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February 10, 2026

Consolidated Financial Results for the Fiscal Year Ended December 31, 2025 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 6612
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 Scheduled date of annual general meeting of shareholders: March 26, 2026
 Scheduled date to commence dividend payments: -
 Scheduled date to file annual securities report: March 25, 2026
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended December 31, 2025 (from January 1, 2025 to December 31, 2025)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
December 31, 2025	10,115	(18.8)	(866)	—	(904)	—	(1,596)	—
December 31, 2024	12,462	(4.2)	12	—	94	—	67	—

Note: Comprehensive income For the fiscal year ended December 31, 2025: ¥(1,594) million [—%]
 For the fiscal year ended December 31, 2024: ¥77 million [—%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
December 31, 2025	(187.82)	—	(44.6)	(16.7)	(8.6)
December 31, 2024	7.92	7.91	1.6	1.4	0.1

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended December 31, 2025: ¥ — million
 For the fiscal year ended December 31, 2024: ¥ — million

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2025	4,659	2,810	60.3	329.86
December 31, 2024	6,182	4,349	70.4	513.93

Reference: Equity
 As of December 31, 2025: ¥2,810 million
 As of December 31, 2024: ¥4,349 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2025	(577)	(429)	341	673
December 31, 2024	1,348	(205)	(1,008)	1,345

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of 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. Forecast of Consolidated Earnings for the Fiscal Year ending December 31, 2026 (From January 1, 2026 to December 31, 2026)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Full year	10,500	3.8	30	—	15	—	10	—	1.17

* **Notes**

- (1) Significant changes in the scope of consolidation during the period: None
- (2) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(3) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2025	8,526,200 shares
As of December 31, 2024	8,466,400 shares

- (ii) Number of treasury shares at the end of the period

As of December 31, 2025	5,579 shares
As of December 31, 2024	3,277 shares

- (iii) Average number of shares outstanding during the period

Fiscal year ended December 31, 2025	8,502,507 shares
Fiscal year ended December 31, 2024	8,460,674 shares

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended December 31, 2025 (from January 1, 2025 to December 31, 2025)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2025	10,098	(18.8)	(874)	—	(910)	—	(1,603)	—
December 31, 2024	12,433	(4.3)	16	—	91	—	64	—

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
December 31, 2025	(188.57)	—
December 31, 2024	7.58	7.56

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2025	4,627	2,763	59.7	324.35
December 31, 2024	6,153	4,311	70.1	509.44

Reference: Equity

As of December 31, 2025: ¥2,763 million
As of December 31, 2024: ¥4,311 million

* Financial results reports are exempt from audit conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in this document are based on information currently available to BALMUDA Inc. and its consolidated subsidiaries (hereinafter referred to as “the Group”) and on certain assumptions deemed to be reasonable. These statements do not purport that the Company pledges to realize such statements. Actual performance and other results may differ materially due to various factors. For the assumptions underlying the consolidated financial forecasts and notes on the use of such forecasts, please refer to “1. Overview of Business Results, (4) Outlook” on page 5 of the attached materials.

Table of Contents (Attached Materials)

1. Overview of Business Results	2
(1) Overview of Business Results for the Fiscal Year under Review	2
(2) Overview of Financial Position for the Fiscal Year under Review	4
(3) Overview of Cash Flows for the Fiscal Year under Review	4
(4) Outlook	5
2. Consolidated Financial Statements and Key Notes	6
(1) Consolidated Balance Sheet	6
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income	8
Consolidated Statement of Income	8
Consolidated Statement of Comprehensive Income	8
(3) Consolidated Statement of Changes in Equity	9
(4) Consolidated Statement of Cash Flows	10
(5) Notes to Consolidated Financial Statements	11
(Notes on Going Concern Assumption)	11
(Changes in Accounting Policies)	11
(Notes to Consolidated Statement of Income)	12
(Segment Information, etc.)	12
(Per Share Information)	14
(Revenue Recognition)	15

