

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
Jun 30, 2026
2. SEC Identification Number
AS95003836
3. BIR Tax Identification No.
004-780-008-000
4. Exact name of issuer as specified in its charter
Upton 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
+632 8526 7152
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	Jun 30, 2026
Currency (indicate units, if applicable)	PhP

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Jun 30, 2026	Dec 31, 2025
Current Assets	6,667,229,132	6,417,055,143
Total Assets	8,589,518,196	8,122,705,944
Current Liabilities	4,952,453,712	4,660,621,231
Total Liabilities	5,195,891,364	4,799,014,808
Retained Earnings/(Deficit)	1,452,142,592	1,382,537,153
Stockholders' Equity	3,393,626,832	3,323,691,136
Stockholders' Equity - Parent	3,376,047,201	3,306,441,762
Book Value per Share	1.09	1.06

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	3,284,944,083	2,947,556,664	6,471,898,756	6,060,620,010

Gross Expense	3,166,185,982	2,894,496,071	6,218,226,799	5,885,528,241
Non-Operating Income	94,867,255	95,465,983	194,407,411	179,989,782
Non-Operating Expense	58,863,329	48,562,326	112,581,141	95,482,502
Income/(Loss) Before Tax	154,762,027	99,964,250	335,498,227	259,599,049
Income Tax Expense	40,984,798	25,328,422	78,062,453	55,458,652
Net Income/(Loss) After Tax	113,777,229	74,635,828	257,435,774	204,140,397
Net Income Attributable to Parent Equity Holder	110,427,208	74,899,875	257,105,517	202,492,012
Earnings/(Loss) Per Share (Basic)	0.04	0.02	0.08	0.06
Earnings/(Loss) Per Share (Diluted)	0.04	0.02	0.08	0.06

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.15	0.16
Earnings/(Loss) Per Share (Diluted)	0.15	0.16

Other Relevant Information
-

Filed on behalf by:

Name	Darwin Mendoza
Designation	Compliance Officer

Upton International Corp. and Subsidiaries

Interim Consolidated Financial Statements

As at June 30, 2026 (Unaudited) and December 31, 2025 (Audited)
and for the six months ended June 30, 2026 and 2025
(Unaudited) and for the Year Ended December 31, 2025
(Audited)

COVER SHEET

SEC Registration Number

AS95003836

COMPANY NAME

U	p	s	o	n		I	n	t	e	r	n	a	t	i	o	n	a	l		C	o	r	p	.		a	n	d		S	u	b	s	i	d	i	a	r
i	e	s																																				
U																																						

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

17 - Q

Department requiring the report

CRMD

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

9

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 **June 30, 2026**
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 ☐

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

The condensed interim consolidated financial statements as at June 30, 2026 (Unaudited) and December 31, 2025 (Audited) and for the six months ended June 30, 2026 and 2025 (Unaudited) and for the year ended December 31, 2025 (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 23.

For purposes of segment reporting, the Group’s main business consists of retail of information and communications technology products and retail of water filtration and purification devices. Details are presented on Note 18 to the condensed interim consolidated financial statements on page 21.

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

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Note</i>	June 30, 2026	December 31, 2025
ASSETS			
Current Assets			
Cash	3	₱801,160,577	₱823,354,547
Trade and other receivables	4	224,974,844	285,619,755
Merchandise inventories	5	5,352,205,522	5,045,187,589
Other current assets	6	288,888,189	262,893,252
Total Current Assets		6,667,229,132	6,417,055,143
Noncurrent Assets			
Property and equipment	7	1,329,992,064	1,306,417,353
Right-of-use (ROU) assets	15	421,016,117	252,823,559
Net deferred tax assets	16	28,188,713	24,189,917
Other noncurrent asses	6	143,092,170	122,219,972
Total Noncurrent Assets		1,922,289,064	1,705,650,801
TOTAL ASSETS		₱8,589,518,196	₱8,122,705,944
LIABILITIES AND EQUITY			
Current Liabilities			
Bank loans and trust receipts payables	9	₱3,522,026,592	₱3,267,702,189
Trade and other payables	8	1,183,429,955	1,203,590,505
Current portion of lease liabilities	15	221,695,021	142,551,346
Income tax payable		25,302,144	46,777,191
Total Current Liabilities		4,952,453,712	4,660,621,231
Noncurrent Liabilities			
Lease liabilities - net of current portion	15	185,764,783	84,486,121
Retirement liability	14	57,672,869	53,907,456
Total Noncurrent Liabilities		243,437,652	138,393,577
Total Liabilities		5,195,891,364	4,799,014,808
Equity			
Capital stock	10	625,000,260	625,000,260
Additional paid-in capital	10	1,305,308,048	1,305,308,048
Retained earnings	10	1,452,142,592	1,382,537,153
Accumulated remeasurement losses on retirement liability	14	(6,403,699)	(6,403,699)
Equity attributable to equity holders of the Parent Company		3,376,047,201	3,306,441,762
Non-controlling interests	10	17,579,631	17,249,374
Total Equity		3,393,626,832	3,323,691,136
TOTAL LIABILITIES AND EQUITY		₱8,589,518,196	₱8,122,705,944

See accompanying Notes to Condensed Interim Consolidated Financial Statements.

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Unaudited				Audited
	Note	April 1 to June 30, 2026	January 1 to June 30, 2026	April 1 to June 30, 2025	January 1 to June 30, 2025	December 31, 2025
NET SALES		₱3,284,944,083	₱6,471,898,756	₱2,947,556,664	₱6,060,620,010	₱12,917,708,126
COST OF SALES	5	(2,563,890,797)	(5,020,415,680)	(2,356,730,015)	(4,801,104,999)	(10,244,234,291)
GROSS INCOME		721,053,286	1,451,483,076	590,826,649	1,259,515,011	2,673,473,835
OPERATING EXPENSES	11	(602,295,185)	(1,197,811,119)	(537,766,056)	(1,084,423,242)	(2,314,859,284)
FINANCE COSTS	9	(58,863,329)	(112,581,141)	(48,562,326)	(95,482,502)	(189,621,495)
OTHER INCOME	12	94,867,255	194,407,411	95,465,983	179,989,782	382,583,859
INCOME BEFORE INCOME TAX		154,762,027	335,498,227	99,964,250	259,599,049	551,576,915
PROVISION FOR (BENEFIT FROM) INCOME TAX						
Current		42,897,575	82,061,250	26,952,176	59,614,622	155,560,088
Deferred		(1,912,777)	(3,998,797)	(1,623,754)	(4,155,970)	(6,626,243)
		40,984,798	78,062,453	25,328,422	55,458,652	148,933,845
NET INCOME		113,777,229	257,435,774	74,635,828	204,140,397	402,643,070
OTHER COMPREHENSIVE INCOME						
Item not to be reclassified to profit or loss in subsequent periods-						
Remeasurement gain on retirement liability - net of deferred income tax	14	–	–	–	–	1,085,197
TOTAL COMPREHENSIVE INCOME		₱113,777,229	₱257,435,774	₱74,635,828	₱204,140,397	₱403,728,267
Net Income (Loss) Attributable to:						
Equity holders of the Parent Company		₱110,427,208	₱257,105,517	₱74,899,875	₱202,492,012	₱398,848,812
Non-controlling interests		3,350,021	330,257	(264,047)	1,648,385	3,794,258
		₱113,777,229	₱257,435,774	₱74,635,828	₱204,140,397	₱402,643,070
Total Comprehensive Income (Loss)						
Attributable to:						
Equity holders of the Parent Company		₱110,427,208	₱ 257,105,517	₱74,899,875	₱202,492,012	₱399,934,009
Non-controlling interests		3,350,021	330,257	(264,047)	1,648,385	3,794,258
		₱113,777,229	₱257,435,774	₱74,635,828	₱204,140,397	₱403,728,267
Basic/diluted earnings per share		₱0.04	₱0.08	₱0.02	₱0.06	₱0.13

See accompanying Notes to Condensed Interim Consolidated Financial Statements.

