

Consolidated Financial Results for the Fiscal Year Ended December 31, 2025 [Japanese GAAP]



February 12, 2026

Company name: Modalis Therapeutics Corporation

Stock exchange listing: Tokyo Stock Exchange

Code number: 4883

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Scheduled date of Ordinary General Meeting of Shareholders: March 26, 2026

Scheduled date of filing securities report: March 25, 2026

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on financial results: Available

Schedule of financial results briefing session: Scheduled (for analysts and institutional investors)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2025 (January 1, 2025, to December 31, 2025)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent	
Fiscal Year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2025	-	-	(2,211)	-	(2,148)	-	(2,152)	-
December 31, 2024	-	-	(1,337)	-	(1,303)	-	(1,317)	-

(Note) Comprehensive income: Fiscal Year ended December 31, 2024: ¥ (1,312) million [-%]

Fiscal Year ended December 31, 2023: ¥ (2,400) million [-%]

	Net income per share	Diluted earnings per share	Return of equity	Ordinary income to total assets	Operating income to operating revenue
Fiscal Year ended	Yen	Yen	%	%	%
December 31, 2025	(27.86)	-	(68.5)	(64.6)	-
December 31, 2024	(28.57)	-	(54.0)	(45.6)	-

(Notes)

For diluted earnings per share, the figure is not presented as the Company recorded basic loss per share, although it had dilutive shares, although the Company had dilutive shares.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2025	2,964	2,793	93.0	31.80
As of December 31, 2024	3,691	3,548	95.5	50.81

(Reference) Equity: As of December 31, 2025: ¥2,755 million

As of December 31, 2024: ¥3,526 million

(3) Cash flow

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Million yen	Million yen	Million yen	Million yen
As of December 31, 2025	(2,118)	(2)	1,351	2,812
As of December 31, 2024	(1,432)	(0)	3,044	3,575

2. Dividends

	Annual dividends				
	1st quarter-end	2 nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2024	-	0.00	-	0.00	0.00
Fiscal year ended December 31, 2025	-	0.00	-	0.00	0.00
Fiscal year ending December 31, 2026 (Forecast)	-	0.00	-	0.00	0.00

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2026 (January 1, 2026, to December 31, 2026)

The earnings forecasts for fiscal year 2026 are not presented due to the difficulty of formulating reasonably accurate estimates at this time. For further details, please refer to page 5 “Explanation of Business Results (4) Other Forward-looking Information”

* Notes:

- (1) Significant changes to subsidiaries during the Fiscal Year ended December 31, 2025 (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Changes in accounting policies, changes in accounting estimates, and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: Yes
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (3) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
December 31, 2025: 86,674,098 shares
December 31, 2024: 69,403,998 shares
 - 2) Total number of treasury shares at the end of the period:
December 31, 2025: 63 shares
December 31, 2024: 63 shares
 - 3) Average number of shares during the period:
Fiscal Year ended December 31, 2025: 77,271,846 shares
Fiscal Year ended December 31, 2024: 46,127,082 shares

* These financial results are outside the scope of audit by certified public accountants or audit firms.

* Explanation of the proper use of financial results forecast and other notes

The earnings forecast and other forward-looking statements herein are based on information available and certain assumptions judged to be reasonable as of the date of publication of this document. They do not represent a commitment from the Company that they will be achieved. Actual results may differ significantly from these forecast due to a wide range of factors. Please refer to page 5 “Explanation of Business Results (4) Other Forward-looking Information” of the attachment for matters related to the earnings forecast.

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1. Qualitative Information on the Financial Results for the Period Under Review

(1) Explanation of Business Results

Forward-looking statements in the text are based on our judgment as of the end of the third quarter of the current consolidated fiscal year unless otherwise stated.

