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 June 30, 2026

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

Commission File No. **001-40770**

FOCUS UNIVERSAL INC.

(Exact name of registrant as specified in its charter)

Nevada	**46-3355876**
(State or other jurisdiction of incorporation)	(IRS Employer Identification Number)
901 Corporate Center Dr., Ste 404, Monterey Park, CA	**91754**
(Address of principal executive offices)	(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)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") during the preceding 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 August 10, 2026, registrant had 702,745 shares outstanding of the registrant's common stock at a par value of $0.001 per share.

FORM 10-Q

FOCUS UNIVERSAL INC.

TABLE OF CONTENTS

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

Index to the Financial Statements

FOCUS UNIVERSAL INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2026 (Unaudited)	December 31, 2025
ASSETS		
Current Assets:		
Cash	$ 1,600,258	$ 7,934,958
Accounts receivable, net	68,643	7,125
Inventories, net	84,950	99,813
Other receivables	–	20,000
Prepaid expenses	243,482	492,953
Marketable securities	–	22,887
Deposit – current portion	46,655	69,393
Total Current Assets	2,043,988	8,647,129
Property and equipment, net	17,575,589	66,705
Operating lease right-of-use asset	149,172	12,501
Capitalized software costs	247,865	159,179
Deposits	14,446	–
Total Assets	$ 20,031,060	$ 8,885,514
LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 417,089	$ 358,007
Other current liabilities	234,191	–
Loan, current portion	129,290	–
Lease liability, current portion	55,853	8,464
Total Current Liabilities	836,423	366,471
Non-Current Liabilities:		
Loan, less current portion	10,869,416	–
Other liability	63,484	–
Lease liability, less current portion	61,701	–
Total Liabilities	11,831,024	366,471
Redeemable Preferred Stock:		
Series B convertible redeemable preferred stock, par value $0.001 per share, 15,000 shares authorized; 0 and 7,263 shares issued and outstanding as of June 30, 2026 and December 31, 2025, respectively	–	5,946,284
Contingencies		
Stockholders' Equity:		
Common stock, par value $0.001 per share, 1,000,000,000 shares authorized; 702,745 and 228,774 shares issued and outstanding as of June 30, 2026 and December 31, 2025, respectively	703	229
Treasury stock (54,494 and 4,271 shares held at June 30, 2026 and December 31, 2025, respectively)	(848,533)	(494,390)
Additional paid-in capital	43,071,198	34,038,844
Shares to be issued, common shares (1,534 and 1,449 shares at June 30, 2026 and December 31, 2025, respectively)	12,019	82,884
Accumulated deficit	(34,015,113)	(31,023,411)
Accumulated other comprehensive loss	(20,238)	(31,397)
Total Stockholders' Equity	8,200,036	2,572,759
Total Liabilities, Redeemable Preferred Stock and Stockholders' Equity	$ 20,031,060	$ 8,885,514

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 June 30,		Six Months Ended June 30,	
	2026	**2025**	**2026**	**2025**
Revenue				
Rental revenue	$ 651,950	$ –	$ 651,950	$ –
Other revenue	23,220	35,330	71,193	225,585
Total Revenue	675,170	35,330	723,143	225,585
Cost and Operating Expenses				
Property operating expenses	259,663	–	259,663	–
Cost of other revenue	17,227	47,742	49,956	207,453
Depreciation and amortization	201,024	5,506	207,746	10,959
Selling expense	691	7,420	33,539	56,400
Compensation - officers and directors	117,638	125,357	235,189	250,744
Research and development	362,165	467,297	626,962	839,555
Professional fees	751,144	429,155	1,136,349	902,146
General and administrative	515,193	495,613	995,025	772,615
Total Cost and Operating Expenses	2,224,745	1,578,090	3,544,429	3,039,872
Loss from Operations	(1,549,575)	(1,542,760)	(2,821,286)	(2,814,287)
Other Income (Expense):				
Interest income (expense), net	(86,002)	12,130	(45,912)	34,018
Unrealized gain on marketable equity securities	14,013	17,745	–	14,753
Realized gain on marketable equity securities	98,936	–	98,936	–
Other income, net	3,670	7,237	3,226	8,490
Total other income	30,617	37,112	56,250	57,261
Net Loss	$ (1,518,958)	$ (1,505,648)	$ (2,765,036)	$ (2,757,026)
Accretion of redeemable preferred stock	–	–	(226,666)	–
Net loss to common stockholders’	$ (1,518,958)	$ (1,505,648)	$ (2,991,702)	$ (2,757,026)
Other comprehensive items				
Foreign currency translation loss	6,133	(4,065)	11,159	(10,433)
Total comprehensive loss	$ (1,512,825)	$ (1,509,713)	$ (2,980,543)	$ (2,767,459)
Basic net income loss per share:				
Basic net loss per share	$ (2.69)	$ (7.99)	$ (7.31)	$ (15.34)
Weighted Average Number of Common Shares Outstanding:				
Basic and Fully Diluted	564,651	188,405	409,315	179,775

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

FOCUS UNIVERSAL INC.
CONDENSED CONSOLIDATED STATEMENTS OF REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2026 AND 2025
(UNAUDITED)

	Series B Redeemable Preferred Stock		Common stock		Treasury stock	Additional Paid-In Capital	Shares to be issued Common Shares	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Description	Shares	Amount	Shares	Amount	Amount					
Balance – March 31, 2026	6,447	$ 5,479,350	256,284	$ 256	$ (649,007)	$ 34,902,627	$ 19,443	$ (32,496,155)	$ (26,371)	$ 1,750,793
Stock based compensation - options	–	–	–	–	–	2,345	–	–	–	2,345
Stock based compensation – shares issued for award agreement	–	–	–	–	–	89,335	–	–	–	89,335
Stock based compensation – shares issued for employment contract	–	–	872	1	–	12,499	(7,424)	–	–	5,076
Purchase of treasury stock	–	–	–	–	(199,526)		–	–	–	(199,526)
Stock split rounding up	–	–	(77)	–	–	–	–	–	–	–
Conversion of Series B preferred stock to common stock	(5,216)	(4,433,600)	166,336	167	–	4,433,433	–	–	–	4,433,600
Repurchase and cancellation of series B preferred stock	(1,231)	(1,045,750)	–	–	–	–	–	–	–	–
Gain on cancellation of preferred stock	–	–	–	–	–	83,890	–	–	–	83,890
Shares issued for pre-funded units	–	–	279,330	279	–	3,547,069	–	–	–	3,547,348
Other comprehensive income	–	–	–	–	–	–	–	–	6,133	6,133
Net loss	–	–	–	–	–	–	–	(1,518,958)	–	(1,518,958)
Balance – June 30, 2026	–	$ –	702,745	$ 703	$ (848,533)	$ 43,071,198	$ 12,019	$ (34,015,113)	$ (20,238)	$ 8,200,036

	Series B Redeemable Preferred Stock		Common stock		Treasury stock	Additional Paid-In Capital	Shares to be issued Common Shares	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Description	Shares	Amount	Shares	Amount	Amount					
Balance – March 31, 2025	–	$ –	186,824	$ 187	$ (1,200,167)	$ 30,146,078	$ 17,295	$ (27,033,686)	$ (31,558)	$ 1,898,149
Stock based compensation - options	–	–	–	–	–	10,284	–	–	–	10,284
Stock based compensation – shares	–	–	–	–	–	89,330	5,569	–	–	94,899
Purchase of treasury stock	–	–	–	–	(29,262)		–	–	–	(29,262)
Retirement of treasury stock	–	–	(8,724)	(9)	1,055,591	(1,055,582)	–	–	–	–
Stock issued for cash	–	–	2,371	2	–	381,222	–	–	–	381,224
Other comprehensive income	–	–	–	–	–	–	–	–	(4,065)	(4,065)
Net loss	–	–	–	–	–	–	–	(1,505,648)	–	(1,505,648)
Balance – June 30, 2025	–	$ –	180,471	$ 180	$ (173,838)	$ 29,571,332	$ 22,864	$ (28,539,334)	$ (35,623)	$ 845,581

Description	Series B Redeemable Preferred Stock Shares	Series B Redeemable Preferred Stock Amount	Common stock Shares	Common stock Amount	Treasury stock Amount	Additional Paid-In Capital	Shares to be issued Common Shares	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance – December 31, 2025	7,263	$ 5,946,284	228,774	$ 229	$ (494,390)	$ 34,038,844	$ 82,884	$ (31,023,411)	$ (31,397)	$ 2,572,759
Stock based compensation - options	–	–	–	–	–	4,504	–	–	–	4,504
Stock based compensation – shares issued for award agreement	–	–	131	–	–	178,671	–	–	–	178,671
Stock based compensation – shares issued for employment contract	–	–	2,311	2	–	91,213	(70,865)	–	–	20,350
Purchase of treasury stock	–	–	–	–	(354,143)		–	–	–	(354,143)
Stock split rounding up	–	–	(158)	–	–	–	–	–	–	–
Conversion of Series B preferred stock to common stock	(6,032)	(5,127,200)	192,357	193	–	5,127,007	–	–	–	5,127,200
Preferred stock accretion	–	226,666	–	–	–	–	–	(226,666)	–	(226,666)
Repurchase and cancellation of series B preferred stock	(1,231)	(1,045,750)	–	–	–	–	–	–	–	–
Gain on cancellation of preferred stock	–	–	–	–	–	83,890	–	–	–	83,890
Shares issued for pre-funded units	–	–	279,330	279	–	3,547,069	–	–	–	3,547,348
Other comprehensive income	–	–	–	–	–	–	–	–	11,159	11,159
Net loss	–	–	–	–	–	–	–	(2,765,036)	–	(2,765,036)
Balance – June 30, 2026	–	$ –	702,745	$ 703	$ (848,533)	$ 43,071,198	$ 12,019	$ (34,015,113)	$ (20,238)	$ 8,200,036

