

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly period ended September 30, 2025

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Commission File No. **000-40770**

FOCUS UNIVERSAL INC.
(Exact Name of Small Business Issuer as specified in its charter)

Nevada
(State or other jurisdiction
of incorporation)

46-3355876
(IRS Employer File Number)

2311 E. Locust Court, Ontario, CA
(Address of principal executive offices)

91761
(Zip Code)

(626) 272-3883
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value	FCUV	The Nasdaq Stock Market LLC (Nasdaq Capital Market)

Securities registered pursuant to Section 12(g) of the Act: **None**

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

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

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

Large accelerated filer ☐ Accelerated filer ☐
Non-accelerated filer ☒ Smaller reporting company ☒
Emerging growth company ☐

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

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

As of November 10, 2025, registrant had 7,386,705 shares outstanding of the registrant's common stock at a par value of \$0.001 per share.

FORM 10-Q
FOCUS UNIVERSAL INC.
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PART I. FINANCIAL INFORMATION

References in this document to “us,” “we,” or “Company” refer to Focus Universal Inc.

ITEM 1. FINANCIAL STATEMENTS

FOCUS UNIVERSAL INC. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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FOCUS UNIVERSAL INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2025 (Unaudited)	December 31, 2024
ASSETS		
Current Assets:		
Cash	\$ 410,884	\$ 3,589,318
Accounts receivable, net	7,125	5,584
Inventories, net	138,370	126,071
Prepaid expenses	107,969	100,730
Marketable securities	43,548	24,660
Deposits – current portion	63,181	–
Total Current Assets	771,077	3,846,363
Property and equipment, net	71,710	60,485
Operating lease right-of-use asset	37,658	108,270
Deposits	–	65,195
Total Assets	\$ 880,445	\$ 4,080,313
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 685,104	\$ 702,065
Other current liabilities	–	68,204
Lease liability, current portion	20,534	106,706
Total Current Liabilities	705,638	876,975
Non-Current Liabilities:		
Lease liability, less current portion	–	8,114
Total Non-Current Liabilities	–	8,114
Total Liabilities	705,638	885,089
Contingencies	–	–
Stockholders' Equity:		
Common stock, par value \$0.001 per share, 15,000,000 shares authorized; 7,386,705 and 7,153,647 shares issued and outstanding as of September 30, 2025 and December 31, 2024, respectively	7,387	7,154
Treasury stock at cost (58,038 and 348,968 shares held at September 30, 2025 and December 31, 2024, respectively)	(249,676)	(1,055,592)
Additional paid-in capital	30,105,018	30,025,587
Shares to be issued, common shares	52,733	25,573
Accumulated deficit	(29,705,709)	(25,782,308)
Accumulated other comprehensive loss	(34,946)	(25,190)
Total Stockholders' Equity	174,807	3,195,224
Total Liabilities and Stockholders' Equity	\$ 880,445	\$ 4,080,313

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

FOCUS UNIVERSAL INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Revenue	\$ 28,689	\$ 74,215	\$ 254,274	\$ 264,954
Cost of revenue	30,301	42,530	237,754	127,686
Gross profit (loss)	(1,612)	31,685	16,520	137,268
Operating expenses				
Selling expense	2,374	30,936	58,774	96,027
Compensation - officers and directors	124,981	575,255	375,725	687,303
Research and development	288,078	308,516	1,127,633	948,041
Professional fees	321,917	278,336	1,224,063	985,368
General and administrative	441,414	585,491	1,224,988	1,612,735
Total operating expenses	1,178,764	1,778,534	4,011,183	4,329,474
Loss from operations	(1,180,376)	(1,746,849)	(3,994,663)	(4,192,206)
Other income (expense):				
Interest income, net	5,747	14,001	39,765	2,653
Interest (expense) - related party	—	—	—	(89,098)
Gain on disposed of property	—	3,181,706	—	3,181,706
Unrealized gain (loss) on marketable equity securities	4,135	(537)	18,888	(9,692)
Rental income	—	13,849	—	96,541
Other income, net	4,119	6,541	12,609	49,143
Total other income	14,001	3,215,560	71,262	3,231,253
Income (loss) from continuing operations	(1,166,375)	1,468,711	(3,923,401)	(960,953)
Income (loss) from discontinued operations, net of tax	—	(26,784)	—	(277,823)
Net loss	\$ (1,166,375)	\$ 1,441,927	\$ (3,923,401)	\$ (1,238,776)
Other comprehensive items				
Foreign currency translation income (loss)	677	(2,735)	(9,756)	(11,011)
Total comprehensive loss	\$ (1,165,698)	\$ 1,439,192	\$ (3,933,157)	\$ (1,249,787)
Basic net income loss per share:				
Continuing operations	\$ (0.16)	\$ 0.22	\$ (0.54)	\$ (0.15)
Discontinued operations	—	(0.00)	—	(0.04)
Basic net loss per share	\$ (0.16)	\$ 0.22	\$ (0.54)	\$ (0.19)
Weighted Average Number of Common Shares Outstanding:				
Basic and Fully Diluted	7,357,465	6,572,483	7,260,223	6,512,469

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

FOCUS UNIVERSAL INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2025 AND 2024
(UNAUDITED)

Description	Common Stock		Treasury Stock at Cost	Additional Paid-In Capital	Shares to be issued Common Shares	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount						
Balance – June 30, 2025	7,218,838	\$ 7,219	\$ (173,838)	\$ 29,564,293	\$ 22,864	\$ (28,539,334)	\$ (35,623)	\$ 845,581
Stock based compensation - options	–	–	–	10,284	–	–	–	10,284
Stock based compensation - shares	–	–	–	89,332	29,869	–	–	119,201
Purchase of treasury stock	–	–	(75,838)	–	–	–	–	(75,838)
Stock issued for cash	167,867	168	–	441,109	–	–	–	441,277
Other comprehensive income	–	–	–	–	–	–	677	677
Net loss	–	–	–	–	–	(1,166,375)	–	(1,166,375)
Balance – September 30, 2025	<u>7,386,705</u>	<u>\$ 7,387</u>	<u>\$ (249,676)</u>	<u>\$ 30,105,018</u>	<u>\$ 52,733</u>	<u>\$ (29,705,709)</u>	<u>\$ (34,946)</u>	<u>\$ 174,807</u>

Description	Common Stock		Treasury Stock at Cost	Additional Paid-In Capital	Shares to be issued Common Shares	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount						
Balance – June 30, 2024	6,486,776	\$ 6,487	\$ (385,686)	\$ 26,807,599	\$ 15,968	\$ (25,262,873)	\$ (21,840)	\$ 1,159,655
Stock based compensation - options	–	–	–	36,995	–	–	–	36,995
Stock based compensation - shares	–	–	–	89,335	4,480	–	–	93,815
Stock issued for placement agent	375,000	375	–	1,085,625	–	–	–	1,086,000
Stock issued for private placement	430,000	430	–	1,289,570	–	–	–	1,290,000
Retirement of treasury stock	(3,000)	(3)	48,362	(48,359)	–	–	–	–
Stock based compensation related to discount on shares sold to related parties	–	–	–	340,000	–	–	–	340,000
Other comprehensive loss	–	–	–	–	–	–	(2,735)	(2,735)
Net income	–	–	–	–	–	1,441,927	–	1,441,927
Balance – September 30, 2024	<u>7,291,776</u>	<u>\$ 7,292</u>	<u>\$ (385,686)</u>	<u>\$ 29,649,124</u>	<u>\$ 20,448</u>	<u>\$ (23,820,946)</u>	<u>\$ (24,575)</u>	<u>\$ 5,445,657</u>

Description	Common Stock		Treasury Stock at Cost	Additional Paid-In Capital	Shares to be issued Common Shares	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount						
Balance – December 31, 2024	7,153,647	\$ 7,154	\$ (1,055,592)	\$ 30,025,587	\$ 25,573	\$ (25,782,308)	\$ (25,190)	\$ 3,195,224
Stock based compensation - options	–	–	–	30,852	–	–	–	30,852
Stock based compensation - shares	10,053	10	–	281,892	27,160	–	–	309,062
Purchase of treasury stock	–	–	(249,675)	–	–	–	–	(249,675)
Stock split rounding up	309,281	309	–	(309)	–	–	–	–
Retirement of treasury stock	(348,968)	(349)	1,055,591	(1,055,242)	–	–	–	–
Stock issued for cash	262,692	263	–	822,238	–	–	–	822,501
Other comprehensive loss	–	–	–	–	–	–	(9,756)	(9,756)
Net loss	–	–	–	–	–	(3,923,401)	–	(3,923,401)
Balance – September 30, 2025	<u>7,386,705</u>	<u>\$ 7,387</u>	<u>\$ (249,676)</u>	<u>\$ 30,105,018</u>	<u>\$ 52,733</u>	<u>\$ (29,705,709)</u>	<u>\$ (34,946)</u>	<u>\$ 174,807</u>

Description	Common Stock		Treasury Stock at Cost	Additional Paid-In Capital	Shares to be issued Common Shares	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount						
Balance – December 31, 2023	6,477,182	\$ 6,477	\$ (434,048)	\$ 26,494,455	\$ 74,476	\$ (22,582,170)	\$ (13,564)	\$ 3,545,626
Stock based compensation - options	–	–	–	110,985	–	–	–	110,985
Stock based compensation - shares	12,594	13	–	376,848	(54,028)	–	–	322,833
Retirement of treasury stock	(3,000)	(3)	48,362	(48,359)	–	–	–	–
Stock issued for placement agent	375,000	375	–	1,085,625	–	–	–	1,086,000
Stock issued for private placement	430,000	430	–	1,289,570	–	–	–	1,290,000
Stock based compensation related to discount on shares sold to related parties	–	–	–	340,000	–	–	–	340,000
Other comprehensive loss	–	–	–	–	–	–	(11,011)	(11,011)
Net loss	–	–	–	–	–	(1,238,776)	–	(1,238,776)
Balance – September 30, 2024	<u>7,291,776</u>	<u>\$ 7,292</u>	<u>\$ (385,686)</u>	<u>\$ 29,649,124</u>	<u>\$ 20,448</u>	<u>\$ (23,820,946)</u>	<u>\$ (24,575)</u>	<u>\$ 5,445,657</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