1. Overview of Business Results

(1) Overview of Business Results for the Fiscal Year under Review

For the consolidated fiscal year ended December 31, 2025 (January 1, 2025 to December 31, 2025), BALMUDA Inc. (hereinafter referred to as “the Company”) recorded consolidated net sales of ¥10,115 million, representing a decrease of 18.8% year on year. Operating loss amounted to ¥866 million (operating profit of ¥12 million in the previous fiscal year), ordinary loss was ¥904 million (ordinary profit of ¥94 million in the previous fiscal year), and net loss attributable to owners of the parent was ¥1,596 million (net profit attributable to owners of the parent of ¥67 million in the previous fiscal year).

In the domestic market, consolidated net sales for the fiscal year under review fell below the results of the previous fiscal year. This was mainly due to a significant curtailment of shipments, primarily during the third quarter, implemented to optimize distribution inventory levels that had increased as a result of the prolonged weakness in consumer sentiment amid rising prices.

Net sales in North America exceeded the results of the previous fiscal year, reflecting the launch of three new products as the first step in the Company’s medium- to long-term growth strategy of evolving into a global brand. In South Korea and other regions, net sales fell below the results of the previous fiscal year, mainly due to differences in new product launches compared with the previous year.

Regarding the gross profit margin, despite a challenging external environment marked by the continued depreciation of the yen, the margin improved by 1.5 percentage points year on year to 32.7%. This improvement was attributable to the effects of initiatives that the Company has been continuously implementing since previous fiscal years, including reductions in manufacturing costs and efforts to secure appropriate profit margins through proper pricing.

Status of New Product Launches

In October, the Company launched BALMUDA The Range S, a single-function microwave oven. While retaining the simple operability and distinctive guitar sound of BALMUDA The Range (microwave oven), the new model features a compact design with reduced height and depth, as well as meticulous attention to detail in elements such as buttons and handles. With a design that allows users to enjoy personalized coordination even in limited spaces, along with a playful display, the product delivers an enjoyable experience every time it is used.

In November, the Company launched a new model of Rain, its humidifier. Since its initial launch in 2013, Rain has been well received by customers for its intuitive usability and beautiful design. With the latest model, the product has evolved into a humidifier that better suits modern living spaces.

The Company also announced the Sailing Lantern, a portable LED lantern jointly developed with LoveFrom, the creative collective led by Sir Jony Ive, former Chief Design Officer at Apple. The Sailing Lantern combines beauty and functionality, offering a modern interpretation of classic maritime design. This collaboration was made possible through the shared design values held by LoveFrom and the Company.

Progress on Growth Strategy

To achieve further growth, the Company is working to shift its business model toward a global customer base, positioning “Evolution into a Global Brand” as its medium- to long-term management strategy, with the aim of realizing sustainable growth. As the first step in this strategy, during the consolidated fiscal year under review, the Company commenced full-scale business expansion in the United States.

With respect to product development, the Company expanded its product lineup in the U.S. market by launching MoonKettle in March, BALMUDA The Teppanyaki (marketed in Japan as BALMUDA The Plate Pro) in April, and BALMUDA The Toaster Pro (a steam toaster equipped with a salamander function) in September. In addition, the Company opened its brand shop, “BALMUDA 50 Norman Brooklyn,” in Brooklyn, New York, in April.

As a result of advancing these initiatives since the beginning of the fiscal year, net sales in North America exceeded the results of the previous fiscal year, as described above. However, due to a revision of the planned expansion of sales channels in response to the impact of U.S. tariff policies, net sales in the United States fell short of the initial plan to double sales at the beginning of the fiscal year.

Meanwhile, the development of new products designed for a global customer base progressed steadily. The Sailing Lantern, announced in September, has begun accepting pre-orders in the United States, European countries, South Korea, and Japan, with shipments scheduled to commence sequentially from March 2026. In addition, the Company plans to launch a new product, which has been developed with a global customer base in mind, simultaneously in the United States, South Korea, and Japan in spring 2026.