Description	Series B Redeemable Preferred Stock Shares	Series B Redeemable Preferred Stock Amount	Common stock Shares	Common stock Amount	Treasury stock Amount	Additional Paid-In Capital	Shares to be issued Common Shares	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance – December 31, 2024	–	$ –	178,841	$ 179	$ (1,055,592)	$ 30,032,562	$ 25,573	$ (25,782,308)	$ (25,190)	$ 3,195,224
Stock based compensation - options	–	–	–	–	–	20,568	–	–	–	20,568
Stock based compensation - shares	–	–	251	–	–	192,570	(2,709)	–	–	189,861
Purchase of treasury stock	–	–	–	–	(173,837)	–	–	–	–	(173,837)
Stock split rounding up	–	–	7,732	8	–	(8)	–	–	–	–
Retirement of treasury stock	–	–	(8,724)	(9)	1,055,591	(1,055,582)	–	–	–	–
Stock issued for cash	–	–	2,371	2	–	381,222	–	–	–	381,224
Other comprehensive loss	–	–	–	–	–	–	–	–	(10,433)	(10,433)
Net loss	–	–	–	–	–	–	–	(2,757,026)	–	(2,757,026)
Balance – June 30, 2025	–	$ –	180,471	$ 180	$ (173,838)	$ 29,571,332	$ 22,864	$ (28,539,334)	$ (35,623)	$ 845,581

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 Six Months Ended June 30, 2026	For the Six Months Ended June 30, 2025
Cash flows from operating activities:		
Net Loss	$ (2,765,036)	$ (2,757,026)
Adjustments to reconcile net loss to net cash from operating activities:		
Inventory reserve	–	1,644
Depreciation expense	198,588	10,959
Amortization expense	9,158	–
Unrealized gain on marketable equity securities	–	(14,753)
Realized gain on marketable equity securities	(98,936)	–
Stock-based compensation – shares	199,022	189,861
Stock based compensation – options	4,504	20,568
Changes in operating assets and liabilities:		
Accounts receivable	(61,518)	5,434
Inventories	14,863	(13,943)
Other receivable	20,000	(88,201)
Prepaid expenses	251,799	4,186
Deposit	8,688	2,593
Operating lease right-of-use asset	40,435	47,360
Accounts payable and accrued liabilities	59,082	91,354
Other current liabilities	297,675	(64,638)
Lease liabilities	(67,601)	(83,686)
Net cash flows used in operating activities	(1,889,277)	(2,648,288)
Cash flows from investing activities:		
Purchase of property and equipment	(6,656,031)	(25,091)
Capitalized software costs	(97,844)	–
Proceeds from sale of marketable securities	121,823	–
Net cash flows used in investing activities	(6,632,052)	(25,091)
Cash flows from financing activities:		
Redemption of preferred stock	(961,861)	–
Repayment on bank loan	(51,294)	–
Shares issued for pre-funded units	3,547,348	–
Stock issued for private placement	–	381,224
Purchases of treasury stock	(354,143)	(173,837)
Net cash flows provided by financing activities	2,180,050	207,387
Effect of exchange rate	6,579	(12,125)
Net change in cash	(6,334,700)	(2,478,117)
Cash beginning of period	7,934,958	3,589,318
Cash end of period	$ 1,600,258	$ 1,111,201
Supplemental cash flow disclosure:		
Cash paid for income taxes	$ –	$ 3,525
Cash paid for interest	$ 86,103	$ –
Supplemental disclosure of non-cash investing and financing activities:		
Accretion of redeemable series B preferred stock discount	$ 226,666	$ –
Conversion of series B preferred stock to common stock	$ 5,127,200	$ –
Gain on cancellation of preferred stock	$ 83,890	$ –
Right-of-use assets obtained in exchange for operating lease liabilities	$ 175,271	$ –
Issuance to bank loan on building acquisition	$ 11,050,000	$ –

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 SIX MONTHS ENDED JUNE 30, 2026 AND 2025
(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 Monterey Park, 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 five disruptive patented technology platforms with 28 patents and patents pending in various phases and 8 trademarks pending in various phases 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. The smartphone or other mobile device serves as the foundation to the platform of our products where the user can review the sensor readouts together which performs the function of many traditional scientific and engineering instruments. The Company's products are intended to replace the 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., Lusher, Inc., Lusher Holding LLC, (together "Lusher"), and until August, 2024, AT Tech Systems LLC ("AT Tech LLC"), which activities have since been discontinued.

On February 2, 2026, the Company founded a wholly owned subsidiary named Lusher Holding LLC. Lusher Holding LLC was established to provide commercial real estate property management services.

On April 1, 2026, and April 16, 2026, the Company founded two wholly owned subsidiaries, Lusher LLC and Lusher Service LLC respectively, both registered under the laws of the State of California. Both of these subsidiaries were established to support the Company's future planned financial services operations. On May 18, 2026, the Company entered into a Cross-Border E-Commerce Acquiring Service Cooperation Agreement. Focus Universal Inc. held a 51% ownership interest in Lusher LLC, while Avantgarde Service Inc. held the remaining 49% ownership interest. There were no transactions involving Lusher LLC through June 30, 2026.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The unaudited condensed consolidated financial statements of the Company for the three and six months ended June 30, 2026 and 2025 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 ("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, 2025 was derived from the audited financial statements included in the Company's financial statements as of and for the years ended December 31, 2025 contained in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission, or the SEC, on March 31, 2026. 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, Lusher Holding LLC, Lusher Service LLC, as well as its 51% ownership interest in Lusher LLC 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 June 30, 2026 and December 31, 2025, 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. The Company limits its exposure to credit loss by investing its cash with high credit quality financial institutions.

Major customers

Two major tenants accounted for approximately 37% and 12% of the Company's total rental revenue during the three and six months ended June 30, 2026, respectively. No individual tenant accounted for more than 10% of the Company's total rental revenue during either the three or six months ended June 30, 2025.

Two major customers accounted for approximately 80% and 12% of the Company's total other revenue during the three months ended June 30, 2026, compared to approximately 55% and 29%, respectively, during the three months ended June 30, 2025. Three major customers accounted for approximately 43%, 26%, and 13% of the Company's total other revenue during the six months ended June 30, 2026, compared to approximately 36%, 24%, and 12%, respectively, during the six months ended June 30, 2025.

Major vendors

No major vendors accounted for more than 10% of our total purchases during the three and six months ended June 30, 2026, and one major vendor accounted for more than 66% of total purchases during the three and six months ended June 30, 2025.

Share-based Compensation

The Company accounts for stock-based compensation to employees in conformity with the provisions of Accounting Standards Codification (“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 December 31, 2025:

	December 31, 2025			
	Fair Value			Carrying Value
	Level 1	Level 2	Level 3	
Assets				
Marketable securities:				
Stock	$ 22,887	$ –	$ –	$ 22,887
Total assets measured at fair value	$ 22,887	$ –	$ –	$ 22,887

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 six months ended June 30, 2026 and 2025 was comprised of foreign currency translation adjustments.

Revenue Recognition

Rental Income

Rental income from operating leases is recognized on a straight-line basis over the non-cancelable lease term when collectability is probable and the tenant has been provided access to and control of the leased premises. Rental income includes fixed contractual lease payments and, when applicable, variable lease payments that are recognized in the period in which the underlying conditions giving rise to such payments are satisfied.

The Company evaluates each lease to determine whether it is an operating or finance lease in accordance with ASC 842, Leases. The Company's leases of office and commercial space are classified as operating leases. Lease payments received in advance are recorded as deferred revenue and recognized as rental income over the applicable lease term.

The Company recognizes reimbursements from tenants for operating expenses, including common area maintenance, property taxes and other recoverable costs, as rental income when the Company is the principal in providing the related services. Variable lease payments, including amounts based on tenant sales or other specified conditions, are recognized when the applicable conditions are met.

Other Revenue

Revenue from the Company is recognized under ASC Topic 606, Revenue from Contracts with Customers (“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 three operating and reportable segments which are (1) Perfecular and Lusher, (2) Corporate and IoT Products and (3) Lusher Holding LLC.

Cost of Revenue, excluding depreciation & amortization

Cost of revenue includes the cost of services, labor and product incurred to provide product sales, service sales and project sales.

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.

Redeemable Convertible Preferred Stock

The Company accounts for its Series B Convertible Preferred Stock in accordance with the guidance in ASC Topic 480, Distinguishing Liabilities from Equity, and related SEC guidance for redeemable equity instruments.

The Series B Convertible Preferred Stock contains redemption features that are exercisable at the option of the holders and upon the occurrence of certain events that are not solely within the Company's control. Accordingly, the Series B Convertible Preferred Stock is classified as temporary equity and presented outside of permanent equity in the consolidated balance sheets.

The Series B Convertible Preferred Stock is initially recorded at its issuance date carrying amount, net of directly attributable issuance costs. The Company subsequently adjusts the carrying amount of the redeemable preferred stock to equal the redemption value at the end of each reporting period. Changes in redemption value are recognized immediately as they occur through charges or credits to additional paid-in capital (or accumulated deficit if additional paid-in capital is not available).