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Unaudited		Audited
	Note	January 1 to June 30, 2026	January 1 to June 30, 2025	December 31, 2025
CAPITAL STOCK	10	₱625,000,260	₱625,000,260	₱625,000,260
ADDITIONAL PAID-IN CAPITAL	10	1,305,308,048	1,305,308,048	1,305,308,048
RETAINED EARNINGS	10			
Balance at beginning of period		1,382,537,153	1,171,188,419	1,171,188,419
Net income		257,105,517	202,492,012	398,848,812
Cash dividends - ₱0.06 per share in 2026 and 2025		(187,500,078)	(187,500,078)	(187,500,078)
Balance at end of period		1,452,142,592	1,186,180,353	1,382,537,153
ACCUMULATED REMEASUREMENT LOSSES ON RETIREMENT LIABILITY	14			
Balance at beginning of period		(6,403,699)	(7,488,896)	(7,488,896)
Remeasurement gain on retirement liability - net of deferred income tax		—	—	1,085,197
Balance at end of period		(6,403,699)	(7,488,896)	(6,403,699)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		3,376,047,201	3,108,999,765	3,306,441,762
NON-CONTROLLING INTERESTS	10			
Balance at beginning of period		17,249,374	13,455,116	13,455,116
Net income		330,257	1,648,385	3,794,258
Balance at end of period		17,579,631	15,103,501	17,249,374
		₱3,393,626,832	₱3,124,103,266	₱3,323,691,136

See accompanying Notes to Condensed Interim Consolidated Financial Statements.

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

		Unaudited	Audited	
	Note	January 1 to June 30, 2026	January 1 to June 30, 2025	December 31, 2025
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱335,498,227	₱259,599,049	₱551,576,915
Adjustments for:				
Depreciation and amortization	7	209,973,778	254,743,487	470,418,174
Finance costs	9	112,581,141	95,482,502	189,621,495
Retirement expense	14	3,765,413	3,366,320	6,732,640
Loss (gain) on disposal of property and equipment	7	(1,130,000)	—	1,260
Interest income	3	(897,601)	(2,869,374)	(3,749,558)
Provision for inventory obsolescence	5	—	—	29,340,039
Gain on lease modification	15	—	(376,033)	(17,206,562)
Operating income before working capital changes		659,790,958	609,945,951	1,226,734,403
Decrease (increase) in:				
Trade and other receivables		60,644,911	(15,995,153)	35,942,785
Merchandise inventories		(307,017,933)	(49,788,944)	(595,672,105)
Other assets		(46,867,135)	(145,817,595)	(71,761,188)
Increase (decrease) in trade and other payables		(143,410,549)	392,264,559	10,367,060
Net cash generated from operations		223,140,252	790,608,818	605,610,955
Income taxes paid		(103,536,297)	(80,099,978)	(145,493,844)
Interest received		897,601	4,943,541	5,823,725
Net cash provided by operating activities		120,501,556	715,452,381	465,940,836
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	7	(62,325,677)	(410,990,727)	(516,757,319)
Proceeds from disposal of property and equipment		1,130,000	—	—
Increase in advances for property acquisition	14	—	—	(95,000,000)
Net cash used in investing activities		(61,195,677)	(410,990,727)	(611,757,319)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from bank loans and trust receipts availments	9	2,447,026,591	1,730,006,484	4,159,268,701
Payments of:				
Bank loans and trust receipts	9	(2,192,702,188)	(1,636,290,982)	(3,394,524,161)
Lease liabilities	15	(174,522,266)	(191,313,886)	(333,549,907)
Interest		(97,051,908)	(88,331,376)	(163,873,998)
Dividends		(64,250,078)	(187,500,078)	(187,500,078)
Net cash provided by (used in) financing activities		(81,499,849)	(373,429,838)	79,820,557
NET DECREASE IN CASH		(22,193,970)	(68,968,184)	(65,995,926)
CASH AT BEGINNING OF PERIOD		823,354,547	889,350,473	889,350,473
CASH AT END OF PERIOD	3	₱801,160,577	₱820,382,289	₱823,354,547
NONCASH FINANCIAL INFORMATION				
Additions and modifications to ROU assets	15	(₱339,415,370)	(₱84,238,296)	(₱188,304,029)
Additions and modifications to lease liabilities	15	339,415,370	83,862,263	141,178,955

See accompanying Notes to Condensed Interim Consolidated Financial Statements.

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES

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’s common shares were listed for trading in the Philippine Stock Exchange on April 3, 2023.

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.

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.

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, 2025.

The unaudited condensed interim consolidated financial statements of the Group as at and for the six months ended June 30, 2025 have been prepared in accordance with PAS 34, *Interim Financial Reporting* and in compliance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. This financial reporting framework includes PFRS Accounting Standards, Philippine Accounting Standards (PAS) and Philippine Interpretation from International Financial Reporting

Interpretations Committee (IFRIC) issued by the Philippine Financial and Sustainability Reporting Standards Council and adopted by the SEC, including SEC pronouncements.

Adoption of Amendments to PFRS Accounting Standards

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendments to PFRS Accounting Standards effective for annual periods beginning and after January 1, 2026:

- Amendments to PFRS 9, *Financial Instruments*, and PFRS 7, *Financial Instruments: Disclosures – Classification and Measurement of Financial Assets* – The amendment provides to clarify the requirements related to the date of recognition and derecognition of financial assets and financial liabilities, with an exception for derecognition of financial liabilities settled through cash using an electronic payment system. The amendments also clarify the requirements of assessing contractual cash flow characteristics of financial assets, with additional guidance on assessment of contingent features, and the characteristics of non-recourse loans and contractually linked instruments. The amendments also introduce additional disclosure requirements for equity instruments classified as financial asset measured at fair value through other comprehensive income (FVOCI) with contingent features. Earlier application is permitted.
- Annual Improvements to PFRS Accounting Standards Volume 11:
 - Amendments to PFRS 7, *Financial Instruments: Disclosures* – The amendments remove some obsolete references related to the gain or loss on derecognition on financial assets of an entity that has a continuing involvement and to the disclosure requirements on deferred differences between fair value and transaction price. The amendments also clarify that the illustrative guidance does not necessarily illustrate all the requirements for credit risk disclosure.
 - Amendments to PFRS 9, *Financial Instruments* – The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, *Financial Instruments*, 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 apply to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.
 - Amendments to PFRS 10, *Consolidated Financial Statements* – The amendments clarify that when the investor considers its de facto agent's decision-making rights and its indirect exposure, or rights, to variable returns is only an example in which judgement is required to determine whether a party is acting as a de facto agent.
- Amendments to PAS 7, *Statement of Cash Flows* – The amendments clarify that when accounting for an investment in an associate, a joint venture or a subsidiary accounted for by use of the equity or at cost, an investor restricts its reporting in the statements of cash flows to the cash flows between itself and the investee, such as dividends and advances.