FOCUS UNIVERSAL INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Nine Months Ended September 30,	
	2025	2024
Cash flows from operating activities:		
Net Loss	\$ (3,923,401)	\$ (1,238,776)
Adjustments to reconcile net loss to net cash from operating activities:		
Gain on sale of building	–	(3,181,706)
Bad debt expense	–	4,459
Inventory reserve	1,644	–
Depreciation expense	17,231	72,738
Unrealized (gain) and loss on marketable equity securities	(18,888)	9,692
Stock-based compensation – shares	309,062	322,833
Stock based compensation related to discount on shares sold to related parties	–	340,000
Stock based compensation – options	30,852	110,985
Changes in operating assets and liabilities:		
Accounts receivable	(1,541)	9,069
Inventories	(13,943)	(196,749)
Other receivable	–	20,407
Deposit	2,604	(41,435)
Prepaid expenses	(6,665)	(36,480)
Operating lease right-of-use asset	72,298	65,364
Accounts payable and accrued liabilities	(14,347)	114,831
Other current liabilities	(68,204)	(6,496)
Lease liabilities	(95,806)	(80,523)
Other liabilities	–	(12,335)
Net cash flows used in operating activities from continuing operations	(3,709,104)	(3,724,122)
Net cash flows provided by operating activities from discontinued operations	–	65,221
Net cash flows used in operating activities	(3,709,104)	(3,658,901)
Cash flows from investing activities:		
Purchase of property and equipment	(27,318)	(13,250)
Proceeds from sale of property	–	7,145,808
Net cash flows provided by (used in) investing activities	(27,318)	7,132,558
Cash flows from financing activities:		
Proceeds from third party loan	–	350,000
Proceeds from related party loan	–	1,101,000
Repayment on related party loan	–	(2,101,000)
Repayment on third party loan	–	(275,000)
Stock issued for placement agent	–	1,086,000
Stock issued for private placement	822,501	1,290,000
Purchases of treasury stock	(249,675)	–
Net cash flows provided by financing activities	572,826	1,451,000
Effect of exchange rate	(14,838)	(11,681)
Net change in cash	(3,178,434)	4,912,976
Cash beginning of period	3,589,318	428,254
Cash end of period	\$ 410,884	\$ 5,341,230
Supplemental cash flow disclosure:		
Cash paid for income taxes	\$ 3,807	\$ –
Cash paid for interest	\$ –	\$ 112,038

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

FOCUS UNIVERSAL INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025 AND 2024
(UNAUDITED)

Note 1 – Organization and Operations

Focus Universal Inc. (“Focus” or the “Company”) was incorporated under the laws of the State of Nevada on December 4, 2012. The Company is a universal smart instrument developer and manufacturer, headquartered in Ontario, California, specializing in the development and commercialization of novel and proprietary universal smart technologies and instruments. Focus Universal Inc. is also a provider of patented hardware and software design technologies for Internet of Things (“IoT”) and 5G. The Company has developed what it believes are five disruptive patented technology platforms with 28 patents and patents pending in various phases and 8 trademarks to solve what it believes are the major problems facing hardware and software design and production within the industry today. These technologies combined have the potential to reduce costs, product development timelines and energy usage while increasing range, speed, efficiency, and security of the IoT and 5G networks. The smartphone or other mobile device serves as the foundation, where the user can see the sensor readouts and together with the Ubiquitor device, performs the functions of multiple traditional scientific and engineering instruments. The Company believes this product could replace traditional, wired stand-alone instruments at a fraction of their cost.

The Company has multiple subsidiaries, including Perfecular Inc. (“Perfecular”), AVX Design & Integration, Inc. (“AVX,” also doing business as Smart AVX (“Smart AVX”)), Focus Universal (Shenzhen) Technology Company LTD (“Focus Shenzhen”), Lusher Bioscientific, Inc. and Lusher, Inc. (together “Lusher”), and until August, 2024, AT Tech Systems LLC (“AT Tech LLC”), which activities’ have since been discontinued.

Perfecular, a wholly owned subsidiary of Focus, was founded in September 2009 and is headquartered in Ontario, California, and is engaged in designing certain digital sensor products and sells a broad selection of horticultural sensors and filters in North America and Europe.

AVX, incorporated on June 16, 2000, in the state of California, is an IoT installation and management company specializing in high performance audio/video systems, home theaters, lighting control, automation and integration. Services provided by AVX include full integration of houses, apartments, commercial complexes, and office spaces with audio, visual and control systems to fully integrate devices in the low voltage field, specializing in high end residential smart IoT installation projects in areas throughout the Southern California area. AVX’s services also include partial equipment upgrade and installation. AVX also markets and sells our IoT Products, such as high-end LED, live wall panel products and cameras, under the Smart AVX name.

On December 23, 2021, Focus Shenzhen was founded as a mainland China office for manufacturing procurement expertise and research and development support activities. Focus Shenzhen is designed to function as a branch office to source products and build relationships with manufacturers in China and as a lower cost form of support, research and development as engineers abound in China.

On January 5, 2022, the Company founded a wholly owned subsidiary named Lusher Bioscientific.

On April 30, 2024, the Company founded a wholly owned subsidiary named Lusher Inc. Lusher Inc. was founded to develop, market, and commercialize automation software, titled One Touch Financial, initially targeting the financial reporting software market sector.

AT Tech Systems was a subsidiary of Focus and specialized in commercial and industrial smart IoT installation projects in areas throughout Southern California. On August 5, 2024, the Company and the segment manager of AT Tech Systems LLC reached a tentative oral agreement to terminate his employment, and the employment of his two team members. The Company discontinued operations of AT Tech Systems on August 21, 2024, with a termination cost of \$22,000 and is now presenting these operations as discontinued. (See Note 8)

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The unaudited condensed financial statements of the Company for the three and nine months ended September 30, 2025 and 2024 have been prepared in accordance with accounting principles generally accepted in the U.S. (“GAAP”) for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Regulation S-K for scaled disclosures for smaller reporting companies. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. However, such information reflects all adjustments (consisting solely of normal recurring adjustments), which are, in the opinion of management, necessary for the fair presentation of the Company’s financial position and results of operations. Results shown for interim periods are not necessarily indicative of the results to be obtained for a full fiscal year. The balance sheet information as of December 31, 2024 was derived from the audited financial statements included in the Company’s financial statements as of and for the years ended December 31, 2024 and 2023 contained in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission, or the SEC, on February 28, 2025. These financial statements should be read in conjunction with that report.

The accompanying unaudited condensed consolidated financial statements include the accounts of Focus and its wholly-owned subsidiaries, Perfecular, AVX, Focus Shenzhen, Lusher and, until August of 2024, AT Tech Systems (collectively, the “Company,” “we,” “our,” or “us”). All intercompany balances and transactions have been eliminated upon consolidation. The Company’s unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Use of Estimates

The preparation of unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the accompanying unaudited condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources.

The actual results experienced by the Company may differ materially and adversely from the Company’s estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected. Significant estimates in the accompanying financial statements include the assumptions impacting right-of use asset and lease liability, useful lives of property and equipment, allowance for doubtful accounts, inventory reserves, and the valuation allowance on deferred tax assets. The Company regularly evaluates its estimates and assumptions.

Allowance for Doubtful Accounts

The Company estimates an allowance for doubtful accounts based on historical collection trends and review of the current status of trade accounts receivable. It is reasonably possible that the Company’s estimate of the allowance for doubtful accounts will change. As of September 30, 2025 and December 31, 2024, allowance for doubtful accounts amounted to \$278,201 and \$278,201, respectively.

Concentrations of Credit and Business Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company limits its exposure to credit loss by investing its cash with high credit quality financial institutions.

Major customers

For the three months ended of September 30, 2025 and 2024, the Company's revenue received from the following companies were set out as below:

	Three months ended September 30,			
	2025		2024	
	Amount	% of Total Revenue	Amount	% of Total Revenue
Customer A	\$ 28,500	99%	\$ —	—
Customer B	—	—	37,981	51%
Customer C	—	—	18,923	25%

For the nine months ended of September 30, 2025 and 2024, the Company's revenue received from the following companies were set out as below:

	Nine months ended September 30,			
	2025		2024	
	Amount	% of Total Revenue	Amount	% of Total Revenue
Customer A	\$ 132,531	52%	\$ —	—
Customer D	80,942	32%	—	—
Customer E	26,019	10%	—	—
Customer F	—	—	69,325	26%
Customer G	—	—	51,761	20%
Customer H	—	—	37,981	14%

Major Vendors

One major vendor accounted for more than 76% of our total purchases during the nine months ended September 30, 2025 and no major vendor accounted more than 10% of total purchase during the nine months ended September 30, 2024.

Share-Based Compensation

The Company accounts for stock-based compensation to employees in conformity with the provisions of ASC Topic 718, Stock-Based Compensation. Stock-based compensation to employees consist of stock options, grants, and restricted shares that are recognized in the statement of operations based on their fair values at the date of grant.

The measurement of stock-based compensation is subject to periodic adjustments as the underlying equity instruments vest and is recognized as an expense over the period during which services are received.

The Company calculates the fair value of option grants utilizing the Black-Scholes pricing model and estimates the fair value of the stock based upon the estimated fair value of the common stock. The amount of stock-based compensation recognized during a period is based on the value of the portion of the awards that are ultimately expected to vest.

The resulting stock-based compensation expense for both employee and non-employee awards is generally recognized on a straight- line basis over the requisite service period of the award.

Fair Value of Financial Instruments

The Company follows paragraph ASC 825-10-50-10 for disclosures about fair value of its financial instruments and paragraph ASC 820-10-35-37 (“Paragraph 820-10-35-37”) to measure the fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (U.S. GAAP), and expands disclosures about fair value measurements.