Upon conversion of the Series B Convertible Preferred Stock into common stock, the related carrying amount is reclassified to stockholders' equity.

Warrants

We evaluate the appropriate balance sheet classification of warrants we issue as either equity or as a derivative liability. In accordance with ASC 815, we classify a warrant as equity if it is “indexed to the Company’s equity” and meets several specific conditions for equity classification. A warrant is not considered “indexed to the Company’s equity,” in general, when it contains certain types of exercise contingencies or potential adjustments to its exercise price. If a warrant is not indexed to the Company’s equity or it has net cash settlement provisions that result in the warrants being accounted for under ASC 480, Distinguishing Liabilities from Equity (“ASC 480”) or ASC 815, it is classified as a derivative liability which is carried on the consolidated balance sheets at fair value with any changes in its fair value recognized in the statements of operations and comprehensive loss. At June 30, 2026 and 2025 all of the Company’s outstanding warrants were classified as equity

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. Because the Company incurred a net loss, potentially dilutive securities, including warrants, were excluded from the calculation of diluted loss per share because their inclusion would have been antidilutive. 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.

Six Months Ended June 30,	**2026**	**2025**
Stock options	2,242	1,904

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 Six Months Ended June 30,			
	2026		2025	
	(Unaudited)		(Unaudited)	
China Yuan (RMB)	RMB	6.8655	RMB	7.1668
United States Dollar ($)	$	1.0000	$	1.0000

	Exchange Rate at			
	June 30, 2026		December 31, 2025	
	(Unaudited)			
China Yuan (RMB)	RMB	6.7919	RMB	6.9949
United States Dollar ($)	$	1.0000	$	1.0000

As of June 30, 2026 and December 31, 2025, the Company had cash balances of $25,801 and $26,552 denominated in China Yuan (RMB), respectively.

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 $2,765,036 for the six months ended June 30, 2026. In addition, the Company had an accumulated deficit of $34,015,113 as of June 30, 2026, and negative cash flow from operating activities of $1,889,277 for the six months ended June 30, 2026. 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 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 losses 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 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, 2025, has also expressed substantial doubt about the Company's ability to continue as a going concern.

At June 30, 2026, the Company had cash, and short-term investments, in the amount of $1,600,258. 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, it may contain 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.

Reclassification

During the period we made certain reclassifications to the format of our statement of operations to more properly reflect the commencement of our rental operations.

Note 3 – Recent Accounting Pronouncements

In November 2024, the Financial Accounting Standards Board ("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. The Company is 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 June 30, 2026 and December 31, 2025, inventory consisted of the following:

	June 30, 2026	December 31, 2025
Finished goods	$ 267,339	$ 304,967
Less: Inventory reserve	(182,389)	(205,154)
Inventory	$ 84,950	$ 99,813

Note 5 – Property and Equipment

On January 21, 2026, the Company entered into a purchase, sale, and escrow agreement with 901 Corporate Center, LP to acquire a 100,743 sq. ft. office and commercial building, along with a four-level parking structure, located in Monterey Park, California. The purchase price was $17,700,000, of which $8,862,095 and $5,148,306 has been preliminarily allocated to Building, Land, respectively. As of April 17, 2026, the Company and Lusher Holding LLC completed the purchase of the building. The building will serve as Focus Universal's principal headquarters and is expected to carry the same rent roll in 2026 as it did in 2025.

At June 30, 2026 and December 31, 2025, property and equipment consisted of the following:

	June 30, 2026	December 31, 2025
Building	$ 8,862,095	$ –
Land	5,148,306	–
Building improvement	595,455	14,620
Furniture and fixtures	43,140	42,676
Equipment	3,285,803	168,749
Software	1,995	1,995
Total cost	17,936,794	228,040
Less accumulated depreciation	(361,205)	(161,335)
Property and equipment, net	$ 17,575,589	$ 66,705

Depreciation expense for the six months ended June 30, 2026 and 2025 amounted to $198,588 and $10,959, respectively.

Note 6 – Rental Operations

Rental income from operating leases, is recognized on a straight-line basis over the lease term once we have determined that the collectability of substantially all of the lease payments is probable. Accounts receivable, included $59,243 of rent receivables at June 30, 2026.

The following operating lease maturity analysis presents the future contractual lease payments to be received by the Company as of June 30, 2026:

Year		**Amount**
Year ending December 31, 2026	$	1,464,523
Year ending December 31, 2027		2,563,708
Year ending December 31, 2028		1,815,188
Year ending December 31, 2029		755,354
Year ending December 31, 2030		727,916
Thereafter		2,103,166
Total	$	9,429,855

Note 7 – Series B Redeemable Preferred Stock (Temporary Equity)

On October 21, 2025, the Company entered into a Series B Preferred Stock Purchase Agreement with Spartan Capital Securities, LLC ("Spartan"). Pursuant to the terms and conditions of the Series B Preferred Stock Purchase 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 were 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 net proceeds of $6,320,000 on December 19, 2025. The proceeds were net of closing costs of $680,000 which was recorded as a discount and will be amortized over the earliest date of the redemption period. On December 5, 2025, the Company filed the Amended and Restated Certificate of Designations, Preferences, and Rights of the Series B Convertible Preferred Stock that had the effect of altering the conversion price and floor price calculations of the Series B Preferred Stock in the event that the Company approves a subdivision, reverse stock split, or similar transaction. The amendment to Series B Designation also provided for voluntary redemption rights at the option of the holder of Series B Preferred Stock and upon the occurrence of events outside the Company's control. On or after January 19, 2026, and for a period of two years thereafter, each holder of Series B Preferred Stock had the right, but not the obligation, to require the Company to redeem all or a portion of the outstanding Series B shares held by them during specified periods within the redemption window. The initial redemption period was to last ninety days, beginning on January 19, 2026. Subsequent redemption periods were to each last thirty days and commence on the following dates: (i) July 1, 2026; (ii) October 1, 2026; (iii) December 1, 2026; (iv) July 1, 2027; (v) October 1, 2027; and (vi) December 1, 2027.

The holders of the Series B Preferred Stock had the right, at any time and from time to time, to require the Company to convert their Series B Preferred Stock shares into common stock. The conversion price was to be equal to 85% of the lowest daily volume-weighted average price (VWAP) of the Company's common stock during the ten trading days immediately preceding the applicable conversion date or other determination date, subject to the adjustments set forth herein. In no event, however, could the conversion price be less than the floor price of $7.84. The Company initially classified the Series B Preferred Stock outside of permanent equity (as temporary equity within the mezzanine section between liabilities and equity on the consolidated balance sheets) since the redemption of such shares was not solely within the Company's control. During the year ended December 31, 2025, 973 shares of Series B Preferred Stock were converted into 93,926 shares of common stock, and there was an accretion of the discount of $453,334 which has been reflected as an addition to the net loss allocated to common stockholders. At December 31, 2025, 7,263 shares of the Series B Preferred Stock remained outstanding and the Series B Preferred Stock had been recorded at its redemption value of $5,946,284. During the six months ended June 30, 2026, 6,032 shares of Series B Preferred Stock were converted into 192,357 shares of common stock. The Company recorded an accretion of the discount of $226,666, which was reflected as an addition to the net loss attributable to common stockholders. The remaining outstanding shares of Series B Convertible Preferred Stock were held by Great Point Capital LLC, and the Company entered into a redemption agreement dated April 13, 2026, with Great Point Capital LLC to redeem the 1,231 remaining shares with a stated value $1,045,750 at a price of $782 per share for an aggregate amount of $961,860, resulting in a gain of $83,890 which has been reflected as additional paid in capital. As of June 30, 2026, there are no shares of Series B Convertible Preferred Stock outstanding.

As of June 30, 2026 and December 31, 2025 Series B Preferred Stock shares reflected on the balance sheet are reconciled on the following table:

	June 30, 2026	December 31, 2025
Gross proceeds	$ 7,000,000	$ 7,000,000
Less:		
Preferred stock issuance costs	(680,000)	(680,000)
Value converted into common stock	(5,954,250)	(827,050)
Repurchase	(1,045,750)	–
Plus:		
Accretion of carrying value to redemption value	680,000	453,334
Preferred stock subject to possible redemption	$ –	$ 5,946,284

Note 8 – Leases

<u>Operating Lease</u>

In January 2026, Focus Universal (Shenzhen) Technology Co., Ltd. entered into two thirty-six-month commercial leases with a third party for office spaces of approximately 3,700 and 4,230 square feet. The first lease commenced on January 31, 2026 and will expire on January 30, 2029, with a monthly rent of RMB 14,612 (approximately $2,128). The second lease commenced on February 1, 2026 and will expire on January 31, 2029, with a monthly rent of RMB 24,771 (approximately $3,608). The Company's incremental borrowing rate for these leases is 10%, representing the rate it would incur on a collateralized basis to borrow an amount equal to the lease payments over a similar term. Lease expense is recognized on a straight-line basis over the lease term. The Company recorded a right of use assets and a lease obligation of $175,271 upon inception of these leases.