The adoption of the amended PFRS Accounting Standards did not materially affect the condensed interim consolidated financial statements of the Company. Additional disclosures were included in the condensed interim consolidated financial statements, as applicable.

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

Relevant new and amendments to PFRS Accounting Standards, which are not yet effective as at June 30, 2026 and have not been applied in preparing the condensed interim consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2027:

- PFRS 18, *Presentation and Disclosure in Financial Statements* – This standard replaces PAS 1, *Presentation of Financial Statements*, and sets out requirements for the presentation and disclosure of information in general purpose financial statements. The standard introduces new categories and sub-totals in the statements of comprehensive income, additional disclosures on management-defined performance measures, and enhanced requirements for grouping information. Full retrospective application is required. Earlier application is permitted.
- PFRS 19, *Subsidiaries without Public Accountability: Disclosures* – This standard is a voluntary standard which permits simplified disclosure requirements for eligible subsidiaries applying PFRS. An entity is eligible to apply PFRS 19 when it does not have public accountability and its parent produces consolidated financial statements available for public use that complies with PFRS disclosure requirements. Earlier application is permitted.

Deferred effectivity -

- Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28 - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture - The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amendments to PFRS Accounting Standards is not expected to have material effect on the condensed interim consolidated financial statements of the Group. Additional disclosures will be included in the notes to the condensed interim consolidated financial statements, as applicable.

3. Cash

This account consists of:

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Cash on hand	₱11,980,373	₱11,909,442
Cash in banks	789,180,204	811,445,105
	₱801,160,577	₱823,354,547

Cash in banks earn interest at prevailing bank deposit rates which are readily available for use.

Details of interest income are as follows (see Note 12):

	Unaudited		Audited		
	April 1 to June 30, 2026	January 1 to June 30, 2026	April 1 to June 30, 2025	January 1 to June 30, 2025	December 31, 2025
Cash in banks	₱468,214	₱897,601	₱195,557	₱390,672	₱1,270,856
Cash equivalents	—	—	1,005,347	2,478,702	2,478,702
	₱468,214	₱897,601	₱1,200,904	₱2,869,374	₱3,749,558

4. Trade and Other Receivables

This account consists of:

	<i>Note</i>	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Trade		₱219,987,367	₱248,602,888
Advances to:			
Officers and employees		4,551,757	4,730,722
Suppliers		435,720	494,297
Stockholder	<i>13</i>	—	31,791,848
		₱224,974,844	₱285,619,755

Trade receivables are noninterest-bearing and are generally settled within three (3) to 30 days after the reporting period. No expected credit losses (ECL) was recognized for trade receivables for the six months ended June 30, 2026 and 2025, and for the year ended December 31, 2025.

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 merchandise inventory and are immediately applied against billings for merchandise inventory delivered.

5. Merchandise Inventories

The merchandise inventories are carried at net realizable value (NRV) as at June 30, 2026 and December 31, 2025. The related cost of the merchandise amounted to ₱5,441.0 million and ₱5,133.9 million June 30, 2026 and December 31, 2025, respectively. Details of merchandise inventories at net realizable value are as follows:

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Computers and peripherals	₱3,298,849,101	₱2,936,608,307
Accessories	791,357,929	846,049,456
Mobile phones	832,034,594	765,802,799
Printers and scanners	320,654,895	393,543,984
Consumables	102,358,703	95,907,929
Water filtration devices	6,950,300	7,275,114
	₱5,352,205,522	₱5,045,187,589

Movements in the allowance for inventory obsolescence are as follows:

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Balance at beginning of period	₱88,754,907	₱59,414,868
Provision for inventory obsolescence	–	29,340,039
Balance at end of period	₱88,754,907	₱88,754,907

The Group's inventories are stated at NRV as at June 30, 2026 and December 31, 2025. 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 ₱2,297.5 million and ₱3,359.3 million as at June 30, 2026 and December 31, 2025, respectively, were covered by trust receipts issued by local banks (see Note 9).

Merchandise inventories charged to cost of sales amounted to ₱5,020.4 million, ₱4,801.1 million and ₱10,244.2 million for the six months period ended June 30, 2026 and 2025 and the year ended December 31, 2025, respectively, including provision for inventory obsolescence.

6. Other Assets

Other Current Assets

This account includes:

	<i>Note</i>	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Refundable lease deposits	15	₱231,711,346	₱238,275,938
Prepayments		56,448,262	24,567,547
Creditable withholding taxes		728,581	49,767
		₱288,888,189	₱262,893,252

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

Other Noncurrent Assets

This account includes:

	<i>Note</i>	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Advances for property acquisition	13	₱95,000,000	₱95,000,000
Noncurrent portion of refundable lease deposits	15	48,092,170	27,219,972
		₱143,092,170	₱122,219,972

7. Property and Equipment

Movements of this account are presented below:

June 30, 2026 (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 period	₱474,857,303	₱306,535,041	₱799,744,836	₱213,360,639	₱153,521,317	₱141,101,548	₱216,208,873	₱2,305,329,557
Additions	—	—	38,961,941	9,526,379	4,017,857	2,063,477	7,756,023	62,325,677
Reclassifications	—	—	11,917,695	—	—	—	(11,917,695)	—
Disposal	—	—	—	—	(5,425,800)	—	—	(5,425,800)
Balance at end of period	474,857,303	306,535,041	850,624,472	222,887,018	152,113,374	143,165,025	212,047,201	2,362,229,434
Accumulated Depreciation and Amortization								
Balance at beginning of period	—	44,623,544	582,404,823	128,892,809	133,755,750	109,235,278	—	998,912,204
Depreciation and amortization	—	6,156,955	15,960,013	8,107,800	3,488,390	5,037,808	—	38,750,966
Disposal	—	—	—	—	(5,425,800)	—	—	(5,425,800)
Balance at end of period	—	50,780,499	598,364,836	137,000,609	131,818,340	114,273,086	—	1,032,237,370
Carrying Amount	₱474,857,303	₱255,754,542	₱252,259,636	₱85,886,409	₱20,295,034	₱28,891,939	₱212,047,201	₱1,329,992,064

December 31, 2025 (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	₱687,123,753	₱187,850,225	₱151,661,594	₱113,556,988	₱238,881,541	₱1,788,573,588
Additions	273,832,303	78,417,697	69,339,230	25,510,414	1,859,723	27,653,257	40,144,695	516,757,319
Disposal	—	—	—	—	—	(1,350)	—	(1,350)
Reclassifications	—	19,642,857	43,281,853	—	—	(107,347)	(62,817,363)	—
Balance at end of year	474,857,303	306,535,041	799,744,836	213,360,639	153,521,317	141,101,548	216,208,873	2,305,329,557
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	—	12,081,311	70,981,755	18,980,204	6,845,442	10,595,422	—	119,484,134
Disposal	—	—	—	—	—	(90)	—	(90)
Balance at end of year	—	44,623,544	582,404,823	128,892,809	133,755,750	109,235,278	—	998,912,204
Carrying Amount	₱474,857,303	₱261,911,497	₱217,340,013	₱84,467,830	₱19,765,567	₱31,866,270	₱216,208,873	₱1,306,417,353

Construction in progress represents the accumulated costs incurred in the construction of a warehouse and store branches which are expected to be completed within 2026. As at June 30, 2026, the estimated total cost to complete the warehouse and store branches amounted to ₱2.7 million.