To increase consistency and comparability in fair value measurements and related disclosures, Paragraph 820-10-35-37 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three (3) levels of fair value hierarchy defined by Paragraph 820-10-35-37 are described below:

- Level 1: Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2: Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.
- Level 3: Pricing inputs that are generally unobservable inputs and not corroborated by market data.

The following table summarizes financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2025 and December 31, 2024:

	September 30, 2025 (unaudited)			
	Fair Value			Carrying Value
	Level 1	Level 2	Level 3	
Assets				
Marketable securities:				
Stock	\$ 43,548	\$ –	\$ –	\$ 43,548
Total assets measured at fair value	\$ 43,548	\$ –	\$ –	\$ 43,548
	December 31, 2024			
	Fair Value			Carrying Value
	Level 1	Level 2	Level 3	
Assets				
Marketable securities:				
Stock	\$ 24,660	\$ –	\$ –	\$ 24,660
Total assets measured at fair value	\$ 24,660	\$ –	\$ –	\$ 24,660

The carrying amount of the Company’s financial assets and liabilities, such as cash, accounts receivable, inventories, other receivable, prepaid expenses, deposit, accounts and accrued expenses, payable, treasury stock payable, short-term loan, other current liabilities, customer deposit, approximate their fair value because of the short maturity of those instruments.

Comprehensive Income (Loss)

Other comprehensive income (loss) refers to revenues, expenses, gains and losses that under generally accepted accounting principles are included in comprehensive income but are excluded from net income (loss) as these amounts are recorded directly as an adjustment to stockholders’ equity. The Company’s other comprehensive loss for the nine months ended September 30, 2025 and 2024 was comprised of foreign currency translation adjustments.

Revenue Recognition

Revenue from the Company is recognized under Topic 606 in a manner that reasonably reflects the delivery of its services and products to customers in return for expected consideration and includes the following elements:

- executed contracts with the Company's customers that it believes are legally enforceable;
- identification of performance obligations in the respective contract;
- determination of the transaction price for each performance obligation in the respective contract;
- allocation of the transaction price to each performance obligation; and
- recognition of revenue only when the Company satisfies each performance obligation.

These five elements, as applied to each of the Company's revenue category, is summarized below:

- Product sales – revenue is recognized at the time of sale upon the delivery of the equipment to the customer and completion of performance obligation.
- Service sales – revenue is recognized based on the service been provided and the agreed upon performance obligation has been completed to the customer.

Revenue from our project construction is recognized over time using the percentage-of-completion method under the cost approach. The percentage of completion is determined by estimating stage of work completed. Under this approach, recognized contract revenue equals the total estimated contract revenue multiplied by the percentage of completion. Our construction contracts are unit priced, and an account receivable is recorded for amounts invoiced based on actual units produced. The Company discontinued operations of AT Tech Systems in August 2024, and added the operations of Lusher to service the financial reporting software sector, so the Company currently retains two operating and reportable segments which are (1) Perfecular and Lusher and (2) Corporate and IoT Products.

Software Development Costs

In accordance with ASC 985-20, Costs of Software to Be Sold, Leased, or Marketed, the Company expenses software development costs as research and development until technological feasibility is established. Technological feasibility is established when the Company has completed all planning, designing, coding, and testing activities that are necessary to establish that the product can be produced to meet its design specifications, including functions, features, and performance requirements. Costs incurred prior to the establishment of technological feasibility are expensed as research and development.

Subsequent to achieving technological feasibility, and until the product is available for general release, the Company will capitalize qualifying development costs, which primarily include payroll and related costs for employees directly involved in coding and testing, fees paid to third-party developers, and other direct costs incurred to complete the software product. Capitalization ceases when the product is ready for release.

Capitalized software development costs will be amortized on a product-by-product basis using the greater of (i) the ratio of current gross revenues to total anticipated gross revenues or (ii) the straight-line method over the estimated economic life of the product, generally three to five years. Amortization expense will be included in cost of revenues. Capitalized software will be reviewed for impairment when indicators of loss are present.

The Company has not capitalized any of its software costs to date, though it believes it has the technological resources required to successfully develop. We now believe we have met technological feasibility in both the IoT and financial software products internally, and as evidenced by our subsequent news releases. The final versions of these products have been shown to the Company's existing customer base prior to their general release. The Company plans to capitalize certain costs incurred related to the development of both the IoT and financial software products until the general release of those products.

Research and Development

Research and development costs are expensed as incurred. Research and development costs primarily consist of efforts to refine existing product models and develop new product models.

Basic and Fully Diluted Net Income (Loss) Per Share

Net income (loss) per share is computed pursuant to ASC 260-10-45. Basic net income (loss) per share (“EPS”) is computed by dividing net income (loss) by the weighted average number of shares outstanding during the period.

Fully diluted EPS is computed by dividing net income (loss) by the weighted average number of shares of stock and potentially outstanding shares of stock during the period to reflect the potential dilution that could occur from common shares issuable through contingent shares issuance arrangement, stock options or warrants, unless these shares are covered by anti-dilutive protections. The denominator comprises the Company’s weighted average number of outstanding shares to extent the related shares are dilutive and, if dilutive, and other contracts to issue shares of common stock and stock options. As a result, they are included in the fully diluted EPS computation to the extent that the effect would be dilutive.

As of each period end, all potentially dilutive instruments would be anti-dilutive. Accordingly, diluted loss per share is the same as basic loss for all periods presented. The following potentially dilutive shares were excluded from the shares used to calculate diluted earnings per share as their inclusion would be anti-dilutive.

Nine Months Ended September 30,		2025	2024
Stock options		76,137	62,637

Foreign Currency Translation and Transactions

The reporting and functional currency of Focus is the USD. The functional currency of Focus Universal (Shenzhen) Technology Co. LTD, a wholly owned subsidiary of Focus located in China, is the Renminbi (“RMB”).

For financial reporting purposes, the financial statements of the Company’s Chinese subsidiary, which are prepared using the RMB, are translated into the Company’s reporting currency, USD. Assets and liabilities are translated using the exchange rate on the balance sheet date. Revenue and expenses are translated using average exchange rates prevailing during each reporting period. Stockholders’ equity is translated at historical exchange rates. Adjustments resulting from the translation are recorded as a separate component of accumulated other comprehensive loss in stockholders’ equity.

Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. The resulting exchange difference, presented as foreign currency transaction loss, is included in the accompanying unaudited condensed consolidated statements of operations. The exchange rates used for unaudited condensed consolidated financial statements are as follows:

	Average Rate for the Nine Months Ended September 30,			
	2025		2024	
	(Unaudited)		(Unaudited)	
China Yuan (RMB)	RMB	7.2197	RMB	7.1843
United States Dollar (\$)	\$	1.0000	\$	1.0000

	Exchange Rate at			
	September 30, 2025		December 31, 2024	
	(Unaudited)			
China Yuan (RMB)	RMB	7.198	RMB	7.2975
United States Dollar (\$)	\$	1.0000	\$	1.0000

Going Concern

The Company has assessed its ability to continue as a going concern for a period of one year from the date of the issuance of these condensed consolidated financial statements. The Company has a net loss of \$3,923,401 for the nine months ended September 30, 2025. In addition, the Company had an accumulated deficit of \$29,705,709 as of September 30, 2025, and negative cash flow from operating activities of \$3,709,104 for the nine months ended September 30, 2025. Substantial doubt about the Company's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the Company will be unable to meet its obligations as they become due within one year from the financial statement issuance date. The accompanying condensed consolidated financial statements have been prepared in conformity with U.S. GAAP, which contemplate continuation of the Company as a going concern. The Company currently suffered recurring loss from operations, generated negative cash flow from operating activities, has an accumulated deficit and has not completed its efforts to establish a stabilized source of revenues sufficient to cover operating costs over an extended period of time. These conditions raise substantial doubt as to its ability to continue as a going concern. These unaudited condensed consolidated financial statements do not include adjustments relating to the recoverability and classification of reported asset amounts or the amount and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company's independent registered public accounting firm, in its report on the Company's consolidated financial statements for the year ended December 31, 2024, has also expressed substantial doubt about the Company's ability to continue as a going concern.

At September 30, 2025, the Company had cash and cash equivalents, and short-term investments, in the amount of \$454,432. Subsequent to September 30, 2025, the Company raised \$6,000,000 through the sale of shares of its Preferred Stock. (Note 10) The ability to continue as a going concern is dependent on the Company attaining and maintaining profitable operations in the future and raising additional capital to meet its obligations and repay its liabilities arising from normal business operations when they come due. Since inception, the Company has funded its operations primarily through equity and debt financings, and it expects to continue to rely on these sources of capital in the future. Even if the Company is able to obtain additional financing, such financing may bring about undue restrictions on our operations, in the case of debt financing, or cause substantial dilution for our stockholders, in case of equity financing, or grant unfavorable terms in future licensing agreements. No assurance can be given that any future financing will be available or, if available, that it will be on terms that are satisfactory to the Company.

Note 3 – Recent Accounting Pronouncement

In November 2024, FASB issued ASU 2024-03 Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40) Disaggregation of Income Statement Expenses. The guidance in ASU 2024-03 requires public business entities to disclose in the notes to the financial statements, among other things, specific information about certain costs and expenses including purchases of inventory; employee compensation; and depreciation and amortization expense for each caption on the income statement where such expenses are included. The update is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted, and the amendments may be applied prospectively to reporting periods after the effective date or retrospectively to all periods presented in the financial statements. We are currently evaluating the provisions of this guidance and assessing the potential impact on our financial statement disclosures.

Management does not believe that any other recently issued, but not yet effective, accounting standards could have a material effect on the accompanying financial statements. As new accounting pronouncements are issued, we will adopt those that are applicable under the circumstances.