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 June 30, 2026 and December 31, 2025, operating lease right-of use assets and lease liabilities were as follows:

	June 30, 2026	December 31, 2025
Operating lease right-of-use assets, net	$ 149,172	$ 12,501
Lease liabilities, current portion	$ 55,853	$ 8,464
Lease liabilities, less current portion	$ 61,701	$ –

Lease term and discount rate:

	June 30, 2026	December 31, 2025
Weighted average remaining lease term:		
Operating lease	2.50 to 2.58 years	0.08 to 0.25 years
Weighted average discount rate:		
Operating lease	10%	10%

The minimum future lease payments are as follows:

	Amount
Year ending December 31, 2026	$ –
Year ending December 31, 2027	65,937
Year ending December 31, 2028	65,937
Total minimum lease payment	131,874
Less: imputed interest	(14,320)
Present value of future minimum lease payments	$ 117,554

Related Party Short-term Lease

On February 26, 2026, the Company entered into a one-year storage lease agreement with the CEO's wife, commencing on March 1, 2026, at a monthly fee of $5,000.

The Company recorded an operating lease expense of $102,259 and $168,417 for the six months ended June 30, 2026 and 2025, respectively. This is included in general and administrative expenses.

Note 9 – Bank Loan

Lusher Holding LLC, a subsidiary of the Company entered into a term loan agreement with East West Bank (the "East West Loan") to borrow $11,050,000, at 6.25% interest for the first 3-years, then floating at the Wall Street Journal Prime Rate plus (+) 0.25% for the remaining term, with a floor interest rate at 6.25%. The loan provides for 36 consecutive monthly principal and interest payments of approximately $68,698.64, beginning on May 1, 2026 and subsequently, 83 monthly principal and interest payments of an initially estimated amount of approximately $73,917.99 (subject to change based on Wall Street Journal Prime Rate plus 0.25%) beginning May 1, 2029. A final principal and interest payment of approximately $9,533,143.67 (subject to change based on Wall Street Journal Prime Rate plus 0.25%) is due on April 1, 2036. Focus Universal Inc. is listed as the primary guarantor of this East West Loan with Desheng Wang listed as a backup guarantor. This loan is secured by 901 Corporate Center building.

	June 30, 2026	December 31, 2025
East West Bank Loan	$ 10,998,706	$ –
Less: current portion	$ 129,290	$ –
Long term portion	$ 10,869,416	$ –

Interest expense incurred from the loan amounted to $86,103 for the six months ended June 30,2026.

Future maturities of payments on the bank loan are as follows as of June 30, 2026:

Year	Amount
Year ending December 31, 2026	$ 412,192
Year ending December 31, 2027	824,374
Year ending December 31, 2028	824,384
Year ending December 31, 2029	866,138
Year ending December 31, 2030	887,016
Thereafter	14,189,977
Total	18,004,081
Less: Amounts representing interest	(7,005,375)
Total	$ 10,998,706

Note 10 – Stockholders’ Equity

Common stock

On February 9, 2026, the Company effected a reverse stock split of its outstanding common stock on a 1-for-10 basis. On June 23,2026, the Company effected another reverse stock split of its outstanding common stock on a 1-for-4 basis. No adjustment was made to the Company’s authorized shares of capital stock. All share and per share amounts have been retroactively restated to reflect the split as if it occurred at the beginning of the earliest period presented.

Treasury stock

During the six months ended June 30, 2026, the Company repurchased 50,223 shares of its common stock for $354,143 in the public market at average price of $12.81 and placed them in treasury. As of June 30, 2026 and December 31, 2025, 54,494 and 4,271 shares remain as treasury shares, respectively. These were all purchased as part of publicly announced plans or program and currently, as also noted in the previous 10-K filing.

Employee compensation

In prior years, the Company entered into several employment agreements that require the issuance of common shares to employees, which vest on a quarterly basis. During the period ended June 30, 2026, 2,311 shares with a fair value of $91,215 that previously vested were issued. During the period ended June 30, 2026, an aggregate of 1,534 shares with a fair value of $12,019 vested during the period and were recognized as compensation costs.

On February 11, 2022 (the “Vesting Date”), the Company entered into a restricted stock award agreements (the “Award Agreement”) with eight employees for 700 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 year ended December 31, 2025, the Company amortized $357,340 of this amount leaving an unamortized balance of $357,340 at December 31, 2025. During the period ended June 30, 2026, 131 shares of common stock vested and the Company amortized $178,670 of this amount leaving an unamortized balance of $178,670 at June 30, 2026. As of June 30, 2026, 700 of the shares had been vested.

Warrants

On April 6, 2026, the Company entered into a Securities Purchase Agreement (the “Purchase Agreement”) to issue and sell to Armistice Capital Master Fund Ltd. (“Armistice”) approximately $4,000,000 worth of Pre-Funded Units resulting in net proceeds to the Company of $3,547,348. Pursuant to the terms of the Purchase Agreement, Armistice purchased an aggregate of 279,330 Pre-Funded Units at a purchase price of $14.3199 per unit. Each Pre-Funded Unit consists of (i) one (1) Pre-Funded Warrant (the “Pre-Funded Warrant”), (ii) one (1) Series A PIPE Common Warrant (“Series A Common Warrant”) to purchase one (1) share of common stock, and (iii) one (1) Series B PIPE Common Warrant (“Series B Common Warrant”) to purchase one (1) share of common stock. Each Pre-Funded Warrant is exercisable for one (1) share of common stock at a nominal exercise price of $0.00001 per share, with the aggregate exercise price having been pre-funded to the Company and is exercisable immediately upon issuance until all of the Pre-Funded Warrants are exercised in full. Alternatively, the Pre-Funded Warrants may be exercised on a cashless basis. Armistice also received (i) a Series A Common Warrant to purchase up to 279,330 shares of Common Stock with an exercise price of $13.32, which expires 24 months after its initial issuance date; and (ii) a Series B Common Warrant to purchase up to 279,330 shares of Common Stock at an exercise price of $13.32, which expires sixty (60) months after its initial issuance date. The Series A Common Warrants and Series B Common Warrants are exercisable immediately upon issuance until their respective expiration dates. The number of shares of Common Stock issuable under the warrants are subject to adjustments for stock splits, dividends, and fundamental transactions as further described in the agreement. The Series A Common Warrants and Series B Common Warrants may be exercised on a cashless basis if there is no effective registration statement registering the issuance or resale of the warrant shares at the time of exercise. During the six months ended June 30, 2026, Armistice has exercised 279,330 shares of its Pre-Funded Warrant and as a result, the Company has issued 279,330 shares of Common Stock.

Stock options

On January 2, 2026, each member of the Board was granted 56 options to purchase shares at $34 per share with a fair value of $1,721. On March 27, 2026, one new member of the Board was granted 56 options to purchase shares at $15.32 per share with a fair value of $775. The options vest monthly over one (1) year, and may be exercised during a 10-year term. In the aggregate, 338 options were granted with a fair value of $9,380. During the six months ended June 30, 2026, the Company recognized $4,504 of compensation cost relating to the vesting of these options and $4,876 remained unvested which will be amortized over the remainder of 2026.

For the six months ended June 30, 2026 and 2025, the Company's stock option compensation expenses amounted to $4,504 and $20,568, 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:

	June 30, 2026
Risk-free interest rate	3.79% and 3.83%
Expected life of the options	5.5 years
Expected volatility	135.83% and 134.99%
Expected dividend yield	0%

The following is a summary of the option activity from December 31, 2025 to June 30, 2026:

	Number of Options	Weighted average exercise price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at December 31, 2025	1,904	$ 1,208.00	6.32	–
Granted	338	$ 30.89	–	–
Exercised	–	–	–	–
Cancelled or forfeited	–	–	–	–
Outstanding at June 30, 2026	2,242	$ 1,149.34	6.35	–
Exercisable as of June 30, 2026	2,059	$ 1,119.24	6.11	–

Note 11 – Segment Reporting

The Company currently has two operating and reportable 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 three operating and reportable segments. The Company consists of three 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. (3) Lusher Holding LLC provide commercial real estate property management services.

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 three months ended June 30, 2026:

	For the Three Months ended June 30, 2026			
	Perfecular & Lusher	Corporate & IoT	Lusher Holding LLC	Total
Revenue	$ –	$ 23,220	$ 651,950	$ 675,170
Cost and operating expenses				
Property operating expenses	–	–	259,663	259,663
Cost of other revenue	–	17,227	–	17,227
Depreciation and amortization	–	16,084	184,940	201,024
Selling expense	–	691	–	691
Compensation – officers and directors	–	117,638	–	117,638
Research and development	218,424	143,741	–	362,165
Professional fees	–	751,144	–	751,144
General and administrative	848	503,827	10,518	515,193
Total cost and operating expense	219,272	1,550,352	455,121	2,224,745
Income (loss) from operations	(219,272)	(1,527,132)	196,829	(1,549,575)
Total other income (expense)	–	116,698	(86,081)	30,617
Net loss	$ (219,272)	$ (1,410,434)	$ 110,748	$ (1,518,958)

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

	For the Three Months ended June 30, 2025			
	Perfecular & Lusher	Corporate & IoT	Lusher Holding LLC	Total
Revenue	$ 19,375	$ 15,955	$ –	$ 35,330
Cost and operating expenses				
Property operating expenses	–	–	–	–
Cost of other revenue	16,462	31,280	–	47,742
Depreciation and amortization	–	5,506	–	5,506
Selling expense	–	7,420	–	7,420
Compensation – officers and directors	–	125,357	–	125,357
Research and development	155,572	311,725	–	467,297
Professional fees	–	429,155	–	429,155
General and administrative	2,043	493,570	–	495,613
Total cost and operating expense	174,077	1,404,013	–	1,578,090
Income (loss) from operations	(154,702)	(1,388,078)	–	(1,542,760)
Total other income	–	37,112	–	37,112
Net loss	$ (154,702)	$ (1,350,946)	$ –	$ (1,505,648)

