and trust receipts availments	10	2,775,900,879	1,786,130,245
Additions to non-controlling interests		—	12,000,000
Net cash provided by (used in) financing activities		(381,197,836)	(266,678,172)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		(16,119,602)	(38,239,045)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD			
		889,350,473	1,360,873,502
CASH AND CASH EQUIVALENTS AT END OF PERIOD			
		₱873,230,871	₱1,322,634,457
NONCASH FINANCIAL INFORMATION			
Additions and modifications to ROU assets	16	₱113,439,066	(₱364,457,503)
Additions and modifications to lease liabilities	16	112,909,674	364,372,003
Capitalized borrowing costs	8	—	—

See Notes to Condensed Interim Consolidated Financial Statements.

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES

(Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Upson International Corp. (Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light) (herein referred to as UIC or the “Parent Company”) and its subsidiaries, collectively referred to as the “Group”, were incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on the following dates:

	Date of Incorporation
Parent Company	April 19, 1995
Subsidiaries -	
iStudio Technologies Philippines Corporation (iStudio)	May 24, 2024
Upson Global Inc. (UGI)	July 10, 2024

The Parent Company and iStudio are primarily engaged in the business of buying, selling, distributing, marketing, at wholesale and retail all kinds of goods, commodities, wares and merchandise such as but not limited to computer hardware equipment, telecommunications and other similar products.

UGI is primarily engaged in the business of buying, selling, distributing, franchising, marketing, at wholesale and retail kinds of goods, commodities, wares and merchandise such as but not limited to water filtration and purification devices and systems, household, commercial, and industrial appliances and equipment, telecommunications other similar products.

In May 2024, the Parent Company incorporated iStudio with 52% ownership interest amounting to ₱26.0 million. In July 2024, the Parent Company incorporated UGI with 90% ownership interest amounting to ₱90.0 million (see Note 3).

The Parent Company’s registered office address is Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global City, Taguig City.

Initial Public Offering (IPO)

On February 2, 2022, the BOD approved the amendments to the Parent Company’s Articles of Incorporation which included a five-to-one share split whereby one share at ₱1.00 par value a share will be converted to five shares at ₱0.20 par value a share. The SEC approved the share split on April 12, 2022.

The change in capital stock was pursuant to the public offering of the Parent Company’s shares with the Philippine Stock Exchange (PSE). On January 27, 2023, the PSE approved the Parent Company’s application for IPO. Subsequently, on March 20, 2023, the SEC issued the Certificate of Permit to Offer Securities for Sale for the initial listing of the Parent Company’s shares consisting of 625,001,000 primary common shares with an over-allotment option of 62,500,000 secondary common shares at an offer price of ₱2.40 a share. On April 3, 2023, the Parent Company’s shares of stock were listed under the Main Board of the PSE.

2. Summary of Material Accounting Policy Information

Basis of Preparation and Statement of Compliance

The unaudited condensed interim consolidated financial statements of the Group have been prepared on the historical cost basis of accounting, except for lease liabilities and retirement liability which are measured at present value, and are presented in Philippine Peso, the Group's functional and presentation currency. All values represent absolute amounts except when otherwise stated.

The unaudited condensed interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2024.

The unaudited condensed interim consolidated financial statements of the Group for the nine months ended September 30, 2025 have been prepared in accordance with PAS 34, *Interim Financial Reporting* and in compliance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial and Sustainability Reporting Standards Council (formerly Financial Reporting Standards Council) and adopted by the SEC, including SEC pronouncements.

Adoption of Amendments to PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendments to PFRS effective for annual periods beginning and after January 1, 2025:

- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability* – The amendments clarify when a currency is considered exchangeable into another currency and how an entity determines the exchange rate for currencies that lack exchangeability. The amendments also introduce new disclosure requirements to help users of financial statements assess the impact when a currency is not exchangeable. An entity does not apply the amendments retrospectively. Instead, an entity recognizes any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in equity. Earlier application is permitted.

Under prevailing circumstances, the adoption of the foregoing amended PFRS Accounting Standards did not have any material effect on the financial statements of the Group. Additional disclosures were included in the notes to financial statements, as applicable.

New and Amendments to PFRS Accounting Standards in Issue But Not Yet Effective

Relevant new and amendments to PFRS Accounting Standards, which are not yet effective as at September 30, 2025 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2026:

- Amendments to PFRS 9, *Financial Instruments*, and PFRS 7, *Financial Instruments: Disclosures – Classification and Measurement of Financial Assets* – The amendments clarify that a financial liability is derecognized when the related obligation is discharged, cancelled, expires or otherwise qualifies for derecognition (e.g. settlement date), and introduces a policy option to derecognize financial liabilities settled through an electronic payment system before settlement date if the required conditions are met. The amendments also clarify the assessment of contractual cash flow characteristics of financial assets, the treatment of non-recourse loans and contractually linked instruments, as well as require additional disclosure requirements for

financial assets and liabilities with contingent features and equity instruments classified at fair value through other comprehensive income (FVOCI). Earlier application is permitted.

- Annual Improvements to PFRS Accounting Standards Volume 11:
 - Amendments to PFRS 9, *Financial Instruments – Transaction Price and Lessee Derecognition of Lease Liabilities* – The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee must apply the derecognition criteria for a financial liability which requires recognition of a gain or loss in profit or loss. The amendments also replace the reference to ‘transaction price as defined by PFRS 15, Revenue from Contracts with Customers’ to ‘the amount determined by applying PFRS 15’ to remove potential confusion. Earlier application is permitted.
 - Amendments to PAS 7, *Statement of Cash Flows - Cost Method* – The amendments replace the term ‘cost method’ with ‘at cost’ following the deletion of the definition of ‘cost method’. Earlier application is permitted.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS Accounting Standards is not expected to have any material effect on the financial statements of the Group. Additional disclosures will be included in the financial statements, as applicable.

3. Acquisition of Subsidiaries

On May 24, 2024, the Parent Company incorporated iStudio with 52% ownership interest or 26.0 million common shares with a par value of ₱1.00 per common share amounting to ₱26.0 million. On July 10, 2024, the Parent Company incorporated UGI with 90% ownership interest or 90.0 million common shares with a par value of ₱1.00 per common share amounting to ₱90.0 million.

4. Cash and Cash Equivalents

This account consists of:

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Cash on hand	₱3,002,180	₱2,611,864
Cash in banks	870,228,691	585,287,104
Cash equivalents	–	301,451,505
	₱873,230,871	₱889,350,473

Cash in banks earn interest at prevailing bank deposit rates. Cash equivalents pertain to short-term placements with varying maturity terms of between one month and three months depending on the immediate cash requirements of the Group and earn interest at prevailing short-term placement rates.

Details of interest income are as follows (see Note 13):

	Unaudited		Audited		
	January 1		July 1 to	January 1 to	December
	July 1 to	to	September	September	31, 2024
	September	September	30, 2024	30, 2024	
	30, 2025	30, 2025			
Cash in banks	₱465,984	₱856,656	₱182,304	₱578,039	₱2,730,178
Cash equivalents	–	2,478,702	6,285,279	21,381,641	24,355,366
	₱465,984	₱3,335,358	₱6,467,583	₱21,959,680	₱27,085,544

Accrued interest receivable from cash equivalents amounted to nil and ₱2.1 million as at September 30, 2025 and December 31, 2024, respectively (see Note 5).