Despite the implementation of these various initiatives, the consolidated business results for the fiscal year under review were as described at the beginning of this section, due to the impact of a challenging external environment, including the prolonged weakness in consumer sentiment and U.S. tariff policies. In addition, in order to further improve the earnings structure, the Company recorded business restructuring expenses of ¥687 million as an extraordinary loss in the consolidated fiscal year under review, primarily related to write-downs of products and components.

(Unit: Million yen)

	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	year-on-year changes	year-on-year changes(%)
Net sales	12,462	10,115	(2,346)	(18.8)
Operating profit (loss)	12	(866)	(878)	-
Ordinary profit (loss)	94	(904)	(999)	-
Net profit (loss) attributable to owners of the parent	67	(1,596)	(1,664)	-

With respect to net sales by region, net sales in Japan, South Korea, and other regions fell below the results of the previous fiscal year, while net sales in North America, where the Company strengthened its business development, exceeded the results of the previous fiscal year.

(Millions of yen)

Net Sales by Region	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	year-on-year changes	year-on-year changes(%)
Japan	8,025	6,767	(1,258)	(15.7)
South Korea	2,315	1,832	(482)	(20.8)
North America	603	716	113	18.8
Other	1,517	798	(718)	(47.3)
Total	12,462	10,115	(2,346)	(18.8)

(Millions of yen)

Net Sales by Product Category	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	year-on-year changes	year-on-year changes(%)
Air conditioning	2,112	1,552	(559)	(26.5)
Kitchen appliance	9,527	7,975	(1,552)	(16.3)
Other	822	587	(234)	(28.5)
Total	12,462	10,115	(2,346)	(18.8)

As the company operates a single business segment focused on home appliances, segment-specific disclosures are omitted.

(2) Overview of Financial Position for the Fiscal Year under Review

(Assets)

Total assets as of the end of the consolidated fiscal year under review amounted to ¥4,659 million, representing a decrease of ¥1,522 million compared with the end of the previous consolidated fiscal year. Current assets totaled ¥3,972 million (a decrease of ¥1,560 million compared with the end of the previous consolidated fiscal year), mainly due to decreases of ¥672 million in cash and deposits, ¥576 million in accounts receivable, and ¥293 million in merchandise and finished goods.

Non-current assets amounted to ¥687 million (an increase of ¥37 million compared with the end of the previous consolidated fiscal year), primarily reflecting an increase of ¥47 million in property, plant and equipment resulting from the acquisition of product molds and other factors.

Note that, beginning with the current consolidated fiscal year, “goods in transit,” which had previously been included under “merchandise and finished goods” within current assets in the previous consolidated fiscal year, has been presented separately to enhance clarity of disclosure.

(Liabilities)

Total liabilities as of the end of the consolidated fiscal year under review amounted to ¥1,849 million, representing an increase of ¥16 million compared with the end of the previous consolidated fiscal year.

Current liabilities totaled ¥1,704 million (a decrease of ¥103 million compared with the end of the previous consolidated fiscal year). This was mainly due to an increase of ¥400 million in short-term borrowings, partially offset by decreases of ¥322 million in accounts payable and ¥178 million in the current portion of long-term borrowings.

Non-current liabilities amounted to ¥144 million (an increase of ¥119 million compared with the end of the previous consolidated fiscal year), primarily reflecting an increase in long-term borrowings.

(Net Assets)

Total net assets as of the end of the consolidated fiscal year under review amounted to ¥2,810 million, representing a decrease of ¥1,538 million compared with the end of the previous consolidated fiscal year. This was mainly due to increases of ¥27 million each in share capital and capital surplus resulting from the issuance of new shares as restricted stock compensation, while retained earnings decreased by ¥1,596 million.