The following tables summarize the financial information of each operating segment of the Company for the six months ended June 30, 2026:

	For the Six Months ended June 30, 2026			
	Perfecular & Lusher	**Corporate & IoT**	**Lusher Holding LLC**	**Total**
Revenue	$ –	$ 71,193	$ 651,950	$ 723,143
Cost and operating expenses				
Property operating expenses	–	–	259,663	259,663
Cost of other revenue	–	49,956	–	49,956
Depreciation and amortization	7,083	15,723	184,940	207,746
Selling expense	–	33,539	–	33,539
Compensation – officers and directors	–	235,189	–	235,189
Research and development	283,224	343,738	–	626,962
Professional fees	–	1,136,349	–	1,136,349
General and administrative	890	983,617	10,518	995,025
Total cost and operating expense	291,197	2,798,111	455,121	3,544,429
Income (loss) from operations	(291,197)	(2,726,918)	196,829	(2,821,286)
Total other income (expense)	–	142,331	(86,081)	56,250
Net loss	$ (291,197)	$ (2,584,587)	$ 110,748	$ (2,765,036)

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

	For the Six Months ended June 30, 2025			
	Perfecular & Lusher	**Corporate & IoT**	**Lusher Holding LLC**	**Total**
Revenue	$ 26,019	$ 199,566	$ –	$ 225,585
Cost and operating expenses				
Property operating expenses	–	–	–	–
Cost of other revenue	21,835	185,618	–	207,453
Depreciation and amortization	–	10,959	–	10,959
Selling expense	1,165	55,235	–	56,400
Compensation – officers and directors	–	250,744	–	250,744
Research and development	271,462	568,093	–	839,555
Professional fees	–	902,146	–	902,146
General and administrative	2,512	770,103	–	772,615
Total cost and operating expense	296,974	2,742,898	–	3,039,872
Income (loss) from operations	(270,955)	(2,543,332)	–	(2,814,287)
Total other income	1	57,260	–	57,261
Net loss	$ (270,954)	$ (2,486,072)	$ –	$ (2,757,026)

Note 12 – Contingencies

In the normal course of business or otherwise, the Company may become involved in legal proceedings. The Company will accrue a liability for such matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. When only a range of possible loss can be established, the most probable amount in the range is accrued. The accrual for a litigation loss contingency might include, for example, estimates of potential damages, outside legal fees and other directly related costs expected to be incurred. As described in Part II, Item 1 of this report, a former engineer filed a claim against Focus Shenzhen in July 2025 alleging wrongful termination. Approximately $24,412 (RMB 165,802) in Focus Shenzhen's bank account has been frozen pending resolution. The Company intends to vigorously defend itself. The outcome remains uncertain, and a reasonable estimate of potential loss cannot be determined at this time.

Note 13 – Subsequent Events

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. Prior to our acquisition of the Property (as defined below), we had two sources of revenue: generated from our Universal Smart Technology and our software to streamline SEC financial reporting.: Upon our acquisition of the Property in April 2026, our primary source of revenue shifted to revenue generated from rental of our Property. Accordingly, periods prior to the acquisition reflect the historical financial statements of the Company, and the results of operations of the Property are included beginning on the acquisition date. As a result, the results of operations, liquidity and capital resources information for the six months ended June 30, 2026 is not directly comparable to the prior-year period.

During the six months ended June 30, 2026, we generated $651,950 from rental income from the Property. We currently have executed leases for rental of 91,366 space through December 31, 2026 from 12 tenants and anticipate generating $1,464,523 of revenue through December 31, 2026 from the rental income derived from the Property assuming no current leases are terminated.

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 has the potential to 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. We 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. Customer testing of the fully automated SEC financial reporting software began in July 2025.

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

<u>Recent Developments</u>

Acquisition of Office and Commercial Building

On April 17, 2026, our wholly owned subsidiary, Lusher Holding LLC (the "**Lusher Holding**"), closed the acquisition of a Class A office and commercial building along with a four-level parking structure, located at 901 Corporate Center Drive, Monterey Park, California 91754 (the "Property"). The Seller of the Property was 901 Corporate Center, LP (the "**Seller**").

The aggregate purchase price of the Property was $17,700,000, exclusive of closing costs (the "**Purchase Price**"). We made an initial down payment of $525,000 on January 26, 2026. On April 17, 2026, we funded the Purchase Price with a loan of $11,050,000 facilitated by a term loan agreement with East West Bank and $5,797,152 in cash as a downpayment to close escrow. The Purchase Price was discounted approximately $419,153 due to rent prorations, security deposits, and other such pre-paid amounts which resulted in the Company receiving a balance of $2,434 after closing costs. The surveyed aggregate land area of the Property amounts to approximately 464,955 useable square feet or 10.73 acres, which is comprised of four parcels (i.e., Parcel Numbers, 5237-022-014, 046, 047, and 5237-002-021) (the "**Parcels**"). The Parcels, including its land and improvements, have an aggregate value of approximately $28,424,982 in 2026 according to the Los Angeles County Assessor.

The Property provides approximately 100,743 sq. ft. in rentable Class A office space and has a parking ratio of 4.1/1,000, offering a blend of surface parking and adjacent four-level parking structure with a canopy of solar panels that are currently leased. Currently, the Property is 99.2% occupied by approximately 16 tenants. The Company does not intend to alter the terms of lease agreements in place with the current tenants, most of which have a term of 5 to 8 years. The Company plans to occupy approximately 2,000 square feet of space.

Loan with East West Bank

Lusher Holding entered into a loan with East West Bank to borrow $11,050,000 to pay the Purchase Price, at 6.25% interest for the first 3 years, then floating at the Wall Street Journal Prime Rate plus (+) 0.25% for the remaining term, with a floor interest rate at 6.25% to facilitate the purchase of the Property ("**East West Loan**").

The East West Loan provides for 83 consecutive monthly principal and interest payments of approximately $68,698.64, beginning on May 1, 2026, and subsequently, 83 consequent instalments of principal and interest payments of an estimated amount of approximately $73,917.99 (subject to change based on Wall Street Journal Prime Rate plus 0.25%) each beginning May 1, 2029. A final principal and interest payment of approximately $9,533,143.67 is due on April 1, 2036 (subject to change based on Wall Street Journal Prime Rate plus 0.25%).

We are listed as the primary guarantor of the East West Loan and our Chief Executive Officer, Dr. Desheng Wang, is listed as a secondary guarantor.

Reverse Stock Split

On June 23, 2026, we effected a four-to-one reverse stock split of our common stock. Except as otherwise stated, all numbers in this Quarterly Report on Form 10-Q reflect the reverse stock split.

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 (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 are intended to 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.

Additional Focus Universal Inc. IoT Products under Smart AVX. We also sell integrated IoT equipment under the Smart AVX brand 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 us to provide customers 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 the ability to 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 presented by regularly occurring human error. 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 began customer testing of our fully automated SEC financial reporting software on July 22, 2025. 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.

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.

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 utilizing 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, 2025, filed with the Securities and Exchange Commission on March 31, 2026.

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 in our Annual Report on Form 10-K filed with the SEC on March 31, 2026.

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). 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.

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. Our products are being designed to solve the foregoing problems.

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.

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. Regarding the larger IoT industry statistics, overall enterprise IoT spending increased to $201 billion in 2022, an increase of 21.5%. The outlook for growth in 2023 is 18.5% from this large base of enterprise spending. 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. We would also expect this market to grow with the addition of new categories of services delivering reliable high bandwidth communication for IoT devices and would cannibalize and expand the existing services where the new services proved to be more effective and efficient.

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

Our results of operations for the three and six months ended June 30, 2026 include the revenue generated from the Property and related expenses from April 17, 2026 through June 30, 2026 which is not included in our results of operations for the three and six months ended June 30, 2025. Accordingly, the results of operations for the three and six months ended June 30, 2026 is not directly comparable to the prior-year periods.

For the three months ended June 30, 2026 compared to the three months ended June 30, 2025

Revenue

	For the three months ended June 30, 2026	For the three months ended June 30, 2025	Increase (Decrease) $
Rental revenue	$ 651,950	$ –	$ 651,950
Other revenue	23,220	35,330	(12,110)
Total revenue	$ 675,170	$ 35,330	$ 639,840

Our consolidated gross revenue for the three months ended June 30, 2026 and 2025 was $675,170 and $35,330, respectively. The increase in revenue was primarily attributable to an increase in rental revenue from Lusher Holding LLC.

The major components of our cost and operating expenses for the three months ended June 30, 2026 and 2025 are outlined in the table below:

	For the three months ended June 30, 2026	For the three months ended June 30, 2025	Increase (Decrease) $
Property operating expense	$ 259,663	$ –	$ 259,663
Cost of other revenue	17,227	47,742	(30,515)
Depreciation and amortization	201,024	5,506	195,518
Selling expense	691	7,420	(6,729)
Compensation – officers and directors	117,638	125,357	(7,719)
Research and development	362,165	467,297	(105,132)
Professional fees	751,144	429,155	321,989
General and administrative	515,193	495,613	19,580
Total operating expenses	$ 2,224,745	$ 1,578,090	$ 646,655

Property operating expense for the three months ended June 30, 2026 were $259,663, compared to $0 for the three months ended June 30, 2025. The increase in property operating expenses was primarily due to the acquisition of the commercial property during the quarter.