During the last consolidated fiscal year (January 1, 2025, to December 31, 2025), Japan's economy progressed amid uncertainty. This uncertainty stemmed from developments in U.S. trade and industrial policy, movements regarding additional tariff measures, and, domestically, intensified debates surrounding government administration and fiscal management, and industrial policy direction, as well as developments regarding additional tariff measures. Domestically, the outlook was accompanied by uncertainty, driven by factors such as intensified debates surrounding government administration and fiscal management. While financial markets overall maintained a certain degree of resilience, investment capital increasingly concentrated on generative AI and semiconductor-related sectors. This forced relatively cautious investment attitudes in other sectors, including biotech and drug discovery. Furthermore, the prolonged conflicts in Eastern Europe and the Middle East, along with the emergence of new geopolitical tensions, have led to continued volatility in resource prices and foreign exchange markets. Consequently, the environment surrounding the global economy remains unstable. These conditions have also impacted the pharmaceutical and biotech industries, particularly in Japan and the United States. Factors such as the U.S. government's review of healthcare and drug pricing policies, along with administrative delays stemming from budgetary uncertainties, have exerted a certain degree of influence on research and development activities and approval processes. Consequently, the business environment surrounding our company continues to be highly dynamic, requiring ongoing prudent business management.

Amidst this environment, MODALIS group celebrated its 10th anniversary since its founding this past January. Since our founding, leveraging our core CRISPR-GNDM[®] platform technology, we have pursued the development of the world's first CRISPR-based gene control therapeutics. As a leading company in epigenome editing therapeutics, we have spearheaded cutting-edge research. During this fiscal year, we advanced efforts toward initiating clinical trials to translate these leading-edge technological achievements into clinical applications.

MDL-101, our lead program targeting congenital muscular dystrophy type 1A (LAMA2-CMD), is a gene therapy program designed for diseases caused by long-chain protein deficiencies, where the characteristics of epigenome editing technology can be most effectively leveraged. Currently, there are no established treatments for this disease using other modalities. We aim to establish a novel therapeutic approach by activating disease-relevant gene expression through CRISPR-based epigenome editing. IND-enabling studies conducted in disease model mice have consistently demonstrated clear survival benefit compared with control groups, supporting the underlying therapeutic concept and pharmacological mechanism of action. These findings continue to reinforce our confidence in the biological rationale of the program. As part of ongoing development progression toward clinical-stage readiness, we are conducting further analyses to refine development parameters and enhance overall program robustness. Accordingly, we are reassessing the anticipated timing of IND submission to ensure optimal readiness for clinical development. Importantly, no new safety concerns have been identified to date. In parallel, selection and coordination of clinical trial sites continue to advance, supported by strong interest from patients and clinical investigators, and we are maintaining infrastructure readiness to enable efficient clinical trial initiation following regulatory submission. Consistent with our development philosophy, we prioritize achieving optimal biological and translational readiness over adhering to predetermined timelines. We believe that taking a disciplined and data-driven approach at this stage enhances the probability of long-term clinical success and ultimately strengthens the value of the program.

On the other hand, the therapeutic candidate “MDL-201” for Duchenne muscular dystrophy (DMD), tests using a disease model mouse confirmed favorable improvement effects compared to existing benchmark drugs

using mini/micro-dystrophin. Furthermore, discussions with experts in the field regarding these results have led to the assessment that this drug represents a novel approach, at least to the extent currently confirmed, as it demonstrates therapeutic effects by selectively increasing utrophin. This approach possesses a distinct mechanism of action and targeting direction compared to mini/micro-dystrophin. Furthermore, the demonstration of significant efficacy supports the versatility and practicality of our epigenome editing platform technology validated by MDL-101, representing a crucial outcome that bolsters future development considerations.

Furthermore, for “MDL-103” targeting facioscapulohumeral muscular dystrophy (FSHD), we conducted validation studies using disease model animals, supported by grants from the XPrize Foundation and the Solve FSHD Foundation. The results confirmed suppression of Dux4 downstream gene expression in muscle cells derived from FSHD patients following both local and systemic administration. The suppression effect was shown to be equivalent to or greater than that observed with local administration. These findings suggest that, in addition to suppressing Dux4 expression via CRISPR-GNDM technology, the compound distributes appropriately to muscle tissue via suitable pharmacokinetics after systemic administration. We consider this to be important foundational data for future development.