In 2026, the Group sold of fully depreciated transportation equipment with a total cost amounting to ₱5.4 million for consideration amounting to ₱1.1 million resulting to a gain on disposal of property and equipment amounting to ₱1.1 million (see Note 12).

In 2025, the Group disposed furniture and fixtures with a total cost of ₱1,350 resulting to a loss on disposal of property and equipment amounting to ₱1,260 (see Note 12).

The Group's building with a carrying amount of ₱147.0 million and ₱150.5 million as at June 30, 2026 and December 31, 2025, respectively, together with a related party's land were used as a collateral for a Group's bank loans amounting to ₱300.0 million as at June 30, 2026 and December 31, 2025 (see Note 9). Moreover, these properties were also used as a collateral for a related party's loan with a local bank (see Note 13).

Fully depreciated property and equipment still being used by the Group amounted to ₱810.3 million and ₱804.0 million as at June 30, 2026 and December 31, 2025, respectively.

Depreciation and amortization are recognized from:

	<i>Note</i>	Unaudited		Audited	
		April 1 to June 30, 2026	January 1 to June 30, 2026	April 1 to June 30, 2025	January 1 to June 30, 2025
ROU assets	15	₱87,943,037	₱171,222,812	₱99,125,308	₱192,719,153
Property and equipment		11,301,958	38,750,966	33,994,963	62,024,334
		₱99,244,995	₱209,973,778	₱133,120,271	₱254,743,487

Depreciation and amortization are charged to the following (see Note 11):

	Unaudited		Audited	
	April 1 to June 30, 2026	January 1 to June 30, 2026	April 1 to June 30, 2025	January 1 to June 30, 2025
Selling and marketing expenses	₱71,427,871	₱165,233,881	₱111,720,411	₱212,349,865
General and administrative expenses	27,817,124	44,739,897	21,399,860	42,393,622
	₱99,244,995	₱209,973,778	₱133,120,271	₱254,743,487

8. Trade and Other Payables

This account consists of:

	<i>Note</i>	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Trade		₱916,283,493	₱1,107,004,232
Dividends payable	10	123,250,000	—
Statutory payables		117,070,808	65,545,537
Accrued expenses		15,913,284	20,756,667
Retention payables		7,179,581	6,597,581
Others		3,732,789	3,686,488
		₱1,183,429,955	₱1,203,590,505

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 payables which are normally settled in the next reporting period.

9. Bank Loans and Trust Receipts Payable

Movements in this account are as follows:

	June 30, 2026 (Unaudited)		
	Bank Loans	Trust Receipts	Total
Balance at beginning of period	₱1,175,000,000	₱2,092,702,189	₱3,267,702,189
Availments	149,521,650	2,297,504,941	2,447,026,591
Payments	(100,000,000)	(2,092,702,188)	(2,192,702,188)
Balance at end of period	₱1,224,521,650	₱2,297,504,942	₱3,522,026,592

	December 31, 2025 (Audited)		
	Bank Loans	Trust Receipts	Total
Balance at beginning of year	₱1,216,666,667	₱1,286,290,982	₱2,502,957,649
Availments	800,000,000	3,359,268,701	4,159,268,701
Payments	(841,666,667)	(2,552,857,494)	(3,394,524,161)
Balance at end of year	₱1,175,000,000	₱2,092,702,189	₱3,267,702,189

As at June 30, 2026 and December 31, 2025, the bank loans and trust receipts have terms of three months to one year, subject to refinancing upon approval of the creditor bank. Bank loans were obtained for working capital purposes and capital expenditures of the Group. Bank loans amounting to ₱300.0 million as at June 30, 2026 and December 31, 2025, were secured by a related party's land and the Group's building with a carrying amount of ₱147.0 million and ₱150.5 million as at June 30, 2026 and December 31, 2025, respectively (see Note 7). Interest rates on bank loans and trust receipts range from 3.44% to 6.25% in 2026 and 5.88% to 8.00% in 2025.

Trust Receipts

Under the terms of agreements, merchandise inventories amounting to ₱2,297.5 million and ₱3,359.3 million as at June 30, 2026 and December 31, 2025, respectively, were covered by trust receipts issued by local banks (see Note 5).

Covenants

As at June 30, 2026, the Group's bank loans were not covered by any covenants.

Details of finance costs charged to operations are as follows:

		Unaudited			Audited	
		April 1 to June 30, 2026	January 1 to June 30, 2026	April 1 to June 30, 2025	January 1 to June 30, 2025	December 31, 2025
	Note					
Interest on bank loans		₱17,192,464	₱34,699,907	₱20,910,150	₱40,209,907	₱80,935,107
Interest on trust receipts		31,987,686	62,352,001	21,581,029	43,108,748	88,548,660
Accretion of interest on lease liabilities	15	9,683,179	15,529,233	6,071,147	12,163,847	20,137,728
		₱58,863,329	₱112,581,141	₱48,562,326	₱95,482,502	₱189,621,495

10. Equity

Capital Stock

Details of capital stock follow:

	June 30, 2026 (Unaudited)		December 31, 2025 (Audited)	
	Shares	Amount	Shares	Amount
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

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. 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. As at December 31, 2025, the Group has fully utilized the proceeds from the IPO.

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 as at June 30, 2026 and December 31, 2025.

Retained Earnings

Dividend Declaration

Details of the cash dividends declared by the Group in 2026 and 2025 are as follows:

Date of BOD approval	Stockholders of record	Dividend per share	Amount
May 25, 2026	June 9, 2026	₱0.06	₱187,500,078
May 26, 2025	June 10, 2025	₱0.06	₱187,500,078

Outstanding dividends payable amounted to ₱123.3 million and nil as at June 30, 2026 and December 31, 2025, respectively (see Note 8).

Non-controlling Interests

The Group's non-controlling interests represent ownership of non-controlling interests' stockholders of iStudio and UGI aggregating to ₱17.6 million and ₱17.2 million as at June 30, 2026 and December 31, 2025, respectively.

No dividends were paid to non-controlling interests for the six months periods ended June 30, 2026 and 2025 and for the year ended December 31, 2025. As at June 30, 2026 and December 31, 2025, there were no outstanding dividends payable to non-controlling interests.

11. Operating Expenses

This account consists of:

	Unaudited			Audited	
	April 1 to June 30, 2026	January 1 to June 30, 2026	April 1 to June 30, 2025	January 1 to June 30, 2025	December 31, 2025
Selling and marketing expenses	₱464,851,691	₱953,240,489	₱424,087,883	₱866,898,773	₱1,878,647,371
General and administrative expenses	137,443,494	244,570,630	113,678,173	217,524,469	436,211,913
	₱602,295,185	₱1,197,811,119	₱537,766,056	₱1,084,423,242	₱2,314,859,284

Selling and marketing expenses consist of:

		Unaudited			Audited	
	Note	April 1 to June 30, 2026	January 1 to June 30, 2026	April 1 to June 30, 2025	January 1 to June 30, 2025	December 31, 2025
Merchant discount		₱146,304,391	₱280,807,223	₱104,095,277	₱209,752,965	₱460,494,327
Personnel costs		88,722,755	182,945,782	75,898,121	169,768,425	413,386,320
Depreciation and amortization	7	71,427,871	165,233,881	111,720,411	212,349,865	396,702,358
Rent	15	64,539,181	136,198,838	48,187,643	103,365,361	234,876,334
Utilities		43,969,088	87,220,009	42,736,710	82,328,565	169,704,604
Contracted and other services		38,705,736	78,789,659	35,046,721	76,597,260	168,779,773
Advertising		5,801,158	9,562,625	1,667,194	3,720,554	14,018,912
Freight and delivery		3,865,800	8,401,388	3,721,889	6,701,299	13,986,143
Retirement expense	14	996,542	2,325,876	1,013,917	2,314,479	5,488,894
Others		519,169	1,755,208	—	—	1,209,706
		₱464,851,691	₱953,240,489	₱424,087,883	₱866,898,773	₱1,878,647,371