5. Trade and Other Receivables

This account consists of:

		September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
	<i>Note</i>		
Trade		₱260,358,147	₱284,735,673
Advances to:			
Stockholder	14	31,791,848	31,791,848
Officers and employees		4,079,675	2,001,418
Suppliers		1,229,626	3,033,601
Accrued interest receivable	4	–	2,074,167
		₱297,459,296	₱323,636,707

Trade receivables are noninterest-bearing and are generally settled within three (3) to 30 days after the reporting period. No ECL was recognized for trade receivables for the nine months ended September 30, 2025 and 2024 and for the year ended December 31, 2024.

Advances to officers and employees pertain to noninterest-bearing advances subject to liquidation and are generally liquidated in the subsequent period.

Advances to suppliers pertain to advance payments for purchases of inventory and are immediately applied against billings for inventory delivered.

6. Inventories

This account consists of:

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
At cost:		
Computers and peripherals	₱2,948,154,748	₱2,742,915,960
Accessories	800,810,200	727,139,593
Mobile phones	752,172,090	633,575,525
Printers and scanners	307,654,504	340,011,731
Consumables	111,312,351	94,627,582
Water filtration devices	2,780,641	–
	4,922,884,534	4,538,270,391
Less allowance for inventory obsolescence	(59,414,868)	(59,414,868)
At net realizable value	₱4,863,469,666	₱4,478,855,523

Movements in the allowance for inventory obsolescence are as follows:

		September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
	<i>Note</i>		
Balance at beginning of period		₱59,414,868	₱51,768,993
Provision for (reversal of) inventory obsolescence	12	–	7,645,875
Balance at end of period		₱59,414,868	₱59,414,868

The Group's inventories are stated at NRV as at September 30, 2025 and December 31, 2024. Based on management assessment, the allowance for inventory obsolescence is adequate to cover for possible losses.

Under the terms of agreements, merchandise inventories amounting to ₱2,075.9 million and ₱2,583.1 million as at September 30, 2025 and December 31, 2024, respectively, were covered by trust receipts issued by local banks (see Note 10).

Cost of inventories sold during the year follows:

	Unaudited			Audited	
	July 1 to September 30, 2025	January 1 to September 30, 2025	July 1 to September 30, 2024	January 1 to September 30, 2024	December 31, 2024
Inventories at beginning of period	₱4,588,059,335	₱4,538,270,391	₱3,402,594,677	₱3,402,594,677	₱3,402,594,677
Purchases	3,218,075,920	8,068,969,863	2,975,144,206	6,967,474,474	10,198,656,582
Cost of goods available for sale	7,806,135,255	12,607,240,254	6,377,738,883	10,370,069,151	13,601,251,259
Less inventories at end of period	(4,922,884,534)	(4,922,884,534)	(3,806,974,423)	(3,806,974,423)	(4,538,270,391)
	₱2,883,250,721	₱7,684,355,720	₱2,570,764,460	₱6,563,094,728	₱9,062,980,868

7. Other Assets

This account includes:

		September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
	<i>Note</i>		
Refundable lease deposits	16	₱259,324,247	₱243,801,968
Prepayments		69,225,598	4,468,580
Input VAT		29,172,518	—
		357,722,363	248,270,548
Less non-current portion of refundable lease deposits		30,859,302	77,828,402
		₱326,863,061	₱170,442,146

Prepayments pertain to advance payment of rent under short-term leases and business permits.

8. Property and Equipment

Movements of this account are presented below:

	September 30, 2025 (Unaudited)							
	Land	Building and Improvements	Leasehold Improvements	Store Furniture and Equipment	Transportation Equipment	Furniture and Fixtures	Construction in progress	Total
Cost								
Balance at beginning of year	₱201,025,000	₱208,474,487	₱687,123,753	₱187,850,225	₱151,661,594	₱113,556,988	₱238,881,541	₱1,788,573,588
Additions	393,053,572	49,107,143	57,910,052	8,603,963	1,785,713	15,484,845	5,466,487	531,411,775
Reclassification	–	–	31,284,326	–	–	107,345	(31,391,671)	–
Balance at end of year	594,078,572	257,581,630	776,318,131	196,454,188	153,447,307	129,149,178	212,956,357	2,319,985,363
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	32,542,233	511,423,068	109,912,605	126,910,308	98,639,946	–	879,428,160
Depreciation and amortization	–	7,330,332	38,532,583	14,188,152	5,368,880	6,672,710	–	72,092,657
Balance at end of year	–	39,872,565	549,955,651	124,100,757	132,279,188	105,312,656	–	951,520,817
Carrying Amount	₱594,078,572	₱217,709,065	₱226,362,480	₱72,353,431	₱21,168,119	₱23,836,522	₱212,956,357	₱1,368,464,546

	December 31, 2024 (Audited)							
	Land	Building and Improvements	Leasehold Improvements	Store Furniture and Equipment	Transportation Equipment	Furniture and Fixtures	Construction in progress	Total
Cost								
Balance at beginning of year	₱201,025,000	₱208,474,487	₱609,482,926	₱143,360,783	₱133,324,094	₱110,010,869	₱179,319,930	₱1,584,998,089
Additions	–	–	11,251,587	44,489,442	18,337,500	3,546,119	125,950,851	203,575,499
Reclassification	–	–	66,389,240	–	–	–	(66,389,240)	–
Balance at end of year	201,025,000	208,474,487	687,123,753	187,850,225	151,661,594	113,556,988	238,881,541	1,788,573,588
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	24,281,885	448,924,870	89,095,323	112,642,606	90,634,481	–	765,579,165
Depreciation and amortization	–	8,260,348	62,498,198	20,817,282	14,267,702	8,005,465	–	113,848,995
Balance at end of year	–	32,542,233	511,423,068	109,912,605	126,910,308	98,639,946	–	879,428,160
Carrying Amount	₱201,025,000	₱175,932,254	₱175,700,685	₱77,937,620	₱24,751,286	₱14,917,042	₱238,881,541	₱909,145,428

Construction in progress represents the accumulated costs incurred in the construction of a warehouse and store branches which are expected to be completed within 2025. As at September 30, 2025, the estimated total cost to complete the warehouse and store branches amounted to ₱11.5 million. In 2024, borrowing costs amounting to ₱9.0 million were capitalized using the capitalization rate of 5.69% (see Note 10).

The Group's building with a carrying amount of ₱152.3 million and ₱157.7 million as at September 30, 2025 and December 31, 2024, respectively, was used as collateral for a related party's outstanding loan with a local bank (see Note 14).

Fully depreciated property and equipment still being used by the Group amounted to ₱330.5 million and ₱322.2 million as at September 30, 2025 and December 31, 2024, respectively.