Cost of other revenue for the three months ended June 30, 2026 were $17,227, compared to $47,742 for the three months ended June 30, 2025. The decrease in the cost of other revenue was primarily due to a decrease in the number and quantity of other revenue-generating transactions.

Depreciation and amortization for the three months ended June 30, 2026 were $201,024, compared to $5,506 for the three months ended June 30, 2025. The increase in depreciation and amortization expense was primarily due to depreciation expense recognized on the commercial property acquired during the quarter.

Selling expenses for the three months ended June 30, 2026 were $691, compared to $7,420 for the three months ended June 30, 2025. 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 $117,638 and $125,357 for the three months ended June 30, 2026 and 2025, respectively. The decrease in cost was a result of the decrease in the share price, which reduced the stock-based compensation expense for the associated directors.

Research and development costs were $362,165 and $467,297 for the three months ended June 30, 2026 and 2025, respectively. The decrease was primarily due to a reduction in the number of research and development employees during the current year.

Professional fees were $751,144 during the three months ended June 30, 2026, compared to $429,155 during the three months ended June 30, 2025. The increase in these professional fees compared to the prior period was primarily due to an increase in legal advisory fees related to preferred stock and other securities matters.

General and administrative expenses for the three months ended June 30, 2026 was $515,193 compared to $495,613 during the three months ended June 30, 2025. The increase in general and administrative expenses was primarily due to the Company having received its employee retention credit from the Internal Revenue Service in 2025, which reduced that year’s comparable expenses.

Other Income (expense)

Other income for the three months ended June 30, 2026 was $30,617, compared to $37,112 for the three months ended June 30, 2025.

Net Losses

During the three months ended June 30, 2026 and 2025, we incurred net loss of $1,518,958 and $1,505,648 respectively, due to the factors discussed above.

For the six months ended June 30, 2026 compared to the six months ended June 30, 2025

Revenue

	For the six months ended June 30, 2026	For the six months ended June 30, 2025	Increase (Decrease) $
Rental revenue	$ 651,950	$ –	$ 651,950
Other revenue	71,193	225,585	(154,392)
Total revenue	$ 723,143	$ 225,585	$ 497,558

Our consolidated gross revenue for the six months ended June 30, 2026 and 2025 was $723,143 and $225,585, respectively. The increase in revenue was primarily attributable to an increase in rental revenue from Lusher Holding LLC.

The major components of our cost and operating expenses for the six months ended June 30, 2026 and 2025 are outlined in the table below:

	For the six months ended June 30, 2026	For the six months ended June 30, 2025	Increase (Decrease) $
Property operating expense	$ 259,663	$ –	$ 259,663
Cost of other revenue	49,956	207,453	(157,497)
Depreciation and amortization	207,746	10,959	196,787
Selling expense	33,539	56,400	(22,861)
Compensation – officers and directors	235,189	250,744	(15,555)
Research and development	626,962	839,555	(212,593)
Professional fees	1,136,349	902,146	234,203
General and administrative	995,025	772,615	222,410
Total operating expenses	$ 3,544,429	$ 3,039,872	$ 504,557

Property operating expense for the six months ended June 30, 2026 were $259,663, compared to $0 for the six months ended June 30, 2025. The increase in property operating expenses was primarily due to the acquisition of the commercial property during the quarter.

Cost of other revenue for the six months ended June 30, 2026 were $49,956, compared to $207,453 for the six months ended June 30, 2025. The decrease in the cost of other revenue was primarily due to a decrease in the number and quantity of other revenue-generating transactions.

Depreciation and amortization for the six months ended June 30, 2026 were $207,746, compared to $10,959 for the six months ended June 30, 2025. The increase in depreciation and amortization expense was primarily due to depreciation expense recognized on the commercial property acquired during the quarter.

Selling expenses for the six months ended June 30, 2026 were $33,539, compared to $56,400 for the six months ended June 30, 2025. 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 $235,189 and $250,744 for the six months ended June 30, 2026 and 2025, respectively. The decrease in cost was a result of the decrease in the share price, which reduced the stock-based compensation expense for the associated directors.

Research and development costs were $626,962 and $839,555 for the six months ended June 30, 2026 and 2025, respectively. The decrease was due to software costs being capitalized in the current year.

Professional fees were $1,136,349 during the six months ended June 30, 2026, compared to $902,146 during the six months ended June 30, 2025. The increase in these professional fees compared to the prior period was primarily due to an increase in legal advisory fees related to preferred stock and other securities matters.

General and administrative expenses for the six months ended June 30, 2026 was $995,025 compared to $772,615 during the six months ended June 30, 2025. The increase in general and administrative expenses was primarily due to the Company having received its employee retention credit from the Internal Revenue Service in 2025, which reduced that year's comparable expenses.

Other Income (expense)

Other income for the six months ended June 30, 2026 was $56,250, compared to $57,261 for the six months ended June 30, 2025.

Net Losses

During the six months ended June 30, 2026 and 2025, we incurred net loss of $2,765,036 and $2,757,026 respectively, due to the factors discussed above.

Liquidity and Capital Resources

Working Capital

	June 30, 2026	December 31, 2025
Current Assets	$ 2,043,988	$ 8,647,129
Current Liabilities	(836,423)	(366,471)
Working Capital	$ 1,207,565	$ 8,280,658

Cash Flows

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

	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Net cash used in operating activities	$ (1,889,277)	$ (2,648,288)
Net cash used in investing activities	(6,632,052)	(25,091)
Net cash provided by financing activities	2,180,050	207,387
Effect of exchange rate	6,579	(12,125)
Net change in cash	$ (6,334,700)	$ (2,478,117)

Cash Flows from Operating Activities

Our net cash outflows from operating activities of $1,889,277 for the six months ended June 30, 2026 was primarily the result of our net loss of $2,765,036 and changes in our operating assets and liabilities offset by the add-back of non-cash expenses.

Our net cash outflows from operating activities of $2,648,288 for the six months ended June 30, 2025 was primarily the result of our net loss of $2,757,026 and changes in our operating assets and liabilities offset by the add-back of non-cash expenses.

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 six months ended June 30, 2026 we had cash outflow from investing activities of $6,632,052 from the proceed from sale of marketable securities of $121,823 offset by the purchase of property and equipment of $6,656,031 and capitalized software cost of $97,844. For the six months ended June 30, 2025 we had cash outflow from investing activities of $25,091 from the purchase of property and equipment of $25,091.

Cash Flows from Financing Activities

For the six months ended June 30, 2026, we had cash inflows of $2,180,050, consisting of $3,547,348 in gross proceeds from the sale of pre-funded units in a private placement offering, offset by $961,861 of redemption of preferred stock, $51,294 of repayment on a bank loan, and $354,143 spent on the purchase of treasury stock. For the six months ended June 30, 2025, we had cash inflows of $207,387, consisting of $381,224 of gross proceeds from the sale of stock issued in a private placement offering and offset by $173,837 spent on the purchase of treasury stock.

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 $2,765,036 for the six months ended June 30, 2026. In addition, the Company had an accumulated deficit of $34,015,113 as of June 30, 2026, and negative cash flow from operating activities of $1,889,277 for the six months ended June 30, 2026. 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 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 losses 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 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, 2025, has also expressed substantial doubt about the Company's ability to continue as a going concern.

At June 30, 2026, the Company had cash, and short-term investments, in the amount of $1,600,258. 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, it may contain 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 June 30, 2026, 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 U.S. GAAP. 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

Our Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements. Except for ASU 2024-03, which the Company is currently evaluating as discussed in Note 3, the Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

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 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 not 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 due to the weakness described below in internal controls. 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

On July 16, 2025, a former engineer filed a claim against Focus Shenzhen, a wholly owned subsidiary of the Company, in the Shenzhen Qianhai Cooperation Zone People's Court, alleging wrongful termination and other violations of the China Labor Code. The Company is currently investigating the matter and intends to vigorously defend itself. The case has been stayed pending a status conference. However, litigation and investigations are inherently uncertain. At present, the Shenzhen Qianhai Cooperation Zone People's Court has frozen approximately $23,703 (RMB 165,802) in Focus Shenzhen's bank account. While the outcome remains uncertain, it could have a material impact on the Company.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Quarterly Report, you should carefully consider the factors discussed in "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2025 (the "Annual Report"), which could materially affect our business, financial condition or future results. The risks described in the Annual Report are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition or operating results. The following information updates, and should be read in conjunction with, the information disclosed in Part I, Item 1A, "Risk Factors," contained in the Annual Report. Except as disclosed below, there have been no material changes from the risk factors disclosed in the Annual Report.

We have a history of operating losses and going concern basis, and we may not be able to sustain profitability.

We were incorporated on December 4, 2012, and as of June 30, 2026, we had an accumulated deficit of $34,015,113. Our current liquidity position raises substantial doubt about our ability to continue as a going concern. We have assessed our ability to continue as a going concern for a period of one year from the date of the issuance of this Quarterly Report. We had a net loss of $2,765,036 and $2,757,026 for the six months ended June 30, 2026 and June 30, 2025, respectively and a net loss of $4,787,769 and $3,200,138 for the years ended December 31, 2025 and 2024, respectively. In addition, we had an accumulated deficit of $31,023,411 and $25,782,308 as of December 31, 2025 and 2024, respectively, and negative cash flow from operating activities of $5,102,771 and $4,656,754 for the years ended December 31, 2025 and 2024, respectively. If we are not successful in growing revenues and controlling costs, we will not achieve profitable operations or positive cash flow, and even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods.