In addition, during the current consolidated fiscal year, the Company carried out a capital reduction, transferring ¥80 million from share capital to other capital surplus.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents (hereinafter referred to as “cash”) as of the end of the consolidated fiscal year under review amounted to ¥673 million, representing a decrease of ¥672 million compared with the end of the previous consolidated fiscal year. The status of each cash flow and the factors contributing to these changes during the consolidated fiscal year are as follows.

(Cash Flows from Operating Activities)

Net cash used in operating activities amounted to ¥577 million (net cash provided by operating activities of ¥1,348 million in the previous consolidated fiscal year). The major factors included a ¥322 million decrease in trade payables and a ¥130 million increase in inventories.

(Cash Flows from Investing Activities)

Net cash used in investing activities amounted to ¥429 million (net cash used in investing activities of ¥205 million in the previous consolidated fiscal year). This was mainly due to payments of ¥313 million for the purchase of property, plant and equipment.

(Cash Flows from Financing Activities)

Net cash provided by financing activities amounted to ¥341 million (net cash used in financing activities of ¥1,008 million in the previous consolidated fiscal year). This was mainly due to a net increase of ¥400 million in short-term borrowings.

(4) Outlook

In the consolidated fiscal year under review, the Group recorded a significant net loss due to the impact of a challenging external environment. In addition, as the Group is in breach of certain financial covenants under its overdraft agreement, events or conditions exist that raise significant doubt about the Group's ability to continue as a going concern. With respect to the overdraft facility, the Group has already been engaged in ongoing discussions with its financial institutions regarding its continued use.

For the fiscal year ending December 31, 2026, taking into account the challenging external environment, the Group will formulate a sales plan based on a careful assessment of market trends. At the same time, the Group aims to return to profitability by materializing the results of the following strategies that are already being implemented.

(i) Launch of New Products Designed for a Global Customer Base

- Sailing Lantern (announced in September 2025):

Scheduled to be launched sequentially from March 2026, with sales planned in more than 10 countries, including the United States, European countries, South Korea, and Japan.

- New product (scheduled to be announced and launched in spring 2026):

Planned to be launched simultaneously in the United States, South Korea, and Japan.

(ii) Improvement of the Earnings Structure

- Improvement of the cost structure (reduction of manufacturing costs and compression of fixed expenses)

- Optimization of sales strategies by product and by region

The outlook for the Group's consolidated earnings for the fiscal year ending December 31, 2026 is as follows.

	(Unit: Million yen)	
	Fiscal year ending December 31, 2026	year-on-year changes(%)
Net sales	10,500	3.8
Operating profit	30	-
Ordinary profit	15	-
Net profit attributable to owners of the parent	10	-

The earnings forecasts presented herein are based on information currently available to the Group and on certain assumptions deemed to be reasonable, and do not purport that the Group pledges to achieve such forecasts. Actual results may differ materially from the forecasts due to various factors.

2. Basic Policy on the Selection of Accounting Standards

The Group has adopted a policy of preparing its consolidated financial statements in accordance with Japanese GAAP for the time being, taking into consideration the comparability of consolidated financial statements across periods as well as comparability with other companies.

2. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	As of December 31, 2024	As of December 31, 2025
Assets		
Current assets		
Cash and deposits	1,345	673
Accounts receivable - trade	2,367	1,791
Merchandise and finished goods	1,092	798
Raw materials and supplies	355	277
Goods in transit	18	17
Other	352	424
Allowance for doubtful accounts	—	(10)
Total current assets	5,532	3,972
Non-current assets		
Property, plant and equipment		
Buildings and structures	186	224
Accumulated depreciation	(53)	(66)
Buildings and structures, net	132	158
Machinery, equipment and vehicles	10	10
Accumulated depreciation	(4)	(5)
Machinery, equipment and vehicles, net	5	4
Tools, furniture and fixtures	2,377	2,514
Accumulated depreciation and impairment	(2,074)	(2,249)
Tools, furniture and fixtures, net	302	265
Construction in progress	23	79
Other	1	7
Accumulated depreciation	(0)	(3)
Other, net	0	4
Total property, plant and equipment	464	511
Intangible assets		
Software	143	75
Software in progress	3	18
Other	—	23
Total intangible assets	147	116
Investments and other assets		
Deferred tax assets	3	—
Other	35	59
Total investments and other assets	38	59
Total non-current assets	649	687
Total assets	6,182	4,659