General and administrative expenses consist of:

		Unaudited			Audited	
	Note	April 1 to June 30, 2026	January 1 to June 30, 2026	April 1 to June 30, 2025	January 1 to June 30, 2025	December 31, 2025
Personnel costs		₱48,283,352	₱76,019,012	₱42,928,816	₱70,543,457	₱117,384,892
Taxes and licenses		28,204,515	53,776,715	27,226,448	54,268,351	141,907,387
Depreciation and amortization	7	27,817,124	44,739,897	21,399,860	42,393,622	73,715,816
Repairs, warranties and maintenance		7,645,085	14,837,269	5,294,128	10,617,802	19,126,016
Representation		7,259,476	12,371,991	1,150,642	1,938,662	13,185,652
Transportation and travel		5,026,350	10,212,803	4,929,975	9,967,929	19,478,575
Professional fees		3,252,239	7,866,338	3,013,877	7,115,027	11,771,295
Stationery and supplies		4,012,945	7,147,958	3,409,891	6,857,136	17,602,586
Insurance		1,226,046	5,120,455	1,158,393	1,974,326	3,672,543
Retirement expense	14	886,165	1,439,537	669,243	1,051,841	1,243,746
Others		3,830,197	11,038,655	2,496,900	10,796,316	17,123,405
		₱137,443,494	₱244,570,630	₱113,678,173	₱217,524,469	₱436,211,913

Personnel costs consist of:

	Unaudited			Audited	
	April 1 to June 30, 2026	January 1 to June 30, 2026	April 1 to June 30, 2025	January 1 to June 30, 2025	December 31, 2025
Salaries and wages	₱123,288,684	₱230,461,679	₱106,509,469	₱215,465,742	₱453,211,428
Employee benefits	13,717,423	28,503,115	12,317,468	24,846,140	77,559,784
	₱137,006,107	₱258,964,794	₱118,826,937	₱240,311,882	₱530,771,212

12. Other Income (Charges)

	Note	Unaudited		Unaudited		Audited
		April 1 to June 30, 2026	January 1 to June 30, 2026	April 1 to June 30, 2025	January 1 to June 30, 2025	December 31, 2025
Interest income	3	₱468,214	₱897,601	₱1,200,904	₱2,869,374	₱3,749,558
Realized foreign exchange gain		1,772,613	4,608,081	5,104,401	12,073,693	7,702,027
Gain on lease modification	15	—	—	—	376,033	17,206,562
Gain (loss) on disposal of property and equipment	7	—	1,130,000	—	—	(1,260)
Others		92,626,428	187,771,729	89,160,678	164,670,682	353,926,972
		₱94,867,255	₱194,407,411	₱95,465,983	₱179,989,782	₱382,583,859

Other income includes product advertising and promotional support granted by suppliers. These are the suppliers' marketing initiatives and are recognized as income at a point in time or when the right to compensation is established.

13. Related Party Transactions

The Group has transactions with related parties as follows:

		Transactions during the Period			Outstanding Balance	
	Nature of Transaction	January 1 to June 30, 2026 (Unaudited)	January 1 to June 30, 2025 (Unaudited)	January 1 to December 31, 2025 (Audited)	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Trade and Other Receivables (see Note 4)						
Stockholder	Advances for business development expenses	₱—	₱—	₱—	₱—	₱31,791,848
Advances for Property Acquisition (see Note 6)						
Entity under common control	Advances	₱—	₱306,250,000	₱401,250,000	₱95,000,000	₱95,000,000
Lease Arrangement (see Note 15)						
Entity under common control	ROU asset amortization	₱30,169,781	₱32,917,130	₱44,551,594	₱93,225,288	₱29,543,929
	Lease liability payment	32,961,929	33,832,606	31,611,980	66,101,976	—
	Gain on lease modification	—	—	15,781,850	—	—

Terms and Conditions

Advances to a Stockholder

Advances to a stockholder are unsecured and noninterest-bearing advances for business development expenses. The potential business opportunity, however, did not materialize as expected in 2025. The advances to a stockholder have been settled in 2026.

Advances for Property Acquisition

In 2025, the Group acquired properties from a related party totaling ₱401.3 million. As at June 30, 2026, the documentation for the purchase of properties amounting to ₱95.0 million with a related party have not yet been completed, hence, these amounts are presented as advances for property acquisition under "Other noncurrent assets" in the interim condensed consolidated statements of financial position (see Note 6).

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 ₱147.0 million and ₱150.5 million as at June 30, 2026 and December 31, 2025, respectively, was used as collateral for a related party's outstanding loan with a local bank (see Note 7).

Compensation of Key Management Personnel

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

	Unaudited				Audited
	April 1 to June 30, 2026	January 1 to June 30, 2026	April 1 to June 30, 2025	January 1 to June 30, 2025	December 31, 2025
Short-term employee benefits	₱2,813,008	₱5,626,015	₱1,713,465	₱3,426,930	₱11,252,030
Post-employment benefits	168,103	332,814	166,407	332,814	672,411
	₱2,981,111	₱5,958,829	₱1,879,872	₱3,759,744	₱11,924,441

14. 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, 2025.

There are no unusual or significant risks to which the retirement liability exposes 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 consolidated statements of comprehensive income is as follows:

	Unaudited				Audited
	April 1 to June 30, 2026	January 1 to June 30, 2026	April 1 to June 30, 2025	January 1 to June 30, 2025	December 31, 2025
Current service cost	₱1,006,710	₱2,013,420	₱941,679	₱1,883,357	₱3,766,714
Interest cost	875,997	1,751,993	741,481	1,482,963	2,965,926
	₱1,882,707	₱3,765,413	₱1,683,160	₱3,366,320	₱6,732,640

Retirement expense is charged to the following (see Note 11):

	Unaudited				Audited
	April 1 to June 30, 2026	January 1 to June 30, 2026	April 1 to June 30, 2025	January 1 to June 30, 2025	December 31, 2025
Selling and marketing expenses	₱996,542	₱2,325,876	₱1,013,917	₱2,314,479	₱5,488,894
General and administrative expenses	886,165	1,439,537	669,243	1,051,841	1,243,746
	₱1,882,707	₱3,765,413	₱1,683,160	₱3,366,320	₱6,732,640

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

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Balance at beginning of period	₱53,907,456	₱48,621,746
Current service cost	2,013,420	3,766,714
Interest cost	1,751,993	2,965,926
Remeasurement losses (gains)	–	(1,446,930)
Balance at end of period	₱57,672,869	₱53,907,456

The assumptions used to determine retirement liability are as follows:

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Discount rate	6.50%	6.50%
Salary increase rate	3.00%	3.00%

The sensitivity analyses based on reasonably possible changes of the assumptions as at June 30, 2026 follow:

	Basis Points	Effect on Present Value of Retirement Liability
Discount rate	+100	(₱3,278,239)
	-100	11,763,034
Salary increase rate	+100	7,718,593
	-100	(6,869,809)

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 14 years.