Note 4 – Inventory

At September 30, 2025 and December 31, 2024, inventory consisted of the following:

	September 30, 2025	December 31, 2024
Finished goods	\$ 351,028	\$ 337,085
Less: Inventory reserve	(212,658)	(211,014)
Inventory	<u>\$ 138,370</u>	<u>\$ 126,071</u>

Note 5 – Property and Equipment

At September 30, 2025 and December 31, 2024, property and equipment consisted of the following:

	September 30, 2025	December 31, 2024
Building improvement	\$ 14,620	\$ 14,620
Furniture and fixtures	42,404	42,033
Equipment	166,772	137,966
Software	1,995	1,995
Total cost	225,791	196,614
Less accumulated depreciation	(154,081)	(136,129)
Property and equipment, net	\$ 71,710	\$ 60,485

Depreciation expense for the nine months ended September 30, 2025 and 2024 amounted to \$17,231 and \$72,738, respectively.

Note 6 – Leases

Operating Leases

On January 16, 2023, Focus Universal (Shenzhen) Technology Co. LTD entered into a thirty-six month commercial lease with a third party for an approximately 2,017 square foot office space. The lease commenced on February 1, 2023 and will end on January 31, 2026. The monthly rent is RMB 29,974 (approximately \$4,172) with approximately an 11.1% to 12.5% increase rate in each additional year. The incremental borrowing rate for a lease is the rate of interest the Company would have to pay on a collateralized basis to borrow an amount equal to the lease payments for the asset under similar term, which is 10%. Lease expense for the lease is recognized on a straight-line basis over the lease term.

On February 22, 2023, Focus Universal (Shenzhen) Technology Co. LTD entered into a thirty-six month commercial lease with a third party for an approximately 3,449 square foot office space. The lease commenced on March 31, 2023 and will end on February 28, 2026. The monthly rent is RMB 35,246 (approximately \$4,906) with approximately an 11.1% to 12.5% increase rate in each additional year. The incremental borrowing rate for a lease is the rate of interest the Company would have to pay on a collateralized basis to borrow an amount equal to the lease payments for the asset under similar terms, which is 10%. Lease expense for the lease is recognized on a straight-line basis over the lease term.

Operating lease right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. As of September 30, 2025 and December 31, 2024, operating lease right-of use assets and lease liabilities were as follows:

	September 30, 2025	December 31, 2024
Operating lease right-of-use assets, net	\$ 37,658	\$ 108,270
Lease liabilities, current portion	\$ 20,534	\$ 106,706
Lease liabilities, less current portion	\$ –	\$ 8,114

Lease term and discount rate:

	September 30, 2025	December 31, 2024
Weighted average remaining lease term:		
Operating lease	0.33 to 0.50 years	1.08 to 1.25 years
Weighted average discount rate:		
Operating lease	10%	10%

The minimum future lease payments are as follows:

	Amount
Year ending December 31, 2025	\$ 13,518
Year ending December 31, 2026	8,215
Total minimum lease payment	21,733
Less: imputed interest	(1,199)
Present value of future minimum lease payments	<u>\$ 20,534</u>

Short Term Leases

On July 8, 2024, the Company entered into a Standard Industrial/Commercial Single-Tenant Lease (the “Lease”) with the Veena Asset Management, LLC to lease the same Focus Universal premises located at 2311 East Locust Court, Ontario, CA 91761 back for one year commencing at the close of escrow of the Purchase Agreement and ending on July 31, 2025, for 14,004 square foot office and warehouse space. Base monthly rent is \$16,804, with a total of \$58,812 which was due upon execution of the lease. The Company entered into a First Lease Amendment on March 21, 2025, extending the lease until January 31, 2026, with no other changes to the original terms.

The Company recorded an operating lease expense of \$256,733 and \$146,523 for the nine months ended September 30, 2025 and 2024, respectively. This is included in general and administrative expenses.

Note 7 – Stockholders’ Equity

Common stock

On January 31, 2025, we effected a 10 for 1 reverse stock split of the Company’s authorized stock, and issued and outstanding shares of Common Stock by filing a Certificate of Change pursuant to Nevada Revised Statutes (“NRS”) Section 78.209. As a result of the reverse split, the Company is authorized to issue 15,000,000 common shares (the Company’s authorized common shares were reduced in the same ratio (10-for-1) as its outstanding Common Stock shares were reduced). All share and per share amounts were retroactively adjusted to reflect this split as if it occurred at the earliest period presented.

An additional 309,281 common stock shares were included in the Company’s issued and outstanding shares as a result of rounding-up fractional shares into whole shares as a result of the reverse stock split.

On November 16, 2024, we entered into a Securities Purchase Agreement (the “Agreement”) with Alumni Capital LP, a Delaware limited partnership. Pursuant to the Agreement, we have the right, but not the obligation to cause Alumni Capital LP to purchase up to \$20,000,000 common stock, par value \$0.001, at certain purchase price during the period beginning on the execution date of the Agreement and ending on the earlier of (i) the date which Alumni Capital LP has purchased \$20,000,000 of the Company’s common stock pursuant to the Agreement or (ii) November 16, 2027. Pursuant to this Agreement, on April 28, 2025, Alumni Capital LP purchased 94,825 shares of our common stock for \$381,224. The price for these shares was \$4.02 based on a 9% discount of the lowest of the 5-day VWAP of \$4.41 from the closing date on May 6, 2025, accessible via the Bloomberg terminal. On July 15, 2025, and July 18, 2025, Alumni Capital LP purchased 25,000 and 142,867 of our common shares for \$86,995 and \$354,282, respectively. The price for these shares was \$4.02 based on a 9% discount of the lowest of the 5-day VWAP of \$4.41 from the closing date on July 15, 2025, accessible via the Bloomberg terminal. Therefore, as of the date of issuance of the unaudited consolidated financial statements, the Company has only executed a purchase notice for an aggregate 262,692 shares to Alumni Capital LP, based on this Agreement, and the aggregate proceeds of \$822,501 have been received and recorded for the period ended September 30, 2025.

Treasury stock

During the nine months ended September 30, 2025, the Company repurchased 58,038 shares of its common stock for \$249,675 in the public market at average price of \$4.30 and placed them in treasury. In the same period, the Company retired 348,968 shares of its common stock previously repurchased \$1,055,591. As of September 30, 2025 and December 31, 2024, 58,038 and 348,968 shares remain as treasury shares, respectively. These were all purchased as part of publicly announced plans or program, as also noted in the Annual Report on Form 10-K for the year ended December 31, 2024.

Employee compensation

In prior years, the Company entered into several employment agreements that require the issuance of common shares for services that vest on a quarterly basis. During the period ended September 30, 2025, 4,953 shares with a fair value of \$13,905 that previously vested were issued. During the period ended September 30, 2024, an aggregate of 7,494 shares with a fair value of \$48,564 vested and were recognized as compensation costs. As of September 30, 2025, 20,723 shares of common stock with a fair value of \$52,733 remain vested but not issued.

On February 11, 2022 (the “Vesting Date”), the Company entered into a restricted stock award agreements (the “Award Agreement”) with eight employees for 42,000 shares of the Company’s common stock subject to the terms and to the fulfillment of the conditions set forth in the Company’s equity incentive plan. The first 20% of the restricted shares were granted and vested on February 11, 2022. An additional 20% of the restricted shares will vest on each anniversary of the Vesting Date until the fourth anniversary of the Vesting Date. The initial fair value of the awards on the date of grant was determined to be \$2,942,800 which is being amortized over the 5 year vesting period. During the periods ended September 30, 2025 and 2024, 5,100 shares of common stock vested and the Company amortized \$268,005 of this amount leaving an unamortized balance of \$446,675 at September 30, 2025. As of September 30, 2025, 20,400 of the shares had vested.

Stock options

On January 2, 2025, each member of the Board was granted 2,250 options to purchase shares at \$3.45 per share with a fair value of \$6,854. The options vest monthly over one (1) year, and may be exercised during a 10-year term. In the aggregate, 13,500 options were granted with a fair value of \$41,124. During the nine months ended September 30, 2025, the Company recognized \$30,852 of compensation cost relating to the vesting of these options and \$10,272 remained unvested which will be amortized over the remainder of 2025.

For the nine months ended September 30, 2025 and 2024, the Company’s stock option compensation expenses amounted to \$30,852 and \$110,985, respectively.

The fair value of the stock options issued during the periods was determined using the Black-Scholes option pricing model with the following assumptions:

	September 30, 2025
Risk-free interest rate	3.45%
Expected life of the options	5.5 years
Expected volatility	128.40%
Expected dividend yield	0%

The following is a summary of the option activity from December 31, 2024 to September 30, 2025:

	Number of Options	Weighted average exercise price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at December 31, 2024	62,637	\$ 35.96	6.74	—
Granted	13,500	\$ 3.45	—	—
Exercised	—	—	—	—
Cancelled or forfeited	—	—	—	—
Outstanding at September 30, 2025	76,137	\$ 30.20	6.83	—
Exercisable as of September 30, 2025	72,762	\$ 31.44	6.70	—

Based on the closing fair market value of \$3.09 per share on September 30, 2025, intrinsic value of \$0 was attributed to exercisable but not exercised common stock options at September 30, 2025.

Note 8 – Discontinued Operation

On August 5, 2024, the Company and the segment manager of AT Tech Systems LLC reached a tentative oral agreement to terminate his employment and the employment of his two direct report team members. The Company discontinued operations of AT Tech Systems on August 21, 2024 with a termination cost of \$22,000.

The income (loss) from discontinued operations presented in the statement of operations for the three months ended September 30, 2025 and 2024 as follows:

	Three Months Ended September 30,	
	2025	2024
Revenue	\$ –	\$ 2,600
Cost of Revenue	–	29,079
Gross Loss	–	(26,479)
Operating Expenses:		
General and administrative	–	1,648
Total Operating Expenses	–	1,648
Loss from Operations	–	(28,127)
Other Income (Expense):		
Other income, net	–	1,343
Total other income, net	–	1,343
Net Loss	\$ –	\$ (26,784)

The income (loss) from discontinued operations presented in the statement of operations for the nine months ended September 30, 2025 and 2024 as follows:

	Nine Months Ended September 30,	
	2025	2024
Revenue	\$ –	\$ 50,772
Cost of Revenue	–	195,114
Gross Loss	–	(144,342)
Operating Expenses:		
General and administrative	–	136,985
Total Operating Expenses	–	136,985
Loss from Operations	–	(281,327)
Other Income (Expense):		
Other income, net	–	3,504
Total other income, net	–	3,504
Net Loss	\$ –	\$ (277,823)

Total operating cash flows from discontinued operations were \$0 and \$65,221 respectively, for the nine months ended September 30, 2025 and 2024.