Our failure to file certain financial statements in connection with the Property acquisition pursuant to Rule 3-14 of Regulation S-X and Item 9.01 of Form 8-K will limit our ability to raise capital.

On April 27, 2026, we filed a Current Report on Form 8-K to report the completion of our acquisition of the Property. Based on information available to us, we believe that the acquisition would qualify as a "significant" acquisition under Rule 1-02(w) of Regulation S-X and as a result, under Rule 3-14 of Regulation S-X, we are required to provide (i) historical audited financial statements for the Property and (ii) pro forma historical financial information combined to reflect the Property's financial information (collectively, the "S-X financial information").

We are not able to obtain financial information sufficient to be able to provide the S-X financial information. Therefore, there is limited public information regarding the operations of the Property and we are not in compliance with the requirements of Rule 3-14 of Regulation S-X. We have requested a waiver from the Securities and Exchange Commission with respect to such requirements, but there is no assurance that our request will be granted. Unless we file the S-X financial information, the Securities and Exchange Commission will not declare effective registration statements or post-effective amendments filed by us until twelve months following the date on which we have filed a periodic report with the Securities and Exchange Commission that meets the requirements of Regulation S-X, and affiliates will be not be permitted to make sales of securities pursuant to Rule 144 pursuant to the Securities Act of 1933, as amended.

We have concluded that we have not maintained effective internal control over financial reporting through the six months ended June 30, 2026 or the years ended December 31, 2025, and December 31, 2024. Significant deficiencies and material weaknesses in our internal control could have material adverse effects on us.

Our management has concluded that, as of June 30, 2026, our disclosure controls and procedures were, in design and operation, not effective at a reasonable assurance level due to the following material weaknesses in our internal control over 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. It is important for us to maintain effective internal control over financial reporting, which is a process designed 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.

A material weakness in our internal control over financial reporting could adversely impact our ability to provide timely and accurate financial information. If we are unsuccessful in implementing or following our remediation plan, we may not be able to timely or accurately report our financial condition, results of operations or cash flows or maintain effective disclosure controls and procedures. If we are unable to report financial information timely and accurately or to maintain effective disclosure controls and procedures, we could be subject to, among other things, regulatory or enforcement actions by the SEC, any one of which could adversely affect our business prospects.

We expect that we will need additional future financing which may not be available on acceptable terms, if at all.

Unless we generate significant revenue from operations, we will need to raise additional capital to fund our operations, and we cannot be certain that funding will be available to us on acceptable terms on a timely basis, or at all. Unless our revenue increases from past historical revenue, our current cash, including proceeds from our recent completed public offerings and debt issuances, is anticipated to be sufficient to fund operations less than a year. To meet our financing needs, we are considering multiple alternatives, including, but not limited to, additional equity financings, which we expect will include sales of common stock, debt financings, equipment sale leasebacks, and/or funding from partnerships or collaborations. Our ability to raise capital through the sale of securities may be limited by our inability to utilize a registration statement to raise capital due to the late filing of a Current Report on Form 8-K disclosing certain financial statements related to the Property. In addition, even if we are able to disclose the required financial information, we will not be able to use a registration statement on Form S-3 until August 2027. In addition, our current outstanding debt holders have certain covenants restricting our ability to raise capital. Any debt financing, if available, may involve restrictive covenants (such as those in our current debt financing) that may impact our ability to conduct our business.

If we are unable to maintain compliance with Nasdaq continued listing standards, including maintenance of at least $2.5 million of stockholders' equity, maintenance of $5,000,000 of market value of listed securities, if the new Nasdaq continued requirement is enforced, and maintenance of a $1.00 minimum bid price, our common stock may be delisted from Nasdaq.

There can be no assurances that we will be able to maintain our Nasdaq listing in the future. In the event we are unable to maintain compliance with Nasdaq continued listing standards and our common stock is delisted from Nasdaq, it could likely lead to a number of negative implications, including an adverse effect on the price of our common stock, reduced liquidity in our common stock, the loss of federal preemption of state securities laws and greater difficulty in obtaining financing. In the event of a delisting, we would take actions to restore our compliance with Nasdaq's continued listing standards, but we can provide no assurance that any such action taken by us would allow our common stock to become listed again, stabilize the market price or improve the liquidity of our common stock, prevent our common stock from dropping below the Nasdaq minimum bid price requirement or prevent future non-compliance with Nasdaq's continued listing requirements.

On July 22, 2026, the SEC approved Nasdaq's recently proposed rule changes to (i) adopt Nasdaq Listing Rule 5550(a)(6) to require issuers listed on the Nasdaq Capital Market to maintain a minimum Market Value of Listed Securities (as defined in Nasdaq Listing Rule 5005(a)(23)) ("MVLS") of at least $5 million for a period of thirty (30) consecutive business days, and (ii) amend Rule 5810 to suspend trading and immediately delist from Nasdaq securities of issuers that do not satisfy the proposed new requirements, and Rule 5815 to set forth the procedures for requesting a hearing before a Hearings Panel and the scope of the Panel's discretion. MVLS is generally calculated by multiplying the consolidated closing bid price by the number of shares of listed securities outstanding and, where a company has more than one class or series of equity security listed on Nasdaq, the values are aggregated. Under the new rule, if a company's MVLS remains below $5 million for 30 consecutive business days, Nasdaq will issue a Staff Delisting Determination and immediately suspend trading of the company's securities. On July 29, 2026, the SEC notified Nasdaq that it had received notices of intention to petition for review of the SEC's July 22, 2026 order approving Nasdaq's proposed rule change requiring listed companies to maintain a minimum MVLS of $5 million. Pursuant to Rule 431(e) of the SEC's Rules of Practice, the July 22, 2026 approval order has been stayed pending further review.

There can be no assurance that our MVLS will remain at or above the $5 million threshold for periods long enough to comply with the new standard. Our MVLS may be adversely affected by factors outside of our control, including general market conditions, macroeconomic uncertainty, sector-specific developments, investor sentiment, and volatility in the trading price of our Common Stock. Because the rule is triggered by 30 consecutive business days below the threshold, even a sustained but temporary decline in our stock price could result in non-compliance and the immediate suspension and delisting of our Common Stock.

If the new continued listing requirement is once again implemented as previously approved, unlike many other Nasdaq continued listing standards, the new MVLS requirement does not provide a compliance or cure period before a Staff Delisting Determination is issued. Additionally, a request for a hearing before the Hearings Panel does not automatically stay the suspension of trading. While the Hearings Panel may reverse a Staff Delisting Determination if it concludes that Nasdaq made an error, or in limited circumstances grant an exception of up to 180 calendar days for a company to demonstrate compliance with Nasdaq's initial listing standards — which are generally more stringent than the continued listing standards — there can be no assurance that any such relief would be granted. A company may further appeal an adverse Hearings Panel decision to the Nasdaq Listing and Hearing Review Council; however, the company's securities would generally trade in the over-the-counter market during the pendency of any such appeal.

If Nasdaq delists our securities from trading on its exchange at some future date, we would take actions to restore our compliance with The Nasdaq Capital Market's listing requirements, but we can provide no assurance that any such action taken by us would allow our common stock to become listed again, stabilize the market price or improve the liquidity of our common stock, prevent our common stock from dropping below The Nasdaq Capital Market, minimum bid price requirement or prevent future non-compliance with The Nasdaq Capital Market's listing requirements. In the event of a delisting, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- reduced liquidity with respect to our securities;
- a determination that our common stock is a "penny stock" which will require brokers trading in our ordinary shares to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for our ordinary shares;
- a limited amount of news and analyst coverage for our company; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

The loan with East West Bank is secured by our assets and the assets of our subsidiaries, and a default thereunder could result in us losing the pledged assets.

The loan from East West Bank has certain negative and affirmative covenants and is secured by our assets. There is no assurance that we will generate sufficient revenue or raise sufficient capital to be able to make the required payments under the loan. We and each of our subsidiaries granted security interests in all of our assets for repayment of the loan. Unless waived, any default on any obligations owed under the loan including the affirmative and negative covenants contained therein, could result in our assets being foreclosed. Any action to proceed against our assets would likely have a serious disruptive effect on our business operations.

Interest rates will impact payments we are required to make under the East West Loan w.

Our loan with East West Bank requires payments floating at the Wall Street Journal Prime Rate plus (+) 0.25%. If interest rates meaningfully rise we may not generate sufficient revenue to pay the required loan payments. Any default on any obligations owed under the East West Loan including the affirmative and negative covenants contained therein, could result in our assets being foreclosed upon.

We rely upon a limited number of customers, and a significant portion of our revenue was generated from rental income from our Property.

For the six months ended June 30,2026, we derived 35% and 26% of our revenue and accounts receivable from one customer. The loss of such customer would have a material adverse effect on us. A significant portion of our revenue for the six months ended Juen 30, 2026 was derived from rental income from our new Property. There can be no guarantee that we will be successful in operating the Property or that our expenses will not increase in the future beyond the revenue derived from the Property

We recently began operating in a new line of business, which may subject us to additional risks.