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

	June 30, 2026 (Unaudited)		
	Cumulative Remeasurement Loss	Deferred Tax (see Note 16)	Cumulative Remeasurement Loss, Net of Tax
Balance at beginning and end of period	₱8,538,265	(₱2,134,566)	₱6,403,699

	December 31, 2025 (Audited)		
	Cumulative Remeasurement Loss	Deferred Tax (see Note 16)	Cumulative Remeasurement Loss, Net of Tax
Balance at beginning of year	₱9,985,195	(₱2,496,299)	₱7,488,896
Remeasurement gain	(1,446,930)	361,733	(1,085,197)
Balance at end of year	₱8,538,265	(₱2,134,566)	₱6,403,699

15. 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 charged to selling and marketing expenses amounted to ₱136.2 million, ₱103.4 million and ₱234.9 million for the six months period ended June 30, 2026 and 2025 and for the year ended December 31, 2025, respectively (see Note 11).

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:

		June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
	<i>Note</i>		
Cost			
Balance at beginning of period		₱1,848,125,585	₱1,684,558,558
Additions		339,415,370	213,212,328
Effect of lease modification		–	(49,645,301)
Balance at end of period		2,187,540,955	1,848,125,585
Accumulated amortization			
Balance at beginning of period		1,595,302,026	1,269,104,988
Amortization	7	171,222,812	350,934,040
Effect of lease modification		–	(24,737,002)
Balance at end of period		1,766,524,838	1,595,302,026
Carrying Amount		₱421,016,117	₱252,823,559

Lease Liabilities

The balance and movements in lease liabilities are as follows:

		June 30, 2026	December 31, 2025
	<i>Note</i>	(Unaudited)	(Audited)
Balance at beginning of period		₱227,037,467	₱399,270,691
Additions		339,415,370	183,293,816
Payments		(174,522,266)	(333,549,907)
Accretion	9	15,529,233	20,137,728
Effect of lease modification		–	(42,114,861)
Balance at end of period		407,459,804	227,037,467
Current portion		221,695,021	142,551,346
Noncurrent portion		₱185,764,783	₱84,486,121

Incremental borrowing rate ranging from 3.4% to 7.0% was applied to determine the discounted amount of lease liabilities in 2026 and 2025.

The Group recognized gain on lease modifications amounting to nil, ₱0.4 million and ₱17.2 million for the six months ended June 30, 2026 and 2025, and for the year ended December 31, 2025, respectively (see Note 12).

The future minimum lease payments and present value as at June 30, 2026 is as follows:

	Minimum	Present Value
	Lease Payments	
Not later than one year	₱253,667,486	₱221,695,021
Later than one year but not more than five years	195,791,720	185,764,783
	₱449,459,206	₱407,459,804

Refundable Lease Deposits

Lease deposits, which are refundable at the end of the lease term if unutilized, aggregate ₱279.8 million and ₱265.5 million as at June 30, 2026 and December 31, 2025, respectively (see Note 6).

16. Income Taxes

The provision for current income tax pertains to regular corporate income tax (RCIT) for the six months ended June 30, 2026 and for the year ended December 31, 2025.

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

		June 30, 2026	December 31, 2025
	<i>Note</i>	(Unaudited)	(Audited)
Deferred tax assets:			
Allowance for inventory obsolescence		₱22,188,727	₱22,188,727
Retirement liability:			
Profit or loss		12,283,651	11,342,298
OCI	14	2,134,566	2,134,566
		36,606,944	35,665,591
Deferred tax liability:			
Capitalized borrowing cost		(5,029,151)	(5,029,151)
Excess of ROU asset over lease liability		(3,389,080)	(6,446,523)
		(8,418,231)	(11,475,674)
		₱28,188,713	₱24,189,917

17. Basic and Diluted Earnings per Share Computation

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

	Unaudited		Audited		
	April 1 to June 30, 2026	January 1 to June 30, 2026	April 1 to June 30, 2025	January 1 to June 30, 2025	December 31, 2025
Net income attributable to equity holders of the Parent Company	₱110,427,208	₱257,105,517	₱74,889,875	₱202,492,012	₱398,848,812
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
	₱0.04	₱0.08	₱0.02	₱0.06	₱0.13

The Group has no dilutive potential shares for the six months ended June 30, 2026 and 2025, and for the year ended December 31, 2025.

18. Operating Segment Information

The primary segment reporting format is determined to be operating segments as the Group's risks and rates of return are affected predominantly by differences in the nature of products being sold. The operating businesses are organized and managed separately according to the nature of the products provided, with each segment representing a strategic business unit.

Business Segments

The Group's main businesses in 2026 and 2025 are as follows:

- Retail of information and communications technology (ICT) products.
- Retail of water filtration and purification devices.

Geographical Segments

The Group operates and generates revenue principally in the Philippines. Consequently, geographical business information is not applicable.

Sales are attributable to revenue from the general public, which are generated through the Group's store outlets. Consequently, the Group has no concentrations of revenue from a single customer in 2026 and 2025.

Management monitors operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the financial statements.

On a consolidated basis, the Group's performance is evaluated based on core net income for the period. Core net income is measured as consolidated net income.

The following tables present revenue and expense information and certain assets and liabilities information regarding the different business segments as at June 30, 2026 and December 31, 2025:

	June 30, 2026			
	ICT Products	Water Filtration and Purification Devices	Eliminations	Total
REVENUE	₱6,463,734,037	₱8,244,168	(₱79,449)	₱6,471,898,756
COST OF SALES	(5,015,644,786)	(4,836,945)	66,051	(5,020,415,680)
GROSS INCOME	1,448,089,251	3,407,223	(13,398)	1,451,483,076
OPERATING EXPENSES	(1,190,292,628)	(8,000,633)	482,142	(1,197,811,119)
FINANCE COSTS	(112,581,141)	—	—	(112,581,141)
OTHER INCOME	194,882,099	7,454	(482,142)	194,407,411
INCOME (LOSS) BEFORE INCOME TAX	340,097,581	(4,585,956)	(13,398)	335,498,227
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	82,061,250	—	—	82,061,250
Deferred	(3,998,797)	—	—	(3,998,797)
	78,062,453	—	—	78,062,453
NET INCOME (LOSS)	262,035,128	(4,585,956)	(13,398)	257,435,774
OTHER COMPREHENSIVE INCOME				
<i>Item not to be reclassified to profit or loss in subsequent periods</i>				
Remeasurement gain on retirement liability - net of deferred income tax	—	—	—	—
TOTAL COMPREHENSIVE INCOME (LOSS)	₱262,035,128	(₱4,585,956)	(₱13,398)	₱257,435,774
SEGMENT ASSETS	₱8,666,363,434	₱41,685,827	(₱118,531,065)	₱8,589,518,196
SEGMENT LIABILITIES	₱5,231,602,488	₱6,643,889	(₱42,355,013)	₱5,195,891,364
Other Information				
Depreciation and amortization	₱209,887,539	₱86,239	₱—	₱209,973,778
Additions to property and equipment and ROU assets	400,404,689	1,336,358	—	401,741,047
	June 30, 2025			
	ICT Products	Water Filtration and Purification Devices	Eliminations	Total
REVENUE	₱6,057,626,228	₱4,272,240	(₱1,278,458)	₱6,060,620,010
COST OF SALES	(4,799,253,642)	(2,987,310)	1,135,953	(4,801,104,999)
GROSS INCOME	1,258,372,586	1,284,930	(142,505)	1,259,515,011
OPERATING EXPENSES	(1,081,018,868)	(3,494,717)	90,343	(1,084,423,242)
FINANCE COSTS	(95,445,183)	(37,319)	—	(95,482,502)
OTHER INCOME	179,606,133	383,649	—	179,989,782
INCOME (LOSS) BEFORE INCOME TAX	261,514,668	(1,863,457)	(52,162)	259,599,049
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	59,614,622	—	—	59,614,622
Deferred	(4,220,451)	64,481	—	(4,155,970)
	55,394,171	64,481	—	55,458,652
NET INCOME (LOSS)	206,120,497	(1,927,938)	(52,162)	204,140,397
OTHER COMPREHENSIVE INCOME				
<i>Item not to be reclassified to profit or loss in subsequent periods</i>				
Remeasurement gain on retirement liability - net of deferred income tax	—	—	—	—
TOTAL COMPREHENSIVE INCOME (LOSS)	₱206,120,497	(₱1,927,938)	(₱52,162)	₱204,140,397
SEGMENT ASSETS	₱7,747,990,599	₱46,072,774	(₱117,182,382)	₱7,676,880,991
SEGMENT LIABILITIES	₱4,592,230,091	₱1,677,854	(₱41,130,220)	₱4,552,777,725
Other Information				
Depreciation and amortization	₱254,124,159	₱619,328	₱—	₱254,743,487
Additions to property and equipment and ROU assets	504,812,085	460,514	—	505,272,599