Note 9 – Segment Reporting

The Company currently has two operating segments. In accordance with ASC 280, *Segment Reporting* (“ASC 280”), the Company considers operating segments to be components of the Company’s business for which separate financial information is available and evaluated regularly by Management in deciding how to allocate resources and to assess performance. Management reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. Accordingly, the Company has determined that it has two operating and reportable segments. The Company consists of two types of operations. (1) AVX and Smart AVX (inclusive of the smart IoT Products sales under Smart AVX) cooperatively run our “LED and IoT Installation Services” segment, which handles our LED and IoT installation and management business specializing in high performance and easy to use LED and display systems, audio/video systems, home theaters, lighting control, automation, and integration. This includes the Focus and Focus Shenzhen collectively operate our “Corporate and R&D” segment focused on R&D development for the IoT, which involves the non-specific financing, executive expense, operations and investor relations of our public entity, and the general shared management and costs across the Company’s subsidiaries that spread across all functional categories and research and development of these IoT technology products and of our smart products into the commercial and home automation sectors. (2) Perfecular and Lusher jointly operate the SEC Financial Software segment, which involves the development, marketing, and production of our SEC Financial Reporting AI-Driven Automation Software package and also includes our universal smart instruments and devices in the hydroponic and controlled agriculture segments.

Asset information by operating segment is not presented as the Chief Executive Officer does not review this information by segment. The reporting segments follow the same accounting policies used in the preparation of the Company’s consolidated financial statements. The management team reviews financial information on a consolidated level and allocates resources based on net loss, which also serves as the key metric for evaluating financial performance.

The following tables summarize the financial information of each operating segment of the Company for the nine months ended September 30, 2025:

	For the Nine Months ended September 30, 2025		
	Perfecular & Lusher	Corporate & IoT	Total
Revenue	\$ 26,019	\$ 228,255	\$ 254,274
Cost of revenue	21,835	215,919	237,754
Gross profit	4,184	12,336	16,520
Operating expenses			
Selling expense	1,165	57,609	58,774
Compensation – officers and directors	–	375,725	375,725
Research and development	441,507	686,126	1,127,633
Professional fees	–	1,224,063	1,224,063
General and administrative	2,524	1,222,464	1,224,988
Total operating expense	445,196	3,565,987	4,011,183
Loss from operations	(441,012)	(3,553,651)	(3,994,663)
Total other income	1	71,261	71,262
Net loss	\$ (441,011)	\$ (3,482,390)	\$ (3,923,401)

The following tables summarize the financial information of each operating segment of the Company for the nine months ended September 30, 2024:

	For the Nine Months ended September 30, 2024		
	Perfecular & Lusher	Corporate & IoT	Total
Revenue	\$ 21,039	\$ 243,915	\$ 264,954
Cost of revenue	23,343	104,343	127,686
Gross profit (loss)	(2,304)	139,572	137,268
Operating expenses			
Selling expense	24,667	71,360	96,027
Compensation – officers and directors	–	687,303	687,303
Research and development	111,600	836,441	948,041
Professional fees	–	985,368	985,368
General and administrative	18,077	1,594,658	1,612,735
Total operating expense	154,344	4,175,130	4,329,474
Loss from operations	(156,648)	(4,035,558)	(4,192,206)
Total other income	1,329	3,229,924	3,231,253
Loss from discontinued operations	–	(277,823)	(277,823)
Net loss	\$ (155,319)	\$ (1,083,457)	\$ (1,238,776)

Note 10 – Subsequent Events

On September 15, 2025, the Company’s Board and a majority of stockholders approved through a written consent an amendment and restatement of our Articles of Incorporation to increase the number of shares we are authorized to issue to 1,000,000,000 shares of common stock, par value \$0.001 per share (“Common Stock”) and 100,000,000 shares of preferred stock, par value \$0.001 per share (“Preferred Stock”) (the “Amended and Restated Articles”). The Company intends to file the Amended and Restated Articles with the Secretary of State of the State of Nevada on or around November 17, 2025, as described in the 14C Information Statement filed on October 27, 2025.

As described in the 14C Information Statement filed on October 27, 2025, on October 2, 2025 and October 10, 2025, the Company’s Board and a majority of stockholders, respectively, through a written consent, authorized (1) management to use their discretion to consider the adoption of one or more digital asset treasury strategies; (2) the issuance of up to \$250 million in securities in one or more non-public offerings provided that (a) the total aggregate consideration for securities we issue will not exceed \$250 million (or 250 million shares of Common Stock issued directly or on conversion of a convertible security), (b) the maximum discount at which securities (which may consist of shares of Common Stock or securities convertible into Common Stock) will be equivalent to no more than a discount of 30% to the market price of our Common Stock at the date of issuance, (c) such offerings will occur, if at all, on or before the date that is 90 days following the date of the 14C Information Statement, (d) such other terms as our Board shall deem to be in the best interests of the Company and its stockholders, not inconsistent with the foregoing; and (3) an amendment to our Articles of Incorporation to effect a potential reverse stock split of our Common Stock any time prior to the first anniversary of the stockholders’ approval at a maximum ratio of 200-to-1, with the exact ratio to be determined at the discretion of the Board.

On October 15, 2025, the Company entered into a Series A Preferred Stock Purchase Agreement with the Chairman of the Board and one of our shareholders pursuant to which we agreed to issue 500,000 and 250,000 shares of Series A Convertible Preferred Stock, par value \$0.001 per share, at a price of \$4.00 per share, for an aggregate purchase price of \$2,000,000 and \$1,000,000, respectively. The Company received the proceeds of \$2,000,000 and \$1,000,000 on October 17, 2025, and October 31, 2025, respectively.

On October 21, 2025, the Company filed a Certificate of Designation of Series A Preferred Stock (“**Series A Designation**”) that had the effect of designating 1,000,000 shares of its 5,000,000 authorized shares of preferred stock as Series A Preferred Stock. The Series A Designation as filed with the Secretary of State of Nevada is included as Exhibit 3.1 in the Current Report on Form 8-K, filed on October 27, 2025.

On October 20, 2025, the Company filed a Certificate of Designation of Series B Preferred Stock (“**Series B Designation**”) that had the effect of designating 15,000 shares of its 5,000,000 authorized shares of preferred stock as Series B Convertible Preferred Stock. The Series B Designation as filed with the Secretary of State of Nevada is included as Exhibit 3.2 in the Current Report on Form 8-K, filed on October 27, 2025.

On October 22, 2025, the Company entered into a Series B Preferred Stock Purchase Agreement with Spartan Capital Securities, LLC, pursuant to the terms and conditions of the Series B Agreement, the Investors committed to purchase up to \$7,000,000 or 8,236 shares (the “Commitment Amount”) of the Company’s Series B Convertible Preferred Stock, par value \$0.001 per share (the “Series B Preferred Stock”) at a price per share of \$850.00 (the “Series B Private Placement”), which represents a 15% original issuance discount. There will be three Closings: (i) \$3,000,000 for the purchase of the Series B Preferred Stock funded at the Initial Closing; (ii) \$1,000,000 for the purchase of the Series B Preferred Stock funded on the date the Company files, (a) the Registration Statement on Form S-1 required by and pursuant to the Registration Rights Agreement and (b) the Information Statement with the SEC; and (iii) \$3,000,000 for the purchase of the Series B Preferred Stock funded within two (2) Business Days after (a) such Registration Statement is declared effective by the SEC and (b) the Information Statement has become effective under Rule 14c-2. The Company received the initial proceeds of \$3,000,000 on October 23, 2025.

The Company has evaluated all other subsequent events through the date these consolidated financial statements were issued and determined that there were no other subsequent events or transactions that require recognition or disclosures in the consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND PLAN OF OPERATION

The following discussion of our financial condition and results of operations should be read in conjunction with, and is qualified in its entirety by, the consolidated financial statements and notes thereto included in, Item 1 in this Quarterly Report on Form 10-Q. This item contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those indicated in such forward-looking statements.

Forward-Looking Statements

This Quarterly Report on Form 10-Q and the documents incorporated herein by reference contain forward-looking statements. Such forward-looking statements are based on current expectations, estimates, and projections about our industry, management beliefs, and certain assumptions made by our management. Words such as “anticipates,” “expects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” variations of such words, and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties, and assumptions that are difficult to predict; therefore, actual results may differ materially from those expressed or forecasted in any such forward-looking statements. Unless required by law, we undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise. However, readers should carefully review the risk factors set forth herein and in other reports and documents that we file from time to time with the Securities and Exchange Commission, particularly the Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K.

Narrative Description of the Business

Focus Universal Inc. (the “Company,” “we,” “us,” or “our”) is a Nevada corporation. We believe we have developed five proprietary technologies utilizing our patent portfolio which we believe solve the most fundamental problems plaguing the internet of things (“IoT”) industry through: (1) increasing overall chip integration by shifting integration from the component level to the device level; (2) creating a faster 5G cellular technology by using ultra-narrowband technology; (3) leveraging ultra-narrowband power line communication (“PLC”) technology; (4) proprietary User Interface Machine auto generation technology; and (5) incorporating all our core technologies into a single chip. Our Universal Smart Technology is designed to overcome instrumentation interoperability and interchangeability. The electronic design starts from a 90% completed common foundation we call our universal smart instrumentation platform (“USIP”), instead of the current method of building each stand-alone instrument from scratch. Our method eliminates redundant hardware and software and results in significant cost savings and production efficiency. We also provide sensor devices and are a wholesaler of various air filters and digital, analog, and quantum light meter systems. The Company holds 28 patents and patents pending in various phases of the patent process.