Thus, through the continued technical validation achieved through ongoing development of MDL-101 toward clinical-stage transition, and the completion of validation in individual disease models for pipeline candidates like MDL-201 and MDL-103, which also target the muscular disease field, we believe multiple development pipelines are continuously creating value and are now well-prepared to steadily advance into the clinical development phase. Furthermore, through multiple collaborative research initiatives, including our joint research with JCR Pharma, we are expanding access to new elemental technologies and strengthening our pipeline development to deliver optimal therapeutic options to patients using continuously updated, cutting-edge technologies.

As a result, for the Fiscal Year ended December 31, 2025, operating revenue amounted to – thousand, operating loss to ¥2,211,801 thousand, ordinary loss to ¥2,148,599 thousand, and loss attributable to owners of parent to ¥2,152,710 thousand.

The Group consists of a single business segment of developing therapeutic agents for genetic disorders. Accordingly, the Company omits statements of segment information.

(2) Explanation of Financial Position

Status of Assets, Liabilities and Net Assets

(Current Assets)

Total current assets at the end of the fiscal year under review decreased by ¥724,807 thousand from the end of the previous fiscal year to ¥2,892,272 thousand. This is mainly attributable to a decreased in cash and deposits by ¥762,909 thousand.

(Non-Current Assets)

Total non-current assets at the end of the fiscal year under review decreased by ¥2,493 thousand from the end of the previous fiscal year to ¥71,976 thousand. This is mainly attributable to a decreased in investments and other assets of ¥2,493 thousand.

(Current Liabilities)

Total current liabilities at the end of the fiscal year under review increased by ¥17,480 thousand from the end of the previous fiscal year to ¥134,802 thousand. This is mainly attributable to an increased in accrued expenses of ¥15,064 thousand.

(Non-Current Liabilities)

Total Non current liabilities at the end of the fiscal year under review increased by ¥9,993 thousand from the end of the previous fiscal year to ¥36,142 thousand. This is attributable to an increased in other liabilities by ¥14,294 thousand.

(Net Assets)

Total net assets at the end of the fiscal year under review decreased by ¥754,774 thousand from the end of the previous fiscal year to ¥2,793,303 thousand. This is mainly attributable to a decreased in capital stock of ¥30,890 thousand, capital surplus of ¥30,890 thousand and retained earnings of ¥711,627thousand.

(3) Explanation of Cash Flows

Cash and cash equivalents (hereinafter referred to as “cash”) at the end of the fiscal year under review amounted to ¥2,812,367 thousand, decreased by ¥762,909 thousand from previous fiscal year end. The status of respective cash flows and key factors are as follows.

(Cash Flows from Operating Activities)

Net cash used in operating activities during the Fiscal Year ended December 31, 2025, amounted to ¥2,118,409 thousand. This is mainly attributable to Net loss before income taxes and minority interests of ¥2,151,170 thousand.

(Cash Flows from Investing Activities)

Net cash used in investing activities during the Fiscal Year ended December 31, 2025, amounted to ¥2,571 thousand. This is mainly attributable to the posting of Purchase of property, plant and equipment of ¥2,571 thousand.

(Cash Flows from Financing Activities)

Net cash provided by financing activities during the Fiscal Year ended December 31, 2025, amounted to ¥1,351,037 thousand. This is mainly attributable to the posting of Proceeds from issuance of stock resulting from exercise of subscription right to shares ¥1,364,154 thousand

(4) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information

At present, there are many uncertain factors affecting our business performance, including the progress of negotiations with our partners, significant fluctuations in performance due to upfront payments for licensing, the possibility of concluding agreements with new partners, and the acquisition of new pipelines. In regard to the future outlook, the Company believes it is difficult to calculate an appropriate and rational figure, so the Company has decided not to disclose the full-year earnings forecast. When it becomes possible to make a forecast, the Company will promptly make an announcement.