	December 31, 2025			
	ICT Products	Water Filtration and Purification Devices	Eliminations	Total
REVENUE	₱12,906,384,996	₱13,166,401	(₱1,843,271)	₱12,917,708,126
COST OF SALES	(10,237,438,892)	(8,385,673)	1,590,274	(10,244,234,291)
GROSS INCOME	2,668,946,104	4,780,728	(252,997)	2,673,473,835
OPERATING EXPENSES	(2,303,857,264)	(11,574,506)	572,486	(2,314,859,284)
FINANCE COSTS	(189,584,176)	(37,319)	—	(189,621,495)
OTHER INCOME	382,894,363	171,639	(482,143)	382,583,859
INCOME (LOSS) BEFORE INCOME TAX	558,399,027	(6,659,458)	(162,654)	551,576,915
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	155,560,088	—	—	155,560,088
Deferred	(6,661,749)	35,506	—	(6,626,243)
	148,898,339	35,506	—	148,933,845
NET INCOME (LOSS)	409,500,688	(6,694,964)	(162,654)	402,643,070
OTHER COMPREHENSIVE INCOME				
<i>Item not to be reclassified to profit or loss in subsequent periods</i>				
Remeasurement gain on retirement liability - net of deferred income tax	1,085,197	—	—	1,085,197
TOTAL COMPREHENSIVE INCOME (LOSS)	₱410,585,885	(₱6,694,964)	(₱162,654)	₱403,728,267
SEGMENT ASSETS	₱8,201,481,843	₱40,250,151	(₱119,026,050)	₱8,122,705,944
SEGMENT LIABILITIES	₱4,841,255,947	₱622,257	(₱42,863,396)	₱4,799,014,808
Other Information				
Depreciation and amortization	₱469,644,899	₱773,275	₱—	₱470,418,174
Additions to property and equipment and ROU assets	728,915,694	1,053,953	—	729,969,647
Provision for inventory obsolescence	29,340,039	—	—	29,340,039

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 Parent 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, Tiktok, 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), Upson is the largest in terms of store network and sales amongst mall-based consumer electronics retailers. As of June 30, 2026, we have a total of 260 branches nationwide, of which 37 are stand-alone stores, while 223 are mall-based stores. Our regional network of stores is found in the National Capital Region, North Luzon, South Luzon, Visayas, North Mindanao, and South Mindanao. 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).

Upson store formats include Octagon, the flagship brand offering a full range of hardware and software products; Microvalley, which focuses on do-it-yourself computer components, customized PCs, and gaming peripherals; Gadget World, which specializes in IT accessories and peripherals; Octagon Mobile, which focuses on mobile phones, tablets, networking devices, and related accessories and Concept Stores to offer exclusive products from partner brands.

2.2 RESULT OF OPERATION

Unaudited Interim Consolidated Statements of Comprehensive Income

	For the six months ended June 30		% Change
	2026	2025	
Sales	₱6,471,898,756	₱6,060,620,010	6.79%
Cost of sales	(5,020,415,680)	(4,801,104,999)	4.57%
Gross income	1,451,483,076	1,259,515,011	15.24%
Operating expenses	(1,197,811,119)	(1,084,423,242)	10.46%
Finance costs	(112,581,141)	(95,482,502)	17.91%
Other income	194,407,411	179,989,782	-59.46%
Income before income tax	335,498,227	259,599,049	29.24%
Provision for (benefit from) income tax			
Current	82,061,250	59,614,622	37.65%
Deferred	(3,998,797)	(4,155,970)	-3.78%
	78,062,453	55,458,652	40.76%
Net income	₱257,435,774	₱204,140,397	26.11%
Earnings per share	₱0.08	₱0.06	

2.3 OPERATING RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2026 COMPARED WITH JUNE 30, 2025

During the six months ended June 30, 2026, the Group's operation resulted to a net income of ₱257.4 million.

Sales for the six months ended June 30, 2026 increased by 6.79% compared with the sales for the six months ended June 30, 2025. The increase is mainly due to price increase of GPU and memory related products following the AI industry monopoly of the supply of the products, resulting to a demand pull price increase. Mobile phones and DIY products also increase in sales in 2026. The Group's gross profit ratio is 22.43% and 20.78% for the six months period ended June 30, 2026 and 2025, respectively.

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

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

EBITDA for the six months ended June 30, 2026 was ₱658.1 million or 10.17% of net sales. This figure reflects a 7.91% incline from the ₱609.8 million or 10.06% of net sales, recorded for the comparative period ended June 30, 2025.

The increase in EBITDA was driven by the improvement of the Group's operations following its strategy to ramp up its merchandise inventory of products which are affected by the price increase of GPU and memory.

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

Key Financial and Operating Data	For the six months ended June 30	
	2026	2025
Sales (₱ millions)	₱6,471.9	₱6,060.6
Sales Growth (%)	6.79%	20.11%
Gross Profit Margin (%)	22.43%	20.78%
Net Profit (₱ millions)	257.4	204.1
Net Profit Margin (%)	3.98%	3.37%
Store Count	260	257
Gross Selling Space (sq. m.)	32,376	33,325
Increase (Decrease) in Gross Selling Space (%)	(2.85%)	13.58%

The following outlines the quarterly trend in same-store sales, which measures the average sales per store per day for all stores operating for more than twelve months.

SSSG	Q1	Q2	Q3	Q4	FY
2026	3.43%	9.29%	N/A	N/A	N/A
2025	6.74%	8.85%	(0.62%)	11.74%	6.1%

2.4 FINANCIAL CONDITION

Unaudited Interim Consolidated Statements of Financial Position

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)	% Change
Total Current Assets	₱6,667,229,132	₱6,417,055,143	3.90%
Total Assets	8,589,518,196	8,122,705,944	5.75%
Current Liabilities	4,952,453,712	4,660,621,231	6.26%
Total Liabilities	5,195,891,364	4,799,014,808	8.27%
Total Equity	3,393,626,832	3,323,691,136	2.10%
Current assets/Total assets	77.62%	78.52%	
Current ratio	1.35	1.38	
Debt to equity ratio	1.53	1.44	

The net increase in current assets mainly pertains to purchases of inventories during the fourth quarter of 2025 up to the first quarter of 2026 due to the strategic ramp up of inventories related to GPU and memory with expected price increases due to AI Industry monopolizing the supplies.