Our Lusher subsidiary is developing and designing a software to streamline SEC financial reporting for financial reporting and tax firms. Currently, we have completed the SEC financial reporting software in a Microsoft Word format. Our team is focused on streamlining the entire SEC financial reporting process for SEC attorneys, PCAOB accounting firms, and other financial reporting professionals. Our goal is that with a single click, our software automatically retrieves financial data from external accounting systems and generates consolidated financial statements and SEC reports in WORD, PDF, HTML, and XBRL formats—all within just a few minutes. Our developers are trying to eliminate human involvement when it comes to manually updating the numbers. This automation is designed to create an error-free, seamless process. We expect to showcase the software to public in 2025.

Our securities are currently traded on Nasdaq Capital Market effective as of September 23, 2024.

Our Current Products Include:

We are a wholesaler of various digital, analog, and quantum light meters and filtration products, including fan speed adjusters, carbon filters and HEPA filtration systems.

Ubiquitor Wireless Universal Sensor Device

We have developed a device we call the Ubiquitor, which replaces the functions of traditional digital measurement and sensing products by integrating many digital sensors and measurement tools into one single digital device. We believe the platform represents a technological advancement in the IoT marketplace by integrating large numbers of technologies, including cloud technology, wired and wireless communication technology, software programming, instrumentation technology, artificial intelligence, PLC technology, and sensor networking into a single platform. We believe the result of such integration is a smaller, cheaper, and faster circuit system design than those currently offered in the instrumentation market.

Our USIP technology that will make the Ubiquitor possible is an advanced software and hardware integrated instrumentation platform that uses a large-scale modular design approach. The large-scale modular design approach subdivides instruments into a foundation component (a USIP) and architecture-specific components (sensor nodes), which together replaces the functions of traditional instruments at a fraction of their cost. The USIP has an open architecture, incorporating a variety of individual instrument functions, sensors, and probes from different industries and vendors. The platform features the ability to connect potentially thousands of different sensors or probes, addressing major limitations present in traditional instrumentation systems.

On July 11, 2025, Focus Universal signed a contract with Shenzhen Donghui Precision Mold Manufacturing Co., and commenced the mold tooling design for the Universal Smart Internet of Things (IoT). The Company believes that signing a contract to produce the product in the final design signifies technological feasibility for this product release, including the IoT software. Additionally, on October 14, 2025, the Company launched the Smart IoT apps in the Apple and Google Play Stores, for limited end client release prior to a broader general release. This milestone enabled full-scale production and commercialization for the IoT platform which had been developed under the Focus Universal name for many years.

Additional Focus Universal Inc. IoT Products under Smart AVX. Focus Universal Inc. is integrating its own Smart AVX- branded IoT equipment to connect devices across platform systems and to facilitate unified collaboration across audio-visual technologies, digital media technologies, security and surveillance technologies and communication technologies. This approach allows the Company to service its customers for ease of use, design and integration, and installation and maintenance by utilizing technology that integrates our five core technologies.

We have integrated our Smart AVX-branded products across the following strategic sub-sectors: LED Audio-visual Panel Products, large format Smart Multimedia Touch Screens, Pan Tilt Zoom (“PTZ”) Dome Cameras and Network Video Recorders (“NVRs”), and VOIP Phone Services.

1. **LED Audio-visual Panel Products.** LED panel digital displays have become an integral and modern-day solution that address the communication and display demands of the residential and commercial customer base. Due to the flexible configuration of the LED panels, the modular design that enables the ability to incorporate a design into any size space, the flexibility of the standard size panels to accommodate curvature in the design space, the ability to address transparency in the panel displays and create new areas for delivering media to the public, our LED panel digital displays allow us to easily adapt our display design to spaces of any size and shape, making any customer space a customizable output and connected piece within a system. The option to create full size screens in any space, while addressing any environmental demands, allows us to use state-of-the-art media resulting in immersive, three-dimensional, captivating content delivery within any system.
2. **Large Format Smart Multimedia Touch Screens.** Smart AVX-branded large format touch screens deliver interactive solutions for a wide variety of industries and applications, including education, healthcare, commercial, residential and government applications. While interacting with a touch display is commonplace in public-consumer spaces, we integrate large format Smart touch screens in small business, commercial applications such as dental offices and other business scenarios. These market applications continue to be underserved with touch-enabled devices, and our installation engineers and design staff can customize solutions for unique business and commercial application projects. The Company, through the Smart AVX brand, offers a myriad of customized choices and a long list of options within the current touch screen technology in a refined product. Our products allow future integration of our core platform technologies, such as the LED digital displays, the Ubiquitor, PTZ Dome Cameras and VOIP Phone Systems, allowing for pinch, zoom, scrolling, and videoconferencing within the touch screen format.

Lusher Corporate Services, One Touch Financial Software

Financial reporting is the annual and quarterly reporting process by which a public company keeps investors aware of a company's financial condition, allowing them to have the information they need before making an investment decision.

Because of the depth and nature of the information they contain, reports on Forms 10-K and 10-Q can become time-consuming, especially given the complex processes that require a company's internal teams to gather large amounts of data across multiple sources. The time and expertise required to complete the process is a substantial burden. SEC reporting deadlines are firm and inflexible.

Delays and mistakes in SEC financial reporting can have far-reaching consequences for companies and their shareholders including. SEC review, enforcement actions, and penalties. Late, inaccurate, or incomplete filings can often lead to a drop in the company's stock price and a decrease in investor confidence.

Human data entry of hundreds or thousands of financial numbers in the financial report imposes another challenge and regularly occurring human errors. This risk is compounded by a frequent requirement to update or revise these hundreds or thousands of numbers during the time-constrained review processes and auditing processes prior to submission.

Given the complexity and volume of data involved, companies are looking for solutions that not only save cost, and reduce the time and effort required to report in a timely manner but also improve accuracy and compliance.

We are scheduled to begin customer testing of our fully automated SEC financial reporting software. The Company plans to launch a technology roadshow to showcase this groundbreaking platform. Interested clients, partners, corporate filers, and investors will be welcomed to contact us for meetings and product demonstrations.

SEC financial reporting is traditionally a complex, costly, and time-consuming process. It includes:

- Preparing consolidated financial statements,
- drafting SEC reports using various office software and / or burdensome company-wide systems,
- converting those documents into fully SEC-compliant files, and
- embedding tags as required for regulatory filing.

For large organizations, this process is resource intensive and time consuming. For small public companies, the entire process may take several weeks. Delays in filing can result in SEC reviews, enforcement actions, and significant penalties.

Currently, several companies offer semi-automated solutions that address only part of the tagging process. We have developed a fully automated, end-to-end solution powered by both automation and Variegated AI. We believe the technology enables the computer to conduct the activities for which the computer is designed and optimal, while allowing humans to remain in the decision loop and center upon what they excel at.

With a single click, our software can:

- Retrieve financial statements from accounting platforms,
- reformat data into spreadsheets for consolidated financial reporting,
- automatically generate consolidated financials,
- populate the word-processed version of SEC filings,
- convert the documents to SEC-compliant versions via formatting, and
- embed accurate tags into the HTML file — with very limited manual input.

On July 22, 2025, we began customer testing of our fully automated SEC financial reporting software in the final design format of the software product. The Company organized and conducted a technology roadshow to showcase the platform. Built-in validation, including self-consistency and compliance checks, ensures accuracy and eliminates human error. The solution provides a true one-click process from raw accounting data all the way to a complete SEC filing.

Management estimates that with this product what once took weeks of manual work can now be completed in minutes. Unlike other companies offering partial automation, our solution provides a true one-click process from raw accounting data all the way to a complete SEC filing. With years of development, our full automated software processing includes the final edgarization and XBRL tagging.

Research and Development Efforts of Power Line Communication

Power Line Communication (“PLC”) technology is a communication technology that enables sending data over existing power cables. One advantage of this technology is that PLC does not require substantial new investment for its communications infrastructure. Rather, PLC utilizes existing power lines, thereby forming a distribution network that already penetrates all residential, commercial and industrial premises. Accordingly, connectivity via PLC technology is potentially the most cost-effective, scalable interconnectivity approach for the IoT. We believe PLC technology can be an integral part of our communication infrastructure for the IoT, which enables reliable, real-time measurements, monitoring, and control. A large variety of appliances may be interconnected by transmitting data through the same wires that provide electrical energy.

Our patented PLC technology uses an ultra-narrowband spectrum channel of less than 1 KHz to establish a long-distance link between transmitter and receiver. Thus, we believe that our proprietary ultra-narrowband PLC technology will offer a promising alternative to wireless networks and provide the backbone communication infrastructure for IoT devices.

The primary design goal of the power line network is electric power distribution, not data transmission. The harsh electrical noise present on power lines and variations in equipment and standards make data transmission over the power grid difficult. These technological challenges have impeded, or even halted, progression of PLC technology.

For a description of our products and services offering, please refer to Item 1. “Business” beginning on page 1 of our Annual Report on Form 10-K for the fiscal year ending December 31, 2024, filed with the Securities and Exchange Commission on February 28, 2025.

Research and Development Efforts of 5G Cellular Technology

Just like our ultra-narrowband technology can be used to effectively reduce noise in powerline communication technology, our internal research suggests that our ultra-narrowband technology can be leveraged to create a type of 5G wireless communication technology that can achieve both low band 5G coverage and an estimated 1 Gbps high band speed. We employ an ultra-narrow spectrum channel (<1KHz) to establish an ultra-long-distance link between the 5G base station and the receiver which reduces noise and interference entering the bandwidth.

For a description of the ultra-narrowband technology and the 5G applications, see “Part I - Item 1. Business, Section 2. “Creating a faster 5G cellular technology by using ultra-narrowband technology” in our Annual Report on Form 10-K filed with the SEC on February 28, 2025.