Depreciation and amortization are recognized from:

	Note	Unaudited		Audited	
		July 1 to September 30, 2025	January 1 to September 30, 2025	July 1 to September 30, 2024	January 1 to September 30, 2024
ROU assets	16	₱88,083,546	₱280,802,699	₱84,370,856	₱227,741,415
Property and equipment		10,068,323	72,092,957	11,177,071	69,160,230
		₱98,151,869	₱352,895,356	₱95,547,927	₱296,901,645

Depreciation and amortization are charged to the following (see Note 12):

	Unaudited		Audited	
	July 1 to September 30, 2025	January 1 to September 30, 2025	July 1 to September 30, 2024	January 1 to September 30, 2024
Selling and marketing expenses	₱70,172,765	₱282,522,630	₱75,384,652	₱234,353,809
General and administrative expenses	27,979,104	70,372,726	20,163,275	62,547,836
	₱98,151,869	₱352,895,356	₱95,547,927	₱296,901,645

9. Trade and Other Payables

This account consists of:

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Trade payables	₱1,701,456,646	₱1,142,591,736
Statutory payables	35,092,958	25,567,738
Accrued expense	12,786,505	8,164,973
Retention payables	6,587,081	5,678,831
Others	3,099,739	5,610,398
	₱1,759,022,929	₱1,187,613,676

Trade payables are noninterest-bearing, unsecured and payable in cash within 90 days.

Statutory payables include VAT payable, withholding taxes payable and payables to other government agencies which are normally settled in the following month.

Accrued expenses pertain to interests, contracted and other services, professional fees and utilities which are settled within the next reporting period.

Retention payables pertain to the amounts retained by the Group from payments to contractors for the construction contracts. These are deducted as a percentage of the amount certified as due to the contractor and paid upon final acceptance of the constructed property.

Others pertain to refundable customer deposits and other non-trade payables.

10. Bank Loans and Trust Receipts Payable

Movements in this account are as follows:

September 30, 2025 (Unaudited)			
	Bank Loans	Trust Receipts	Total
Balance at beginning of period	₱1,216,666,667	₱1,286,290,982	₱2,502,957,649
Availments	700,000,000	2,075,900,879	2,775,900,879
Payments	(641,666,667)	(1,927,931,478)	(2,569,598,145)
Balance at end of period	₱1,275,000,000	₱1,434,260,383	₱2,709,260,383

December 31, 2024 (Audited)			
	Bank Loans	Trust Receipts	Total
Balance at beginning of year	₱916,666,667	₱850,947,198	₱1,767,613,865
Availments	300,000,000	2,583,052,863	2,883,052,863
Payments	—	(2,147,709,079)	(2,147,709,079)
Balance at end of year	₱1,216,666,667	₱1,286,290,982	₱2,502,957,649

As at September 30, 2025 and December 31, 2024, the bank loans and trust receipts have terms of three months to one year, subject to refinancing upon approval of the creditor bank. Interest rates on bank loans and trust receipts range from 5.38% to 7.00% in 2025 and 5.88% to 8.00% in 2024.

Trust Receipts

Under the terms of agreements, merchandise inventories amounting to ₱2,075.9 million and ₱2,583.1 million as at September 30, 2025 and December 31, 2024, respectively, were covered by trust receipts issued by local banks (see Note 6).

Covenants

As at September 30, 2025, the Group's bank loans were not covered by any covenants.

Details of finance costs charged to operations are as follows:

	Note	Unaudited				Audited
		July 1 to September 30, 2025	January 1 to September 30, 2025	July 1 to September 30, 2024	January 1 to September 30, 2024	December 31, 2024
Interest on bank loans		₱22,231,485	₱62,441,392	₱17,529,913	₱50,486,707	₱68,590,006
Interest on trust receipts		19,300,783	62,409,531	17,838,092	48,124,462	63,929,788
Accretion of interest on lease liabilities	16	4,634,040	16,797,887	7,636,208	21,707,789	29,060,987
		46,166,308	141,648,810	43,004,213	120,318,958	161,580,781
Less capitalized borrowing cost		—	—	—	—	(9,042,488)
		₱46,166,308	₱141,648,810	₱43,004,213	₱120,318,958	₱152,538,293

In 2024, borrowing costs amounting to ₱9.0 million using a capitalization rate of 5.69% were capitalized (see Note 8). No finance costs were capitalized for the nine months ended September 30, 2025.

11. Equity

Capital Stock

Details of capital stock follow:

	September 30, 2025 (Unaudited)		December 31, 2024 (Audited)	
Authorized:				
Balance at beginning and end of period	6,250,000,000	₱1,250,000,000	6,250,000,000	₱1,250,000,000
Issued and outstanding:				
Balance at beginning and end of period	3,125,001,300	₱625,000,260	3,125,001,300	₱625,000,260

IPO

On April 3, 2023, the Parent Company completed the IPO of its 625,001,000 common shares at an offer price of ₱2.40 a share (see Note 1). The net proceeds from the IPO amounting to ₱1,401.8 million, net of offer expenses of ₱98.2 million, were intended for the Parent Company's store network expansion and store improvement program. The unapplied proceeds as at September 30, 2025 amounted to ₱10.5 million and are maintained in the Parent Company's cash in bank and cash equivalents.

Additional paid-in capital, which represents the excess of the offer price over the par value of the shares issued, net of directly attributable stock issuance costs of ₱69.7 million, amounted to ₱1,305.3 million.

Details of the additional paid-in capital are as follows:

	Amount
Additional paid-in capital	₱1,375,002,200
Less stock issuance costs:	
Underwriting and selling fees	49,107,219
Professional fees	15,332,630
Others	5,254,303
	₱1,305,308,048

Retained Earnings

Dividend Declaration

Details of the cash dividends declared by the Group in 2025 and 2024 are as follows:

Date of BOD approval	Stockholders of record	Dividend per share	Amount
May 26, 2025	June 10, 2025	₱0.06	₱187,500,078
February 28, 2024	March 13, 2024	₱0.06	₱187,500,078
July 12, 2023	July 26, 2023	₱0.04	₱138,000,057

As of September 30, 2025 and 2024, the cash dividends were completely distributed to the stockholders.

Non-controlling Interests

The Group's non-controlling interests represent ownership of non-controlling interests' stockholders of iStudio and UGI aggregating to ₱19.4 million and ₱13.5 million as at September 30, 2025 and December 31, 2024, respectively.

Movements during the period are as follows:

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Balance at beginning of year	₱13,455,116	₱–
Additions	–	12,000,000
Net income	5,910,396	1,455,116
Balance at end of period	₱19,365,512	₱13,455,116

12. Operating Expenses

This account consists of:

	Unaudited		Audited	
	July 1 to September 30, 2025	January 1 to September 30, 2025	July 1 to September 30, 2024	January 1 to September 30, 2024
Selling and marketing expenses	₱476,618,701	₱1,362,989,244	₱409,301,003	₱1,120,834,387
General and administrative expenses	107,601,505	305,654,204	65,206,030	241,999,233
	₱584,220,206	₱1,668,643,448	₱474,507,033	₱1,362,833,620

Selling and marketing expenses consist of:

		Unaudited		Audited	
		July 1 to September 30, 2025	January 1 to September 30, 2025	July 1 to September 30, 2024	January 1 to September 30, 2024
Merchant discount		₱133,932,428	₱343,685,393	₱125,339,814	₱280,094,567
Personnel costs		111,810,202	281,578,627	89,191,511	241,288,189
Depreciation and amortization	8	70,172,765	282,522,630	75,384,652	234,353,809
Rent	16	64,567,124	167,932,485	42,784,636	146,550,232
Utilities		43,646,273	125,974,838	37,237,762	106,830,265
Contracted and other services		41,761,247	118,358,507	35,386,752	96,956,606
Freight and delivery		3,184,752	9,886,051	3,036,940	8,875,863
Advertising		6,122,942	9,843,496	1,733,549	4,465,764
Retirement expense	15	1,420,968	3,735,447	1,182,751	3,396,456
Provision for (reversal of) inventory obsolescence	6	–	–	(1,977,364)	(1,977,364)
		₱476,618,701	₱1,343,517,474	₱409,301,003	₱1,120,834,387

General and administrative expenses consist of:

	<i>Note</i>	Unaudited				Audited
		July 1 to September 30, 2025	January 1 to September 30, 2025	July 1 to September 30, 2024	January 1 to September 30, 2024	December 31, 2024
Personnel costs		₱20,464,341	₱91,007,798	₱21,568,685	₱70,502,493	₱102,448,544
Depreciation and amortization	8	27,979,104	70,372,726	20,163,275	62,547,836	89,363,012
Taxes and licenses		21,631,187	75,899,538	2,467,353	44,972,041	80,380,331
Representation		18,195,093	20,133,755	4,716	3,187,263	14,584,295
Repairs, warranties and maintenance		4,345,273	14,963,075	8,772,667	20,162,748	19,699,558
Transportation and travel		4,226,405	14,194,334	3,829,601	11,728,018	16,295,947
Stationery and supplies		3,816,932	10,674,068	3,839,916	10,557,430	15,103,463
Professional fees		2,829,764	9,944,791	828,996	5,570,054	9,052,787
Retirement expense	15	262,192	1,314,033	280,207	992,418	1,367,565
Others		3,851,214	16,621,856	3,450,614	11,778,932	18,285,535
		₱107,601,505	₱325,125,974	₱65,206,030	₱241,999,233	₱366,581,037

Personnel costs consist of:

	<i>Note</i>	Unaudited				Audited
		July 1 to September 30, 2025	January 1 to September 30, 2025	July 1 to September 30, 2024	January 1 to September 30, 2024	December 30, 2024
Salaries and wages		₱117,033,000	₱332,498,742	₱101,114,439	₱284,748,321	₱393,613,526
Employee benefits		15,241,543	40,087,683	9,645,757	27,042,361	53,439,656
		₱132,274,543	₱372,586,425	₱110,760,196	₱311,790,682	₱447,053,182

13. Other Income

This account consists of:

	<i>Note</i>	Unaudited				Audited
		July 1 to September 30, 2025	January 1 to September 30, 2025	July 1 to September 30, 2024	January 1 to September 30, 2024	December 31, 2024
Interest Income	4	₱465,984	₱3,335,358	₱6,467,583	₱21,959,680	₱27,085,544
Gain on lease modification	16	153,359	529,392	—	—	70,171
Others		102,180,148	278,924,523	110,250,819	254,636,282	314,152,195
		₱102,799,491	₱282,789,273	₱116,718,402	₱276,595,962	₱341,307,910

	<i>Note</i>	Unaudited				Audited
		July 1 to September 30, 2025	January 1 to September 30, 2025	July 1 to September 30, 2024	January 1 to September 30, 2024	December 31, 2024
Interest Income	4	₱465,984	₱3,335,358	₱6,467,583	₱21,959,680	₱27,085,544
Gain on lease modification	16	153,359	529,392	—	—	70,171
Others		102,180,148	278,924,523	110,250,819	254,636,282	314,152,195
		₱102,799,491	₱282,789,273	₱116,718,402	₱276,595,962	₱341,307,910

Others mainly pertain to income from product advertising or promotional support from suppliers.

14. Related Party Transactions

The Group has transactions with related parties as follows:

The Group has transactions with related parties as follows:					
	Nature of Transaction	Transactions during the Period		Outstanding Balance	
		January 1 to September 30, 2025 (Unaudited)	January 1 to December 31, 2024 (Audited)	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Trade and Other Receivables <i>(see Note 5)</i>					
	Advances for business development	—	—	₱31,791,848	₱31,791,848
Stockholder					

Trade and Other Payables

Entity under common control	Purchase of property	₱401,250,000	—	—	—
-----------------------------	----------------------	---------------------	---	---	---

Lease Arrangement (see Note 16)

	ROU Asset amortization	(₱46,713,817)	(₱66,983,862)	(₱14,737,650)	₱67,547,562
Entity under common control	Lease liability payment	(49,654,856)	(71,317,521)	(15,525,038)	70,011,098

Terms and Conditions

Advances to a Stockholder

Advances to a stockholder are unsecured, noninterest-bearing advances for ordinary travel or business expenses which are subsequently liquidated.

Advances from a Related Party

Advances from a related party are unsecured, noninterest-bearing, due and demandable and are settled in cash.

The Group's building with a carrying amount of ₱152.3 million and ₱157.7 million as at September 30, 2025 and December 31, 2024, respectively, was used as collateral for a related party's outstanding loan with a local bank (see Note 8).

Compensation of Key Management Personnel

The remuneration of the key management personnel of the Group are set out below:

	Unaudited				Audited
	July 1 to September 30, 2025	January 1 to September 30, 2025	July 1 to September 30, 2024	January 1 to September 30, 2024	December 31, 2024
Short-term employee benefits	₱1,713,465	₱5,140,395	₱1,713,465	₱5,140,395	₱6,853,860
Post-employment benefits	241,549	574,363	166,407	499,221	665,628
	₱1,955,014	₱5,714,758	₱1,879,872	₱5,639,616	₱7,519,488

15. Retirement Liability

The Group has an unfunded, non-contributory defined benefit plan covering substantially all qualified employees. The retirement liability is based on years of service and compensation based on the last year of employment as determined by an external actuary. The latest actuarial valuation was dated December 31, 2024.

There are no unusual or significant risks to which the retirement liability is exposed to the Group. However, in the event a benefit claim arises under the retirement liability, the benefit shall immediately be due and payable by the Group.

Retirement expense recognized in the statements of comprehensive income is as follows:

	Unaudited		Audited	
	July 1 to September 30, 2025	January 1 to September 30, 2025	July 1 to September 30, 2024	January 1 to September 30, 2024
Current service cost	₱941,678	₱2,825,035	₱813,958	₱2,441,873
Interest cost	741,482	2,224,445	649,000	1,947,001
	₱1,683,160	₱5,049,480	₱1,462,958	₱4,388,874

Retirement expense is charged to the following (see Note 12):

	Unaudited		Audited	
	July 1 to September 30, 2025	January 1 to September 30, 2025	July 1 to September 30, 2024	January 1 to September 30, 2024
Selling and marketing expenses	₱1,420,968	₱3,735,447	₱1,182,751	₱3,396,456
General and administrative expenses	262,192	1,314,033	280,207	992,418
	₱1,683,160	₱5,049,480	₱1,462,958	₱4,388,874

The components of retirement liability recognized in the statements of financial position are as follows:

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Balance at beginning of period	₱48,621,746	₱41,870,993
Current service cost	2,825,035	3,255,830
Interest cost	2,224,445	2,596,002
Remeasurement loss	—	898,921
Balance at end of period	₱53,671,226	₱48,621,746

The assumptions used to determine retirement liability are as follows:

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Discount rate	6.10%	6.10%
Salary increase rate	3.00%	3.00%

The sensitivity analysis based on reasonably possible changes of the assumptions as at September 30, 2025 follow:

	Basis Points	Effect on Present Value of Retirement Liability
Discount rate	+100	(P5,515,205)
	-100	6,624,033
Salary increase rate	+100	6,512,023
	-100	(5,517,212)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The Group does not maintain a fund for its retirement liability. While funding is not a requirement of the law, there is a risk that the Group may not have the cash if several employees retire within the same year.