(5) Important Events Related to the Premise of a Going Concern etc.

MODALIS group is a drug discovery venture company engaged in the research and development of gene therapy drugs. We plan to broaden our revenue opportunities and stabilize our management foundation by advancing R&D through a “hybrid model” business approach that combines a collaborative model pipeline with an in-house model pipeline, thereby optimizing our business options. However, pharmaceutical R&D requires substantial capital, and the investment payback period is relatively long compared to other industries. Consequently, the Group continues to incur operating losses and negative operating cash flow, creating a situation that raises significant doubt about its ability to continue as a going concern.

Building on insights gained over ten fiscal years of CRISPR-based gene control therapeutic development, we continue R&D centered on MDL-101 in the eleventh fiscal year and beyond. Our development structure, including human resources, is positioned to continue advancing MDL-101 toward clinical trials. We plan to accelerate development to bring treatment to patients as soon as possible. Furthermore, we will continue pursuing partnering opportunities in parallel with development, as we have done previously. Concurrently, for our subsequent pipeline, we will aim to secure early-stage partnerships while continuing to optimize our R&D structure and reduce costs through efficiency improvements.

In terms of funding, as of the end of the current consolidated fiscal year, we had cash and deposits of 3,575,277 thousand yen, and we believe that we have secured sufficient funds to develop our business activities in the following consolidated fiscal year through the above initiatives.

Based on the above, we believe that there is no significant uncertainty regarding the assumption of a going concern.

2. Approach to the Selection of Accounting Standards

The Group has adopted Japanese GAAP in consideration of the comparability of its consolidated financial statements from period to period and between companies. The Group intends to adopt IFRS as appropriate, taking into consideration various conditions in Japan and overseas.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Thousand yen)

	As of December 31, 2024	As of December 31, 2025
Assets		
Current assets		
Cash and deposits	3,575,277	2,812,367
supplies	141	—
Other	41,661	79,904
Total current assets	3,617,079	2,892,272
Non-current assets		
Investments and other assets	74,469	71,976
Total non-current assets	74,469	71,976
Total assets	3,691,549	2,964,248
Liabilities		
Current liabilities		
Accounts payable- other	79,338	94,403
Accrued expenses	20,308	25,745
Income taxes payable	16,469	13,330
Other	1,179	1,324
Total current liabilities	117,322	134,802
Non-current liabilities		
Provision for share-based compensation for director	822	—
Provision for share-based compensation for employee	3,624	145
Other	21,701	35,996
Total non-current liabilities	26,148	36,142
Total liabilities	143,471	170,945
Net assets		
Shareholders' equity		
Share capital	1,758,987	1,728,097
Capital surplus	3,080,722	3,049,832
Retained earnings	(1,325,620)	(2,037,247)
Treasury stock	(97)	(97)
Total shareholders' equity	3,513,992	2,740,583
Accumulated other comprehensive income		
Foreign currency translation adjustment	12,337	15,331
Total accumulated other comprehensive income	12,337	15,331
Subscription rights to shares	21,748	37,388
Total net assets	3,548,078	2,793,303
Total liabilities and net assets	3,691,549	2,964,248

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Thousand yen)

	For the Fiscal Year ended December 31, 2024	For the Fiscal Year ended December 31, 2025
Operating revenue	–	–
Operating expenses		
Research and development expenses	1,902,174	1,979,993
Selling, general and administrative expenses	245,476	231,807
Total operating expenses	1,337,650	2,211,801
Operating loss	(1,337,650)	(2,211,801)
Non-operating income		
Interest income	102	3,849
Foreign exchange income	64,470	10,495
Other	11	67,441
Total non-operating income	64,583	81,786
Non-operating expenses		
Interest expense	3,857	2,804
Stock issuance cost	5,304	7,257
Loss on retirement of non-current assets	20,377	8,522
Other	492	–
Total non-operating expenses	30,966	18,583
Ordinary loss	(1,303,099)	(2,148,599)
Extraordinary income		
Impairment loss	188	2,571
Loss from money transfer scam at foreign subsidiary	13,641	–
Total extraordinary loss	13,829	2,571
Loss before income taxes	(1,316,929)	(2,151,170)
Income taxes - current	965	1,539
Total income taxes	965	1,539
Loss	(1,317,894)	(2,152,710)
Loss attributable to owners of parent	(1,317,894)	(2,152,710)