We signed a contract with Shenzhen Donghui Precision Mold Manufacturing Co., Ltd. and officially commenced the mold tooling design for the Universal Smart Internet of Things (IoT) today. For our Company this marks a pivotal milestone in the commercialization of the Universal Smart IoT, a breakthrough that has been over a decade in the making. With over a decade of innovation, we are now ready to move forward with full-scale production and commercialization. In doing so, we hope not only fulfill our promise to shareholders but also demonstrate to the world that deploying complex IoT technology can be as easy as plugging in an office phone. Our internal research suggests that our platform provides both a competitive edge and cost savings when compared to traditional, non-IoT devices—thanks to universal hardware and software shared across all sensors. Switching from one sensor to another requires no change to the underlying device’s hardware or software, enabling true interoperability across devices.

Intellectual Property Protection

Currently, the Company has 18 pending U.S. nonprovisional patent applications and 9 issued U.S. patents. As a result of our primary IP attorney switching firms from Knobbe Martens to Dority Manning, Focus Universal Inc, hired Dority Manning on July 16, 2024 to serve as outside intellectual property counsel for the Company.

Competitors

We have identified several competitors specifically in the wireless sensor node industry, including traditional instruments or device manufacturers. However, we are not trying to compete with traditional instruments or device manufacturers because we utilize our Ubiquitor device in conjunction with our smartphone application, which we believe will be a completely different product category.

There are many competitors in the SEC Financial Reporting software space, including Workiva, ActiveDisclosure, Datarails, and Carta. We believe that our product will be superior because our pricing will be substantially cheaper than the current competitors in the market. Also, since it is an integration for common desktop applications, we expect software implementation to be rapid, accessible, and straightforward.

IoT Installation Industry

There are several companies that compete with AVX in smart home installations, including Vivint Smart Home, Savant, Crestron and Control4. However, we believe we can distinguish ourselves from our competitors by offering substantially more customization and interoperability with existing platforms. While our service offerings do not rely on always providing the entire installation for the end client, our Company is able to seamlessly provide accenting, replacement, or conversion home automation systems which are easier to use and interoperate for the end client, and with limited rewiring. Complete installation by Crestron ranges between \$100,000 and \$500,000 and an installation by Control4 ranges between \$70,000 and \$250,000. The cheapest competitor we can identify in this sector is Vivint Smart Home, which costs less than \$50,000 to install; however, we understand that the Vivint Smart Home focuses on security systems only and that users have no other smart applications, which our smart home product line would include. Our sales staff have encountered a growing client base of unhappy customers with the pre-existing and completely siloed platform systems that reportedly are not easy to use or program, require costly specialty service for simple operations, are subject to lengthy software and hardware backlogs, and despite being based on the same platform, fail to operate compatibly, possessing frequent errors and bugs.

Air Filtration Systems and Meter Products Industry

The air filtration system and meter products industry is a niche industry. Air purification methods are an effective way to control contaminants and improve indoor air quality; and as a result, many national and local governments overseeing indoor air quality and other emissions are enacting stricter workforce health and safety regulations in this area, which drives demand for our products.

Market Potential

We believe universal wireless smart technology will play a critical role for traditional instrument manufacturers, as currently the undertaking of an IoT project is simply too expensive and difficult to develop for medium or smaller companies and carries a 75% failure rate according to Cisco Systems. The cost factor is the first consideration when deciding whether a company wants to develop smart wireless technologies and implement them into their products or use them in their field testing. We also hope to play a role in academic laboratories, particularly with smaller academic laboratories that are sensitive to price. More specifically, the IoT sensors market is projected to reach \$26 billion by 2026 from \$11.1 billion in 2022. The IoT marketplace size assessments usually include the hardware components and the software components, which often contain a Software as a Service (SaaS) model. Additionally, the rising need for reliable high bandwidth communication for IoT devices is expected to rise to \$664.75 billion in 2028, spearheaded by the currently predominant services in the 5G category.

The financial reporting software market size was estimated at 13.9 billion in 2022 and is projected to reach \$36.6 billion by 2030. The expanding demand of software solutions to reduce the overall cost of compliance and boost efficiency is one of the main reasons the financial reporting software sector is projected to grow.

Results of Operations

For the three months ended September 30, 2025 compared to the three months ended September 30, 2024

Revenue, cost of revenue and gross profit

	For the three months ended September 30, 2025	For the three months ended September 30, 2024	Increase (Decrease) \$
Revenue	\$ 28,689	\$ 74,215	\$ (45,526)
Cost of revenue	30,301	42,530	(12,229)
Gross Profit (Loss)	<u>\$ (1,612)</u>	<u>\$ 31,685</u>	<u>\$ (33,297)</u>

Our consolidated gross revenue for the three months ended September 30, 2025 and 2024 was \$28,689 and \$74,215, respectively. Cost of revenue for the three months ended September 30, 2025 was \$30,301, compared to \$42,530 for the three months ended September 30, 2024. The decrease in cost of revenue was due to higher cost of the LED materials for installation during this time period, though increases were somewhat nominal. In addition to the decrease in revenue and cost of revenue, gross profit (loss) decreased to \$(1,612) compared to \$31,685 for the three months ended September 30, 2025 and 2024, respectively. As a result, the gross profits decreased for the same reason.

The major components of our cost and operating expenses for the three months ended September 30, 2025 and 2024 are outlined in the table below:

	For the three months ended September 30, 2025	For the three months ended September 30, 2024	Increase (Decrease) \$
Selling expense	\$ 2,374	\$ 30,936	\$ (28,562)
Compensation – officers and directors	124,981	575,255	(450,274)
Research and development	288,078	308,516	(20,438)
Professional fees	321,917	278,336	43,581
General and administrative	441,414	585,491	(144,077)
Total operating expenses	<u>\$ 1,178,764</u>	<u>\$ 1,778,534</u>	<u>\$ (599,770)</u>

Selling expenses for the three months ended September 30, 2025 were \$2,374, compared to \$30,936 for the three months ended September 30, 2024. Selling expenses were mainly from third party advertising fees and marketing related fees. The decrease in selling expenses was due to a decrease in advertising fees.

Compensation – officers and directors were \$124,981 and \$575,255 for the three months ended September 30, 2025 and 2024, respectively. The decrease in cost was a result of the decrease in the share price, resulting in a larger stock-based compensation for the directors associated.

Research and development costs were \$288,078 and \$308,516 for the three months ended September 30, 2025 and 2024, respectively. This decrease was a result of the decrease the number of R&D employees in this quarter.

Professional fees were \$321,917 during the three months ended September 30, 2025, compared to \$278,336 during the three months ended September 30, 2024. The increase in these professional fees compared to the prior period was due to an increase in legal fees for employment litigation defense.

General and administrative expenses for the nine months ended September 30, 2025 was \$1,224,988 compared to \$1,612,735 during the nine months ended September 30, 2024. The decrease of general and administrative expenses was primarily due to the Company receiving its employee retention credit from the internal revenue service in 2025.

Other Income (expense)

Other income for the three months ended September 30, 2025 was \$14,001, compared to \$3,215,560 for the three months ended September 30, 2024.

Loss from discontinued operations, net of tax

Loss from discontinued operations, net of tax was \$0 and \$26,784 during the three months ended September 30, 2025 and 2024, respectively. The decrease was due to the discontinued operations of AT Tech Systems LLC in August 2024.

Net income (losses)

During the three months ended September 30, 2025 and 2024, we incurred net income (loss) of \$(1,166,375) and \$1,441,927 respectively, due to the factors discussed above.

For the nine months ended September 30, 2025 compared to the nine months ended September 30, 2024

Revenue, cost of revenue and gross profit

	For the nine months ended September 30, 2025	For the nine months ended September 30, 2024	Increase (Decrease) \$
Revenue	\$ 254,274	\$ 264,954	\$ (10,680)
Cost of revenue	237,754	127,686	110,068
Gross Profit	<u>\$ 16,520</u>	<u>\$ 137,268</u>	<u>\$ (120,748)</u>

Our consolidated gross revenue for the nine months ended September 30, 2025 and 2024 was \$254,274 and \$264,954, respectively. Cost of revenue for the nine months ended September 30, 2025 was \$237,754, compared to \$127,686 for the nine months ended September 30, 2024. In addition to the decrease in revenue and cost of revenue, gross profit decreased to \$16,520 compared to \$137,268 for the nine months ended September 30, 2025 and 2024, respectively. This decrease was a result of a lower amount of revenues this quarter despite having a similar cost structure. In part, the decreased revenues were a result of uncertainty in the market with respect to tariff changes in the marketplace.

The major components of our cost and operating expenses for the nine months ended September 30, 2025 and 2024 are outlined in the table below:

	For the nine months ended September 30, 2025	For the nine months ended September 30, 2024	Increase (Decrease) \$
Selling expense	\$ 58,774	\$ 96,027	\$ (37,253)
Compensation – officers and directors	375,725	687,303	(311,578)
Research and development	1,127,633	948,041	179,592
Professional fees	1,224,063	985,368	238,695
General and administrative	1,224,988	1,612,735	(387,747)
Total operating expenses	<u>\$ 4,011,183</u>	<u>\$ 4,329,474</u>	<u>\$ (318,291)</u>

Selling expenses for the nine months ended September 30, 2025 were \$58,774, compared to \$96,027 for the nine months ended September 30, 2024. Selling expenses were mainly from third party advertising fees and marketing related fees. The decrease in selling expenses was due to a decrease in advertising fees.

Compensation – officers and directors were \$375,725 and \$687,303 for the nine months ended September 30, 2025 and 2024, respectively. The decrease in cost was a result in the decrease in the share price, resulting in a larger stock-based compensation for the directors associated.

Research and development costs were \$1,127,633 and \$948,041 for the nine months ended September 30, 2025 and 2024, respectively. The increase this period was a result of increased R&D testing fee.

Professional fees were \$1,224,063 during the nine months ended September 30, 2025, compared to \$985,368 during the nine months ended September 30, 2024. The increase in these professional fees compared to the prior period was due to an increase in legal fees for employment litigation defense.

General and administrative expenses for the nine months ended September 30, 2025 was \$1,224,988 compared to \$1,612,735 during the nine months ended September 30, 2024. The decrease of general and administrative expenses was primarily due to the Company received its employee retention credit from internal revenue service in 2025.