The weighted average duration of the defined benefit plan at the end of the reporting period is 15 years.

Details of accumulated remeasurement loss on retirement liability recognized in equity are as follows:

September 30, 2025 (Unaudited)			
	Cumulative Remeasurement Loss	Deferred Tax (see Note 17)	Cumulative Remeasurement Loss, Net of Tax
Balance at beginning and end of period	P9,985,195	(P2,496,299)	P7,488,896

December 31, 2024 (Audited)			
	Cumulative Remeasurement Loss	Deferred Tax (see Note 17)	Cumulative Remeasurement Loss, Net of Tax
Balance at beginning of year	P9,086,273	(P2,271,568)	P6,814,705
Remeasurement loss	898,921	(224,730)	674,191
Balance at end of year	P9,985,195	(P2,496,299)	P7,488,896

16. Lease Commitments

Short-term Lease

The Group leases certain office, store and advertisement spaces for a period of less than one (1) year at a fixed rental based on agreement with the lessors.

Rent expense on short-term leases is charged to the following (see Note 12):

	Unaudited			Audited	
	July 1 to Sept 30, 2025	January 1 to Sept 30, 2025	July 1 to Sept 30, 2024	January 1 to Sept 30, 2024	December 31, 2024
Selling and marketing expenses	₱112,754,767	₱167,932,485	₱42,784,636	₱146,550,232	₱200,452,585

Long-term Lease

The Group has non-cancellable lease agreements with a related party and third parties for its warehouse, office, parking lots and store spaces for more than 12 months for which ROU assets and corresponding lease liabilities are recognized.

ROU Assets

The balance of and movements in ROU assets are as follows:

	Note	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Cost:			
Balance at beginning of period		₱1,684,558,558	₱1,250,321,423
Additions		119,535,162	436,096,715
Effect of lease modification		(6,096,096)	(1,859,580)
Balance at end of period		1,797,997,624	1,684,558,558
Accumulated amortization:			
Balance at beginning of period		1,269,104,988	974,894,570
Amortization during the year	8	280,802,699	294,210,418
Balance at end of period		1,549,907,687	1,269,104,988
Carrying Amount		₱248,089,937	415,453,570

Refundable Lease Deposit -Lease deposits, which are refundable at the end of the lease term if unutilized, aggregate ₱259.3 million and ₱243.8 million as at September 30, 2025 and December 31, 2024, respectively (see Note 7).

Lease Liabilities - The balance and movements in lease liabilities are as follows:

		September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
	Note		
Balance at beginning of period		₱399,270,691	₱275,193,672
Additions		119,535,162	436,011,215
Accretion	10	16,797,888	29,060,987
Gain on lease concession		(6,625,488)	(1,929,751)
Payments		(279,179,337)	(339,065,432)
Balance at end of period		249,798,916	399,270,691
Current portion		180,055,100	301,608,037
Noncurrent Portion		₱69,743,816	₱97,662,654

Incremental borrowing rate ranging from 3.4% to 7.0% was applied to determine the discounted amount of lease liabilities in 2025 and 2024.

The Group has pre-terminated lease agreements in 2025 and 2024 resulting to gain on lease modification amounting to ₱0.5 million and ₱0.1 million for the nine months ended September 30, 2025 and for the year ended December 31, 2024, respectively (see Note 13).

The future minimum lease payments and present value as at September 30, 2025 is as follows:

	Minimum Lease Payments	Present Value
Not later than one year	₱193,196,241	₱180,055,100
Later than one year but not more than five years	71,543,865	69,743,816
	₱264,740,106	₱249,798,916

17. Income Taxes

The provision for current income tax pertains to regular corporate income tax (RCIT) for the nine months ended September 30, 2025 and for the year ended December 31, 2024.

The Group's net deferred tax assets in the statements of financial position consist of the following:

		September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
	Note		
Deferred tax assets:			
Allowance for inventory obsolescence		₱14,853,717	₱14,853,717
Excess of lease liability over ROU assets		427,245	—
Retirement liability:			
Profit or loss		10,921,508	9,659,138
OCI	15	2,496,299	2,496,299
		28,698,769	27,009,154
Deferred tax liability:			
Capitalizing borrowing cost		(5,029,151)	(5,029,151)
Excess of ROU asset over lease liability		—	(4,054,596)
		(5,029,151)	(9,083,747)
		₱23,669,618	₱17,925,407

18. Basic and Diluted Earnings per Share Computation

The following table presents information necessary to calculate earnings per share:

	Unaudited				Audited
	July 1 to September 30, 2025	January 1 to September 30, 2025	July 1 to September 30, 2024	January 1 to September 30, 2024	December 31, 2024
Net income attributable to equity holders of the Parent Company	₱101,189,768	₱303,681,780	₱195,809,371	₱388,325,850	₱464,190,818
Divided by weighted average number of outstanding shares	3,125,001,300	3,125,001,300	3,125,001,300	3,125,001,300	3,125,001,300
	₱0.03	₱0.10	₱0.06	₱0.12	₱0.15

The Group has no dilutive potential shares for the nine months ended September 30, 2025 and 2024, and for the year ended December 31, 2024.

19. Operating Segment Information

For management purposes, the Group is organized into operating segments based on brand names. Except for water filtration and purification, such segments have been aggregated into a single operating segment for external reporting purposes due to the similarity in the economic characteristics.

Sales reflected in the consolidated statements of comprehensive income are all from external customers and within the Philippines, which is the Group's domicile and primary place of operations. Additionally, the Group's noncurrent assets are also primarily acquired, located and used within the Philippines. Sales are attributable to revenue from the general public, which are generated through the Company's store outlets. Consequently, the Group has no concentration of revenue from a single customer in 2025 and 2024. Segment report for the nine months period ended September 30, 2025 are as follows:

	IT Products	Water Filtration and Purification	Total	Eliminations	Total
NET SALES	₱9,613,256,801	₱7,348,649	₱9,620,605,450	(₱1,478,784)	₱9,619,126,666
COST OF SALES	(7,680,662,378)	(5,004,196)	(7,685,666,574)	1,310,854	(7,684,355,720)
GROSS INCOME	1,932,594,423	2,344,453	1,934,938,876	(167,930)	1,934,770,946
OPERATING EXPENSES	(1,661,421,490)	(7,312,301)	(1,668,733,791)	90,343	(1,668,643,448)
FINANCE COSTS	(141,611,491)	(37,319)	(141,648,810)	—	(141,648,810)
OTHER INCOME	282,623,215	166,058	282,789,273	—	282,789,273
INCOME BEFORE INCOME TAX	412,184,657	(4,839,109)	407,345,548	(77,587)	407,267,961
PROVISION FOR (BENEFIT FROM) INCOME TAX					
Current	103,419,996	—	103,419,996	—	103,419,996
Deferred	(5,779,717)	35,506	(5,744,211)	—	(5,744,211)
	97,640,279	35,506	97,675,785	—	97,675,785
NET INCOME	314,544,378	(4,874,615)	309,669,763	(77,587)	309,592,176
<i>Not to be reclassified to profit or loss in subsequent period</i>					
Remeasurement gain (loss) on net retirement liabilities - net of deferred tax	—	—	—	—	—
TOTAL COMPREHENSIVE INCOME (LOSS)	₱314,544,378	(₱4,874,615)	₱309,669,763	(₱77,587)	₱309,592,176
SEGMENT ASSETS	₱8,182,693,890	₱82,897,283	₱8,265,591,173	(₱233,484,876)	₱8,032,106,297
SEGMENT LIABILITIES	₱4,918,509,501	₱41,449,040	₱4,959,958,541	(157,407,289)	₱4,802,551,252

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

The following discussion and analysis relate to the unaudited interim consolidated financial position and results of operations of the Group and should be read in conjunction with the accompanying unaudited interim consolidated financial statements and related notes. The Group cautions that its business and financial performance is subject to certain risks and uncertainties. In evaluating the Group’s business, investors should carefully consider all the information contained in “Risk Factors.”

2.1 OVERVIEW

Upson International Corp. (Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light) (herein referred to as UIC or the “Parent Company”) and its subsidiaries, collectively referred to as the “Group”, were incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on the following dates:

	Date of Incorporation
Parent Company	April 19, 1995
Subsidiaries -	
iStudio Technologies Philippines Corporation (iStudio)	May 24, 2024
Upson Global Inc. (UGI)	July 10, 2024

The Company is a premier retailer of information technology products, specializing in the wholesale and retail distribution of computer hardware, software, telecommunications equipment, and other electronic merchandise. Upson has established strategic partnerships with globally recognized brands, including Acer, Asus, Lenovo, Apple, HP, Dell, Brother, Epson, Sony, Samsung, and Sandisk, among others. Upson caters to a broad consumer spectrum, with target customers being home users, small-medium businesses, gamers, professionals, and students, among others. The Company currently offers our products through our prime stores, concept stores, mobile stores, and online through the Company’s website and well-known e-commerce platforms such as Lazada, Pick-a-roo, and Shopee, to broaden the sales channels, deepen customer engagement and to be able to cater to the growing customer base, as well as their evolving needs. The Company has been expanding store network and retail formats.

According to a study by the University of Asia and the Pacific – Center for Research and Communication Foundation, Inc. (“CRC”) (2022), our Company is the largest in terms of store network and sales amongst mall-based consumer electronics retailers. As of September 30, 2025, we have a total of 251 branches nationwide, of which 33 are stand-alone stores, while 218 are mall-based stores. Our regional network of stores is found in the National Capital Region (81), North Luzon (44), South Luzon (48), Visayas (29), North Mindanao (27), and South Mindanao (22).

Our stores are in highly visible locations, mostly in retail spaces inside shopping malls and high-traffic areas of information technology hubs and consumer electronics shops. We ensure that our stores have good ventilation and air conditioning, well-lit areas, neatly organized and optimized-positioned products, and well-trained staff. Our stores provide direct access to our network-wide merchandise mix and attentive services from our multi-skilled staff, which we believe creates the pleasant in-person shopping experience that consumers expect.

In addition to our physical store network, our Company also leases a total of Eight (8) warehouses. These are in Manila (3), Cebu (1), Cagayan de Oro (1), Davao City (1), Iloilo (1), and Cabanatuan (1).

Octagon is our flagship brand among our prime stores. It offers our complete line and assortment of hardware and software products that span across nine major categories.

Microvalley on the other hand is a specialty store for do-it-yourself components and customization of personal computers as well as gaming-specific PCs and peripherals for the growing gaming market.

Gadget King is our Company's specialty store featuring IT accessories and peripherals.

Octagon Mobile is our specialty store focusing on communication and connectivity devices such as mobile phones, tablets, networking products, and mobile-related accessories.

In May 2024, Upson incorporated iStudio Technologies Philippines Corporation (iStudio) with 52% ownership interest amounting to ₱26.0 million. In July 2024, Upson incorporated Upson Global Inc. (UGI) with 90% ownership interest. Upson subscribed UGI's shares of 90.0 million shares at ₱1.0 par value or amounting to ₱90.0 million and paid amounting to ₱50.0 million.

iStudio is primarily engaged in the business of buying, selling, distributing, marketing, at wholesale and retail all kinds of goods, commodities, wares and merchandise such as but not limited to computer hardware equipment, telecommunications and other similar products. iStudio operates eleven (11) Apple stores under the iStudio Plus brand.

UGI is primarily engaged in the business of buying, selling, distributing, franchising, marketing, at wholesale and retail all kinds of goods, commodities, wares and merchandise such as but not limited to water filtration and purification devices and systems, household, commercial, and industrial appliances and equipment, telecommunications and other similar products.

The Parent Company's registered office address is Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global City, Taguig City.

On January 27, 2023, the PSE approved the Parent Company's application for IPO. Subsequently, on March 20, 2023, the SEC issued the Certificate of Permit to Offer Securities for Sale for the initial listing of the Parent Company's shares consisting of 625,001,000 primary common shares with an over-allotment option of 62,500,000 secondary common shares at an offer price of ₱2.40 a share. On April 3, 2023, the Parent Company's shares of stock were listed under the Main Board of the PSE.

2.2 RESULT OF OPERATION

Unaudited Interim Consolidated Statements of Comprehensive Income			
For the nine months ended September 30			
	2025 (Unaudited)	2024 (Audited)	% Change
Sales	₱9,619,126,666	₱8,263,121,747	16.41%
Cost of sales	(7,684,355,720)	(6,563,094,728)	17.08%
Gross income	1,934,770,946	1,700,027,019	13.81%
Operating expenses	(1,668,643,448)	(1,362,833,620)	22.44%
Finance costs	(141,648,810)	(120,318,958)	17.73%
Other income	282,789,273	276,595,962	2.24%
Income before income tax	407,267,961	493,470,403	(17.47%)
Provision for income tax			
Current	103,419,996	108,253,533	-4.47%
Deferred	(5,744,211)	(2,426,528)	136.73%
	97,675,785	105,827,005	(7.70%)
Net Comprehensive Income	₱309,592,176	₱387,643,398	(20.13%)
Earnings per share	₱0.10	₱0.12	

2.3 OPERATING RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025 COMPARED WITH SEPTEMBER 30, 2024

For the nine months ended September 30, 2025, the Group's operations resulted in a net income of ₱309.6 million.

Sales for the nine months ended September 30, 2025, increased by 16.41% compared to the same period in the previous year. This growth reflects the overall positive trend in the company's revenue streams and market expansion efforts. Notably, iStudio contributed approximately 7.04% to the total sales increase, highlighting its role as a key driver in the company's growth strategy.