(Millions of yen)

	As of December 31, 2024	As of December 31, 2025
Liabilities		
Current liabilities		
Accounts payable - trade	717	395
Short-term borrowings	100	500
Current portion of long-term borrowings	303	125
Accounts payable - other	250	298
Income taxes payable	3	1
Provision for bonuses	50	56
Provision for product warranties	186	109
Provision for loss on business liquidation	6	4
Other	189	214
Total current liabilities	1,807	1,704
Non-current liabilities		
Long-term borrowings	25	144
Total non-current liabilities	25	144
Total liabilities	1,832	1,849
Net assets		
Shareholders' equity		
Share capital	90	37
Capital surplus	2,759	2,867
Retained earnings	1,476	(120)
Treasury shares	(0)	(0)
Total shareholders' equity	4,325	2,784
Accumulated other comprehensive income		
Foreign currency translation adjustment	24	26
Total accumulated other comprehensive income	24	26
Total net assets	4,349	2,810
Total liabilities and net assets	6,182	4,659

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

Consolidated Statement of Income

(Millions of yen)

	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025
Net sales	12,462	10,115
Cost of sales	8,576	6,808
Gross profit	3,885	3,307
Selling, general and administrative expenses	3,873	4,173
Operating profit (loss)	12	(866)
Non-operating income		
Interest income	1	2
Dividend income	0	0
Foreign exchange gains	60	—
Miscellaneous income	32	12
Total non-operating income	94	14
Non-operating expenses		
Interest expenses	12	12
Foreign exchange losses	—	31
Miscellaneous losses	0	9
Total non-operating expenses	12	52
Ordinary profit (loss)	94	(904)
Extraordinary income		
Reversal of provision for loss on business liquidation	2	0
Total extraordinary income	2	0
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Business restructuring expenses	—	687
Total extraordinary losses	0	687
Profit (loss) before income taxes	97	(1,591)
Income taxes - current	3	2
Income taxes - deferred	27	3
Total income taxes	30	5
Profit (loss)	67	(1,596)
Profit (loss) attributable to owners of parent	67	(1,596)

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025
Profit (loss)	67	(1,596)
Other comprehensive income		
Foreign currency translation adjustment	10	2
Total other comprehensive income	10	2
Comprehensive income	77	(1,594)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	77	(1,594)

(3) Consolidated Statement of Changes in Equity

Fiscal year ended December 31, 2024 (from January 1, 2024, to December 31, 2024)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income		Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	1,423	1,420	1,409	(0)	4,252	13	13	4,265
Changes during period								
Issuance of new shares	3	3			6			6
Profit attributable to owners of parent			67		67			67
Purchase of treasury shares				(0)	(0)			(0)
Transfer from share capital to capital surplus	(1,336)	1,336			—			—
Net changes in items other than shareholders' equity						10	10	10
Total changes during period	(1,332)	1,339	67	(0)	73	10	10	83
Balance at end of period	90	2,759	1,476	(0)	4,325	24	24	4,349

Fiscal year ended December 31, 2025 (from January 1, 2025, to December 31, 2025)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income		Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	90	2,759	1,476	(0)	4,325	24	24	4,349
Changes during period								
Issuance of new shares	27	27			55			55
(loss) attributable to owners of parent			(1,596)		(1,596)			(1,596)
Purchase of treasury shares				(0)	(0)			(0)
Transfer from share capital to capital surplus	(80)	80						—
Net changes in items other than shareholders' equity						2	2	2
Total changes during period	(52)	108	(1,596)	(0)	(1,541)	2	2	(1,538)
Balance at end of period	37	2,867	(120)	(0)	2,784	26	26	2,810