Other Income (expense)

Other income for the nine months ended September 30, 2025 was \$71,262, compared to \$3,231,253 for the nine months ended September 30, 2024. There was an amount of bonus earned which was classified in other income from the previous financing options.

Loss from discontinued operations, net of tax

Loss from discontinued operations, net of tax was \$0 and \$277,823 during the nine months ended September 30, 2025 and 2024, respectively. The decrease was due to the discontinued operations of AT Tech Systems LLC in August 2024.

Net Losses

During the nine months ended September 30, 2025 and 2024, we incurred net loss of \$3,923,401 and \$1,238,776 respectively, due to the factors discussed above.

Liquidity and Capital Resources

Working Capital

	September 30, 2025	December 31, 2024
Current Assets	\$ 771,077	\$ 3,846,363
Current Liabilities	(705,638)	(876,975)
Working Capital	<u>\$ 65,439</u>	<u>\$ 2,969,388</u>

Cash Flows

The table below, for the periods indicated, provides selected cash flow information:

	For the nine months ended September 30, 2025	For the nine months ended September 30, 2024
Net cash used in operating activities	\$ (3,709,104)	\$ (3,658,901)
Net cash provided by (used in) investing activities	(27,318)	7,132,558
Net cash provided by financing activities	572,826	1,451,000
Effect of exchange rate	(14,838)	(11,681)
Net change in cash	<u>\$ (3,178,434)</u>	<u>\$ 4,912,976</u>

Cash Flows from Operating Activities

Our net cash outflows from operating activities of \$3,709,104 for the nine months ended September 30, 2025 was primarily the result of our net loss of \$3,923,401 and changes in our operating assets and liabilities offset by the add-back of non-cash expenses, and operating activities from discontinued operations.

Our net cash outflows from operating activities of \$3,658,901 for the nine months ended September 30, 2024 was primarily the result of our net loss of \$1,238,776 and changes in our operating assets and liabilities offset by the add-back of non-cash expenses, and operating activities from discontinued operations.

We expect that cash flows from operating activities may fluctuate in future periods as a result of a number of factors, including fluctuations in our net revenues and operating results, utilization of new revenue streams, in line with our shifting revenue streams, collection of accounts receivable, and timing of billings and payments.

Cash Flows from Investing Activities

For the nine months ended September 30, 2025 we had cash outflow from investing activities of \$27,318 from the purchase of property and equipment of \$27,318. For the nine months ended September 30, 2024, we had cash inflow from investing activities of \$7,132,558 from the purchase of property and equipment of \$13,250 and proceeds from sale of property of \$7,145,808.

Cash Flows from Financing Activities

For the nine months ended September 30, 2025, we had cash inflows of \$572,826 due to stock issued for private placement of \$822,501 offset by the purchase of treasury stock of \$249,675. For the nine months ended September 30, 2024, we had cash inflows of \$1,451,000 due to proceeds from third party loan of \$350,000, proceeds from related party loan of \$1,101,000, repayment on related party loan of \$2,101,000, repayment on third party loan of \$275,000, stock issued for placement agent of \$1,086,000 and stock issued for private placement of \$1,290,000.

On November 16, 2024, we entered into a Securities Purchase Agreement (the “Agreement”) with Alumni Capital LP, a Delaware limited partnership. Pursuant to the Agreement, we have the right, but not the obligation to cause Alumni Capital LP to purchase up to \$20,000,000 common stock, par value \$0.001, at certain purchase price during the period beginning on the execution date of the Agreement and ending on the earlier of (i) the date which Alumni Capital has purchased \$20,000,000 of the Company’s common stock pursuant to the Purchase Agreement or (ii) November 16, 2027. As of the date of issuance of the unaudited consolidated financial statements, the Company has only executed a purchase notice for an aggregate 262,692 shares to Alumni Capital LP, based on our Agreement, dated November 16, 2024, and the proceeds of an aggregate \$822,501 have been received and recorded for the period ended September 30, 2025.

Going Concern

The Company has assessed its ability to continue as a going concern for a period of one year from the date of the issuance of these condensed consolidated financial statements. The Company has a net loss of \$3,923,401 for the nine months ended September 30, 2025. In addition, the Company had an accumulated deficit of \$29,705,709 as of September 30, 2025, and negative cash flow from operating activities of \$3,709,104 for the nine months ended September 30, 2025. Substantial doubt about the Company's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the Company will be unable to meet its obligations as they become due within one year from the financial statement issuance date. The accompanying condensed consolidated financial statements have been prepared in conformity with U.S. GAAP, which contemplate continuation of the Company as a going concern. The Company currently suffered recurring loss from operations, generated negative cash flow from operating activities, has an accumulated deficit and has not completed its efforts to establish a stabilized source of revenues sufficient to cover operating costs over an extended period of time. These conditions raise substantial doubt as to its ability to continue as a going concern. These unaudited condensed consolidated financial statements do not include adjustments relating to the recoverability and classification of reported asset amounts or the amount and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company's independent registered public accounting firm, in its report on the Company's consolidated financial statements for the year ended December 31, 2024, has also expressed substantial doubt about the Company's ability to continue as a going concern.

At September 30, 2025, the Company had cash and cash equivalents, and short-term investments, in the amount of \$454,432. The ability to continue as a going concern is dependent on the Company attaining and maintaining profitable operations in the future and raising additional capital to meet its obligations and repay its liabilities arising from normal business operations when they come due. Since inception, the Company has funded its operations primarily through equity and debt financings, and it expects to continue to rely on these sources of capital in the future. Even if the Company is able to obtain additional financing, such financing may bring about undue restrictions on our operations, in the case of debt financing, or cause substantial dilution for our stockholders, in case of equity financing, or grant unfavorable terms in future licensing agreements. No assurance can be given that any future financing will be available or, if available, that it will be on terms that are satisfactory to the Company.

Off-Balance Sheet Arrangements

As of September 30, 2025, we did not have any off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation SK.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with the accounting principles generally accepted in the United States of America. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. We believe that understanding the basis and nature of the estimates and assumptions involved with the following aspects of our financial statements is critical to an understanding of our financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

See notes to consolidated financial statements regarding recent accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we have conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a15(e) and 15d15(e) under the Securities and Exchange Act of 1934, at the end of the period covered by this report. Based on this evaluation, our principal executive officer and principal financial officer concluded as of the evaluation date that our disclosure controls and procedures were effective such that the material information required to be included in our Securities and Exchange Commission reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms relating to our Company, particularly during the period when this report was being prepared.

Our management concluded we did not maintain effective controls over the Company's financial reporting. The material weaknesses in our internal control over financial reporting, caused principally by inadequate staffing and technical expertise in key positions, resulted in overly relying on outside consultants to make numerous adjustments to our financial statements. Additionally, the significant deficiencies or material weaknesses could result in future material misstatement of the consolidated financial statements that would not be prevented or detected. Management has concluded that the identified control deficiencies constitute a material weakness.

Changes in internal control over financial reporting.

There were no changes in our internal control over financial reporting during our most recent fiscal quarter that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Internal Controls

Disclosure controls and procedures, no matter how well designed and implemented, can provide only reasonable assurance of achieving an entity's disclosure objectives. The likelihood of achieving such objectives is affected by limitations inherent in disclosure controls and procedures. These include the fact that human judgment in decision-making can be faulty and that breakdowns in internal control can occur because of human failures such as simple errors or mistakes or intentional circumvention of the established process.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company and its subsidiaries from time to time involved in various legal proceedings that are handled and defended in the ordinary course of business. All legal proceedings has been settled during the nine months ended September 30, 2025 and the minimal impact of all settlement has been accounted for in these financial statements.

ITEM 1A. RISK FACTORS

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

No unregistered shares of common stock were sold during the nine months ended September 30, 2025.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

No senior securities were issued and outstanding during the nine-month periods ended September 30, 2025 or 2024.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable to our Company.

ITEM 5. OTHER INFORMATION

Our common stock trades on the Nasdaq Capital Market under the symbol “FCUV.”

During the quarter ended September 30, 2025, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS AND REPORTS ON FORM 10-Q

Exhibits

The following financial information is filed as part of this report:

- (a) (1) FINANCIAL STATEMENTS
- (2) SCHEDULES
- (3) EXHIBITS. The following exhibits required by Item 601 to be filed herewith are incorporated by reference to previously filed documents:

Exhibit Number	Description
31.1	Certification of CEO pursuant to Sec. 302
31.2	Certification of CFO pursuant to Sec. 302
32.1	Certification of CEO pursuant to Sec. 906
32.2	Certification of CFO pursuant to Sec. 906
101.INS	XBRL Instances Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Focus Universal Inc.

Dated: November 10, 2025

By: /s/ Desheng Wang
Desheng Wang
Chief Executive Officer

Dated: November 10, 2025

By: /s/ Irving H. Kau
Irving H. Kau
Chief Financial Officer

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Desheng Wang, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q.
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
- 4) I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure the material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation.
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
- 5) I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls over financial reporting.

Date: November 10, 2025

By: /s/ Desheng Wang
Desheng Wang
Chief Executive Officer

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Irving Kau, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q.
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
- 4) I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure the material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation.
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
- 5) I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls over financial reporting.

Date: November 10, 2025

By: /s/ Irving H. Kau
Irving H. Kau
Chief Financial Officer

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Focus Universal Inc. (the “Company”) on Form 10-Q for the period ended herein as filed with the Securities and Exchange Commission (the “Report”), I, Desheng Wang, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fully presents, in all material respects, the financial condition and results of operations or the Company.

Date: November 10, 2025

By: /s/ Desheng Wang _____
Desheng Wang
Chief Executive Officer

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Focus Universal Inc. (the “Company”) on Form 10-Q for the period ended herein as filed with the Securities and Exchange Commission (the “Report”), I, Irving Kau, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fully presents, in all material respects, the financial condition and results of operations or the Company.

Date: November 10, 2025

By: /s/ Irving H. Kau
Irving H. Kau
Chief Financial Officer