The primary factor behind this sales increase is the expansion of the store network, which grew by 9.62%, from 239 stores in 2024 to 262 stores in 2025. This expansion includes the addition of 11 Apple stores, which are part of the iStudio brand, indicating a strategic focus on premium retail outlets and brand diversification. The increase in store count enhanced the company's market presence and customer reach, contributing to higher sales volumes.

In terms of profitability, the Group's gross profit ratio experienced a slight decline, from 20.57% in 2024 to 20.11% in 2025. Despite this decrease, the gross profit margin remains comparable to prior period levels, reflecting stable cost controls and pricing discipline.

Overall, the Group's performance demonstrates robust growth driven by network expansion and strategic brand positioning. Continued focus on operational efficiency and market penetration will be crucial for sustaining this growth trajectory in the upcoming periods.

The Group's operating expenses mainly consist of personnel costs, depreciation and amortization, merchant discount, rent, utilities, and contracted and other services.

In 2025, the Group availed loans and trust receipts amounting to ₱2.8 billion resulting to higher finance costs. Interest rates range from 5.38% to 7.00% in 2025 and 5.88% to 8.00% in 2024.

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)

EBITDA for the nine months ended September 30, 2025 was ₱901.8 or 9.38% of net sales. This figure reflects a 4.13% decline from the ₱910.7 million or 11.02% of net sales, recorded for the comparative period ended September 30, 2024.

The decrease in EBITDA was driven by the increase in interest and depreciation and amortization of the Group's operations.

Considered as the key financial and operating data of the Group as shown below:

Key Financial and Operating Data	For the nine months ended September 30	
	2025	2024
Sales (₱ millions)	₱9,619.1	₱8,263.1
Sales Growth (%)	16.41%	12.42%
Gross Profit Margin (%)	20.11%	20.57%
Net Profit (₱ millions)	309.6	387.6
Net Profit Margin (%)	3.22%	4.69%
Store Count	251	239
Gross Selling Space (sq. m.)	30,996	29,008
Increase (Decrease) in Gross Selling Space (%)	6.85%	7.88%

The following presents the sales mix of the Group:

CATEGORY	For the nine months ended September 30	
	2025	2024
NOTE	52.00%	51.00%
PRINT	14.00%	14.00%
MOBILE	10.00%	11.00%
ACCESSORIES	9.00%	9.00%
DIY	8.00%	8.00%
INK	3.00%	3.00%
TABLET	2.00%	1.00%
PERIPHERALS	1.00%	2.00%
UNITS	1.00%	1.00%
	100.00%	100.00%

The following outlines the quarterly trend in same store sales growth (SSSG) or comparable sales, which reflects the performance of our existing stores. It includes revenue from stores operating for at least 12 full months and excludes the impact of revenue from discontinued operations. It measures the change in net sales for a particular period over the comparable prior period.

SSSG	Q1	Q2	Q3	Q4	FY
2025	6.74%	8.85%	(0.62%)	N/A	N/A
2024	3.12%	10.45%	10.78%)	4.95%	6.78%

2.4 FINANCIAL CONDITION

Unaudited Interim Consolidated Statements of Financial Position

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)	% Change
Total Current Assets	₱6,361,022,894	₱5,862,284,849	8.51%
Total Assets	8,032,106,297	7,282,637,656	10.29%
Current Liabilities	4,679,136,210	4,028,890,309	16.14%
Total Liabilities	4,802,551,252	4,175,174,709	15.03%
Total Equity	3,229,555,045	3,107,462,947	3.93%
Current assets/Total assets	79.19%	80.50%	(1.62%)
Current ratio	1.36	1.46	(6.57%)
Debt to equity ratio	1.51	1.34	12.69%

The net increase in current assets mainly pertains to purchases of inventories during the third quarter of 2025 in preparation for expected demands for the fourth quarter and the additional refundable deposits for the new stores opened during the year.

The noncurrent assets of the Group mainly consist of property and equipment and ROU assets. The net increase is mainly caused by the renewal of lease agreements that are qualified for ROU assets recognition and the acquisition of store furniture and fixtures, transportation equipment and on-going construction of warehouses.

The liabilities of the Group mainly consist of bank loans and trust receipts payable, trade payables to suppliers, and lease liabilities. The net increase in liabilities is mainly caused by the additional lease liabilities related to office and store spaces and trust loan availments net of repayments.

2.5 LIQUIDITY and CAPITAL RESOURCES

The table below shows the Group's cash flows for the nine months ended September 30, 2025 and 2024.

Unaudited Interim Consolidated Statements of Cash Flows

	For the nine months ended September 30		
	2025	2024	% change
Net cash provided by operating activities	₱896,490,009	₱348,113,681	157.53%
Cash used in an investing activity	(531,411,775)	(119,674,554)	344.05%
Net cash provided by in financing activities	(381,197,836)	(266,678,172)	42.94%
Net decrease in cash	(16,119,602)	(38,239,045)	(57.85%)
Cash at beginning of period	889,350,473	1,360,873,502	(34.65%)
Cash at end of period	₱873,230,871	₱1,322,634,457	(33.98%)

The Group has assessed that it has sufficient resources to finance its working capital requirements. All funding for the Group's operations for the next 12 months shall be internally generated.

For the nine months ended September 30, 2025, the cash used in an investing activity pertains to expenditures for additional property and equipment following the store network expansion program which includes improvements in the supply chain and logistics.

The net cash used in financing activities mainly pertains of dividend distribution, lease payments and loan repayments, and net of loan availments in 2025.

2.6 DISCUSSION AND ANALYSIS OF MATERIAL EVENTS AND UNCERTAINTIES

There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way.

There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other person created during the year.

There are no material commitments for capital expenditures other than those performed in the ordinary course of trade of business in line with the Group's store network expansion program.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations.

The Group experiences the third quarter of the year as the peak season relating to increased sales resulting from back-to-school shopping season.

2.7 FINANCIAL SOUNDNESS INDICATORS

All secondary licensees of the Commission (financing companies, broker dealer of securities and underwriters) and public companies are required to include a schedule showing financial soundness indicators in two comparative periods, as follows:

Ratio	Formula	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Current/Liquidity Ratio			
	Current assets	₱6,361,022,894	₱5,862,284,849
	Divided by: Current liabilities	4,679,136,210	4,028,890,309
	Current/Liquidity ratio	1.36:1.00	1.46:1.00
Solvency Ratio			
	Net income before depreciation and amortization	₱662,487,532	₱889,691,297
	Divided by: Total liabilities	4,802,551,252	4,175,174,709
	Solvency ratio	0.14:1.00	0.21:1.00
Debt-to-Equity Ratio			
	Total liabilities	₱4,802,551,252	₱4,175,174,709
	Divided by: Total equity	3,229,555,045	3,107,462,947
	Debt-to-Equity ratio	1.49:1.00	1.34:1.00
Asset-to-Equity Ratio			
	Total assets	₱8,032,106,297	₱7,282,637,656
	Divided by: Total equity	3,229,555,045	3,107,462,947
	Asset-to-Equity ratio	2.49:1.00	2.34:1.00
Interest Rate Coverage Ratio			
	Income before interest and taxes	₱548,916,771	₱355,081,551
	Divided by: Interest expense	141,648,810	152,538,293
	Interest Rate Coverage ratio	3.88:1.00	2.33:1.00