In April 2026, we acquired the Property, which generated rents that constituted our principal source of revenue during the quarter ended June 30, 2026. There are risks and uncertainties associated with our activities in the real estate investment business. In developing this line of business, we may invest significant time and resources. In addition, this business may require different strategic management competencies and risk considerations compared to those of our existing management team. External factors, such as regulatory compliance obligations, competitive alternatives, and shifting market preferences, may also impact our success in the real estate investment business. Failure to successfully manage these risks in the this new line of business could have an adverse effect on our other lines of business, results of operations, and financial condition.

Our acquisition of the Property may not result in the strategic benefits that we anticipated.

Our acquisition of the Property was intended to provide certain strategic benefits that we believe would enable us to bring value to our stockholders, including diversifying our operations by adding a new source of revenue and reducing our rent expenses. The market price of our common stock may not reflect the value of these benefits. The market price of our common stock may decline if we do not achieve the perceived benefits of the acquisition as rapidly or to the extent anticipated by us or investors, financial analysts, or industry analysts. There can be no assurance that these anticipated benefits of the acquisition will materialize or that if they materialize will result in increased stockholder value or revenue stream to the company.

Legislative, regulatory, accounting or tax rules, and any changes to them or actions brought to enforce them, could adversely affect us.

We are subject to a wide range of legislative, regulatory, accounting and tax rules. The costs and efforts of compliance with these laws, or of defending against actions brought to enforce them, could adversely affect us. In addition, if there are changes to the laws, regulations or administrative decisions and actions that affect us, we may have to incur significant expenses in order to comply, or we may have to restrict or change our operations.

We have invested in the Property, which as a real property asset is subject to laws and regulations relating to the protection of the environment and human health and safety. These laws and regulations generally govern wastewater discharges, noise levels, air emissions, the operation and removal of underground and above-ground storage tanks, the use, storage, treatment, transportation and disposal of solid and hazardous materials and the remediation of contamination associated with disposals. Environmental laws and regulations may impose joint and several liabilities on tenants, owners or operators for the costs to investigate and remediate contaminated properties, regardless of fault or whether the acts causing the contamination were legal. This liability could be substantial. In addition, the presence of hazardous substances, or the failure to properly remediate these substances, could adversely affect our ability to sell, rent or pledge the Property as collateral for future borrowings. We intend to take commercially reasonable steps when we can to protect ourselves from the risks of environmental law liability; however, we may not always be able to obtain or maintain independent third-party environmental assessments for the Property or any other property we may acquire. In addition, any such assessments that we do obtain may not reveal all environmental liabilities, or whether a prior owner of a property created a material environmental condition not known to us. In addition, there are various local, state and federal fire, health, safety and similar regulations with which we may be required to comply, and that may subject us to liability in the form of fines or damages. In all events, the existing condition of the Property when we bought it, operations in the vicinity of the Property, or activities of unrelated third parties could all affect the Property in ways that lead to costs being imposed on us.

Any material expenditures, fines, damages or forced changes to our business or strategy resulting from any of the above could adversely affect our financial condition and results of operations.

Our investment in the Property is subject to weather- and climate-related risks.

In April 2026, we acquired the Property, which generated rents that constituted our principal source of revenue during the quarter ended June 30, 2026. The Property is located in an area that may experience catastrophic weather and other natural events from time to time, including hurricanes or other severe weather, flooding fires, snow or ice storms, windstorms or earthquakes. These adverse weather and natural events could cause substantial damages or losses to the Property properties which could exceed our insurance coverage. In the event of a loss in excess of insured limits, we could lose our capital invested in the Property, as well as anticipated future revenue from that Property. We could also continue to be obligated to repay any mortgage indebtedness or other obligations related to the Property. Any such loss could materially and adversely affect our business and our financial condition and results of operations.

To the extent that significant changes in the climate occur, we may experience extreme weather and changes in precipitation and temperature, all of which may result in physical damage to or a decrease in demand for properties located in these areas or affected by these conditions. Should the impact of climate change be material in nature, including destruction of our Property, or occur for lengthy periods of time, our financial condition or results of operations may be adversely affected. In addition, changes in federal and state legislation and regulation on climate change could result in increased capital expenditures to improve the energy efficiency of our Property or to protect it from the consequence of climate change.

Our insurance coverage on the Property may be inadequate to cover any losses we may incur and our insurance costs may increase.

We maintain insurance on the Property. However, there are certain types of losses, generally of a catastrophic nature, such as floods or acts of war or terrorism that may be uninsurable or not economical to insure. Further, insurance companies often increase premiums, require higher deductibles, reduce limits, restrict coverage, and refuse to insure certain types of risks, which may result in increased costs or adversely affect our business. We use our discretion when determining amounts, coverage limits and deductibles, for insurance, based on retaining an acceptable level of risk at a reasonable cost. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of our lost investment. In addition, we may become liable for injuries and accidents at the Property that are underinsured. A significant uninsured loss or increase in insurance costs could materially and adversely affect our business, liquidity, financial condition and results of operations.

The business, results of operations, cash flows and financial condition of the Property are affected by the performance of the real estate industry.

The U.S. real estate industry is highly cyclical and is affected by global, national and local economic conditions, general employment and income levels, availability of financing, interest rates, and consumer confidence and spending. Other factors impacting real estate businesses include over-building, changes in traffic patterns, changes in demographic conditions, changes in tenant and buyer preferences and changes in government requirements, including tax law changes. These factors are outside of our control and may have a material adverse effect on our business, profits and the timing and amounts of our cash flows to the extent these are dependent on the Property.

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

Except as previously disclosed in our filings with the Securities and Exchange Commission, no unregistered shares of common stock were sold during the six months ended June 30, 2026.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

There were no defaults upon senior securities during the six-month period ended June 30, 2026.

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 June 30, 2026, 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**
3.1	Certificate of Amendment to Articles of Incorporation of Focus Universal Inc. (incorporated by reference as Exhibit 3.1 to the Current Report on Form 8-K filed with SEC on June 18, 2026)
4.1	Form of PIPE Pre-Funded Warrant, dated April 6, 2026 (incorporated by reference as Exhibit 4.1 to the Current Report on Form 8-K filed with SEC on April 10, 2026)
4.2	Form of Series A PIPE Common Warrant, dated April 6, 2026 (incorporated by reference as Exhibit 4.2 to the Current Report on Form 8-K filed with SEC on April 10, 2026)
4.3	Form of Series B PIPE Common Warrant, dated April 6, 2026 (incorporated by reference as Exhibit 4.3 to the Current Report on Form 8-K filed with SEC on April 10, 2026)
10.1	Form of Securities Purchase Agreement between the Company and a certain purchaser, dated April 6, 2026 (incorporated by reference as Exhibit 10.1 to the Current Report on Form 8-K filed with SEC on April 10, 2026)
10.2	Form of Registration Rights Agreement between the Company and a certain purchaser, dated April 6, 2026 (incorporated by reference as Exhibit 10.2 to the Current Report on Form 8-K filed with SEC on April 10, 2026)
10.3	Form of Placement Agent Agreement between the Company and Aegis Capital Corp., dated April 6, 2026 (incorporated by reference as Exhibit 10.3 to the Current Report on Form 8-K filed with SEC on April 10, 2026)

10.4	Lease Agreement with Cameron Court L.P dated January 22, 2026 (incorporated by reference as Exhibit 10.26 to the Registration Statement Form S-1 filed with SEC on April 23, 2026)
10.5	Business Loan Agreement between Lusher Holding LLC and East West Bank dated March 30, 2026, as filed with the SEC on April 23, 2026 (incorporated by reference as Exhibit 10.27 to the Registration Statement Form S-1 filed with SEC on April 23, 2026)
10.6	Promissory Note between Lusher Holding LLC and East West Bank dated March 30, 2026, as filed with the SEC on April 23, 2026 (incorporated by reference as Exhibit 10.28 to the Registration Statement Form S-1 filed with SEC on April 23, 2026)
10.7	Redemption Agreement between Focus Universal Inc and Great Point Capital LLC dated April 13, 2026 (incorporated by reference as Exhibit 10.29 to the Registration Statement Form S-1 filed with SEC on April 23, 2026)
10.8	Purchase and Sale Agreement between 901 Corporate Center, LP and Focus Universal Inc. dated January 21, 2026 (incorporated by reference as Exhibit 10.1 to the Current Report on Form 8-K filed with SEC on April 27, 2026)
10.9	First Amendment to the Purchase and Sale Agreement between 901 Corporate Center, LP and Focus Universal Inc. dated February 20, 2026 (incorporated by reference as Exhibit 10.2 to the Current Report on Form 8-K filed with SEC on April 27, 2026)
10.10	Second Amendment to the Purchase and Sale Agreement between 901 Corporate Center, LP and Focus Universal Inc. dated March 5, 2026 (incorporated by reference as Exhibit 10.3 to the Current Report on Form 8-K filed with SEC on April 27, 2026)
10.11	Third Amendment to the Purchase and Sale Agreement between 901 Corporate Center, LP and Focus Universal Inc. dated March 13, 2026 (incorporated by reference as Exhibit 10.4 to the Current Report on Form 8-K filed with SEC on April 27, 2026)
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: August 14, 2026

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

Dated: August 14, 2026

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

Exhibit 31.1

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) The Registrant’s other certifying officer and I are 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 that 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; and

(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) The Registrant’s other certifying officer and 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: August 14, 2026

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

Exhibit 31.2

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) The Registrant's other certifying officer and I are 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 that 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; and

(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) The Registrant's other certifying officer and 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: August 14, 2026

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

Exhibit 32.1

**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 June 30, 2026 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 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2026

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

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 32.2

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 June 30, 2026 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 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2026

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

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.