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the Fiscal Year ended December 31, 2024	For the Fiscal Year ended December 31, 2025
Loss	(1,317,894)	(2,152,710)
Other comprehensive income		
Foreign currency translation adjustment	5,013	2,993
Total other comprehensive income	5,013	2,993
Comprehensive income	(1,312,880)	(2,149,716)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,312,880)	(2,149,716)

(3) Consolidated Statements of Changes in Equity
Fiscal Year Ended December 31,2024

(Thousand yen)

	Shareholders' equity			
	Share capital	Capital surplus	Retained earnings	Treasury stock
Balance at beginning of current period	1,217,652	2,539,387	(2,410,273)	(97)
Changes of items during period				
Issuance of new shares	1,205,109	1,205,109		
Purchase of treasury stock	537,500	537,500		
Transfer to other capital surplus from capital stock	(1,201,27)	1,201,273		
Deficit disposition		(2,402,547)	2,402,547	
Profit attributable to owners of parent			(1,317,894)	
Net changes of items other than shareholders' equity				
Total changes of items during period	541,335	541,335	1,084,653	—
Balance at end of current period	1,758,987	3,080,722	(1,325,620)	(97)

	Shareholders' equity	Accumulated other comprehensive income		Subscription rights to shares	Total net assets
	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	1,346,669	7,323	7,323	26,430	1,380,422
Changes of items during period					
Issuance of new shares	2,410,218		—		2,410,218
Purchase of treasury stock	1,075,000		—		1,075,000
Transfer to other capital surplus from capital stock	—		—		—
Deficit disposition	—				—
Profit attributable to owners of parent	(1,317,894)		—		(1,317,894)
Net changes of items other than shareholders' equity	—	5,013	5,013	(4,681)	332
Total changes of items during period	2,167,323	5,013	5,013	(4,681)	2,167,655
Balance at end of current period	3,513,992	12,337	12,337	21,748	3,548,078

Fiscal Year Ended December 31,2025

(Thousand yen)

	Shareholders' equity			
	Share capital	Capital surplus	Retained earnings	Treasury stock
Balance at beginning of current period	1,758,987	3,080,722	(1,325,620)	(97)
Changes of items during period				
Issuance of new shares	689,650	689,650		
Purchase of treasury stock				
Transfer to other capital surplus from capital stock	(720,541)	720,541		
Deficit disposition		(1,441,083)	1,441,083	
Loss attributable to owners of parent			(2,152,710)	
Net changes of items other than shareholders' equity				
Total changes of items during period	(30,890)	(30,890)	(711,627)	—
Balance at end of current period	1,728,097	3,049,832	(2,037,247)	(97)

	Shareholders' equity	Accumulated other comprehensive income		Subscription rights to shares	Total net assets
	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	3,513,992	12,337	12,337	21,748	3,548,078
Changes of items during period					
Issuance of new shares	1,379,301		—		1,379,301
Purchase of treasury stock	—		—		—
Transfer to other capital surplus from capital stock	—		—		—
Deficit disposition	—		—		—
Profit attributable to owners of parent	(2,152,710)		—		(2,152,710)
Net changes of items other than shareholders' equity	—	2,993	2,993	15,639	18,633
Total changes of items during period	(773,408)	2,993	2,993	15,639	(754,774)
Balance at end of current period	2,740,583	15,331	15,331	37,388	2,793,303