Return on Assets Ratio

Net income	₱309,592,176	₱481,631,884
Divided by: Total assets	8,032,106,297	7,282,637,656
Return on Assets ratio	0.04:1.00	0.07:1.00

Return on Equity Ratio

Net income	₱309,592,176	₱481,631,884
Divided by: Total equity	3,229,555,045	3,107,462,947
Return on Equity ratio	0.10:1.00	0.15:1.00

Net Profit Margin

Net income	₱309,592,176	₱481,631,884
Divided by: Revenues	9,619,126,666	11,435,255,269
Net Profit Margin	0.03:1.00	0.04:1.00

2.8 RISK

Overview

The Group's activities expose it to a variety of financial risks: market risk which includes credit risk, liquidity risk and interest rate risk. The Group's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Group. The BOD reviews and approves the policies for managing each of these risks.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Financial assets that potentially subject the Group to credit risk consist primarily of cash in banks, short-term investment, trade receivables and refundable lease deposits.

Risk Management. To manage credit risk, the Group deals only with reputable banks and creditworthy third parties. Sales to retail customers are required to be settled in cash or through major credit cards, further mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers and/or specific industry sectors.

The table below shows the maximum gross exposure of the Group to credit risk:

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Cash in banks and cash equivalents	₱870,228,691	₱886,738,609
Trade receivables	260,358,147	284,735,673
Accrued interest receivable	–	2,074,167
	₱1,130,586,838	₱1,173,548,449

As at September 30, 2025 and December 31, 2024, the amount of cash in banks, cash equivalents, trade receivables and accrued interest receivable are neither past due nor impaired and were classified as “*High Grade*”. High grade financial assets are those accounts with counterparties who are not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions and companies. Credit quality was determined based on the credit standing of the counterparty.

Security. The Group does not hold collateral as security.

Impairment. Impairment analysis for trade receivables is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due for the Group based on customer type and rating. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if collection cannot be made despite exhausting all extra-judicial and legal means of collection.

There are no guarantees against trade receivables, but these are due from credit card companies and creditworthy third parties and are generally collectible within three (3) to thirty (30) days from transaction date. Historical information and present circumstances do not indicate any significant risk of impairment. Thus, management did not recognize allowance for ECL.

For other financial assets at amortized cost which mainly comprise of cash in banks, cash equivalents and accrued interest receivable, the Group applies the general approach in measuring ECL. Management assessed that the application of the general approach does not result in significant expected credit losses and thus, did not recognize allowance for ECL.

The Group assessed that the credit risk on the financial assets has not increased significantly since initial recognition because cash in banks, cash equivalents and accrued interest receivable are deposited with reputable counterparty banks, which exhibit good credit ratings.

The following table summarizes the impairment analysis of the Group's financial assets at amortized cost. It indicates whether the financial assets at amortized cost were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired.

September 30, 2025 (Unaudited)				
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total
Cash in banks and cash equivalents	₱870,228,691	₱–	₱–	₱870,228,691
Trade receivables	–	260,358,147	–	260,358,147
	₱870,228,691	₱260,358,147	₱–	₱1,130,586,838

December 31, 2024 (Audited)				
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total
Cash in banks	₱888,738,609	₱–	₱–	₱888,738,609
Trade receivables	–	284,735,673	–	284,735,673
Accrued interest receivable	2,074,167	–	–	2,074,167
	₱888,812,776	₱284,735,673	₱–	₱1,173,548,449

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The tables below detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

September 30, 2025				
(Unaudited)				
	1 to 6 Months	6 Months to 1 Year	More than 1 Year	Total
Trade and other payables*	₱1,717,342,890	₱6,587,081	₱–	₱1,723,929,971
Bank loans and trust receipts payable	1,434,260,383	1,275,000,000	–	2,709,260,383
Lease liabilities	129,277,185	63,919,056	71,543,865	264,740,106
	₱3,280,880,458	₱1,345,506,137	₱71,543,865	₱4,697,930,460

**Excluding statutory payables.*

December 31, 2024				
(Audited)				
	1 to 6 Months	6 Months to 1 Year	More than 1 Year	Total
Trade and other payables*	₱1,156,367,107	₱5,678,831	₱–	₱1,162,045,938
Bank loans and trust receipts payable	1,286,290,982	1,216,666,667	–	2,502,957,649
Lease liabilities	178,011,796	140,371,731	99,431,282	417,814,809
	₱2,620,669,885	₱1,362,717,229	₱99,431,282	₱4,082,818,396

**Excluding statutory payables.*

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Group's bank loans and trust receipts payable to local banks are subject to a repricing interest rate with and are exposed to fair value interest rate risk. The repricing of these instruments is done on a semiannual basis.

The Group regularly monitors interest rate movements and based on current and projected economic and monetary data, decides on the best alternative to take. No sensitivity analysis is needed as future interest rate changes are not expected to significantly affect the Group's net income.

These bank loans and trust receipts are promissory notes under loan facilities which mature within 90 days to one year as at September 30, 2025 and December 31, 2024, and bear an effective interest rate ranging from 5.38% to 7.00% in 2025 and 5.88% to 8.00% in 2024.

2.9 AGING ANALYSIS OF TRADE AND OTHER RECEIVABLES

The tables below detail the Group's aging analysis of trade and other receivables.

September 30, 2025 (Unaudited)							
	Total	Current	Past Due				
			0-30 days	31-60 days	61-90 days	91-120 days	More than 120 days
Trade	₱260,358,147	₱260,358,147	₱—	₱—	₱—	₱—	₱—
Advances to:			—	—	—	—	—
Stockholder	31,791,848	31,791,848	—	—	—	—	—
Officers and employees	4,079,675	4,079,675	—	—	—	—	—
Suppliers	1,229,626	1,229,626	—	—	—	—	—
Accrued interest receivable	—	—	—	—	—	—	—
	₱297,459,296	₱297,459,296	₱—	₱—	₱—	₱—	₱—

December 31, 2024 (Audited)							
	Total	Current	Past Due				
			0-30 days	31-60 days	61-90 days	91-120 days	More than 120 days
Trade	₱284,735,673	₱284,735,673	₱—	₱—	₱—	₱—	₱—
Advances to:			—	—	—	—	—
Stockholder	31,791,848	31,791,848	—	—	—	—	—
Suppliers	2,001,418	2,001,418	—	—	—	—	—
Officers and employees	3,033,601	3,033,601	—	—	—	—	—
Accrued interest receivable	2,074,167	2,074,167	—	—	—	—	—
	₱323,636,707	₱323,636,707	₱—	₱—	₱—	₱—	₱—

PART II - OTHER INFORMATION

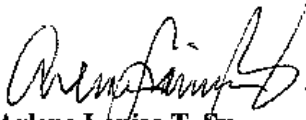
There is no other information not previously reported in SEC Form 17-Q that needs to be reported in this section.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, this issuer has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Registrant: **UPSON INTERNATIONAL CORP. (Doing Business under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light)**

By:



Arlene Louisa T. Sy
President and Chief Executive Officer



Marcos A. Lagaspi
Chief Finance Officer