The noncurrent assets of the Group mainly consist of property and equipment and ROU assets. The net increase is mainly caused by renewal of long-term lease agreements resulting to additions to ROU assets and the acquisition of store furniture and fixtures, leasehold improvements and transportation equipment.

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 increase in trust receipts used to finance inventory purchases and lease liabilities pertaining to renewal of long-term contracts qualifying for the recognition of lease liabilities and ROU assets.

2.5 LIQUIDITY and CAPITAL RESOURCES

The table below shows the Group's cash flows for the six months ended June 30, 2026 and 2025.

Unaudited Interim Consolidated Statements of Cash Flows

	For the six months ended June 30		
	2026	2025	% change
Net cash provided by operating activities	₱120,501,556	₱715,452,381	(85.48%)
Cash used in investing activities	(61,195,677)	(410,990,727)	(91.74%)
Net cash used in financing activities	(81,499,849)	(373,429,838)	(304%)
Net increase (decrease) in cash	(22,193,970)	(68,968,184)	(644.93%)
Cash at beginning of period	823,354,547	889,350,473	(7.42%)
Cash at end of period	₱801,160,577	₱820,382,289	(51.68%)

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 six months ended June 30, 2026, the cash used in financing activities pertains to repayment of loans and cash flows for payment of lease liabilities while cash used in investing activities pertains to net effect of property and equipment acquisitions and proceeds from sale of fully depreciated transportation equipment.

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 persons 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 normally 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	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Current/Liquidity Ratio			
	Current assets	₱6,667,229,132	₱6,417,055,143
	Divided by: Current liabilities	4,952,453,712	4,660,621,231
	Current/Liquidity ratio	1.35:1.00	1.38:1.00
Solvency Ratio			
	Net income before depreciation and amortization	₱467,409,552	₱873,061,244
	Divided by: Total liabilities	5,195,891,364	4,799,014,808
	Solvency ratio	0.09:1.00	0.18:1.00
Debt-to-Equity Ratio			
	Total liabilities	₱5,195,891,364	₱4,799,014,808
	Divided by: Total equity	3,393,626,832	3,323,691,136
	Debt-to-Equity ratio	1.53:1.00	1.44:1.00
Asset-to-Equity Ratio			
	Total assets	₱8,589,518,196	₱8,122,705,944
	Divided by: Total equity	3,393,626,832	3,323,691,136
	Asset-to-Equity ratio	2.53:1.00	2.44:1.00
Interest Rate Coverage Ratio			
	Income before interest and taxes	₱448,079,368	₱741,198,410
	Divided by: Interest expense	112,581,141	189,621,495
	Interest Rate Coverage ratio	3.98:1.00	3.91:1.00
Return on Assets Ratio			
	Net income	₱257,435,774	₱402,643,070
	Divided by: Total assets	8,589,518,196	8,122,705,944
	Return on Assets ratio	0.03:1.00	0.05:1.00
Return on Equity Ratio			
	Net income	₱257,435,774	₱402,643,070
	Divided by: Total equity	3,393,626,832	3,323,691,136
	Return on Equity ratio	0.08:1.00	0.12:1.00
Net Profit Margin			
	Net income	₱257,435,774	₱402,643,070
	Divided by: Revenues	6,471,898,756	12,917,708,126
	Net Profit Margin	0.04:1.00	0.03:1.00

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 gross maximum exposure of the Group to credit risk:

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Cash in banks	₱789,180,204	₱811,445,105
Trade receivables	219,987,367	248,602,888
	₱1,009,167,571	₱1,060,047,993

As at June 30, 2026 and December 31, 2025, the amount of cash in banks and trade receivables 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, the Group applies the general approach in measuring ECL. Management assessed that the application of the general approach does not result to 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 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.

June 30, 2026 (Unaudited)				
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total
Cash in banks	₱789,180,204	₱—	₱—	₱789,180,204
Trade receivables	—	219,987,367	—	219,987,367
	₱789,180,204	₱219,987,367	₱—	₱1,009,167,571

December 31, 2025 (Audited)				
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total
Cash in banks	₱811,445,105	₱—	₱—	₱811,445,105
Trade receivables	—	248,602,888	—	248,602,888
	₱811,445,105	₱248,602,888	₱—	₱1,060,047,993

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 far 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 forecast 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.

June 30, 2026 (Unaudited)				
	1 to 6 Months	6 Months to 1 Year	More than 1 Year	Total
Trade and other payables*	₱1,176,250,374	₱7,179,581	₱—	₱1,183,429,955
Bank loans and trust receipts payable	2,297,504,942	1,224,521,650	—	3,522,026,592
Lease liabilities	126,902,548	126,764,938	195,791,719	449,459,205
	₱3,600,657,864	₱1,358,466,169	₱195,791,719	₱5,154,915,752

*Excluding statutory payables.

	December 31, 2025 (Audited)			
	1 to 6 Months	6 Months to 1 Year	More than 1 Year	Total
Trade and other payables*	₱1,131,447,387	₱6,597,581	₱—	₱1,138,044,968
Bank loans and trust receipts payable	2,092,702,189	1,175,000,000	—	3,267,702,189
Lease liabilities	97,625,582	57,933,053	99,875,219	246,433,854
	₱3,321,775,158	₱1,239,530,634	₱99,875,219	₱4,652,181,011

*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 on the basis of 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 June 30, 2026 and December 31, 2025, and bear an effective interest rate ranging from 3.44% to 6.25% in 2026 and 5.88% to 8.00% in 2025.

2.9 AGING ANALYSIS OF TRADE AND OTHER RECEIVABLES

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

	June 30, 2026 (Unaudited)						
	Past Due						
	Total	Current	0-30 days	31-60 days	61-90 days	91-120 days	More than 120 days
Trade	₱219,987,367	₱219,987,367	₱—	₱—	₱—	₱—	₱—
Advances to:							
Officers and employees	4,551,757	4,551,757	—	—	—	—	—
Suppliers	435,720	435,720	—	—	—	—	—
	₱224,974,844	₱224,974,844	₱—	₱—	₱—	₱—	₱—

	December 31, 2025 (Audited)						
	Past Due						
	Total	Current	0-30 days	31-60 days	61-90 days	91-120 days	More than 120 days
Trade	₱248,602,888	₱248,602,888	₱—	₱—	₱—	₱—	₱—
Advances to:							
Stockholder	31,791,848	31,791,848	—	—	—	—	—
Suppliers	4,730,722	4,730,722	—	—	—	—	—
Officers and employees	494,297	494,297	—	—	—	—	—
	₱285,619,755	₱285,619,755	₱—	₱—	₱—	₱—	₱—

PART II – OTHER INFORMATION

There are no other information not previously reported in SEC Form 17-C that need to be reported in this section.

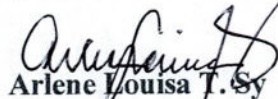
SIGNATURES

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:


Marcos A. Legaspi
Chief Financial Officer


Arlene Louisa T. Sy
President and Chief Executive Officer