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025
Cash flows from operating activities		
Profit (loss) before income taxes	97	(1,591)
Depreciation	399	348
Business restructuring expenses	—	687
Reversal of provision for loss on business liquidation	(2)	(0)
Share-based payment expenses	—	15
Increase (decrease) in allowance for doubtful accounts	—	10
Increase (decrease) in provision for product warranties	(106)	(76)
Increase (decrease) in provision for loss on business liquidation	(6)	(1)
Increase (decrease) in provision for bonuses	(11)	6
Interest and dividend income	(1)	(2)
Interest expenses	12	12
Foreign exchange losses (gains)	(36)	7
Loss on retirement of non-current assets	0	0
Decrease (increase) in trade receivables	55	565
Decrease (increase) in inventories	1,478	(130)
Increase (decrease) in trade payables	(405)	(322)
Decrease (increase) in other assets	(15)	(25)
Increase (decrease) in other liabilities	(126)	(61)
Subtotal	1,330	(560)
Interest and dividends received	1	2
Interest paid	(12)	(12)
Income taxes paid	(0)	(7)
Income taxes refund	28	—
Net cash provided by (used in) operating activities	1,348	(577)
Cash flows from investing activities		
Purchase of property, plant and equipment	(185)	(313)
Proceeds from sale of property, plant and equipment	0	—
Purchase of intangible assets	(15)	(75)
Payments of other investments	(5)	(39)
Proceeds of other investments	0	—
Net cash provided by (used in) investing activities	(205)	(429)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(500)	400
Proceeds from long-term borrowings	—	300
Repayments of long-term borrowings	(514)	(358)
Proceeds from issuance of shares	6	—
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	(1,008)	341
Effect of exchange rate change on cash and cash equivalents	44	(6)
Net increase (decrease) in cash and cash equivalents	178	(672)
Cash and cash equivalents at beginning of period	1,167	1,345
Cash and cash equivalents at end of period	1,345	673

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

In the consolidated fiscal year under review, the Group recorded a significant net loss due to the impact of a challenging external environment. In addition, as the Group is in breach of certain financial covenants under its overdraft agreement, events or conditions exist that raise significant doubt about the Group's ability to continue as a going concern. With respect to the overdraft facility, the Group has already been engaged in discussions with its financial institutions regarding its continued use.

For the fiscal year ending December 31, 2026, taking into account the challenging external environment, the Group plans to formulate a sales plan based on a careful assessment of market trends. At the same time, the Group aims to return to profitability by materializing the results of the strategies that are already being implemented.

(i) Launch of New Products Designed for a Global Customer Base

- Sailing Lantern (announced in September 2025):

Planned to be sold in more than 10 countries, including the United States, European countries, South Korea, and Japan, with shipments scheduled to commence sequentially from March 2026.

- New product (scheduled to be announced and launched in spring 2026):

Planned to be launched simultaneously in the United States, South Korea, and Japan.

(ii) Improvement of the Earnings Structure

- Improvement of the cost structure (reduction of manufacturing costs and compression of fixed expenses)

- Optimization of sales strategies by product and by region

The consolidated financial statements have been prepared on a going concern basis, and do not reflect the effects of the material uncertainty related to the going concern assumption as described above.

(Changes in Accounting Policies)

(Application of Accounting Standards for Corporate Income Taxes, Inhabitant Taxes, and Enterprise Taxes)

The Group has applied the "Accounting Standard for Corporate Income Taxes, Inhabitant Taxes, and Enterprise Taxes" (Accounting Standards Board of Japan (ASBJ) Statement No. 27, issued on October 28, 2022; hereinafter referred to as the "2022 Revised Accounting Standard"), and related standards, from the beginning of the consolidated fiscal year under review.