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the Fiscal Year ended December 31, 2024	For the Fiscal Year ended December 31, 2025
Cash flows from operating activities		
Loss before income taxes	(1,316,929)	(2,151,170)
Impairment loss	188	2,571
Increase (decrease) in provision for share-based compensation for director	89	(822)
Increase (decrease) in provision for share-based compensation for employee	34	(3,478)
Stock compensation expense	(2,730)	16,788
Interest and dividend income	(102)	(3,849)
Subsidy income	20,377	8,522
Stock issuance cost	5,304	7,257
Interest expense	3,857	2,804
Foreign exchange loss (income)	(61,558)	5,032
Loss on fraudulent remittance by foreign subsidiaries	13,641	—
Increase (decrease) in accounts payable - other	(40,372)	12,158
Increase (decrease) in accrued expenses	(79,013)	5,234
Decrease (increase) in consumption taxes refund receivable	2,274	626
Other, net	41,540	(20,180)
Subtotal	(1,413,398)	(2,118,504)
Interest and dividends received	102	3,849
Interest expense paid	(3,857)	(2,804)
Payments for loss on remittance fraud in foreign subsidiaries	(13,641)	—
Income taxes paid	(1,210)	(950)
Net cash provided by (used in) operating activities	(1,432,005)	(2,118,409)
Cash flows from investing activities		
Purchase of property, plant and equipment	(188)	(2,571)
Net cash provided by (used in) investing activities	(188)	(2,571)
Cash flows from financing activities		
Repayments of installment payables	(8,026)	(8,932)
Proceeds from issuance of common stock upon exercise of stock acquisition rights	2,384,161	1,364,154
Proceeds from issuance of stock resulting from exercise of subscription right to shares	11,655	3,072
Payments for issuance of subscription right to shares	694,695	—
Proceeds from issuance of convertible bond-type bonds with subscription rights to shares	—	492,742
Payments for issuance of convertible bond-type bonds with subscription rights to shares	(37,500)	—
Other, net	—	(500,000)
Net cash provided by (used in) financing activities	3,044,985	1,351,037
Effect of exchange rate change on cash and cash equivalents	79,047	7,034
Net increase (decrease) in cash and cash equivalents	1,691,839	(762,909)
Cash and cash equivalents at the beginning of period	1,883,437	3,575,277
Cash and cash equivalents at the end of period	3,575,277	2,812,367

(5) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Notes in the case of significant changes in shareholders' equity)

Due to the appropriation of the deficit in retained earnings brought forward as of 15 May 2025, in accordance with the resolution of the 9th Annual General Meeting of Shareholders held on 27 March 2025, capital stock and capital surplus decreased by ¥720,541 thousand and retained earnings increased by ¥1,441,083 thousand, respectively. Additionally, during the current consolidated accounting period, capital stock and capital surplus increased by ¥688,448 thousand each due to the exercise of stock acquisition rights with a clause to revise the exercise price. Furthermore, the capital stock and capital surplus increased by ¥1,201 thousand each due to the issuance of new shares as post-delivery type stock compensation, in accordance with resolutions passed at respective board meetings on 14 April, 14 May, 13 June, 4 July and 13 November 2025. As a result, as of the end of the current consolidated fiscal year, capital stock was ¥1,728,097 thousand, capital surplus was ¥3,049,832 thousand and retained earnings were (¥2,037,247 thousand).

(Change in accounting policy)

(Application of "Accounting Standard for Income Taxes, Inhabitant Taxes and Enterprise Taxes", etc.)

The "Accounting Standard for Corporate, Inhabitant and Enterprise Taxes" (ASBJ Statement No. 27, October 28, 2022. Hereinafter referred to as the "Revised 2022 Accounting Standard") The "Accounting Standard for Income Taxes" (ASBJ Statement No. 27, October 28, 2022) and others are applied from the beginning of the current interim consolidated accounting period.

With respect to the revision regarding the classification of income taxes (taxation on other comprehensive income), the transitional treatment stipulated in the proviso of paragraph 20-3 of the Revised Accounting Standard for 2022 and the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the "Guidance on the Revised 2022 Accounting Standard") have been applied. The "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the "2022 Revised Guidance") The transitional treatment prescribed in the proviso of Paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022) is followed. There is no effect on the consolidated financial statements.