With respect to the revision related to the classification of income taxes (taxation on other comprehensive income), the Group has adopted the transitional treatment stipulated in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard, as well as the transitional treatment set forth in the proviso to Paragraph 65-2(2) of the "Implementation Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, issued on October 28, 2022; hereinafter referred to as the "2022 Revised Implementation Guidance"). This change in accounting policy has no impact on the consolidated financial statements.

In addition, regarding the revision related to the treatment in consolidated financial statements of gains and losses arising from the sale of shares of subsidiaries among consolidated entities, when such gains and losses are deferred for tax purposes, the Group has applied the 2022 Revised Implementation Guidance from the beginning of the consolidated fiscal year under review. This change in accounting policy has been applied retrospectively, and the consolidated financial statements for the previous consolidated fiscal year reflect the retrospective application. There is no impact on the consolidated financial statements for the previous consolidated fiscal year resulting from this change in accounting policy.

(Notes to Consolidated Statement of Income)

(Business restructuring expenses)

For the consolidated fiscal year ended December 31, 2025 (January 1, 2025 to December 31, 2025)

The Group has been working to improve the profitability of the home appliance category, as well as to enhance company-wide business efficiency and growth. In promoting the restructuring of its earnings structure, the Group recorded expenses and losses associated with this business structure improvement as business restructuring expenses under extraordinary losses. These expenses include inventory valuation losses of ¥515 million and impairment losses on non-current assets of ¥48 million.

Details of the impairment losses on non-current assets included in the business restructuring expenses are as follows:

Location	Use	Asset Type	Amount
Head Office (Musashino City, Tokyo)	Company-wide assets	Software	¥45 million
Head Office (Musashino City, Tokyo)	Assets for business use	Tools, furniture and fixtures	¥2 million

The Group performs asset grouping for assets for business use on a product group basis.

With respect to company-wide assets, the carrying amount of software for which no future use is expected was reduced to its recoverable amount. The recoverable amount of such software was measured based on value in use, which was assessed as zero, as no future cash flows are expected to be generated.

With respect to assets for business use, the carrying amounts were reduced to their recoverable amounts. The recoverable amounts of the relevant asset groups were measured based on value in use, which was calculated based on future cash flows. For assets for which no future cash flows are expected, the recoverable amount was assessed at a memorandum value of ¥1.

(Segment Information, etc.)

[Segment Information]

The Group operates a single business segment focused on home appliances. As the segment information is not material, it has been omitted.

[Related Information]

For the previous consolidated fiscal year (From January 1, 2024 to December 31, 2024)

1. Information by Product and Service

(Unit: Million yen)

	Air Conditioning	Kitchen Appliances	Other	Total
Net sales to external customers	2,112	9,527	822	12,462

2. Information by Geographic Area

(1) Net sales

(Unit: Million yen)

Japan	South Korea	North America	Other	Total
8,025	2,315	603	1,517	12,462

(Note) Net sales are classified by country or region based on the location of customers.

(2) Property, Plant and Equipment

As property, plant and equipment located in Japan account for more than 90% of the total amount of property, plant and equipment presented in the consolidated balance sheet, the disclosure has been omitted.

3. Information about Major Customers

(Unit: Million yen)

Name of Customer	Net Sales	Related Segment
THE LIMO Co., Ltd.	2,247	Home Appliance Business
Mitsuba Inc.	1,296	Home Appliance Business

For the consolidated fiscal year (From January 1, 2025 to December 31, 2025)

1. Information by Product and Service

(Unit: Million yen)

	Air Conditioning	Kitchen Appliances	Other	Total
Net sales to external customers	1,552	7,975	587	10,115

2. Information by Geographic Area

(1) Net sales

(Unit: Million yen)

Japan	South Korea	North America	Other	Total
6,767	1,832	716	798	10,115

(Note) Net sales are classified by country or region based on the location of customers.

(2) Property, Plant and Equipment

As property, plant and equipment located in Japan account for more than 90% of the total amount of property, plant and equipment presented in the consolidated balance sheet, the disclosure has been omitted.

3. Information about Major Customers

(Unit: Million yen)

Name of Customer	Net Sales	Related Segment
THE LIMO Co., Ltd.	1,832	Home Appliance Business
Mitsuba Inc.	1,166	Home Appliance Business

[Information on Impairment Losses on Non-current Assets by Reportable Segment]

For the previous consolidated fiscal year (from January 1, 2024 to December 31, 2024)

As the Group operates a single reportable segment, the disclosure has been omitted.

For the consolidated fiscal year ended December 31, 2025 (from January 1, 2025 to December 31, 2025)

As the Group operates a single reportable segment, the disclosure has been omitted.

[Information on Amortization of Goodwill and Unamortized Balance by Reportable Segment]

For the previous consolidated fiscal year (from January 1, 2024 to December 31, 2024)

There are no applicable matters to report.

For the consolidated fiscal year ended December 31, 2025 (from January 1, 2025 to December 31, 2025)

There are no applicable matters to report.

[Information on Gain on Negative Goodwill by Reportable Segment]

For the previous consolidated fiscal year (from January 1, 2024 to December 31, 2024)

There are no applicable matters to report.

For the consolidated fiscal year ended December 31, 2025 (from January 1, 2025 to December 31, 2025)

There are no applicable matters to report.

(Per Share Information)

	For the previous consolidated fiscal year ended December 31, 2024	For the consolidated fiscal year ended December 31, 2025
Net assets per share	¥513.93	¥329.86
Basic earnings (loss) per share	¥7.92	(¥187.82)
Diluted earnings per share	¥7.91	—

(Notes)

1. With respect to diluted earnings per share for the consolidated fiscal year under review, although potential shares exist, the disclosure has been omitted as the result was a net loss per share.
2. The bases for the calculation of basic earnings per share and diluted earnings per share are as follows.

Item	For the previous consolidated fiscal year ended December 31, 2024	For the consolidated fiscal year ended December 31, 2025
Basic earnings per share		
Profit (loss) attributable to owners of the parent (Million yen)	67	(1,596)
Amounts not attributable to common shareholders (Million yen)	—	—
Profit (loss) attributable to owners of the parent related to common shares (Million yen)	67	(1,596)
Average number of common shares outstanding during the period (Shares)	8,460,674	8,502,507
Diluted earnings per share		
Adjusted amount of profit attributable to owners of the parent (Million yen)	—	—
Increase in number of common shares (Shares)	19,334	—
of which: share subscription rights (Shares)	19,334	—
As the effect of potential shares is anti-dilutive, such potential shares were not included in the calculation of diluted per share.	—	—

(Revenue Recognition)

Disaggregated Information of Revenue Arising from Contracts with Customers

Although the Group operates a single business segment—the home appliance business—and segment information has been omitted due to lack of materiality, disaggregated information on revenue arising from contracts with customers is presented below.

1. Breakdown by Region

	(Millions of yen)	
	For the previous consolidated fiscal year ended December 31, 2024	For the consolidated fiscal year ended December 31, 2025
Japan	8,025	6,767
South Korea	2,315	1,832
North America	603	716
Other	1,517	798
Revenue from contracts with customers	12,462	10,115
Other revenue	—	—
Net sales to external customers	12,462	10,115

2. Breakdown by Product Category

	(Millions of yen)	
	For the previous consolidated fiscal year ended December 31, 2024	For the consolidated fiscal year ended December 31, 2025
Air conditioning	2,112	1,552
Kitchen appliance	9,527	7,975
Other	822	587
Revenue from contracts with customers	12,462	10,115
Other revenue	—	—
Net sales to external customers	12,462	10,115