With respect to the revision related to the revised treatment in the consolidated financial statements of the deferral for tax purposes of gains or losses arising from the sale of shares of subsidiaries and other securities among consolidated companies, the Company has applied the Revised 2022 Implementation Guidance from the beginning of the period under review. The change in accounting policy has been applied retrospectively, and the consolidated financial statements for the previous fiscal year have been prepared on a retrospective basis. There is no effect on the consolidated financial statements for the previous fiscal year.

(Consolidated Statement of Income.)

(Non-operating income)

The Company recorded ¥37,150 thousand as other non-operating income from the prize money won in the FSHD Bonus Prize, which is part of XPRIZE Healthspan, one of the world's largest technology competitions. For details, please refer to the May 13, 2025, press release titled "Notice Regarding Selection as Finalist for FSHD Bonus Prize of XPRIZE Healthspan, the World's Largest Technology Competition, and Winning \$250,000 Prize.

Research and development support payments based on the strategic alliance with SOLVE FSHD for the development of an innovative facioscapulohumeral muscular dystrophy treatment were recorded as other non-operating income in the amount of ¥30,116 thousand. For details, please refer to the "Announcement of Strategic Alliance between SOLVE FSHD and Modalis Inc. for the Development of Innovative Facioscapulohumeral Muscular Dystrophy Therapeutics" dated June 9, 2025.

(Segment information)

The Group consists of a single business segment of developing therapeutic agents for genetic disorders.

Accordingly, the Company omits statements of segment information.

(Per share information)

	Fiscal Year ended December 31, 2024	Fiscal Year ended December 31, 2025
Net assets per share (Yen)	50.81 円	31.80
Net income per share (Yen)	(28.57)	(27.86)

NOTE 1. For the fiscal year ended December 31, 2024, and December 31, 2025, the figure is not presented as the Company recorded basic loss per share, although it had dilutive shares.

2. Net assets per share are calculated based on the following basis:

	Fiscal Year ended December 31, 2024	Fiscal Year ended December 31, 2025
Total net assets (thousands of yen)	3,548,078	2,793,303
Amounts deducted from total net assets (thousands of yen)	21,748	37,388
(Of which stock acquisition rights)	(21,748)	(37,388)
Average number of common shares during the period (shares)	3,526,329	2,755,915
Number of common shares at the end of the period used for the calculation of net assets per share (shares)	69,403,935	86,674,035

3. Net loss per share are calculated based on the following basis:

	Fiscal Year ended December 31, 2024	Fiscal Year ended December 31, 2025
Net loss per share (thousands of yen)		
Loss attributable to owners of parent (thousands of yen)	(1,317,894)	(2,152,710)
Net loss related to common shares (thousands of yen)	—	—
Loss attributable to owners of parent to common shares (thousands of yen)	(1,317,894)	(2,152,710)
Average number of common shares during the period (shares)	46,127,082	77,271,846
Dilutive shares that do not have a diluting effect and thus were not included in the calculation of diluted net income per share	Stock options: 16 types Convertible bonds with stock options: 2 types Common stock 8,879,800 shares)	Stock options: 16 type (Common stock: 11,632,500 shares)

(Significant subsequent events)

Capital increase through exercise of stock acquisition rights

After the end of the current fiscal year, during the period from January 1, 2026 to January 31, 2026 some of the 15th series of stock acquisition rights with exercise price amendment clause were exercised as follows.

- | | | |
|--------------------------------------|--------------|-------------------|
| (1) Type and number of shares issued | Common stock | 810,000 shares. |
| (2) Increase in capital stock | | ¥24,594 thousand. |
| (3) Increase in capital reserve | | ¥24,594 thousand. |

As a result, the total number of common shares issued and outstanding as of January 31, 2026, was 87,484,098 shares, capital stock was ¥1,752,691 thousand, and capital reserve was ¥2,507,691 thousand.